

NETAPP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	July 26, 2024	April 26, 2024
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 3,017	\$ 3,252
Accounts receivable	679	1,007
Inventories	214	186
Other current assets	411	452
Total current assets	4,321	4,897
Property and equipment, net	594	604
Goodwill and purchased intangible assets, net	2,869	2,883
Other non-current assets	1,527	1,503
Total assets	<u>\$ 9,311</u>	<u>\$ 9,887</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 437	\$ 517
Accrued expenses	793	1,013
Current portion of long-term debt	1,149	400
Short-term deferred revenue and financed unearned services revenue	2,133	2,176
Total current liabilities	4,512	4,106
Long-term debt	1,244	1,992
Other long-term liabilities	590	585
Long-term deferred revenue and financed unearned services revenue	2,036	2,058
Total liabilities	8,382	8,741
Stockholders' equity	929	1,146
Total liabilities and stockholders' equity	<u>\$ 9,311</u>	<u>\$ 9,887</u>

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended	
	July 26, 2024	July 28, 2023
Net revenues:		
Product	\$ 669	\$ 590
Services	872	842
Net revenues	<u>1,541</u>	<u>1,432</u>
Cost of revenues:		
Cost of product	269	265
Cost of services	174	171
Total cost of revenues	<u>443</u>	<u>436</u>
Gross profit	<u>1,098</u>	<u>996</u>
Operating expenses:		
Sales and marketing	471	468
Research and development	252	247
General and administrative	75	74
Restructuring charges	17	26
Acquisition-related expense	1	3
Total operating expenses	<u>816</u>	<u>818</u>
Income from operations	282	178
Other income, net	17	8
Income before income taxes	299	186
Provision for income taxes	51	37
Net income	<u>\$ 248</u>	<u>\$ 149</u>
Net income per share:		
Basic	<u>\$ 1.20</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 1.17</u>	<u>\$ 0.69</u>
Shares used in net income per share calculations:		
Basic	<u>206</u>	<u>212</u>
Diluted	<u>212</u>	<u>216</u>

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended	
	July 26, 2024	July 28, 2023
Cash flows from operating activities:		
Net income	\$ 248	\$ 149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63	64
Non-cash operating lease cost	10	11
Stock-based compensation	85	87
Deferred income taxes	(17)	(6)
Other items, net	(19)	(2)
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable	335	332
Inventories	(29)	37
Accounts payable	(77)	(56)
Accrued expenses	(221)	(89)
Deferred revenue and financed unearned services revenue	(92)	(133)
Long-term taxes payable	4	1
Changes in other operating assets and liabilities, net	51	58
Net cash provided by operating activities	<u>341</u>	<u>453</u>
Cash flows from investing activities:		
Purchases of investments, net	(10)	(192)
Purchases of property and equipment	(41)	(35)
Other investing activities, net	—	(1)
Net cash used in investing activities	<u>(51)</u>	<u>(228)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock award plans	55	52
Payments for taxes related to net share settlement of stock awards	(97)	(65)
Repurchase of common stock	(400)	(400)
Dividends paid	(107)	(106)
Other financing activities, net	1	(2)
Net cash used in financing activities	<u>(548)</u>	<u>(521)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	8	—
Net change in cash, cash equivalents and restricted cash	(250)	(296)
Cash, cash equivalents and restricted cash:		
Beginning of period	1,909	2,322
End of period	<u><u>\$ 1,659</u></u>	<u><u>\$ 2,026</u></u>

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO, DPO and Inventory Turns)
(Unaudited)

Revenues by Segment

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Product	\$ 669	\$ 806	\$ 590
Support	631	623	611
Professional and Other Services	82	87	77
Hybrid Cloud Segment Net Revenues	1,382	1,516	1,278
Public Cloud Segment Net Revenues	159	152	154
Net Revenues	\$ 1,541	\$ 1,668	\$ 1,432

Gross Profit by Segment

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Product	\$ 401	\$ 494	\$ 326
Support	581	574	564
Professional and Other Services	18	20	19
Hybrid Cloud Segment Gross Profit	1,000	1,088	909
Public Cloud Segment Gross Profit	113	104	103
Total Segments Gross Profit	1,113	1,192	1,012
Amortization of Intangible Assets	(8)	(8)	(9)
Stock-based Compensation	(7)	(8)	(7)
Unallocated Cost of Revenues	(15)	(16)	(16)
Gross Profit	\$ 1,098	\$ 1,176	\$ 996

Gross Margin by Segment

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Product	59.9%	61.3%	55.3%
Support	92.1%	92.1%	92.3%
Professional and Other Services	22.0%	23.0%	24.7%
Hybrid Cloud Segment Gross Margin	72.4%	71.8%	71.1%
Public Cloud Segment Gross Margin	71.1%	68.4%	66.9%

Geographic Mix

	<u>% of Q1 FY'25 Revenue</u>	<u>% of Q4 FY'24 Revenue</u>	<u>% of Q1 FY'24 Revenue</u>
Americas	50%	51%	53%
<i>Americas Commercial</i>	39%	41%	41%
<i>U.S. Public Sector</i>	11%	10%	12%
EMEA	33%	34%	31%
Asia Pacific	17%	15%	16%

Pathways Mix

	<u>% of Q1 FY'25 Revenue</u>	<u>% of Q4 FY'24 Revenue</u>	<u>% of Q1 FY'24 Revenue</u>
Direct	22%	24%	24%
Indirect	78%	76%	76%

Non-GAAP Income from Operations, Income before Income Taxes & Effective Tax Rate

	Q1'FY25	Q4'FY24	Q1'FY24
Non-GAAP Income from Operations	\$ 399	\$ 469	\$ 309
% of Net Revenues	25.9%	28.1%	21.6%
Non-GAAP Income before Income Taxes	\$ 416	\$ 483	\$ 317
Non-GAAP Effective Tax Rate	20.7%	20.9%	21.5%

Non-GAAP Net Income

	Q1'FY25	Q4'FY24	Q1'FY24
Non-GAAP Net Income	\$ 330	\$ 382	\$ 249
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	212	212	216
Non-GAAP Net Income per Share, Diluted	\$ 1.56	\$ 1.80	\$ 1.15

Select Balance Sheet Items

	Q1'FY25	Q4'FY24	Q1'FY24
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,169	\$ 4,234	\$ 4,182
DSO (days)	40	55	41
DPO (days)	90	96	72
Inventory Turns	8	11	13

Days sales outstanding (DSO) is defined as accounts receivable divided by net revenues, multiplied by the number of days in the quarter.

Days payables outstanding (DPO) is defined as accounts payable divided by cost of revenues, multiplied by the number of days in the quarter.

Inventory turns is defined as annualized cost of revenues divided by net inventories.

Select Cash Flow Statement Items

	Q1'FY25	Q4'FY24	Q1'FY24
Net Cash Provided by Operating Activities	\$ 341	\$ 613	\$ 453
Purchases of Property and Equipment	\$ 41	\$ 46	\$ 35
Free Cash Flow	\$ 300	\$ 567	\$ 418
Free Cash Flow as % of Net Revenues	19.5%	34.0%	29.2%

Free cash flow is a non-GAAP measure and is defined as net cash provided by operating activities less purchases of property and equipment.

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF GAAP TO NON-GAAP
INCOME STATEMENT INFORMATION
(In millions, except net income per share amounts)

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
NET INCOME	\$ 248	\$ 291	\$ 149
Adjustments:			
Amortization of intangible assets	14	14	15
Stock-based compensation	85	88	87
Restructuring charges	17	—	26
Acquisition-related expense	1	1	3
Income tax effects	(35)	(12)	(31)
NON-GAAP NET INCOME	<u>\$ 330</u>	<u>\$ 382</u>	<u>\$ 249</u>
COST OF REVENUES	\$ 443	\$ 492	\$ 436
Adjustments:			
Amortization of intangible assets	(8)	(8)	(9)
Stock-based compensation	(7)	(8)	(7)
NON-GAAP COST OF REVENUES	<u>\$ 428</u>	<u>\$ 476</u>	<u>\$ 420</u>
COST OF PRODUCT REVENUES	\$ 269	\$ 314	\$ 265
Adjustments:			
Stock-based compensation	(1)	(2)	(1)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 268</u>	<u>\$ 312</u>	<u>\$ 264</u>
COST OF SERVICES REVENUES	\$ 174	\$ 178	\$ 171
Adjustments:			
Amortization of intangible assets	(8)	(8)	(9)
Stock-based compensation	(6)	(6)	(6)
NON-GAAP COST OF SERVICES REVENUES	<u>\$ 160</u>	<u>\$ 164</u>	<u>\$ 156</u>
GROSS PROFIT	\$ 1,098	\$ 1,176	\$ 996
Adjustments:			
Amortization of intangible assets	8	8	9
Stock-based compensation	7	8	7
NON-GAAP GROSS PROFIT	<u>\$ 1,113</u>	<u>\$ 1,192</u>	<u>\$ 1,012</u>

NETAPP, INC.
RECONCILIATION OF GAAP TO NON-GAAP
INCOME STATEMENT INFORMATION
(In millions, except net income per share amounts)

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
SALES AND MARKETING EXPENSES	\$ 471	\$ 460	\$ 468
Adjustments:			
Amortization of intangible assets	(6)	(6)	(6)
Stock-based compensation	(35)	(34)	(36)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 430</u>	<u>\$ 420</u>	<u>\$ 426</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 252	\$ 271	\$ 247
Adjustments:			
Stock-based compensation	(31)	(33)	(32)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 221</u>	<u>\$ 238</u>	<u>\$ 215</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 75	\$ 78	\$ 74
Adjustments:			
Stock-based compensation	(12)	(13)	(12)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 63</u>	<u>\$ 65</u>	<u>\$ 62</u>
RESTRUCTURING CHARGES	\$ 17	\$ —	\$ 26
Adjustments:			
Restructuring charges	(17)	—	(26)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ 1	\$ 1	\$ 3
Adjustments:			
Acquisition-related expense	(1)	(1)	(3)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 816	\$ 810	\$ 818
Adjustments:			
Amortization of intangible assets	(6)	(6)	(6)
Stock-based compensation	(78)	(80)	(80)
Restructuring charges	(17)	—	(26)
Acquisition-related expense	(1)	(1)	(3)
NON-GAAP OPERATING EXPENSES	<u>\$ 714</u>	<u>\$ 723</u>	<u>\$ 703</u>

NETAPP, INC.
RECONCILIATION OF GAAP TO NON-GAAP
INCOME STATEMENT INFORMATION
(In millions, except net income per share amounts)

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
INCOME FROM OPERATIONS	\$ 282	\$ 366	\$ 178
Adjustments:			
Amortization of intangible assets	14	14	15
Stock-based compensation	85	88	87
Restructuring charges	17	—	26
Acquisition-related expense	1	1	3
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 399</u>	<u>\$ 469</u>	<u>\$ 309</u>
INCOME BEFORE INCOME TAXES	\$ 299	\$ 380	\$ 186
Adjustments:			
Amortization of intangible assets	14	14	15
Stock-based compensation	85	88	87
Restructuring charges	17	—	26
Acquisition-related expense	1	1	3
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 416</u>	<u>\$ 483</u>	<u>\$ 317</u>
PROVISION FOR INCOME TAXES	\$ 51	\$ 89	\$ 37
Adjustments:			
Income tax effects	35	12	31
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 86</u>	<u>\$ 101</u>	<u>\$ 68</u>
NET INCOME PER SHARE	\$ 1.17	\$ 1.37	\$ 0.69
Adjustments:			
Amortization of intangible assets	0.07	0.07	0.07
Stock-based compensation	0.40	0.42	0.40
Restructuring charges	0.08	—	0.12
Acquisition-related expense	—	—	0.01
Income tax effects	(0.17)	(0.06)	(0.14)
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.56</u>	<u>\$ 1.80</u>	<u>\$ 1.15</u>

RECONCILIATION OF GAAP TO NON-GAAP
GROSS MARGIN
(\$ in millions)

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Gross margin-GAAP	71.3%	70.5%	69.6%
Cost of revenues adjustments	0.9%	1.0%	1.1%
Gross margin-Non-GAAP	72.2%	71.5%	70.7%
GAAP cost of revenues	\$ 443	\$ 492	\$ 436
Cost of revenues adjustments:			
Amortization of intangible assets	(8)	(8)	(9)
Stock-based compensation	(7)	(8)	(7)
Non-GAAP cost of revenues	<u>\$ 428</u>	<u>\$ 476</u>	<u>\$ 420</u>
Net revenues	\$ 1,541	\$ 1,668	\$ 1,432

**RECONCILIATION OF GAAP TO NON-GAAP
PRODUCT GROSS MARGIN
(\$ in millions)**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Product gross margin-GAAP	59.8%	61.0%	55.1%
Cost of product revenues adjustments	0.1%	0.3%	0.2%
Product gross margin-Non-GAAP	59.9%	61.3%	55.3%
GAAP cost of product revenues	\$ 269	\$ 314	\$ 265
Cost of product revenues adjustments:			
Stock-based compensation	(1)	(2)	(1)
Non-GAAP cost of product revenues	\$ 268	\$ 312	\$ 264
Product revenues	\$ 669	\$ 806	\$ 590

**RECONCILIATION OF GAAP TO NON-GAAP
SERVICES GROSS MARGIN
(\$ in millions)**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Services gross margin-GAAP	80.0%	79.4%	79.7%
Cost of services revenues adjustments	1.7%	1.6%	1.8%
Services gross margin-Non-GAAP	81.7%	81.0%	81.5%
GAAP cost of services revenues	\$ 174	\$ 178	\$ 171
Cost of services revenues adjustments:			
Amortization of intangible assets	(8)	(8)	(9)
Stock-based compensation	(6)	(6)	(6)
Non-GAAP cost of services revenues	\$ 160	\$ 164	\$ 156
Services revenues	\$ 872	\$ 862	\$ 842

**RECONCILIATION OF GAAP TO NON-GAAP
OPERATING MARGIN
(\$ in millions)**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Operating margin-GAAP	18.3%	21.9%	12.4%
Adjustments:	7.6%	6.2%	9.1%
Operating margin-Non-GAAP	25.9%	28.1%	21.6%
GAAP income from operations	\$ 282	\$ 366	\$ 178
Income from operations adjustments:			
Amortization of intangible assets	14	14	15
Stock-based compensation	85	88	87
Restructuring charges	17	—	26
Acquisition-related expense	1	1	3
Non-GAAP income from operations	<u>\$ 399</u>	<u>\$ 469</u>	<u>\$ 309</u>
Net revenues	\$ 1,541	\$ 1,668	\$ 1,432

**RECONCILIATION OF GAAP TO NON-GAAP
EFFECTIVE TAX RATE**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
GAAP effective tax rate	17.1%	23.4%	19.9%
Adjustments:			
Income tax effects	3.6%	(2.5)%	1.6%
Non-GAAP effective tax rate	20.7%	20.9%	21.5%

**RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES
TO FREE CASH FLOW (NON-GAAP)
(In millions)**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Net cash provided by operating activities	\$ 341	\$ 613	\$ 453
Purchases of property and equipment	(41)	(46)	(35)
Free cash flow	<u>\$ 300</u>	<u>\$ 567</u>	<u>\$ 418</u>

**RECONCILIATION OF NET REVENUES
TO BILLINGS (NON-GAAP)
(In millions)**

	<u>Q1'FY25</u>	<u>Q4'FY24</u>	<u>Q1'FY24</u>
Net revenues	\$ 1,541	\$ 1,668	\$ 1,432
Change in deferred revenue and financed unearned services revenue*	(92)	146	(133)
Billings	<u>\$ 1,449</u>	<u>\$ 1,814</u>	<u>\$ 1,299</u>

* As reported on our Condensed Consolidated Statements of Cash Flows

NETAPP, INC.
RECONCILIATION OF GAAP GUIDANCE TO NON-GAAP
EXPRESSED AS EARNINGS PER SHARE
SECOND QUARTER FISCAL 2025

	Second Quarter Fiscal 2025
GAAP Guidance - Net Income Per Share	\$1.27 - \$1.37
Adjustments of Specific Items to Net Income	
Per Share for the Second Quarter Fiscal 2025:	
Amortization of intangible assets	\$0.07
Stock-based compensation expense	\$0.48
Income tax effects	(\$0.09)
Total Adjustments	\$0.46
Non-GAAP Guidance - Net Income Per Share	\$1.73 - \$1.83

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF GAAP GUIDANCE TO NON-GAAP
Fiscal 2025

	Fiscal 2025
Gross Margin - GAAP Guidance	70% - 71%
Adjustment:	
Cost of revenues adjustments	1%
Gross Margin - Non-GAAP Guidance	71% - 72%
Operating Margin - GAAP Guidance	20% - 21%
Adjustments:	
Amortization of intangible assets	1%
Stock-based compensation expense	6%
Operating Margin - Non-GAAP Guidance	27% - 28%

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF GAAP GUIDANCE TO NON-GAAP
EXPRESSED AS EARNINGS PER SHARE
Fiscal 2025

	Fiscal 2025
GAAP Guidance - Net Income Per Share	\$5.17 - \$5.37
Adjustments of Specific Items to Net Income	
Per Share for Fiscal 2025:	
Amortization of intangible assets	\$0.26
Stock-based compensation expense	\$1.86
Restructuring charges	\$0.08
Acquisition-related expenses	\$0.01
Income tax effects	(\$0.38)
Total Adjustments	\$1.83
Non-GAAP Guidance - Net Income Per Share	\$7.00 - \$7.20

Some items may not add or recalculate due to rounding.

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