

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

	October 25, 2024	April 26, 2024
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 2,222	\$ 3,252
Accounts receivable	873	1,007
Inventories	317	186
Other current assets	527	452
Total current assets	3,939	4,897
Property and equipment, net	593	604
Goodwill and purchased intangible assets, net	2,855	2,883
Other non-current assets	1,617	1,503
Total assets	<u>\$ 9,004</u>	<u>\$ 9,887</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 554	\$ 517
Accrued expenses	969	1,013
Current portion of long-term debt	749	400
Short-term deferred revenue and financed unearned services revenue	2,045	2,176
Total current liabilities	4,317	4,106
Long-term debt	1,244	1,992
Other long-term liabilities	496	585
Long-term deferred revenue and financed unearned services revenue	2,055	2,058
Total liabilities	8,112	8,741
Stockholders' equity	892	1,146
Total liabilities and stockholders' equity	<u>\$ 9,004</u>	<u>\$ 9,887</u>

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

	Three Months Ended		Six Months Ended	
	October 25, 2024	October 27, 2023	October 25, 2024	October 27, 2023
Net revenues:				
Product	\$ 768	\$ 706	\$ 1,437	\$ 1,296
Services	890	856	1,762	1,698
Net revenues	<u>1,658</u>	<u>1,562</u>	<u>3,199</u>	<u>2,994</u>
Cost of revenues:				
Cost of product	307	276	576	541
Cost of services	174	176	348	347
Total cost of revenues	<u>481</u>	<u>452</u>	<u>924</u>	<u>888</u>
Gross profit	<u>1,177</u>	<u>1,110</u>	<u>2,275</u>	<u>2,106</u>
Operating expenses:				
Sales and marketing	485	461	956	929
Research and development	257	262	509	509
General and administrative	77	75	152	149
Restructuring charges	12	5	29	31
Acquisition-related expense	1	3	2	6
Total operating expenses	<u>832</u>	<u>806</u>	<u>1,648</u>	<u>1,624</u>
Income from operations	345	304	627	482
Other income, net	15	11	32	19
Income before income taxes	360	315	659	501
Provision for income taxes	61	82	112	119
Net income	<u>\$ 299</u>	<u>\$ 233</u>	<u>\$ 547</u>	<u>\$ 382</u>
Net income per share:				
Basic	<u>\$ 1.47</u>	<u>\$ 1.12</u>	<u>\$ 2.67</u>	<u>\$ 1.82</u>
Diluted	<u>\$ 1.42</u>	<u>\$ 1.10</u>	<u>\$ 2.59</u>	<u>\$ 1.79</u>
Shares used in net income per share calculations:				
Basic	<u>204</u>	<u>208</u>	<u>205</u>	<u>210</u>
Diluted	<u>210</u>	<u>211</u>	<u>211</u>	<u>214</u>

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

	Three Months Ended		Six Months Ended	
	October 25, 2024	October 27, 2023	October 25, 2024	October 27, 2023
Cash flows from operating activities:				
Net income	\$ 299	\$ 233	\$ 547	\$ 382
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	63	64	126	128
Non-cash operating lease cost	11	12	21	23
Stock-based compensation	103	93	188	180
Deferred income taxes	(52)	(7)	(69)	(13)
Other items, net	54	(25)	35	(27)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(197)	(147)	138	185
Inventories	(103)	9	(132)	46
Accounts payable	113	70	36	14
Accrued expenses	137	137	(84)	48
Deferred revenue and financed unearned services revenue	(72)	(108)	(164)	(241)
Long-term taxes payable	(95)	(111)	(91)	(110)
Changes in other operating assets and liabilities, net	(156)	(85)	(105)	(27)
Net cash provided by operating activities	105	135	446	588
Cash flows from investing activities:				
Redemptions of investments, net	607	264	597	72
Purchases of property and equipment	(45)	(38)	(86)	(73)
Other investing activities, net	2	1	2	—
Net cash provided by (used in) investing activities	564	227	513	(1)
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	(35)	(20)	(132)	(85)
Repurchase of common stock	(300)	(300)	(700)	(700)
Repayments and extinguishment of debt	(400)	—	(400)	—
Dividends paid	(106)	(103)	(213)	(209)
Other financing activities, net	(1)	2	—	—
Net cash used in financing activities	(842)	(421)	(1,390)	(942)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	(26)	9	(26)
Net change in cash, cash equivalents and restricted cash	(172)	(85)	(422)	(381)
Cash, cash equivalents and restricted cash:				
Beginning of period	1,659	2,026	1,909	2,322
End of period	<u>\$ 1,487</u>	<u>\$ 1,941</u>	<u>\$ 1,487</u>	<u>\$ 1,941</u>

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

Revenues by Segment

	Q2'FY25	Q1'FY25	Q2'FY24
Product	\$ 768	\$ 669	\$ 706
Support	635	631	623
Professional and Other Services	87	82	79
Hybrid Cloud Segment Net Revenues	1,490	1,382	1,408
Public Cloud Segment Net Revenues	168	159	154
Net Revenues	\$ 1,658	\$ 1,541	\$ 1,562

Gross Profit by Segment

	Q2'FY25	Q1'FY25	Q2'FY24
Product	\$ 463	\$ 401	\$ 431
Support	584	581	573
Professional and Other Services	23	18	19
Hybrid Cloud Segment Gross Profit	1,070	1,000	1,023
Public Cloud Segment Gross Profit	124	113	102
Total Segments Gross Profit	1,194	1,113	1,125
Amortization of Intangible Assets	(9)	(8)	(8)
Stock-based Compensation	(8)	(7)	(7)
Unallocated Cost of Revenues	(17)	(15)	(15)
Gross Profit	\$ 1,177	\$ 1,098	\$ 1,110

Gross Margin by Segment

	Q2'FY25	Q1'FY25	Q2'FY24
Product	60.3%	59.9%	61.0%
Support	92.0%	92.1%	92.0%
Professional and Other Services	26.4%	22.0%	24.1%
Hybrid Cloud Segment Gross Margin	71.8%	72.4%	72.7%
Public Cloud Segment Gross Margin	73.8%	71.1%	66.2%

Geographic Mix

	% of Q2 FY'25 Revenue	% of Q1 FY'25 Revenue	% of Q2 FY'24 Revenue
Americas	52%	50%	50%
<i>Americas Commercial</i>	38%	39%	37%
<i>U.S. Public Sector</i>	14%	11%	13%
EMEA	33%	33%	34%
Asia Pacific	15%	17%	16%

Pathways Mix

	% of Q2 FY'25 Revenue	% of Q1 FY'25 Revenue	% of Q2 FY'24 Revenue
Direct	23%	22%	23%
Indirect	77%	78%	77%

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

	Q2'FY25	Q1'FY25	Q2'FY24
Non-GAAP Income from Operations	\$ 475	\$ 399	\$ 419
% of Net Revenues	28.6%	25.9%	26.8%
Non-GAAP Income before Income Taxes	\$ 493	\$ 416	\$ 425
Non-GAAP Effective Tax Rate	20.5%	20.7%	21.4%

Non-GAAP Net Income

	Q2'FY25	Q1'FY25	Q2'FY24
Non-GAAP Net Income	\$ 392	\$ 330	\$ 334
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	210	212	211
Non-GAAP Net Income per Share, Diluted	\$ 1.87	\$ 1.56	\$ 1.58

Select Balance Sheet Items

	Q2'FY25	Q1'FY25	Q2'FY24
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,100	\$ 4,169	\$ 4,002
DSO (days)	48	40	46
DPO (days)	105	90	83
Inventory Turns	6	8	15

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

	Q2'FY25	Q1'FY25	Q2'FY24
Net Cash Provided by Operating Activities	\$ 105	\$ 341	\$ 135
Purchases of Property and Equipment	\$ 45	\$ 41	\$ 38
Free Cash Flow	\$ 60	\$ 300	\$ 97
Free Cash Flow as % of Net Revenues	3.6%	19.5%	6.2%

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)

	Q2'FY25	Q1'FY25	Q2'FY24
NET INCOME	\$ 299	\$ 248	\$ 233
Adjustments:			
Amortization of intangible assets	14	14	14
Stock-based compensation	103	85	93
Restructuring charges	12	17	5
Acquisition-related expense	1	1	3
Gains/losses on the sale or derecognition of assets	3	—	—
Litigation settlements	—	—	(5)
Income tax effects	(40)	(35)	(9)
NON-GAAP NET INCOME	<u>\$ 392</u>	<u>\$ 330</u>	<u>\$ 334</u>
COST OF REVENUES	\$ 481	\$ 443	\$ 452
Adjustments:			
Amortization of intangible assets	(9)	(8)	(8)
Stock-based compensation	(8)	(7)	(7)
NON-GAAP COST OF REVENUES	<u>\$ 464</u>	<u>\$ 428</u>	<u>\$ 437</u>
COST OF PRODUCT REVENUES	\$ 307	\$ 269	\$ 276
Adjustments:			
Stock-based compensation	(2)	(1)	(1)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 305</u>	<u>\$ 268</u>	<u>\$ 275</u>
COST OF SERVICES REVENUES	\$ 174	\$ 174	\$ 176
Adjustments:			
Amortization of intangible assets	(9)	(8)	(8)
Stock-based compensation	(6)	(6)	(6)
NON-GAAP COST OF SERVICES REVENUES	<u>\$ 159</u>	<u>\$ 160</u>	<u>\$ 162</u>
GROSS PROFIT	\$ 1,177	\$ 1,098	\$ 1,110
Adjustments:			
Amortization of intangible assets	9	8	8
Stock-based compensation	8	7	7
NON-GAAP GROSS PROFIT	<u>\$ 1,194</u>	<u>\$ 1,113</u>	<u>\$ 1,125</u>

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
SALES AND MARKETING EXPENSES	\$ 485	\$ 471	\$ 461
Adjustments:			
Amortization of intangible assets	(5)	(6)	(6)
Stock-based compensation	(43)	(35)	(37)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 437</u>	<u>\$ 430</u>	<u>\$ 418</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 257	\$ 252	\$ 262
Adjustments:			
Stock-based compensation	(37)	(31)	(35)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 220</u>	<u>\$ 221</u>	<u>\$ 227</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 77	\$ 75	\$ 75
Adjustments:			
Stock-based compensation	(15)	(12)	(14)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 62</u>	<u>\$ 63</u>	<u>\$ 61</u>
RESTRUCTURING CHARGES	\$ 12	\$ 17	\$ 5
Adjustments:			
Restructuring charges	(12)	(17)	(5)
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	\$ 832	\$ 816	\$ 806
Adjustments:			
Amortization of intangible assets	(5)	(6)	(6)
Stock-based compensation	(95)	(78)	(86)
Restructuring charges	(12)	(17)	(5)
Acquisition-related expense	(1)	(1)	(3)
NON-GAAP OPERATING EXPENSES	<u>\$ 719</u>	<u>\$ 714</u>	<u>\$ 706</u>

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
INCOME FROM OPERATIONS	\$ 345	\$ 282	\$ 304
Adjustments:			
Amortization of intangible assets	14	14	14
Stock-based compensation	103	85	93
Restructuring charges	12	17	5
Acquisition-related expense	1	1	3
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 475</u>	<u>\$ 399</u>	<u>\$ 419</u>
OTHER INCOME, NET	\$ 15	\$ 17	\$ 11
Adjustments:			
Gains/losses on the sale or derecognition of assets	3	—	—
Litigation settlements	—	—	(5)
NON-GAAP OTHER INCOME, NET	<u>\$ 18</u>	<u>\$ 17</u>	<u>\$ 6</u>
INCOME BEFORE INCOME TAXES	\$ 360	\$ 299	\$ 315
Adjustments:			
Amortization of intangible assets	14	14	14
Stock-based compensation	103	85	93
Restructuring charges	12	17	5
Acquisition-related expense	1	1	3
Litigation settlements	—	—	(5)
Gains/losses on the sale or derecognition of assets	3	—	—
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 493</u>	<u>\$ 416</u>	<u>\$ 425</u>
PROVISION FOR INCOME TAXES	\$ 61	\$ 51	\$ 82
Adjustments:			
Income tax effects	40	35	9
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 101</u>	<u>\$ 86</u>	<u>\$ 91</u>
NET INCOME PER SHARE	\$ 1.42	\$ 1.17	\$ 1.10
Adjustments:			
Amortization of intangible assets	0.07	0.07	0.07
Stock-based compensation	0.49	0.40	0.44
Restructuring charges	0.06	0.08	0.02
Acquisition-related expense	—	—	0.01
Gains/losses on the sale or derecognition of assets	0.01	—	—
Litigation settlements	—	—	(0.02)
Income tax effects	(0.19)	(0.17)	(0.04)
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.87</u>	<u>\$ 1.56</u>	<u>\$ 1.58</u>

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Gross margin-GAAP	71.0%	71.3%	71.1%
Cost of revenues adjustments	1.0%	0.9%	1.0%
Gross margin-Non-GAAP	72.0%	72.2%	72.0%
GAAP cost of revenues	\$ 481	\$ 443	\$ 452
Cost of revenues adjustments:			
Amortization of intangible assets	(9)	(8)	(8)
Stock-based compensation	(8)	(7)	(7)
Non-GAAP cost of revenues	<u>\$ 464</u>	<u>\$ 428</u>	<u>\$ 437</u>
Net revenues	\$ 1,658	\$ 1,541	\$ 1,562

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Product gross margin-GAAP	60.0%	59.8%	60.9%
Cost of product revenues adjustments	0.3%	0.1%	0.1%
Product gross margin-Non-GAAP	60.3%	59.9%	61.0%
GAAP cost of product revenues	\$ 307	\$ 269	\$ 276
Cost of product revenues adjustments:			
Stock-based compensation	(2)	(1)	(1)
Non-GAAP cost of product revenues	<u>\$ 305</u>	<u>\$ 268</u>	<u>\$ 275</u>
Product revenues	\$ 768	\$ 669	\$ 706

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Services gross margin-GAAP	80.4%	80.0%	79.4%
Cost of services revenues adjustments	1.7%	1.7%	1.6%
Services gross margin-Non-GAAP	82.1%	81.7%	81.1%
GAAP cost of services revenues	\$ 174	\$ 174	\$ 176
Cost of services revenues adjustments:			
Amortization of intangible assets	(9)	(8)	(8)
Stock-based compensation	(6)	(6)	(6)
Non-GAAP cost of services revenues	<u>\$ 159</u>	<u>\$ 160</u>	<u>\$ 162</u>
Services revenues	\$ 890	\$ 872	\$ 856

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Operating margin-GAAP	20.8%	18.3%	19.5%
Adjustments:	7.8%	7.6%	7.4%
Operating margin-Non-GAAP	28.6%	25.9%	26.8%
GAAP income from operations	\$ 345	\$ 282	\$ 304
Income from operations adjustments:			
Amortization of intangible assets	14	14	14
Stock-based compensation	103	85	93
Restructuring charges	12	17	5
Acquisition-related expense	1	1	3
Non-GAAP income from operations	<u>\$ 475</u>	<u>\$ 399</u>	<u>\$ 419</u>
Net revenues	\$ 1,658	\$ 1,541	\$ 1,562

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
GAAP effective tax rate	16.9%	17.1%	26.0%
Adjustments:			
Income tax effects	3.6%	3.6%	(4.6)%
Non-GAAP effective tax rate	20.5%	20.7%	21.4%

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Net cash provided by operating activities	\$ 105	\$ 341	\$ 135
Purchases of property and equipment	(45)	(41)	(38)
Free cash flow	<u>\$ 60</u>	<u>\$ 300</u>	<u>\$ 97</u>

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

	<u>Q2'FY25</u>	<u>Q1'FY25</u>	<u>Q2'FY24</u>
Net revenues	\$ 1,658	\$ 1,541	\$ 1,562
Change in deferred revenue and financed unearned services revenue*	(72)	(92)	(108)
Billings	<u>\$ 1,586</u>	<u>\$ 1,449</u>	<u>\$ 1,454</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
THIRD QUARTER FISCAL 2025

	Third Quarter Fiscal 2025
GAAP Guidance - Net Income Per Share	\$1.41 - \$1.51
Adjustments of Specific Items to Net Income	
Per Share for the Third Quarter Fiscal 2025:	
Amortization of intangible assets	\$0.07
Stock-based compensation expense	\$0.48
Income tax effects	(\$0.11)
Total Adjustments	\$0.44
Non-GAAP Guidance - Net Income Per Share	\$1.85 - \$1.95

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	21% - 21.5%
Adjustments:	
Amortization of intangible assets	1%
Stock-based compensation expense	6%
Operating Margin - Non-GAAP Guidance	28% - 28.5%

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	\$5.48 - \$5.68
Adjustments of Specific Items to Net Income	
Per Share for Fiscal 2025:	
Amortization of intangible assets	\$0.26
Stock-based compensation expense	\$1.87
Restructuring charges	\$0.14
Acquisition-related expenses	\$0.01
Gains/losses on the sale or derecognition of assets	\$0.01
Income tax effects	(\$0.57)
Total Adjustments	\$1.72
Non-GAAP Guidance - Net Income Per Share	\$7.20 - \$7.40

Some items may not add or recalculate due to rounding.

Contacts:

(Press)
Kenya Hayes
1 703 589 7595
kenya.hayes@netapp.com

(Investors)
Kris Newton
1 408 822 3312
kris.newton@netapp.com