

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

	January 24, 2025	April 26, 2024
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 2,261	\$ 3,252
Accounts receivable	898	1,007
Inventories	268	186
Other current assets	481	452
Total current assets	3,908	4,897
Property and equipment, net	567	604
Goodwill and purchased intangible assets, net	2,772	2,883
Other non-current assets	1,742	1,503
Total assets	<u>\$ 8,989</u>	<u>\$ 9,887</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 434	\$ 517
Accrued expenses	941	1,013
Current portion of long-term debt	750	400
Short-term deferred revenue and financed unearned services revenue	2,070	2,176
Total current liabilities	4,195	4,106
Long-term debt	1,244	1,992
Other long-term liabilities	503	585
Long-term deferred revenue and financed unearned services revenue	2,052	2,058
Total liabilities	7,994	8,741
Stockholders' equity	995	1,146
Total liabilities and stockholders' equity	<u>\$ 8,989</u>	<u>\$ 9,887</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2025	January 26, 2024	January 24, 2025	January 26, 2024
Net revenues:				
Product	\$ 758	\$ 747	\$ 2,195	\$ 2,043
Services	883	859	2,645	2,557
Net revenues	<u>1,641</u>	<u>1,606</u>	<u>4,840</u>	<u>4,600</u>
Cost of revenues:				
Cost of product	330	282	906	823
Cost of services	166	173	514	520
Total cost of revenues	<u>496</u>	<u>455</u>	<u>1,420</u>	<u>1,343</u>
Gross profit	<u>1,145</u>	<u>1,151</u>	<u>3,420</u>	<u>3,257</u>
Operating expenses:				
Sales and marketing	451	439	1,407	1,368
Research and development	247	249	756	758
General and administrative	74	81	226	230
Restructuring charges	9	13	38	44
Acquisition-related expense	2	3	4	9
Total operating expenses	<u>783</u>	<u>785</u>	<u>2,431</u>	<u>2,409</u>
Income from operations	362	366	989	848
Other income, net	8	16	40	35
Income before income taxes	370	382	1,029	883
Provision for income taxes	71	69	183	188
Net income	<u>\$ 299</u>	<u>\$ 313</u>	<u>\$ 846</u>	<u>\$ 695</u>
Net income per share:				
Basic	<u>\$ 1.47</u>	<u>\$ 1.52</u>	<u>\$ 4.13</u>	<u>\$ 3.33</u>
Diluted	<u>\$ 1.44</u>	<u>\$ 1.48</u>	<u>\$ 4.03</u>	<u>\$ 3.26</u>
Shares used in net income per share calculations:				
Basic	<u>204</u>	<u>206</u>	<u>205</u>	<u>209</u>
Diluted	<u>208</u>	<u>211</u>	<u>210</u>	<u>213</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2025	January 26, 2024	January 24, 2025	January 26, 2024
Cash flows from operating activities:				
Net income	\$ 299	\$ 313	\$ 846	\$ 695
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	64	63	190	191
Non-cash operating lease cost	10	11	31	34
Stock-based compensation	103	89	291	269
Deferred income taxes	(41)	11	(110)	(2)
Other items, net	(60)	31	(25)	4
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(34)	10	104	195
Inventories	50	(9)	(82)	37
Accounts payable	(113)	(11)	(77)	3
Accrued expenses	(10)	(64)	(94)	(16)
Deferred revenue and financed unearned services revenue	72	81	(92)	(160)
Long-term taxes payable	7	3	(84)	(107)
Changes in other operating assets and liabilities, net	38	(44)	(67)	(71)
Net cash provided by operating activities	385	484	831	1,072
Cash flows from investing activities:				
Redemptions (purchases) of investments, net	(7)	(401)	590	(329)
Purchases of property and equipment	(47)	(36)	(133)	(109)
Other investing activities, net	1	—	3	—
Net cash (used in) provided by investing activities	(53)	(437)	460	(438)
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock award plans	53	48	108	100
Payments for taxes related to net share settlement of stock awards	(36)	(23)	(168)	(108)
Repurchase of common stock	(200)	(100)	(900)	(800)
Repayments and extinguishment of debt	—	—	(400)	—
Dividends paid	(106)	(103)	(319)	(312)
Net cash used in financing activities	(289)	(178)	(1,679)	(1,120)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(12)	16	(3)	(10)
Net change in cash, cash equivalents and restricted cash	31	(115)	(391)	(496)
Cash, cash equivalents and restricted cash:				
Beginning of period	1,487	1,941	1,909	2,322
End of period	\$ 1,518	\$ 1,826	\$ 1,518	\$ 1,826

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

Revenues by Segment

	Q3'FY25	Q2'FY25	Q3'FY24
Product	\$ 758	\$ 768	\$ 747
Support	621	635	631
Professional and Other Services	88	87	77
Hybrid Cloud Segment Net Revenues	1,467	1,490	1,455
Public Cloud Segment Net Revenues	174	168	151
Net Revenues	\$ 1,641	\$ 1,658	\$ 1,606

Gross Profit by Segment

	Q3'FY25	Q2'FY25	Q3'FY24
Product	\$ 430	\$ 463	\$ 467
Support	573	584	582
Professional and Other Services	25	23	19
Hybrid Cloud Segment Gross Profit	1,028	1,070	1,068
Public Cloud Segment Gross Profit	133	124	99
Total Segments Gross Profit	1,161	1,194	1,167
Amortization of Intangible Assets	(8)	(9)	(9)
Stock-based Compensation	(8)	(8)	(7)
Unallocated Cost of Revenues	(16)	(17)	(16)
Gross Profit	\$ 1,145	\$ 1,177	\$ 1,151

Gross Margin by Segment

	Q3'FY25	Q2'FY25	Q3'FY24
Product	56.7%	60.3%	62.5%
Support	92.3%	92.0%	92.2%
Professional and Other Services	28.4%	26.4%	24.7%
Hybrid Cloud Segment Gross Margin	70.1%	71.8%	73.4%
Public Cloud Segment Gross Margin	76.4%	73.8%	65.6%

Geographic Mix

	% of Q3 FY'25 Revenue	% of Q2 FY'25 Revenue	% of Q3 FY'24 Revenue
Americas	51%	52%	50%
<i>Americas Commercial</i>	41%	38%	41%
<i>U.S. Public Sector</i>	10%	14%	9%
EMEA	34%	33%	35%
Asia Pacific	15%	15%	15%

Pathways Mix

	% of Q3 FY'25 Revenue	% of Q2 FY'25 Revenue	% of Q3 FY'24 Revenue
Direct	21%	23%	26%
Indirect	79%	77%	74%

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Non-GAAP Income from Operations	\$ 492	\$ 475	\$ 485
% of Net Revenues	30.0%	28.6%	30.2%
Non-GAAP Income before Income Taxes	\$ 500	\$ 493	\$ 501
Non-GAAP Effective Tax Rate	20.6%	20.5%	18.2%

Non-GAAP Net Income

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Non-GAAP Net Income	\$ 397	\$ 392	\$ 410
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	208	210	211
Non-GAAP Net Income per Share, Diluted	\$ 1.91	\$ 1.87	\$ 1.94

Select Balance Sheet Items

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,122	\$ 4,100	\$ 4,127
DSO (days)	50	48	45
DPO (days)	80	105	79
Inventory Turns	7	6	14

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Net Cash Provided by Operating Activities	\$ 385	\$ 105	\$ 484
Purchases of Property and Equipment	\$ 47	\$ 45	\$ 36
Free Cash Flow	\$ 338	\$ 60	\$ 448
Free Cash Flow as % of Net Revenues	20.6%	3.6%	27.9%

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)

	Q3'FY25	Q2'FY25	Q3'FY24
NET INCOME	\$ 299	\$ 299	\$ 313
Adjustments:			
Amortization of intangible assets	13	14	14
Stock-based compensation	103	103	89
Restructuring charges	9	12	13
Acquisition-related expense	2	1	3
Gains/losses on the sale or derecognition of assets	3	3	—
Income tax effects	(32)	(40)	(22)
NON-GAAP NET INCOME	<u>\$ 397</u>	<u>\$ 392</u>	<u>\$ 410</u>
COST OF REVENUES	\$ 496	\$ 481	\$ 455
Adjustments:			
Amortization of intangible assets	(8)	(9)	(9)
Stock-based compensation	(8)	(8)	(7)
NON-GAAP COST OF REVENUES	<u>\$ 480</u>	<u>\$ 464</u>	<u>\$ 439</u>
COST OF PRODUCT REVENUES	\$ 330	\$ 307	\$ 282
Adjustments:			
Stock-based compensation	(2)	(2)	(2)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 328</u>	<u>\$ 305</u>	<u>\$ 280</u>
COST OF SERVICES REVENUES	\$ 166	\$ 174	\$ 173
Adjustments:			
Amortization of intangible assets	(8)	(9)	(9)
Stock-based compensation	(6)	(6)	(5)
NON-GAAP COST OF SERVICES REVENUES	<u>\$ 152</u>	<u>\$ 159</u>	<u>\$ 159</u>
GROSS PROFIT	\$ 1,145	\$ 1,177	\$ 1,151
Adjustments:			
Amortization of intangible assets	8	9	9
Stock-based compensation	8	8	7
NON-GAAP GROSS PROFIT	<u>\$ 1,161</u>	<u>\$ 1,194</u>	<u>\$ 1,167</u>

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
SALES AND MARKETING EXPENSES	\$ 451	\$ 485	\$ 439
Adjustments:			
Amortization of intangible assets	(5)	(5)	(5)
Stock-based compensation	(44)	(43)	(36)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 402</u>	<u>\$ 437</u>	<u>\$ 398</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 247	\$ 257	\$ 249
Adjustments:			
Stock-based compensation	(36)	(37)	(32)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 211</u>	<u>\$ 220</u>	<u>\$ 217</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 74	\$ 77	\$ 81
Adjustments:			
Stock-based compensation	(15)	(15)	(14)
Gains/losses on the sale or derecognition of assets	(3)	—	—
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 56</u>	<u>\$ 62</u>	<u>\$ 67</u>
RESTRUCTURING CHARGES	\$ 9	\$ 12	\$ 13
Adjustments:			
Restructuring charges	(9)	(12)	(13)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ 2	\$ 1	\$ 3
Adjustments:			
Acquisition-related expense	(2)	(1)	(3)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 783	\$ 832	\$ 785
Adjustments:			
Amortization of intangible assets	(5)	(5)	(5)
Stock-based compensation	(95)	(95)	(82)
Restructuring charges	(9)	(12)	(13)
Acquisition-related expense	(2)	(1)	(3)
Gains/losses on the sale or derecognition of assets	(3)	—	—
NON-GAAP OPERATING EXPENSES	<u>\$ 669</u>	<u>\$ 719</u>	<u>\$ 682</u>

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

	Q3'FY25	Q2'FY25	Q3'FY24
INCOME FROM OPERATIONS	\$ 362	\$ 345	\$ 366
Adjustments:			
Amortization of intangible assets	13	14	14
Stock-based compensation	103	103	89
Restructuring charges	9	12	13
Acquisition-related expense	2	1	3
Gains/losses on the sale or derecognition of assets	3	—	—
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 492</u>	<u>\$ 475</u>	<u>\$ 485</u>
OTHER INCOME, NET	\$ 8	\$ 15	\$ 16
Adjustments:			
Gains/losses on the sale or derecognition of assets	—	3	—
NON-GAAP OTHER INCOME, NET	<u>\$ 8</u>	<u>\$ 18</u>	<u>\$ 16</u>
INCOME BEFORE INCOME TAXES	\$ 370	\$ 360	\$ 382
Adjustments:			
Amortization of intangible assets	13	14	14
Stock-based compensation	103	103	89
Restructuring charges	9	12	13
Acquisition-related expense	2	1	3
Gains/losses on the sale or derecognition of assets	3	3	—
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 500</u>	<u>\$ 493</u>	<u>\$ 501</u>
PROVISION FOR INCOME TAXES	\$ 71	\$ 61	\$ 69
Adjustments:			
Income tax effects	32	40	22
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 103</u>	<u>\$ 101</u>	<u>\$ 91</u>
NET INCOME PER SHARE	\$ 1.44	\$ 1.42	\$ 1.48
Adjustments:			
Amortization of intangible assets	0.06	0.07	0.07
Stock-based compensation	0.50	0.49	0.42
Restructuring charges	0.04	0.06	0.06
Acquisition-related expense	0.01	—	0.01
Gains/losses on the sale or derecognition of assets	0.01	0.01	—
Income tax effects	(0.15)	(0.19)	(0.10)
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.91</u>	<u>\$ 1.87</u>	<u>\$ 1.94</u>

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Gross margin-GAAP	69.8%	71.0%	71.7%
Cost of revenues adjustments	0.9%	1.0%	1.0%
Gross margin-Non-GAAP	70.7%	72.0%	72.7%
GAAP cost of revenues	\$ 496	\$ 481	\$ 455
Cost of revenues adjustments:			
Amortization of intangible assets	(8)	(9)	(9)
Stock-based compensation	(8)	(8)	(7)
Non-GAAP cost of revenues	\$ 480	\$ 464	\$ 439
Net revenues	\$ 1,641	\$ 1,658	\$ 1,606

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Product gross margin-GAAP	56.5%	60.0%	62.2%
Cost of product revenues adjustments	0.2%	0.3%	0.3%
Product gross margin-Non-GAAP	56.7%	60.3%	62.5%
GAAP cost of product revenues	\$ 330	\$ 307	\$ 282
Cost of product revenues adjustments:			
Stock-based compensation	(2)	(2)	(2)
Non-GAAP cost of product revenues	\$ 328	\$ 305	\$ 280
Product revenues	\$ 758	\$ 768	\$ 747

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

	<u>Q3'FY25</u>	<u>Q2'FY25</u>	<u>Q3'FY24</u>
Services gross margin-GAAP	81.2%	80.4%	79.9%
Cost of services revenues adjustments	1.6%	1.7%	1.6%
Services gross margin-Non-GAAP	82.8%	82.1%	81.5%
GAAP cost of services revenues	\$ 166	\$ 174	\$ 173
Cost of services revenues adjustments:			
Amortization of intangible assets	(8)	(9)	(9)
Stock-based compensation	(6)	(6)	(5)
Non-GAAP cost of services revenues	\$ 152	\$ 159	\$ 159
Services revenues	\$ 883	\$ 890	\$ 859

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

	Q3'FY25	Q2'FY25	Q3'FY24
Operating margin-GAAP	22.1%	20.8%	22.8%
Adjustments:	7.9%	7.8%	7.4%
Operating margin-Non-GAAP	30.0%	28.6%	30.2%
GAAP income from operations	\$ 362	\$ 345	\$ 366
Income from operations adjustments:			
Amortization of intangible assets	13	14	14
Stock-based compensation	103	103	89
Restructuring charges	9	12	13
Acquisition-related expense	2	1	3
Gains/losses on the sale or derecognition of assets	3	—	—
Non-GAAP income from operations	\$ 492	\$ 475	\$ 485
Net revenues	\$ 1,641	\$ 1,658	\$ 1,606

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

	Q3'FY25	Q2'FY25	Q3'FY24
GAAP effective tax rate	19.2%	16.9%	18.1%
Adjustments:			
Income tax effects	1.4%	3.6%	0.1%
Non-GAAP effective tax rate	20.6%	20.5%	18.2%

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

	Q3'FY25	Q2'FY25	Q3'FY24
Net cash provided by operating activities	\$ 385	\$ 105	\$ 484
Purchases of property and equipment	(47)	(45)	(36)
Free cash flow	\$ 338	\$ 60	\$ 448

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

	Q3'FY25	Q2'FY25	Q3'FY24
Net revenues	\$ 1,641	\$ 1,658	\$ 1,606
Change in deferred revenue and financed unearned services revenue*	72	(72)	81
Billings	\$ 1,713	\$ 1,586	\$ 1,687

* As reported on our Condensed Consolidated Statements of Cash Flows

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

	Fourth Quarter Fiscal 2025
GAAP Guidance - Net Income Per Share	\$1.45 - \$1.55
Adjustments of Specific Items to Net Income	
Per Share for the Fourth Quarter Fiscal 2025:	
Amortization of intangible assets	\$0.03
Stock-based compensation expense	\$0.48
Income tax effects	(\$0.12)
Total Adjustments	\$0.39
Non-GAAP Guidance - Net Income Per Share	\$1.84 - \$1.94

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%
Adjustment:	
Cost of revenues adjustments	1%
Gross Margin - Non-GAAP Guidance	~71%
	Fiscal 2025
Operating Margin - GAAP Guidance	20% - 20.5%
Adjustments:	
Amortization of intangible assets	1%
Stock-based compensation expense	6%
Restructuring charges	1%
Operating Margin - Non-GAAP Guidance	28% - 28.5%
<i>Some items may not add or recalculate due to rounding.</i>	

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

	Fiscal 2025
GAAP Guidance - Net Income Per Share	\$5.49 - \$5.59
Adjustments of Specific Items to Net Income	
Per Share for Fiscal 2025:	
Amortization of intangible assets	\$0.22
Stock-based compensation expense	\$1.86
Restructuring charges	\$0.18
Acquisition-related expenses	\$0.02
Gains/losses on the sale or derecognition of assets	\$0.03
Income tax effects	(\$0.63)
Total Adjustments	\$1.68
Non-GAAP Guidance - Net Income Per Share	\$7.17 - \$7.27
<i>Some items may not add or recalculate due to rounding.</i>	

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