

NetApp Usage of Non-GAAP Financial Information

To supplement NetApp's condensed consolidated financial statement information presented in accordance with generally accepted accounting principles in the United States (GAAP), NetApp provides investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP gross margins, non-GAAP operating margins, non-GAAP operating results, non-GAAP net income, non-GAAP effective tax rate, free cash flow, billings, and historical and projected non-GAAP earnings per diluted share.

In prior periods, NetApp presented the hardware and software components of our GAAP product revenues to illustrate the significance and value of the Company's software. Because our revenue recognition policy under GAAP defines a configured storage system, inclusive of the operating system software essential to its functionality, as a single performance obligation, hardware and software components of our product revenues are considered non-GAAP measures.

Effective in fiscal year 2025, NetApp no longer presents the non-GAAP hardware and software components of our product revenues, as management no longer considers them to be key financial measures. The Company's current strategy is expected to deliver investor value through growth in total revenues, including product revenues, while maintaining operational discipline to drive earnings leverage. While software continues to be the primary value driver of our products, NetApp is primarily focused on driving growth in total product revenues, through the sale of configured storage systems comprised of both hardware and software, with less focus on the pricing of each component.

Additionally, the Company is considering potential opportunities to simplify pricing for certain products in the future, which may eliminate the existence of separate prices for hardware and software components and/or impact our ability to allocate between them.

NetApp believes that the presentation of its non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations. NetApp's management uses non-GAAP measures in making operating decisions because it believes that the measurements provide meaningful supplemental information regarding NetApp's ongoing operational performance.

NetApp believes that the presentation of non-GAAP gross margins, non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP net income, and non-GAAP earnings per share data, provides investors with supplemental metrics that assist in understanding current results and future prospects, earnings and profitability that are complementary to GAAP metrics. Each of these Non-GAAP metrics is defined as the applicable GAAP metric adjusted to exclude the items defined in A through I below, as applicable, while our Non-GAAP effective tax rate and Non-GAAP net income also reflect a non-GAAP tax provision, as described in item J below, instead of our GAAP tax provision. Non-GAAP net income per share is computed as Non-GAAP net income divided by the diluted number of shares for the applicable period.

NetApp believes that the presentation of free cash flow, which it defines as the net cash provided by operating activities less cash used to acquire property and equipment, to be a liquidity measure that provides useful information to management and investors because it reflects cash that can be used to, among other things, invest in its business, make strategic acquisitions, repurchase common stock, and pay dividends on its common stock. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free cash flow should be considered in addition to, but not as a substitute for, the analysis provided in the statement of cash flows.

NetApp approximates billings by adding net revenues as reported on our Condensed Consolidated Statements of Operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our Condensed Consolidated Statements of Cash Flows for the same period. Billings is a performance measure that NetApp believes provides useful information to management and investors because it approximates the amounts under purchase orders received by us during a given period that have been billed.

Non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results and (3) allow greater transparency with respect to information used by management in financial and operational decision making.

NetApp excludes the following items from its non-GAAP measures when applicable:

A. Amortization of intangible assets. NetApp records amortization of intangible assets that were acquired in connection with its business combinations. The amortization of intangible assets varies depending on the level of acquisition activity. Management finds it useful to exclude these charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods and in measuring operational performance.

B. Stock-based compensation expenses. NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because the amount can fluctuate based on variables unrelated to the performance of the underlying business. While management views stock-based compensation as a key element of our employee retention and long-term incentives, we do not view it as an expense to be used in evaluating operational performance in any given period.

C. Litigation settlements. NetApp may periodically incur charges or benefits related to litigation settlements. NetApp excludes these charges and benefits, when significant, because it does not believe they are reflective of ongoing business and operating results.

D. Acquisition-related expenses. NetApp excludes acquisition-related expenses, including (a) due diligence, legal and other one-time integration charges and (b) write down of assets acquired that NetApp does not intend to use in its ongoing business, from its non-GAAP measures, primarily because they are not related to our ongoing business or cost base and, therefore, are less useful for future planning and forecasting.

E. Restructuring charges. These charges consist of restructuring charges that are incurred based on the particular facts and circumstances of restructuring decisions, including employment and contractual settlement terms, and other related charges, and can vary in size and frequency. We therefore exclude them in our assessment of operational performance.

F. Asset impairments. These are non-cash charges to write down assets when there is an indication that the asset has become impaired. Management finds it useful to exclude these non-cash charges due to the unpredictability of these events in its assessment of operational performance.

G. Gains/losses on the sale or derecognition of assets. These are gains/losses from the sale of our properties and other transactions in which we transfer and/or lose control of assets to a third party. This is inclusive of third-party advisory, legal and other costs that result directly from and are essential to a sale transaction and that would not have been incurred had the decision to sell not been made. Management believes that these transactions do not reflect the results of our underlying, ongoing business and, therefore, are less useful for future planning and forecasting/losses on the sale or derecognition of assets. These are gains/losses from the sale of our properties and other transactions in which we transfer and/or lose control of assets to a third party. Management believes that these transactions do not reflect the results of our underlying, ongoing business and, therefore, are less useful for future planning and forecasting.

H. Gains/losses on the sale of investments in equity securities. These are gains/losses from the sale of our investment in certain equity securities. Typically, such investments are sold as a result of a change in control of the underlying businesses. Management believes that these transactions do not reflect the results of our underlying, ongoing business and, therefore, are less useful for future planning and forecasting.

I. Debt extinguishment costs. NetApp excludes certain non-recurring expenses incurred as a result of the early extinguishment of debt. Management believes such non-recurring costs do not reflect the results of its underlying, ongoing business and, therefore, are less useful for future planning and forecasting.

J. Income tax adjustments. NetApp's non-GAAP tax provision is based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements, statute lapses and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring book and/or tax accounting method changes, (c) tax charges or benefits that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) tax charges or benefits resulting from the integration of intellectual property from acquisitions. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the Company's operational performance.

Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, non-GAAP measures are not based on any comprehensive set of accounting rules or principles. NetApp believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. NetApp management compensates for these limitations by analyzing current and projected results on a GAAP basis as well as a non-GAAP basis. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement, and be viewed in conjunction with, GAAP financial measures. A detailed reconciliation of our non-GAAP to GAAP results can be found herein.

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
NET INCOME	\$ 1,274	\$ 149	\$ 233	\$ 313	\$ 291	\$ 986	\$ 248	\$ 299	\$ 299
Adjustments:									
Amortization of intangible assets	68	15	14	14	14	57	14	14	13
Stock-based compensation	312	87	93	89	88	357	85	103	103
Restructuring charges	120	26	5	13	-	44	17	12	9
Acquisition-related expense	21	3	3	3	1	10	1	1	2
Gains/losses on the sale or derecognition of assets	-	-	-	-	-	-	-	3	3
Gain on sale of equity investment	(32)	-	-	-	-	-	-	-	-
Litigation settlements	-	-	(5)	-	-	(5)	-	-	-
Income tax effects	(51)	(31)	(9)	(22)	(12)	(74)	(35)	(40)	(32)
Income tax (benefits) expenses from integration of acquired companies	(27)	-	-	-	-	-	-	-	-
Resolution of income tax matters	69	-	-	-	-	-	-	-	-
Income tax benefit from intra-entity intellectual property transfer	(524)	-	-	-	-	-	-	-	-
NON-GAAP NET INCOME	\$ 1,230	\$ 249	\$ 334	\$ 410	\$ 382	\$ 1,375	\$ 330	\$ 392	\$ 397
COST OF REVENUES	\$ 2,153	\$ 436	\$ 452	\$ 455	\$ 492	\$ 1,835	\$ 443	\$ 481	\$ 496
Adjustments:									
Amortization of intangible assets	(42)	(9)	(8)	(9)	(8)	(34)	(8)	(9)	(8)
Stock-based compensation	(24)	(7)	(7)	(7)	(8)	(29)	(7)	(8)	(8)
NON-GAAP COST OF REVENUES	\$ 2,087	\$ 420	\$ 437	\$ 439	\$ 476	\$ 1,772	\$ 428	\$ 464	\$ 480
COST OF PRODUCT REVENUES	\$ 1,517	\$ 265	\$ 276	\$ 282	\$ 314	\$ 1,137	\$ 269	\$ 307	\$ 330
Adjustments:									
Amortization of intangible assets	(1)	-	-	-	-	-	-	-	-
Stock-based compensation	(5)	(1)	(1)	(2)	(2)	(6)	(1)	(2)	(2)
NON-GAAP COST OF PRODUCT REVENUES	\$ 1,511	\$ 264	\$ 275	\$ 280	\$ 312	\$ 1,131	\$ 268	\$ 305	\$ 328
COST OF SERVICES REVENUES	\$ 636	\$ 171	\$ 176	\$ 173	\$ 178	\$ 698	\$ 174	\$ 174	\$ 166
Adjustments:									
Amortization of intangible assets	(41)	(9)	(8)	(9)	(8)	(34)	(8)	(9)	(8)
Stock-based compensation	(19)	(6)	(6)	(5)	(6)	(23)	(6)	(6)	(6)
NON-GAAP COST OF SERVICES REVENUES	\$ 576	\$ 156	\$ 162	\$ 159	\$ 164	\$ 641	\$ 160	\$ 159	\$ 152
GROSS PROFIT	\$ 4,209	\$ 996	\$ 1,110	\$ 1,151	\$ 1,176	\$ 4,433	\$ 1,098	\$ 1,177	\$ 1,145
Adjustments:									
Amortization of intangible assets	42	9	8	9	8	34	8	9	8
Stock-based compensation	24	7	7	7	8	29	7	8	8
NON-GAAP GROSS PROFIT	\$ 4,275	\$ 1,012	\$ 1,125	\$ 1,167	\$ 1,192	\$ 4,496	\$ 1,113	\$ 1,194	\$ 1,161
SALES AND MARKETING EXPENSES	\$ 1,829	\$ 468	\$ 461	\$ 439	\$ 460	\$ 1,828	\$ 471	\$ 485	\$ 451
Adjustments:									
Amortization of intangible assets	(26)	(6)	(6)	(5)	(6)	(23)	(6)	(5)	(5)
Stock-based compensation	(135)	(36)	(37)	(36)	(34)	(143)	(35)	(43)	(44)
NON-GAAP SALES AND MARKETING EXPENSES	\$ 1,668	\$ 426	\$ 418	\$ 398	\$ 420	\$ 1,662	\$ 430	\$ 437	\$ 402
RESEARCH AND DEVELOPMENT EXPENSES	\$ 956	\$ 247	\$ 262	\$ 249	\$ 271	\$ 1,029	\$ 252	\$ 257	\$ 247
Adjustments:									
Stock-based compensation	(111)	(32)	(35)	(32)	(33)	(132)	(31)	(37)	(36)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	\$ 845	\$ 215	\$ 227	\$ 217	\$ 238	\$ 897	\$ 221	\$ 220	\$ 211
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 265	\$ 74	\$ 75	\$ 81	\$ 78	\$ 308	\$ 75	\$ 77	\$ 74
Adjustments:									
Stock-based compensation	(42)	(12)	(14)	(14)	(13)	(53)	(12)	(15)	(15)
Gains/losses on the sale or derecognition of assets	-	-	-	-	-	-	-	-	(3)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	\$ 223	\$ 62	\$ 61	\$ 67	\$ 65	\$ 255	\$ 63	\$ 62	\$ 56

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
RESTRUCTURING CHARGES	\$ 120	\$ 26	\$ 5	\$ 13	\$ -	\$ 44	\$ 17	\$ 12	\$ 9
Adjustments:									
Restructuring charges	(120)	(26)	(5)	(13)	-	(44)	(17)	(12)	(9)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ACQUISITION-RELATED EXPENSE	\$ 21	\$ 3	\$ 3	\$ 3	\$ 1	\$ 10	\$ 1	\$ 1	\$ 2
Adjustments:									
Acquisition-related expense	(21)	(3)	(3)	(3)	(1)	(10)	(1)	(1)	(2)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES	\$ 3,191	\$ 818	\$ 806	\$ 785	\$ 810	\$ 3,219	\$ 816	\$ 832	\$ 783
Adjustments:									
Amortization of intangible assets	(26)	(6)	(6)	(5)	(6)	(23)	(6)	(5)	(5)
Stock-based compensation	(288)	(80)	(86)	(82)	(80)	(328)	(78)	(95)	(95)
Restructuring charges	(120)	(26)	(5)	(13)	-	(44)	(17)	(12)	(9)
Acquisition-related expense	(21)	(3)	(3)	(3)	(1)	(10)	(1)	(1)	(2)
Gain on sale or derecognition of assets	-	-	-	-	-	-	-	-	(3)
NON-GAAP OPERATING EXPENSES	<u>\$ 2,736</u>	<u>\$ 703</u>	<u>\$ 706</u>	<u>\$ 682</u>	<u>\$ 723</u>	<u>\$ 2,814</u>	<u>\$ 714</u>	<u>\$ 719</u>	<u>\$ 669</u>
INCOME FROM OPERATIONS	\$ 1,018	\$ 178	\$ 304	\$ 366	\$ 366	\$ 1,214	\$ 282	\$ 345	\$ 362
Adjustments:									
Amortization of intangible assets	68	15	14	14	14	57	14	14	13
Stock-based compensation	312	87	93	89	88	357	85	103	103
Restructuring charges	120	26	5	13	-	44	17	12	9
Acquisition-related expense	21	3	3	3	1	10	1	1	2
Gain on sale or derecognition of assets	-	-	-	-	-	-	-	-	3
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 1,539</u>	<u>\$ 309</u>	<u>\$ 419</u>	<u>\$ 485</u>	<u>\$ 469</u>	<u>\$ 1,682</u>	<u>\$ 399</u>	<u>\$ 475</u>	<u>\$ 492</u>
OTHER INCOME (EXPENSE), NET	\$ 48	\$ 8	\$ 11	\$ 16	\$ 14	\$ 49	\$ 17	\$ 15	\$ 8
Adjustments:									
Gains/losses on the sale or derecognition of assets	(32)	-	-	-	-	-	-	3	-
Litigation settlements	-	-	(5)	-	-	(5)	-	-	-
NON-GAAP OTHER INCOME (EXPENSE), NET	<u>\$ 16</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$ 16</u>	<u>\$ 14</u>	<u>\$ 44</u>	<u>\$ 17</u>	<u>\$ 18</u>	<u>\$ 8</u>
INCOME BEFORE INCOME TAXES	\$ 1,066	\$ 186	\$ 315	\$ 382	\$ 380	\$ 1,263	\$ 299	\$ 360	\$ 370
Adjustments:									
Amortization of intangible assets	68	15	14	14	14	57	14	14	13
Stock-based compensation	312	87	93	89	88	357	85	103	103
Restructuring charges	120	26	5	13	-	44	17	12	9
Acquisition-related expense	21	3	3	3	1	10	1	1	2
Litigation settlements	-	-	(5)	-	-	(5)	-	-	-
Gains/losses on the sale or derecognition of assets	-	-	-	-	-	-	-	3	3
Gain on sale of equity investment	(32)	-	-	-	-	-	-	-	-
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 1,555</u>	<u>\$ 317</u>	<u>\$ 425</u>	<u>\$ 501</u>	<u>\$ 483</u>	<u>\$ 1,726</u>	<u>\$ 416</u>	<u>\$ 493</u>	<u>\$ 500</u>
PROVISION (BENEFIT) FOR INCOME TAXES	\$ (208)	\$ 37	\$ 82	\$ 69	\$ 89	\$ 277	\$ 51	\$ 61	\$ 71
Adjustments:									
Income tax effects	51	31	9	22	12	74	35	40	32
Income tax benefits (expenses) from integration of acquired companies	27	-	-	-	-	-	-	-	-
Resolution of income tax matters	(69)	-	-	-	-	-	-	-	-
Income tax benefit from intra-entity intellectual property transfer	524	-	-	-	-	-	-	-	-
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 325</u>	<u>\$ 68</u>	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ 101</u>	<u>\$ 351</u>	<u>\$ 86</u>	<u>\$ 101</u>	<u>\$ 103</u>
NET INCOME PER SHARE	\$ 5.79	\$ 0.69	\$ 1.10	\$ 1.48	\$ 1.37	\$ 4.63	\$ 1.17	\$ 1.42	\$ 1.44
Adjustments:									
Amortization of intangible assets	0.31	0.07	0.07	0.07	0.07	0.27	0.07	0.07	0.06
Stock-based compensation	1.42	0.40	0.44	0.42	0.42	1.68	0.40	0.49	0.50
Restructuring charges	0.55	0.12	0.02	0.06	-	0.21	0.08	0.06	0.04
Acquisition-related expense	0.10	0.01	0.01	0.01	-	0.05	-	-	0.01
Gains/losses on the sale or derecognition of assets	-	-	-	-	-	-	-	0.01	0.01
Gain on sale of equity investment	(0.15)	-	-	-	-	-	-	-	-
Litigation settlements	-	-	(0.02)	-	-	(0.02)	-	-	-
Income tax effects	(0.23)	(0.14)	(0.04)	(0.10)	(0.06)	(0.35)	(0.17)	(0.19)	(0.15)
Income tax (benefits) expenses from integration of acquired companies	(0.12)	-	-	-	-	-	-	-	-
Resolution of income tax matters	0.31	-	-	-	-	-	-	-	-
Income tax benefit from intra-entity intellectual property transfer	(2.38)	-	-	-	-	-	-	-	-
NON-GAAP NET INCOME PER SHARE	<u>\$ 5.59</u>	<u>\$ 1.15</u>	<u>\$ 1.58</u>	<u>\$ 1.94</u>	<u>\$ 1.80</u>	<u>\$ 6.46</u>	<u>\$ 1.56</u>	<u>\$ 1.87</u>	<u>\$ 1.91</u>

RECONCILIATION OF GAAP TO NON-GAAP GROSS MARGIN (\$ in millions)									
	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Gross margin-GAAP	66.2%	69.6%	71.1%	71.7%	70.5%	70.7%	71.3%	71.0%	69.8%
Cost of revenues adjustments	1.0%	1.1%	1.0%	1.0%	1.0%	1.0%	0.9%	1.0%	0.9%
Gross margin-Non-GAAP	67.2%	70.7%	72.0%	72.7%	71.5%	71.7%	72.2%	72.0%	70.7%
GAAP cost of revenues	\$ 2,153	\$ 436	\$ 452	\$ 455	\$ 492	\$ 1,835	\$ 443	\$ 481	\$ 496
Cost of revenues adjustments:									
Amortization of intangible assets	(42)	(9)	(8)	(9)	(8)	(34)	(8)	(9)	(8)
Stock-based compensation	(24)	(7)	(7)	(7)	(8)	(29)	(7)	(8)	(8)
Non-GAAP cost of revenues	\$ 2,087	\$ 420	\$ 437	\$ 439	\$ 476	\$ 1,772	\$ 428	\$ 464	\$ 480
Net revenues	\$ 6,362	\$ 1,432	\$ 1,562	\$ 1,606	\$ 1,668	\$ 6,268	\$ 1,541	\$ 1,658	\$ 1,641
RECONCILIATION OF GAAP TO NON-GAAP PRODUCT GROSS MARGIN (\$ in millions)									
	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Product gross margin-GAAP	50.2%	55.1%	60.9%	62.2%	61.0%	60.1%	59.8%	60.0%	56.5%
Cost of product revenues adjustments	0.2%	0.2%	0.1%	0.3%	0.3%	0.3%	0.1%	0.3%	0.2%
Product gross margin-Non-GAAP	50.4%	55.3%	61.0%	62.5%	61.3%	60.3%	59.9%	60.3%	56.7%
GAAP cost of product revenues	\$ 1,517	\$ 265	\$ 276	\$ 282	\$ 314	\$ 1,137	\$ 269	\$ 307	\$ 330
Cost of product revenues adjustments:									
Amortization of intangible assets	(1)	-	-	-	-	-	-	-	-
Stock-based compensation	(5)	(1)	(1)	(2)	(2)	(6)	(1)	(2)	(2)
Non-GAAP cost of product revenues	\$ 1,511	\$ 264	\$ 275	\$ 280	\$ 312	\$ 1,131	\$ 268	\$ 305	\$ 328
Product revenues	\$ 3,049	\$ 590	\$ 706	\$ 747	\$ 806	\$ 2,849	\$ 669	\$ 768	\$ 758
RECONCILIATION OF GAAP TO NON-GAAP SERVICES GROSS MARGIN (\$ in millions)									
	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Services gross margin-GAAP	80.8%	79.7%	79.4%	79.9%	79.4%	79.6%	80.0%	80.4%	81.2%
Cost of services revenues adjustments	1.8%	1.8%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%	1.6%
Services gross margin-Non-GAAP	82.6%	81.5%	81.1%	81.5%	81.0%	81.3%	81.7%	82.1%	82.8%
GAAP cost of services revenues	\$ 636	\$ 171	\$ 176	\$ 173	\$ 178	\$ 698	\$ 174	\$ 174	\$ 166
Cost of services revenues adjustments:									
Amortization of intangible assets	(41)	(9)	(8)	(9)	(8)	(34)	(8)	(9)	(8)
Stock-based compensation	(19)	(6)	(6)	(5)	(6)	(23)	(6)	(6)	(6)
Non-GAAP cost of services revenues	\$ 576	\$ 156	\$ 162	\$ 159	\$ 164	\$ 641	\$ 160	\$ 159	\$ 152
Services revenues	\$ 3,313	\$ 842	\$ 856	\$ 859	\$ 862	\$ 3,419	\$ 872	\$ 890	\$ 883
RECONCILIATION OF GAAP TO NON-GAAP OPERATING MARGIN (\$ in millions)									
	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Operating margin-GAAP	16.0%	12.4%	19.5%	22.8%	21.9%	19.4%	18.3%	20.8%	22.1%
Adjustments:	8.2%	9.1%	7.4%	7.4%	6.2%	7.5%	7.6%	7.8%	7.9%
Operating margin-Non-GAAP	24.2%	21.6%	26.8%	30.2%	28.1%	26.8%	25.9%	28.6%	30.0%
GAAP income from operations	\$ 1,018	\$ 178	\$ 304	\$ 366	\$ 366	\$ 1,214	\$ 282	\$ 345	\$ 362
Income from operations adjustments:									
Amortization of intangible assets	68	15	14	14	14	57	14	14	13
Stock-based compensation	312	87	93	89	88	357	85	103	103
Restructuring charges	120	26	5	13	-	44	17	12	9
Acquisition-related expense	21	3	3	3	1	10	1	1	2
Non-GAAP income from operations	\$ 1,539	\$ 309	\$ 419	\$ 485	\$ 469	\$ 1,682	\$ 399	\$ 475	\$ 492
Net revenues	\$ 6,362	\$ 1,432	\$ 1,562	\$ 1,606	\$ 1,668	\$ 6,268	\$ 1,541	\$ 1,658	\$ 1,641

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
GAAP effective tax rate	(19.5%)	19.9%	26.0%	18.1%	23.4%	21.9%	17.1%	16.9%	19.2%
Adjustments:									
Income tax effects	(4.8%)	1.6%	(4.6%)	0.1%	(2.5%)	(1.6%)	3.6%	3.6%	1.4%
Income tax benefits (expenses) from integration of acquired companies	2.5%	- %	- %	- %	- %	- %	- %	- %	- %
Resolution of income tax matters	(6.5%)	- %	- %	- %	- %	- %	- %	- %	- %
Income tax benefit from intra-entity intellectual property transfer	49.2%	- %	- %	- %	- %	- %	- %	- %	- %
Non-GAAP effective tax rate	20.9%	21.5%	21.4%	18.2%	20.9%	20.3%	20.7%	20.5%	20.6%

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Net cash provided by operating activities	\$ 1,107	\$ 453	\$ 135	\$ 484	\$ 613	\$ 1,685	\$ 341	\$ 105	\$ 385
Purchases of property and equipment	(239)	(35)	(38)	(36)	(46)	(155)	(41)	(45)	(47)
Free cash flow	\$ 868	\$ 418	\$ 97	\$ 448	\$ 567	\$ 1,530	\$ 300	\$ 60	\$ 338

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Net revenues	\$ 6,362	\$ 1,432	\$ 1,562	\$ 1,606	\$ 1,668	\$ 6,268	\$ 1,541	\$ 1,658	\$ 1,641
Change in deferred revenue and financed unearned services revenue*	46	(133)	(108)	81	146	(14)	(92)	(72)	72
Billings	\$ 6,408	\$ 1,299	\$ 1,454	\$ 1,687	\$ 1,814	\$ 6,254	\$ 1,449	\$ 1,586	\$ 1,713

* As reported on our Condensed Consolidated Statements of Cash Flows

Some items may not add or recalculate due to rounding

**RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
TO NET CASH (NON-GAAP)
(In millions)**

	Q1 FY'24	Q2'FY24	Q3'FY24	Q4'FY24	Q1'FY25	Q2'FY25	Q3'FY25
Cash, cash equivalents and investments	\$ 2,975	\$ 2,620	\$ 2,917	\$ 3,252	\$ 3,017	\$ 2,222	\$ 2,261
Current portion of long-term debt	-	(400)	(400)	(400)	(1,149)	(749)	(750)
Long-term debt	(2,390)	(1,991)	(1,991)	(1,992)	(1,244)	(1,244)	(1,244)
Net Cash	\$ 585	\$ 229	\$ 526	\$ 860	\$ 624	\$ 229	\$ 267

Net cash is a non-GAAP measure and is defined as cash, cash equivalents and investments less current and non-current portion of long-term debt.

Dollar-Based Net Retention Rate Definition

Support Dollar-Based Net Retention Rate (DBNRR) - To calculate Support DBNRR, we start with approximate support revenue for the current fiscal year from all customers that generated support revenue in prior fiscal years ("existing support customers"). We then divide this amount by support revenue for the prior fiscal year from these same customers, to arrive at Support DBNRR. The current fiscal year support revenue amount used in the calculation includes the impact of existing customer renewals, expansion, contraction and churn, and excludes revenue from new support customers in the current year. Our calculation of this DBNRR metric may differ from similarly titled metrics presented by other companies and therefore comparability may be limited.

Public Cloud Dollar-Based Net Retention Rate (DBNRR) - To calculate Public Cloud DBNRR, we start with approximate Public Cloud revenue for the current fiscal year from all customers that generated Public Cloud revenue in prior fiscal years ("existing cloud customers"). We then divide this amount by Public Cloud revenue for the prior fiscal year from these same customers, to arrive at Public Cloud DBNRR. The current fiscal year Public Cloud revenue amount used in the calculation includes the impact of existing customer renewals, expansion, contraction and churn, and excludes revenue from new Public Cloud customers in the current year. Our calculation of this DBNRR metric may differ from similarly titled metrics presented by other companies and therefore comparability may be limited.

NETAPP, INC.
SUPPLEMENTAL DATA
(In millions except net income per share, percentages, DSO, DPO and Inventory Turns)
RECONCILIATION OF SEGMENTS GROSS PROFIT TO TOTAL GROSS PROFIT*

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Revenues by Segment									
Product	\$ 3,049	\$ 590	\$ 706	\$ 747	\$ 806	\$ 2,849	\$ 669	\$ 768	\$ 758
Support	2,419	611	623	631	623	2,488	631	635	621
Professional and Other Services	319	77	79	77	87	320	82	87	88
Hybrid Cloud Segment Net Revenues	5,787	1,278	1,408	1,455	1,516	5,657	1,382	1,490	1,467
Public Cloud Segment Net Revenues	575	154	154	151	152	611	159	168	174
Net Revenues	\$ 6,362	\$ 1,432	\$ 1,562	\$ 1,606	\$ 1,668	\$ 6,268	\$ 1,541	\$ 1,658	\$ 1,641
Gross Profit by Segment									
Product	\$ 1,538	\$ 326	\$ 431	\$ 467	\$ 494	\$ 1,718	\$ 401	\$ 463	\$ 430
Support	2,238	564	573	582	574	2,293	581	584	573
Professional and Other Services	108	19	19	19	20	77	18	23	25
Hybrid Cloud Segment Gross Profit	3,884	909	1,023	1,068	1,088	4,088	1,000	1,070	1,028
Public Cloud Segment Gross Profit	391	103	102	99	104	408	113	124	133
Total Segments Gross Profit	4,275	1,012	1,125	1,167	1,192	4,496	1,113	1,194	1,161
Amortization of Intangible Assets	(42)	(9)	(8)	(9)	(8)	(34)	(8)	(9)	(8)
Stock-based Compensation	(24)	(7)	(7)	(7)	(8)	(29)	(7)	(8)	(8)
Unallocated Cost of Revenues	(66)	(16)	(15)	(16)	(16)	(63)	(15)	(17)	(16)
Gross Profit	\$ 4,209	\$ 996	\$ 1,110	\$ 1,151	\$ 1,176	\$ 4,433	\$ 1,098	\$ 1,177	\$ 1,145
Gross Margin by Segment									
Product	50.4%	55.3%	61.0%	62.5%	61.3%	60.3%	59.9%	60.3%	56.7%
Support	92.5%	92.3%	92.0%	92.2%	92.1%	92.2%	92.1%	92.0%	92.3%
Professional and Other Services	33.9%	24.7%	24.1%	24.7%	23.0%	24.1%	22.0%	26.4%	28.4%
Hybrid Cloud Segment Gross Margin	67.1%	71.1%	72.7%	73.4%	71.8%	72.3%	72.4%	71.8%	70.1%
Public Cloud Segment Gross Margin	68.0%	66.9%	66.2%	65.6%	68.4%	66.8%	71.1%	73.8%	76.4%

Geographic Mix**

	% of FY 2023 Revenue	% of Q1 FY 2024 Revenue	% of Q2 FY 2024 Revenue	% of Q3 FY 2024 Revenue	% of Q4 FY 2024 Revenue	% of FY 2024 Revenue	% of Q1 FY 2025 Revenue	% of Q2 FY 2025 Revenue	% of Q3 FY 2025 Revenue
Americas	51%	53%	50%	50%	51%	51%	50%	52%	51%
Americas Commercial	40%	41%	37%	41%	41%	40%	39%	38%	41%
U.S. Public Sector	11%	12%	13%	9%	10%	11%	11%	14%	10%
EMEA	34%	31%	34%	35%	34%	34%	33%	33%	34%
Asia Pacific	15%	16%	16%	15%	15%	15%	17%	15%	15%

Pathways Mix

	% of FY 2023 Revenue	% of Q1 FY 2024 Revenue	% of Q2 FY 2024 Revenue	% of Q3 FY 2024 Revenue	% of Q4 FY 2024 Revenue	% of FY 2024 Revenue	% of Q1 FY 2025 Revenue	% of Q2 FY 2025 Revenue	% of Q3 FY 2025 Revenue
Direct	22%	24%	23%	26%	24%	24%	22%	23%	21%
Indirect	78%	76%	77%	74%	76%	76%	78%	77%	79%

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Non-GAAP Income from Operations	\$1,539	\$309	\$419	\$485	\$469	\$1,682	\$399	\$475	\$492
% of Net Revenues	24.2%	21.6%	26.8%	30.2%	28.1%	26.8%	25.9%	28.6%	30.0%
Non-GAAP Income Before Income Taxes	\$1,555	\$317	\$425	\$501	\$483	\$1,726	\$416	\$493	\$500
Non-GAAP Effective Tax Rate	20.9%	21.5%	21.4%	18.2%	20.9%	20.3%	20.7%	20.5%	20.6%

Non-GAAP Net Income

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Non-GAAP Net Income	\$1,230	\$249	\$334	\$410	\$382	\$1,375	\$330	\$392	\$397
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	220	216	211	211	212	213	212	210	208
Non-GAAP Net Income per Share, Diluted	\$5.59	\$1.15	\$1.58	\$1.94	\$1.80	\$6.46	\$1.56	\$1.87	\$1.91

Select Balance Sheet Items

	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Deferred Revenue and Financed Unearned Services Revenue	\$4,182	\$4,002	\$4,127	\$4,234		\$4,169	\$4,100	\$4,122
DSO (days)	41	46	45	55		40	48	50
DPO (days)	72	83	79	96		90	105	80
Inventory Turns	13	15	14	11		8	6	7

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

	FY2023	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY2024	Q1'FY25	Q2'FY25	Q3'FY25
Net Cash Provided by Operating Activities	\$1,107	\$453	\$135	\$484	\$613	\$1,685	\$341	\$105	\$385
Purchases of Property and Equipment	\$239	\$35	\$38	\$36	\$46	\$155	\$41	\$45	\$47
Free Cash Flow	\$868	\$418	\$97	\$448	\$567	\$1,530	\$300	\$60	\$338
Free Cash Flow as % of Net Revenues	13.6%	29.2%	6.2%	27.9%	34.0%	24.4%	19.5%	3.6%	20.6%

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 GUIDANCE TO NON-GAAP
FOURTH QUARTER FISCAL 2025
(Unaudited)

	<u>Fourth Quarter Fiscal 2025</u>
Gross Margin - GAAP Guidance	68% - 69%
Adjustment:	
Cost of revenues adjustments	1 %
Gross Margin - Non-GAAP Guidance	<u>69% - 70%</u>

	<u>Fourth Quarter Fiscal 2025</u>
Operating Margin - GAAP Guidance	~22%
Adjustments:	
Stock-based compensation expense	6 %
Operating Margin - Non-GAAP Guidance	<u>~28%</u>

NETAPP, INC.
RECONCILIATION OF GAAP GUIDANCE TO NON-GAAP
FOURTH QUARTER FISCAL 2025
(Unaudited)

	<u>Fourth Quarter Fiscal 2025</u>
Net Income Per Share - GAAP Guidance	\$1.45 - \$1.55
Adjustments:	
Amortization of intangible assets	\$0.03
Stock-based compensation expense	\$0.48
Income tax effects	(\$0.12)
Net Income Per Share - Non-GAAP Guidance	<u>\$1.84 - \$1.94</u>

	<u>Fourth Quarter Fiscal 2025</u>
Effective Tax Rate - GAAP Guidance	19% - 20%
Adjustment:	
Income tax effects	1%
Effective Tax Rate - Non-GAAP Guidance	<u>20% - 21%</u>

Some items may not add or recalculate due to rounding

NETAPP, INC.
RECONCILIATION OF GAAP GUIDANCE TO NON-GAAP
FISCAL 2025
(Unaudited)

	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%

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

	Fiscal 2025
Net Income Per Share - GAAP Guidance	\$5.49 - \$5.59
Adjustments:	
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)
Net Income Per Share - Non-GAAP Guidance	\$7.17 - \$7.27

	Fiscal 2025
Effective Tax Rate - GAAP Guidance	18% - 19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - Non-GAAP Guidance	20% - 21%

Some items may not add or recalculate due to rounding