

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

	October 30, 2020	April 24, 2020
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 3,646	\$ 2,882
Accounts receivable	796	973
Inventories	116	145
Other current assets	263	274
Total current assets	4,821	4,274
Property and equipment, net	737	727
Goodwill and purchased intangible assets, net	2,164	1,822
Other non-current assets	698	699
Total assets	<u>\$ 8,420</u>	<u>\$ 7,522</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 367	\$ 426
Accrued expenses	738	774
Commercial paper notes	—	522
Short-term deferred revenue and financed unearned services revenue	1,815	1,894
Total current liabilities	2,920	3,616
Long-term debt	2,631	1,146
Other long-term liabilities	663	714
Long-term deferred revenue and financed unearned services revenue	1,836	1,804
Total liabilities	8,050	7,280
Stockholders' equity	370	242
Total liabilities and stockholders' equity	<u>\$ 8,420</u>	<u>\$ 7,522</u>

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

	Three Months Ended		Six Months Ended	
	October 30, 2020	October 25, 2019	October 30, 2020	October 25, 2019
Revenues:				
Product	\$ 749	\$ 771	\$ 1,376	\$ 1,415
Software maintenance	303	254	604	504
Hardware maintenance and other services	364	346	739	688
Net revenues	1,416	1,371	2,719	2,607
Cost of revenues:				
Cost of product	360	341	676	653
Cost of software maintenance	24	11	39	21
Cost of hardware maintenance and other services	99	94	199	192
Total cost of revenues	483	446	914	866
Gross profit	933	925	1,805	1,741
Operating expenses:				
Sales and marketing	432	389	861	794
Research and development	212	209	445	424
General and administrative	67	69	128	140
Restructuring charges	37	—	42	21
Acquisition-related expense	3	—	11	—
Gain on sale or derecognition of assets	—	(38)	—	(38)
Total operating expenses	751	629	1,487	1,341
Income from operations	182	296	318	400
Other income (expense), net	(7)	3	(39)	18
Income before income taxes	175	299	279	418
Provision for income taxes	38	56	65	72
Net income	<u>\$ 137</u>	<u>\$ 243</u>	<u>\$ 214</u>	<u>\$ 346</u>
Net income per share:				
Basic	<u>\$ 0.62</u>	<u>\$ 1.03</u>	<u>\$ 0.96</u>	<u>\$ 1.46</u>
Diluted	<u>\$ 0.61</u>	<u>\$ 1.03</u>	<u>\$ 0.96</u>	<u>\$ 1.44</u>
Shares used in net income per share calculations:				
Basic	<u>222</u>	<u>235</u>	<u>222</u>	<u>237</u>
Diluted	<u>224</u>	<u>236</u>	<u>223</u>	<u>240</u>

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

	Three Months Ended		Six Months Ended	
	October 30, 2020	October 25, 2019	October 30, 2020	October 25, 2019
<b>Cash flows from operating activities:</b>				
Net income	\$ 137	\$ 243	\$ 214	\$ 346
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	56	50	105	99
Non-cash operating lease cost	13	13	26	26
Stock-based compensation	49	40	103	82
Deferred income taxes	—	(16)	—	(23)
Gain on sale or derecognition of assets	—	(38)	—	(38)
Other items, net	3	(6)	28	(13)
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(194)	(237)	197	435
Inventories	20	5	29	20
Accounts payable	(30)	38	(59)	(157)
Accrued expenses	117	(38)	(69)	(315)
Deferred revenue and financed unearned services revenue	40	(43)	(118)	(197)
Long-term taxes payable	(52)	(46)	(46)	(49)
Changes in other operating assets and liabilities, net	2	(18)	(9)	41
Net cash provided by (used in) operating activities	161	(53)	401	257
<b>Cash flows from investing activities:</b>				
Redemptions of investments, net	22	119	107	1,146
Purchases of property and equipment	(40)	(36)	(92)	(68)
Proceeds from sale of properties	—	96	6	96
Acquisitions of businesses, net of cash acquired	—	—	(350)	(56)
Other investing activities, net	8	(1)	8	(2)
Net cash provided by (used in) investing activities	(10)	178	(321)	1,116
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of common stock under employee stock award plans	1	1	49	55
Payments for taxes related to net share settlement of stock awards	(1)	(3)	(34)	(74)
Repurchase of common stock	—	(500)	—	(750)
Proceeds from (repayments of) commercial paper notes, original maturities of three months or less, net	(50)	468	(420)	249
Issuance of debt, net of issuance costs	—	—	2,057	—
Repayments and extinguishment of debt	(100)	(400)	(689)	(400)
Dividends paid	(107)	(111)	(214)	(226)
Other financing activities, net	—	—	(3)	(2)
Net cash provided by (used in) financing activities	(257)	(545)	746	(1,148)
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>	1	(2)	44	(5)
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	(105)	(422)	870	220
<b>Cash, cash equivalents and restricted cash:</b>				
Beginning of period	3,641	2,973	2,666	2,331
End of period	<u>\$ 3,536</u>	<u>\$ 2,551</u>	<u>\$ 3,536</u>	<u>\$ 2,551</u>

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

	Q2'FY21	Q1'FY21	Q2'FY20
<b>Revenues</b>			
Product	\$ 749	\$ 627	\$ 771
Software Maintenance	\$ 303	\$ 301	\$ 254
Hardware Maintenance & Other Services	\$ 364	\$ 375	\$ 346
Hardware Maintenance Support Contracts	\$ 296	\$ 307	\$ 286
Professional and Other Services	\$ 68	\$ 68	\$ 60
<b>Net Revenues</b>	<b>\$ 1,416</b>	<b>\$ 1,303</b>	<b>\$ 1,371</b>

<b>Product Revenues</b>			
Total	\$ 749	\$ 627	\$ 771
Software*	\$ 417	\$ 311	\$ 366
Hardware*	\$ 332	\$ 316	\$ 405

\* 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. We have provided a breakdown of our GAAP product revenues into the software and hardware components to display the significance of software included in total product revenues.

**Geographic Mix**

	% of Q2 FY'21 Revenue	% of Q1 FY'21 Revenue	% of Q2 FY'20 Revenue
Americas	55%	54%	56%
Americas Commercial	40%	43%	42%
U.S. Public Sector	15%	12%	14%
EMEA	30%	29%	29%
Asia Pacific	15%	16%	14%

**Pathways Mix**

	% of Q2 FY'21 Revenue	% of Q1 FY'21 Revenue	% of Q2 FY'20 Revenue
Direct	25%	22%	21%
Indirect	75%	78%	79%

**Non-GAAP Gross Margins**

	Q2'FY21	Q1'FY21	Q2'FY20
Non-GAAP Gross Margin	66.9%	68.0%	68.6%
Product	53.0%	51.4%	57.3%
Software Maintenance	93.7%	95.0%	95.7%
Hardware Maintenance & Other Services	73.4%	74.1%	73.7%

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

	Q2'FY21	Q1'FY21	Q2'FY20
Non-GAAP Income from Operations	\$ 291	\$ 213	\$ 309
% of Net Revenues	20.6%	16.3%	22.5%
Non-GAAP Income before Income Taxes	\$ 278	\$ 195	\$ 312
Non-GAAP Effective Tax Rate	15.1%	16.4%	17.6%

**Non-GAAP Net Income**

	Q2'FY21	Q1'FY21	Q2'FY20
Non-GAAP Net Income	\$ 236	\$ 163	\$ 257
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	224	222	236
Non-GAAP Net Income per Share, Diluted	\$ 1.05	\$ 0.73	\$ 1.09

**Select Balance Sheet Items**

	Q2'FY21	Q1'FY21	Q2'FY20
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,651	\$ 3,620	\$ 3,468
DSO (days)	51	45	52
DPO (days)	69	90	78
Inventory Turns	17	13	16

*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'FY21	Q1'FY21	Q2'FY20
Net Cash Provided by (used in) Operating Activities	\$ 161	\$ 240	\$ (53)
Purchases of Property and Equipment	\$ 40	\$ 52	\$ 36
Free Cash Flow	\$ 121	\$ 188	\$ (89)
Free Cash Flow as % of Net Revenues	8.5%	14.4%	(6.5)%

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

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

	Q2'FY21	Q1'FY21	Q2'FY20
<b>NET INCOME</b>	\$ 137	\$ 77	\$ 243
Adjustments:			
Amortization of intangible assets	15	10	11
Stock-based compensation	49	54	40
Litigation settlements	5	—	—
Restructuring charges	37	5	—
Acquisition-related expense	3	8	—
Gain on sale or derecognition of assets	—	—	(38)
Gain on sale of equity investment	(6)	—	—
Debt extinguishment costs	—	14	—
Income tax effects	(9)	(16)	1
Income tax expenses from integration of acquired companies	5	11	—
<b>NON-GAAP NET INCOME</b>	<u>\$ 236</u>	<u>\$ 163</u>	<u>\$ 257</u>
<b>COST OF REVENUES</b>	\$ 483	\$ 431	\$ 446
Adjustments:			
Amortization of intangible assets	(12)	(10)	(11)
Stock-based compensation	(3)	(4)	(4)
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 468</u>	<u>\$ 417</u>	<u>\$ 431</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 360	\$ 316	\$ 341
Adjustments:			
Amortization of intangible assets	(7)	(10)	(11)
Stock-based compensation	(1)	(1)	(1)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 352</u>	<u>\$ 305</u>	<u>\$ 329</u>
<b>COST OF SOFTWARE MAINTENANCE REVENUES</b>	\$ 24	\$ 15	\$ 11
Adjustment:			
Amortization of intangible assets	(5)	—	—
<b>NON-GAAP COST OF SOFTWARE MAINTENANCE REVENUES</b>	<u>\$ 19</u>	<u>\$ 15</u>	<u>\$ 11</u>
<b>COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	\$ 99	\$ 100	\$ 94
Adjustment:			
Stock-based compensation	(2)	(3)	(3)
<b>NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<u>\$ 97</u>	<u>\$ 97</u>	<u>\$ 91</u>
<b>GROSS PROFIT</b>	\$ 933	\$ 872	\$ 925
Adjustments:			
Amortization of intangible assets	12	10	11
Stock-based compensation	3	4	4
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 948</u>	<u>\$ 886</u>	<u>\$ 940</u>

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

	Q2'FY21	Q1'FY21	Q2'FY20
<b>SALES AND MARKETING EXPENSES</b>	\$ 432	\$ 429	\$ 389
Adjustments:			
Amortization of intangible assets	(3)	—	—
Stock-based compensation	(24)	(25)	(17)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 405</u>	<u>\$ 404</u>	<u>\$ 372</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 212	\$ 233	\$ 209
Adjustment:			
Stock-based compensation	(15)	(19)	(13)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 197</u>	<u>\$ 214</u>	<u>\$ 196</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 67	\$ 61	\$ 69
Adjustments:			
Stock-based compensation	(7)	(6)	(6)
Litigation settlements	(5)	—	—
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 63</u>
<b>RESTRUCTURING CHARGES</b>	\$ 37	\$ 5	\$ —
Adjustment:			
Restructuring charges	(37)	(5)	—
<b>NON-GAAP RESTRUCTURING CHARGES</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>ACQUISITION-RELATED EXPENSE</b>	\$ 3	\$ 8	\$ —
Adjustment:			
Acquisition-related expense	(3)	(8)	—
<b>NON-GAAP ACQUISITION-RELATED EXPENSE</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>GAIN ON SALE OR DERECOGNITION OF ASSETS</b>	\$ —	\$ —	\$ (38)
Adjustment:			
Gain on sale or derecognition of assets	—	—	38
<b>NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>OPERATING EXPENSES</b>	\$ 751	\$ 736	\$ 629
Adjustments:			
Amortization of intangible assets	(3)	—	—
Stock-based compensation	(46)	(50)	(36)
Litigation settlements	(5)	—	—
Restructuring charges	(37)	(5)	—
Acquisition-related expense	(3)	(8)	—
Gain on sale or derecognition of assets	—	—	38
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 657</u>	<u>\$ 673</u>	<u>\$ 631</u>

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

	Q2'FY21	Q1'FY21	Q2'FY20
<b>INCOME FROM OPERATIONS</b>	\$ 182	\$ 136	\$ 296
Adjustments:			
Amortization of intangible assets	15	10	11
Stock-based compensation	49	54	40
Litigation settlements	5	—	—
Restructuring charges	37	5	—
Acquisition-related expense	3	8	—
Gain on sale or derecognition of assets	—	—	(38)
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 291</u>	<u>\$ 213</u>	<u>\$ 309</u>
<b>OTHER INCOME (EXPENSE), NET</b>	\$ (7)	\$ (32)	\$ 3
Adjustments:			
Debt extinguishment costs	—	14	—
Gain on sale of equity investment	(6)	—	—
<b>NON-GAAP OTHER INCOME (EXPENSE), NET</b>	<u>\$ (13)</u>	<u>\$ (18)</u>	<u>\$ 3</u>
<b>INCOME BEFORE INCOME TAXES</b>	\$ 175	\$ 104	\$ 299
Adjustments:			
Amortization of intangible assets	15	10	11
Stock-based compensation	49	54	40
Litigation settlements	5	—	—
Restructuring charges	37	5	—
Acquisition-related expense	3	8	—
Gain on sale or derecognition of assets	—	—	(38)
Debt extinguishment costs	—	14	—
Gain on sale of equity investment	(6)	—	—
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 278</u>	<u>\$ 195</u>	<u>\$ 312</u>
<b>PROVISION FOR INCOME TAXES</b>	\$ 38	\$ 27	\$ 56
Adjustments:			
Income tax effects	9	16	(1)
Income tax expenses from integration of acquired companies	(5)	(11)	—
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 42</u>	<u>\$ 32</u>	<u>\$ 55</u>
<b>NET INCOME PER SHARE</b>	\$ 0.61	\$ 0.35	\$ 1.03
Adjustments:			
Amortization of intangible assets	0.07	0.05	0.05
Stock-based compensation	0.22	0.24	0.17
Litigation settlements	0.02	—	—
Restructuring charges	0.17	0.02	—
Acquisition-related expense	0.01	0.04	—
Gain on sale or derecognition of assets	—	—	(0.16)
Debt extinguishment costs	—	0.06	—
Gain on sale of equity investment	(0.03)	—	—
Income tax effects	(0.04)	(0.07)	—
Income tax expenses from integration of acquired companies	0.02	0.05	—
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 1.05</u>	<u>\$ 0.73</u>	<u>\$ 1.09</u>

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
<b>Gross margin-GAAP</b>	65.9%	66.9%	67.5%
Cost of revenues adjustments	1.1%	1.1%	1.1%
<b>Gross margin-Non-GAAP</b>	66.9%	68.0%	68.6%
GAAP cost of revenues	\$ 483	\$ 431	\$ 446
Cost of revenues adjustments:			
Amortization of intangible assets	(12)	(10)	(11)
Stock-based compensation	(3)	(4)	(4)
Non-GAAP cost of revenues	\$ 468	\$ 417	\$ 431
Net revenues	\$ 1,416	\$ 1,303	\$ 1,371

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
<b>Product gross margin-GAAP</b>	51.9%	49.6%	55.8%
Cost of product revenues adjustments	1.1%	1.8%	1.6%
<b>Product gross margin-Non-GAAP</b>	53.0%	51.4%	57.3%
GAAP cost of product revenues	\$ 360	\$ 316	\$ 341
Cost of product revenues adjustments:			
Amortization of intangible assets	(7)	(10)	(11)
Stock-based compensation	(1)	(1)	(1)
Non-GAAP cost of product revenues	\$ 352	\$ 305	\$ 329
Product revenues	\$ 749	\$ 627	\$ 771

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
<b>Software maintenance gross margin-GAAP</b>	92.1%	95.0%	95.7%
Cost of software maintenance revenues adjustment	1.7%	—%	—%
<b>Software maintenance gross margin-Non-GAAP</b>	93.7%	95.0%	95.7%
GAAP cost of software maintenance revenues	\$ 24	\$ 15	\$ 11
Cost of software maintenance revenues adjustment:			
Amortization of intangible assets	(5)	—	—
Non-GAAP cost of software maintenance revenues	\$ 19	\$ 15	\$ 11
Software maintenance revenues	\$ 303	\$ 301	\$ 254

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
<b>Hardware maintenance and other services gross margin-GAAP</b>	72.8%	73.3%	72.8%
Cost of hardware maintenance and other services revenues adjustment	0.5%	0.8%	0.9%
<b>Hardware maintenance and other services gross margin-Non-GAAP</b>	73.4%	74.1%	73.7%
GAAP cost of hardware maintenance and other services revenues	\$ 99	\$ 100	\$ 94
Cost of hardware maintenance and other services revenues adjustment:			
Stock-based compensation	(2)	(3)	(3)
Non-GAAP cost of hardware maintenance and other services revenues	\$ 97	\$ 97	\$ 91
Hardware maintenance and other services revenues	\$ 364	\$ 375	\$ 346

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
<b>GAAP effective tax rate</b>	21.7%	26.0%	18.7%
Adjustments:			
Income tax effects	(3.8)%	1.0%	(1.1)%
Income tax expenses from integration of acquired companies	(2.9)%	(10.6)%	—%
<b>Non-GAAP effective tax rate</b>	15.1%	16.4%	17.6%

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
Net cash provided by (used in) operating activities	\$ 161	\$ 240	\$ (53)
Purchases of property and equipment	(40)	(52)	(36)
<b>Free cash flow</b>	\$ 121	\$ 188	\$ (89)

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

	<u>Q2'FY21</u>	<u>Q1'FY21</u>	<u>Q2'FY20</u>
Net revenues	\$ 1,416	\$ 1,303	\$ 1,371
Change in deferred revenue and financed unearned services revenue*	40	(158)	(43)
<b>Billings</b>	\$ 1,456	\$ 1,145	\$ 1,328

\* As reported on our Condensed Consolidated Statements of Cash Flows

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**EXPRESSED AS EARNINGS PER SHARE**  
**THIRD QUARTER FISCAL 2021**

	<u>Third Quarter Fiscal 2021</u>
Non-GAAP Guidance - Net Income Per Share	\$0.94 - \$1.02
Adjustments of Specific Items to Net Income	
Per Share for the Third Quarter Fiscal 2021:	
Amortization of intangible assets	(0.06)
Stock-based compensation expense	(0.21)
Income tax effects	<u>—</u>
Total Adjustments	(0.27)
GAAP Guidance - Net Income Per Share	\$0.67 - \$0.75

*Some items may not add or recalculate due to rounding.*

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