

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

	July 30, 2021	April 30, 2021
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 4,547	\$ 4,596
Accounts receivable	655	945
Inventories	108	114
Other current assets	321	346
Total current assets	5,631	6,001
Property and equipment, net	533	525
Goodwill and purchased intangible assets, net	2,147	2,140
Other non-current assets	845	694
Total assets	<u>\$ 9,156</u>	<u>\$ 9,360</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 368	\$ 420
Accrued expenses	747	970
Short-term deferred revenue and financed unearned services revenue	1,988	2,062
Total current liabilities	3,103	3,452
Long-term debt	2,633	2,632
Other long-term liabilities	784	650
Long-term deferred revenue and financed unearned services revenue	1,916	1,941
Total liabilities	8,436	8,675
Stockholders' equity	720	685
Total liabilities and stockholders' equity	<u>\$ 9,156</u>	<u>\$ 9,360</u>

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

	Three Months Ended	
	July 30, 2021	July 31, 2020
Net revenues:		
Product	\$ 730	\$ 627
Services	728	676
Net revenues	1,458	1,303
Cost of revenues:		
Cost of product	329	316
Cost of services	130	115
Total cost of revenues	459	431
Gross profit	999	872
Operating expenses:		
Sales and marketing	451	429
Research and development	210	233
General and administrative	66	61
Restructuring charges	22	5
Acquisition-related expense	1	8
Total operating expenses	750	736
Income from operations	249	136
Other expense, net	(12)	(32)
Income before income taxes	237	104
Provision for income taxes	35	27
Net income	<u>\$ 202</u>	<u>\$ 77</u>
Net income per share:		
Basic	<u>\$ 0.91</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.88</u>	<u>\$ 0.35</u>
Shares used in net income per share calculations:		
Basic	<u>223</u>	<u>221</u>
Diluted	<u>229</u>	<u>222</u>

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

	Three Months Ended	
	July 30, 2021	July 31, 2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 202	\$ 77
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	46	49
Non-cash operating lease cost	13	13
Stock-based compensation	53	54
Deferred income taxes	(15)	—
Other items, net	4	25
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable	287	391
Inventories	6	9
Accounts payable	(51)	(29)
Accrued expenses	(242)	(186)
Deferred revenue and financed unearned services revenue	(82)	(158)
Long-term taxes payable	(8)	6
Changes in other operating assets and liabilities, net	29	(11)
Net cash provided by operating activities	<u>242</u>	<u>240</u>
<b>Cash flows from investing activities:</b>		
Redemptions of investments, net	11	85
Purchases of property and equipment	(51)	(52)
Proceeds from sale of properties	—	6
Acquisitions of businesses, net of cash acquired	(14)	(350)
Net cash used in investing activities	<u>(54)</u>	<u>(311)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock under employee stock award plans	53	48
Payments for taxes related to net share settlement of stock awards	(57)	(33)
Repurchase of common stock	(100)	—
Repayments of commercial paper notes, original maturities of three months or less, net	—	(370)
Issuance of debt, net of issuance costs	—	2,057
Repayments and extinguishment of debt	—	(589)
Dividends paid	(112)	(107)
Other financing activities, net	(2)	(3)
Net cash (used in) provided by financing activities	<u>(218)</u>	<u>1,003</u>
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>	(5)	43
<b>Net change in cash, cash equivalents and restricted cash</b>	(35)	975
<b>Cash, cash equivalents and restricted cash:</b>		
Beginning of period	4,535	2,666
End of period	<u>\$ 4,500</u>	<u>\$ 3,641</u>

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

**Revenues by Segment**

	Q1'FY22	Q4'FY21	Q1'FY21
Product	\$ 730	\$ 840	\$ 627
Support	578	576	577
Professional and Other Services	71	73	68
<b>Hybrid Cloud Segment Net Revenues</b>	<b>1,379</b>	<b>1,489</b>	<b>1,272</b>
<b>Public Cloud Segment Net Revenues</b>	<b>79</b>	<b>66</b>	<b>31</b>
<b>Net Revenues</b>	<b>\$ 1,458</b>	<b>\$ 1,555</b>	<b>\$ 1,303</b>

**Gross Profit by Segment**

	Q1'FY22	Q4'FY21	Q1'FY21
Product	\$ 404	\$ 456	\$ 322
Support	530	525	526
Professional and Other Services	20	18	20
<b>Hybrid Cloud Segment Gross Profit</b>	<b>954</b>	<b>999</b>	<b>868</b>
<b>Public Cloud Segment Gross Profit</b>	<b>56</b>	<b>47</b>	<b>18</b>
<b>Total Segments Gross Profit</b>	<b>1,010</b>	<b>1,046</b>	<b>886</b>

Amortization of Intangible Assets	(7)	(7)	(10)
Stock-based Compensation	(4)	(4)	(4)
<b>Unallocated Cost of Revenues</b>	<b>(11)</b>	<b>(11)</b>	<b>(14)</b>

<b>Gross Profit</b>	<b>\$ 999</b>	<b>\$ 1,035</b>	<b>\$ 872</b>
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**Gross Margin by Segment**

	Q1'FY22	Q4'FY21	Q1'FY21
Product	55.3%	54.3%	51.4%
Support	91.7%	91.1%	91.2%
Professional and Other Services	28.2%	24.7%	29.4%
<b>Hybrid Cloud Segment Gross Margin</b>	<b>69.2%</b>	<b>67.1%</b>	<b>68.2%</b>
<b>Public Cloud Segment Gross Margin</b>	<b>70.9%</b>	<b>71.2%</b>	<b>58.1%</b>

**Product Revenues**

	Q1'FY22	Q4'FY21	Q1'FY21
Total	\$ 730	\$ 840	\$ 627
Software*	\$ 414	\$ 480	\$ 311
Hardware*	\$ 316	\$ 360	\$ 316

\* 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.

**Software and recurring support and public cloud revenue**

	Q1'FY22	Q4'FY21	Q1'FY21
Product - Software	\$ 414	\$ 480	\$ 311
Support	578	576	577
Public Cloud	79	66	31
<b>Software and recurring support and public cloud revenue*</b>	<b>\$ 1,071</b>	<b>\$ 1,122</b>	<b>\$ 919</b>

Software and recurring support and public cloud revenue as a percentage of net revenues	73%	72%	71%
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\*Software and recurring support and public cloud revenue is a non-GAAP measure because it includes the software component of our product revenues, but not the hardware component.

#### Geographic Mix

	% of Q1 FY'22 Revenue	% of Q4 FY'21 Revenue	% of Q1 FY'21 Revenue
Americas	54%	53%	54%
<i>Americas Commercial</i>	43%	44%	43%
<i>U.S. Public Sector</i>	11%	9%	12%
EMEA	31%	32%	29%
Asia Pacific	15%	15%	16%

#### Pathways Mix

	% of Q1 FY'22 Revenue	% of Q4 FY'21 Revenue	% of Q1 FY'21 Revenue
Direct	23%	23%	22%
Indirect	77%	77%	78%

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

	Q1'FY22	Q4'FY21	Q1'FY21
Non-GAAP Income from Operations	\$ 336	\$ 358	\$ 213
% of Net Revenues	23.0%	23.0%	16.3%
Non-GAAP Income before Income Taxes	\$ 324	\$ 339	\$ 195
Non-GAAP Effective Tax Rate	18.8%	20.9%	16.4%

#### Non-GAAP Net Income

	Q1'FY22	Q4'FY21	Q1'FY21
Non-GAAP Net Income	\$ 263	\$ 268	\$ 163
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	229	229	222
Non-GAAP Net Income per Share, Diluted	\$ 1.15	\$ 1.17	\$ 0.73

#### Select Balance Sheet Items

	Q1'FY22	Q4'FY21	Q1'FY21
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,904	\$ 4,003	\$ 3,620
DSO (days)	41	55	45
DPO (days)	73	74	90
Inventory Turns	17	18	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'FY22	Q4'FY21	Q1'FY21
Net Cash Provided by Operating Activities	\$ 242	\$ 559	\$ 240
Purchases of Property and Equipment	\$ 51	\$ 38	\$ 52
Free Cash Flow	\$ 191	\$ 521	\$ 188

Free Cash Flow as % of Net Revenues

13.1%

33.5%

14.4%

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)

	Q1'FY22	Q4'FY21	Q1'FY21
<b>NET INCOME</b>	\$ 202	\$ 334	\$ 77
Adjustments:			
Amortization of intangible assets	9	9	10
Stock-based compensation	53	48	54
Litigation settlements	2	—	—
Restructuring charges	22	—	5
Acquisition-related expense	1	2	8
Gain on sale or derecognition of assets	—	(156)	—
Debt extinguishment costs	—	—	14
Income tax effects	(26)	18	(16)
Income tax expenses from integration of acquired companies	—	13	11
<b>NON-GAAP NET INCOME</b>	<u>\$ 263</u>	<u>\$ 268</u>	<u>\$ 163</u>
<b>COST OF REVENUES</b>	\$ 459	\$ 520	\$ 431
Adjustments:			
Amortization of intangible assets	(7)	(7)	(10)
Stock-based compensation	(4)	(4)	(4)
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 448</u>	<u>\$ 509</u>	<u>\$ 417</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 329	\$ 387	\$ 316
Adjustments:			
Amortization of intangible assets	(2)	(2)	(10)
Stock-based compensation	(1)	(1)	(1)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 326</u>	<u>\$ 384</u>	<u>\$ 305</u>
<b>COST OF SERVICES REVENUES</b>	\$ 130	\$ 133	\$ 115
Adjustments:			
Amortization of intangible assets	(5)	(5)	—
Stock-based compensation	(3)	(3)	(3)
<b>NON-GAAP COST OF SERVICES REVENUES</b>	<u>\$ 122</u>	<u>\$ 125</u>	<u>\$ 112</u>
<b>GROSS PROFIT</b>	\$ 999	\$ 1,035	\$ 872
Adjustments:			
Amortization of intangible assets	7	7	10
Stock-based compensation	4	4	4
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 1,010</u>	<u>\$ 1,046</u>	<u>\$ 886</u>

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

	Q1'FY22	Q4'FY21	Q1'FY21
<b>SALES AND MARKETING EXPENSES</b>	\$ 451	\$ 447	\$ 429
Adjustments:			
Amortization of intangible assets	(2)	(2)	—
Stock-based compensation	(26)	(22)	(25)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 423</u>	<u>\$ 423</u>	<u>\$ 404</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 210	\$ 221	\$ 233
Adjustment:			
Stock-based compensation	(15)	(15)	(19)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 195</u>	<u>\$ 206</u>	<u>\$ 214</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 66	\$ 66	\$ 61
Adjustments:			
Stock-based compensation	(8)	(7)	(6)
Litigation settlements	(2)	—	—
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 56</u>	<u>\$ 59</u>	<u>\$ 55</u>
<b>RESTRUCTURING CHARGES</b>	\$ 22	\$ —	\$ 5
Adjustment:			
Restructuring charges	(22)	—	(5)
<b>NON-GAAP RESTRUCTURING CHARGES</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>GAIN ON SALE OR DERECOGNITION OF ASSETS</b>	\$ —	\$ (156)	\$ —
Adjustment:			
Gain on sale or derecognition of assets	—	156	—
<b>NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>ACQUISITION-RELATED EXPENSE</b>	\$ 1	\$ 2	\$ 8
Adjustment:			
Acquisition-related expense	(1)	(2)	(8)
<b>NON-GAAP ACQUISITION-RELATED EXPENSE</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>OPERATING EXPENSES</b>	\$ 750	\$ 580	\$ 736
Adjustments:			
Amortization of intangible assets	(2)	(2)	—
Stock-based compensation	(49)	(44)	(50)
Litigation settlements	(2)	—	—
Restructuring charges	(22)	—	(5)
Acquisition-related expense	(1)	(2)	(8)
Gain on sale or derecognition of assets	—	156	—
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 674</u>	<u>\$ 688</u>	<u>\$ 673</u>

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

	Q1'FY22	Q4'FY21	Q1'FY21
<b>INCOME FROM OPERATIONS</b>	\$ 249	\$ 455	\$ 136
Adjustments:			
Amortization of intangible assets	9	9	10
Stock-based compensation	53	48	54
Litigation settlements	2	—	—
Restructuring charges	22	—	5
Acquisition-related expense	1	2	8
Gain on sale or derecognition of assets	—	(156)	—
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 336</u>	<u>\$ 358</u>	<u>\$ 213</u>
<b>OTHER EXPENSE, NET</b>	\$ (12)	\$ (19)	\$ (32)
Adjustment:			
Debt extinguishment costs	—	—	14
<b>NON-GAAP OTHER EXPENSE, NET</b>	<u>\$ (12)</u>	<u>\$ (19)</u>	<u>\$ (18)</u>
<b>INCOME BEFORE INCOME TAXES</b>	\$ 237	\$ 436	\$ 104
Adjustments:			
Amortization of intangible assets	9	9	10
Stock-based compensation	53	48	54
Litigation settlements	2	—	—
Restructuring charges	22	—	5
Acquisition-related expense	1	2	8
Gain on sale or derecognition of assets	—	(156)	—
Debt extinguishment costs	—	—	14
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 324</u>	<u>\$ 339</u>	<u>\$ 195</u>
<b>PROVISION FOR INCOME TAXES</b>	\$ 35	\$ 102	\$ 27
Adjustments:			
Income tax effects	26	(18)	16
Income tax expenses from integration of acquired companies	—	(13)	(11)
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 61</u>	<u>\$ 71</u>	<u>\$ 32</u>
<b>NET INCOME PER SHARE</b>	\$ 0.88	\$ 1.46	\$ 0.35
Adjustments:			
Amortization of intangible assets	0.04	0.04	0.05
Stock-based compensation	0.23	0.21	0.24
Litigation settlements	0.01	—	—
Restructuring charges	0.10	—	0.02
Acquisition-related expense	—	0.01	0.04
Gain on sale or derecognition of assets	—	(0.68)	—
Debt extinguishment costs	—	—	0.06
Income tax effects	(0.11)	0.08	(0.07)
Income tax expenses from integration of acquired companies	—	0.06	0.05
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 1.15</u>	<u>\$ 1.17</u>	<u>\$ 0.73</u>

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

	<u>Q1'FY22</u>	<u>Q4'FY21</u>	<u>Q1'FY21</u>
<b>Gross margin-GAAP</b>	68.5%	66.6%	66.9%
Cost of revenues adjustments	0.8%	0.7%	1.1%
<b>Gross margin-Non-GAAP</b>	69.3%	67.3%	68.0%
GAAP cost of revenues	\$ 459	\$ 520	\$ 431
Cost of revenues adjustments:			
Amortization of intangible assets	(7)	(7)	(10)
Stock-based compensation	(4)	(4)	(4)
Non-GAAP cost of revenues	\$ 448	\$ 509	\$ 417
Net revenues	\$ 1,458	\$ 1,555	\$ 1,303

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

	<u>Q1'FY22</u>	<u>Q4'FY21</u>	<u>Q1'FY21</u>
<b>Product gross margin-GAAP</b>	54.9%	53.9%	49.6%
Cost of product revenues adjustments	0.4%	0.4%	1.8%
<b>Product gross margin-Non-GAAP</b>	55.3%	54.3%	51.4%
GAAP cost of product revenues	\$ 329	\$ 387	\$ 316
Cost of product revenues adjustments:			
Amortization of intangible assets	(2)	(2)	(10)
Stock-based compensation	(1)	(1)	(1)
Non-GAAP cost of product revenues	\$ 326	\$ 384	\$ 305
Product revenues	\$ 730	\$ 840	\$ 627

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

	<u>Q1'FY22</u>	<u>Q4'FY21</u>	<u>Q1'FY21</u>
<b>Services gross margin-GAAP</b>	82.1%	81.4%	83.0%
Cost of services revenues adjustment	1.1%	1.1%	0.4%
<b>Services gross margin-Non-GAAP</b>	83.2%	82.5%	83.4%
GAAP cost of services revenues	\$ 130	\$ 133	\$ 115
Cost of services revenues adjustments:			
Amortization of intangible assets	(5)	(5)	—
Stock-based compensation	(3)	(3)	(3)
Non-GAAP cost of services revenues	\$ 122	\$ 125	\$ 112
Services revenues	\$ 728	\$ 715	\$ 676

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

	Q1'FY22	Q4'FY21	Q1'FY21
<b>GAAP effective tax rate</b>	14.8%	23.4%	26.0%
Adjustments:			
Income tax effects	4.1%	0.5%	1.0%
Income tax expenses from integration of acquired companies	—%	(3.0)%	(10.6)%
<b>Non-GAAP effective tax rate</b>	18.8%	20.9%	16.4%

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

	Q1'FY22	Q4'FY21	Q1'FY21
Net cash provided by operating activities	\$ 242	\$ 559	\$ 240
Purchases of property and equipment	(51)	(38)	(52)
<b>Free cash flow</b>	\$ 191	\$ 521	\$ 188

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

	Q1'FY22	Q4'FY21	Q1'FY21
Net revenues	\$ 1,458	\$ 1,555	\$ 1,303
Change in deferred revenue and financed unearned services revenue*	(82)	183	(158)
<b>Billings</b>	\$ 1,376	\$ 1,738	\$ 1,145

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

**NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
EXPRESSED AS EARNINGS PER SHARE  
SECOND QUARTER FISCAL 2022**

	Second Quarter Fiscal 2022
Non-GAAP Guidance - Net Income Per Share	\$1.14 - \$1.24
Adjustments of Specific Items to Net Income	
Per Share for the Second Quarter Fiscal 2022:	
Amortization of intangible assets	(\$0.04)
Stock-based compensation expense	(\$0.25)
Income tax effects	\$0.03
Total Adjustments	(\$0.26)
GAAP Guidance - Net Income Per Share	\$0.88 - \$0.98

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

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**FISCAL 2022**  
**(Unaudited)**

<b>GROSS MARGIN</b>	
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%
<b>OPERATING MARGIN</b>	
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	18% - 19%
<b>EFFECTIVE TAX RATE</b>	
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	~21%

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

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**EXPRESSED AS EARNINGS PER SHARE**  
**FISCAL 2022**

	<b>Fiscal 2022</b>
Non-GAAP Guidance - Net Income Per Share	\$4.85 - \$5.05
Adjustments of Specific Items to Net Income	
Per Share for Fiscal 2022:	
Amortization of intangible assets	(\$0.16)
Stock-based compensation expense	(\$0.98)
Income tax effects	\$0.12
Total Adjustments	(\$1.02)
GAAP Guidance - Net Income Per Share	\$3.83 - \$4.03

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

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