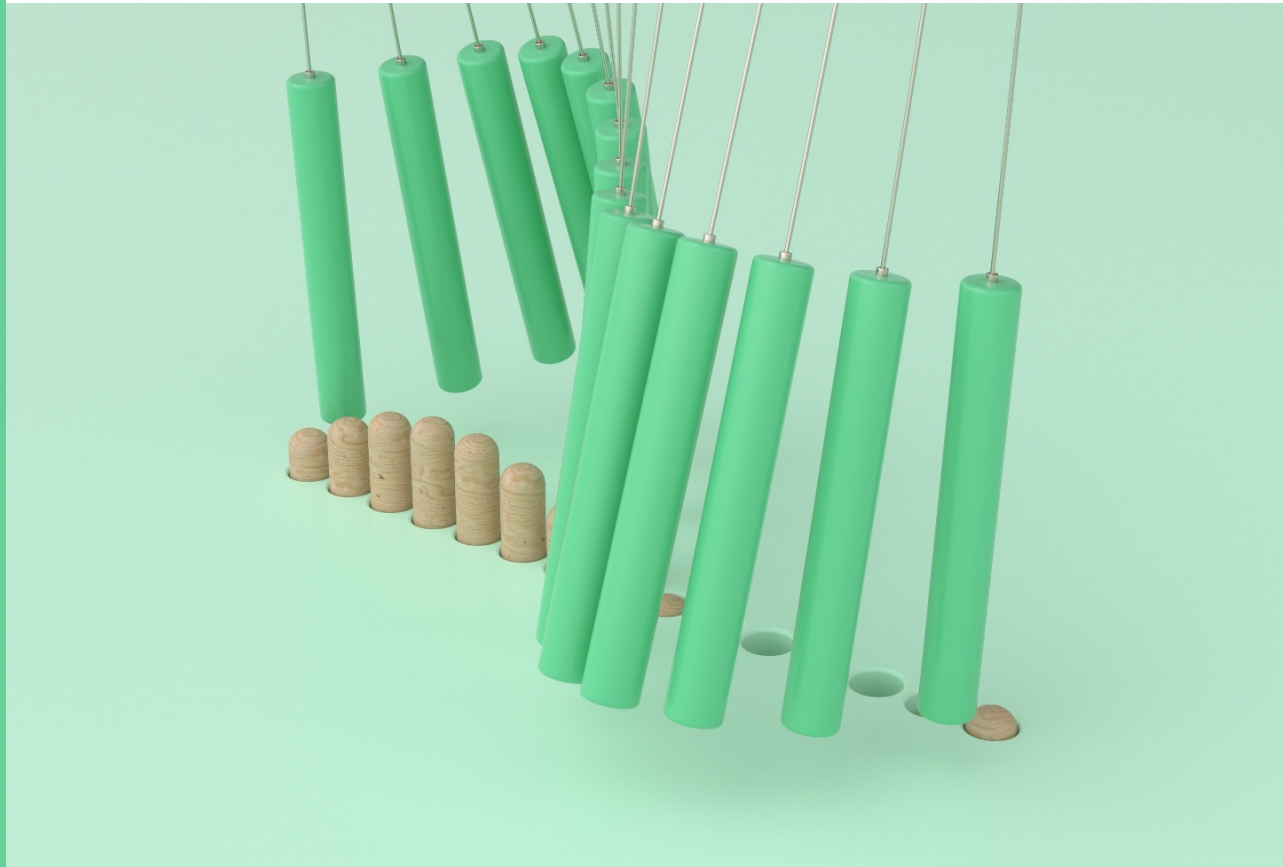
Q1 FY22 Earnings Results

August 25, 2021

NetApp



© 2021 NetApp, Inc. All rights reserved.

Safe harbor

This presentation contains forward-looking statements and projections about our strategy, products and services, shareholder returns and our future results, performance or achievements, financial and otherwise. These statements and projections reflect management's current expectations, estimates and assumptions based on the information currently available to us and are not guarantees of future performance.

Actual results may differ materially from our statements or projections for a variety of reasons, including, without limitation, general global political, macroeconomic and market conditions, including the impact of the COVID-19 pandemic, changes in U.S. government spending, revenue seasonality and matters specific to our business, such as the impact of the COVID-19 pandemic on the company's business operations, financial performance and results of operations, our ability to expand our total available market and grow our portfolio of products, customer demand for and acceptance of our products and services, our ability to successfully execute new business models, our ability to successfully execute on our data fabric strategy to generate profitable growth and stockholder return and our ability to manage our gross profit margins. These and other equally important factors that may affect our future results are described in reports and documents we file from time to time with the SEC, including the factors described under the section titled "Risk Factors" in our most recent filings on Form 10-K and Form 10-Q available at www.sec.gov. The forward-looking statements made in these presentations are being made as of the time and date of the live presentation. If these presentations are reviewed after the time and date of the live presentation, even if subsequently made available by us, on our website or otherwise, these presentations may not contain current or accurate information. Except as required by law, we disclaim any obligation to update or revise any forward-looking statement based on new information, future events or otherwise.

This presentation includes non-GAAP financial measures. Reconciliations of these measures to the comparable GAAP measures are available in the appendix to this presentation.

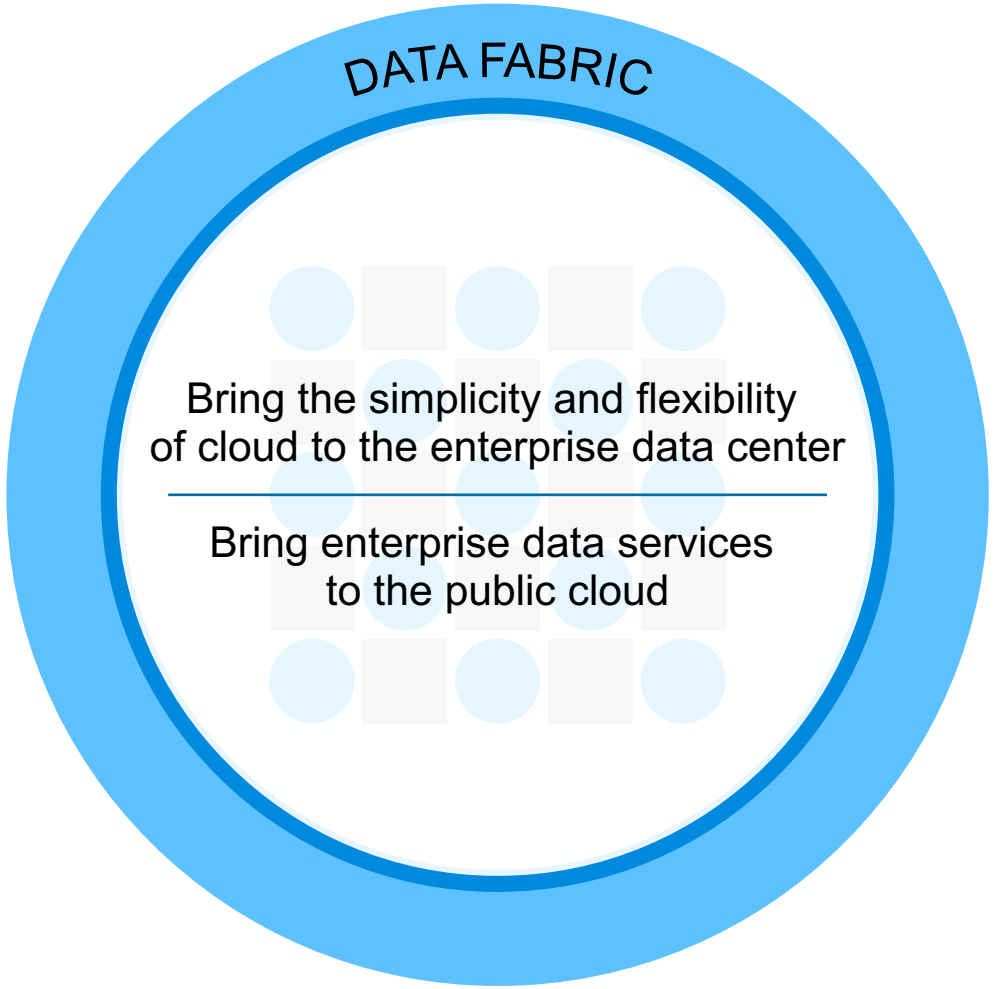
NetApp's Investor Relations website at https://investors.netapp.com/investor-relations contains a significant amount of information about NetApp, including financial and other information for investors. NetApp encourages investors to visit that website from time to time as information is updated and new information is posted. The content of NetApp's website is not incorporated by reference into this presentation, and any references to NetApp's website are intended to be inactive textual references only.

© 2021 NetApp, Inc. All rights reserved.

We are a global cloud-led, data-centric software company that gives organizations everywhere the freedom to put data to work in the applications that elevate their business

© 2021 NetApp, Inc. All rights reserved.

Our solutions address crucial workloads in the cloud and on premises



Cloud storage

Compute operations

Cloud controls

Cloud services and analytics

Enterprise workloads

Data protection

AI and data lakes

Virtualization/ Container

Cloud operations

Cost optimization

Flash and hybrid storage

Object storage

Converged and hybrid cloud infrastructure

Protection and security

Enterprise solutions

© 2021 NetApp, Inc. All rights reserved.

Strategic approach with focused execution for growth

Technology and innovation leadership

Aligned to customer imperatives

Strong business model

Building on a strong foundation

- Data-centric software specialist
- Trusted by the world's leading organizations
- Unique partnerships with the biggest public clouds
- Differentiated data fabric strategy
- Strong business model
- Proven track record of turning market transitions into competitive advantage

© 2021 NetApp, Inc. All rights reserved.

Market leaders across diverse industries rely on NetApp

X of the top **10** companies in their industries use NetApp

10 Aerospace and defense

9 Automotive

9 Business services

5 Construction

8 Consumer product

9 Financial services

10 Healthcare

10 Hi-tech

8 Insurance

10 Life science

10 Manufacturers

10 Media

9 Oil and gas

10 Retailers

10 Software and IT

10 Telcos

10 Transportation

Source: NetApp Market Intelligence, December 2020; includes software, systems, and cloud services customers.

NetApp © 2021 NetApp, Inc. All rights reserved.

Software leadership

Cloud-led, data-centric software company building on a rich legacy of software innovation

Trusted relationships

Partnerships with the world's leading enterprises and public clouds

Uniquely positioned

Well positioned to capture transitions in large and growing markets

Focused execution

Grow storage software and systems to gain share and scale cloud services

Software franchise

Software and cloud focused business model drives recurring revenue

Shareholder value

Disciplined OPEX management while investing for growth with sustained capital returns

© 2021 NetApp, Inc. All rights reserved.

Results highlights

- Delivered a strong start to FY22 with double digit billings and revenue growth driven by broad-based strength
- Continued strength and momentum with All-Flash Arrays and Public Cloud services
- Introduced significant innovation across Hybrid Cloud and Public Cloud portfolios
- Advanced Keystone Flex Subscription, our Storage-as-a-Service offering, to further simplify hybrid cloud consumption and operations
- Recognized by Microsoft as the Global Customer Experience Partner of the Year and US SAP on Azure Partner of the Year

© 2021 NetApp, Inc. All rights reserved.

Q1 FY22 summary

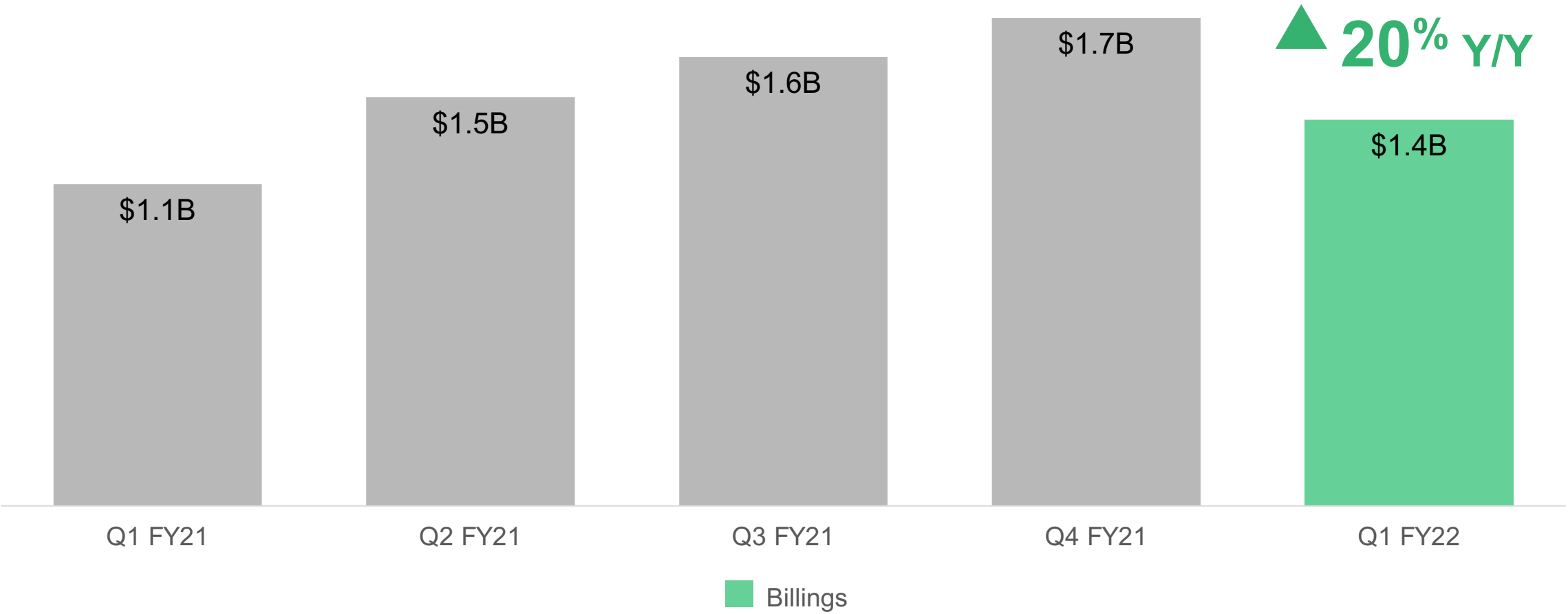
	Q1 guidance (as of June 2, 2021)	Q1 actual	
Billings*		$1.38B +20.2% y/y	
Revenue	$1.37B – $1.47B	$1.46B +11.9% y/y	✅
Non-GAAP gross margin	~ 68%	69.3% +130 bps y/y	✅
Non-GAAP operating margin	19% – 20%	23.0% +670 bps y/y	✅
Non-GAAP EPS	$0.89 – $0.97	$1.15 +57.5% y/y	✅
Non-GAAP FCF margin		13.1%	
Capital returns*		$212M	

*Billings is a Non-GAAP measure. Refer to appendix for details on these Non-GAAP measures and a reconciliation between Non-GAAP and GAAP numbers.
Capital returns are the sum of cash dividends and share repurchases.

NetApp

© 2021 NetApp, Inc. All rights reserved.

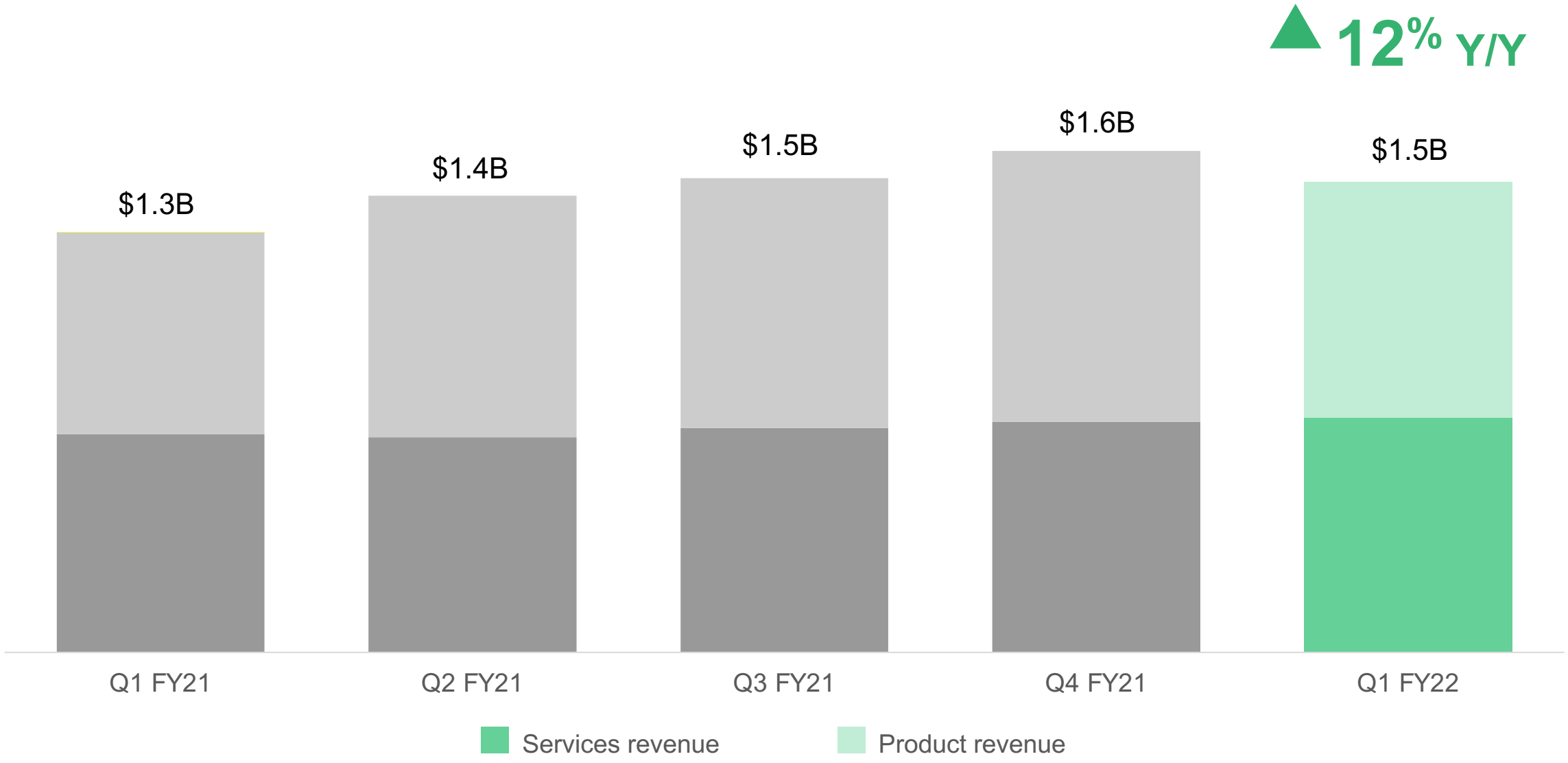
Billings



Billings is a Non-GAAP measure. Refer to appendix for details and a reconciliation between Non-GAAP and GAAP numbers.

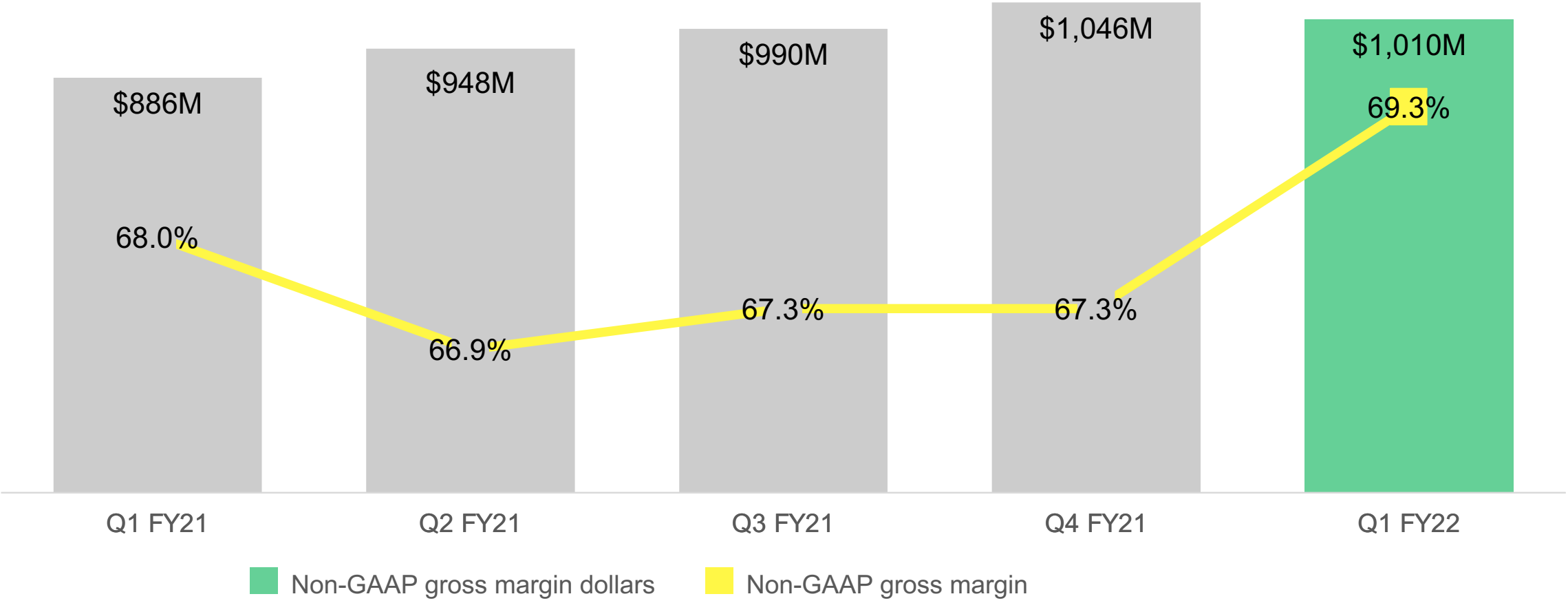
© 2021 NetApp, Inc. All rights reserved.

Revenues



© 2021 NetApp, Inc. All rights reserved.

Non-GAAP gross margin

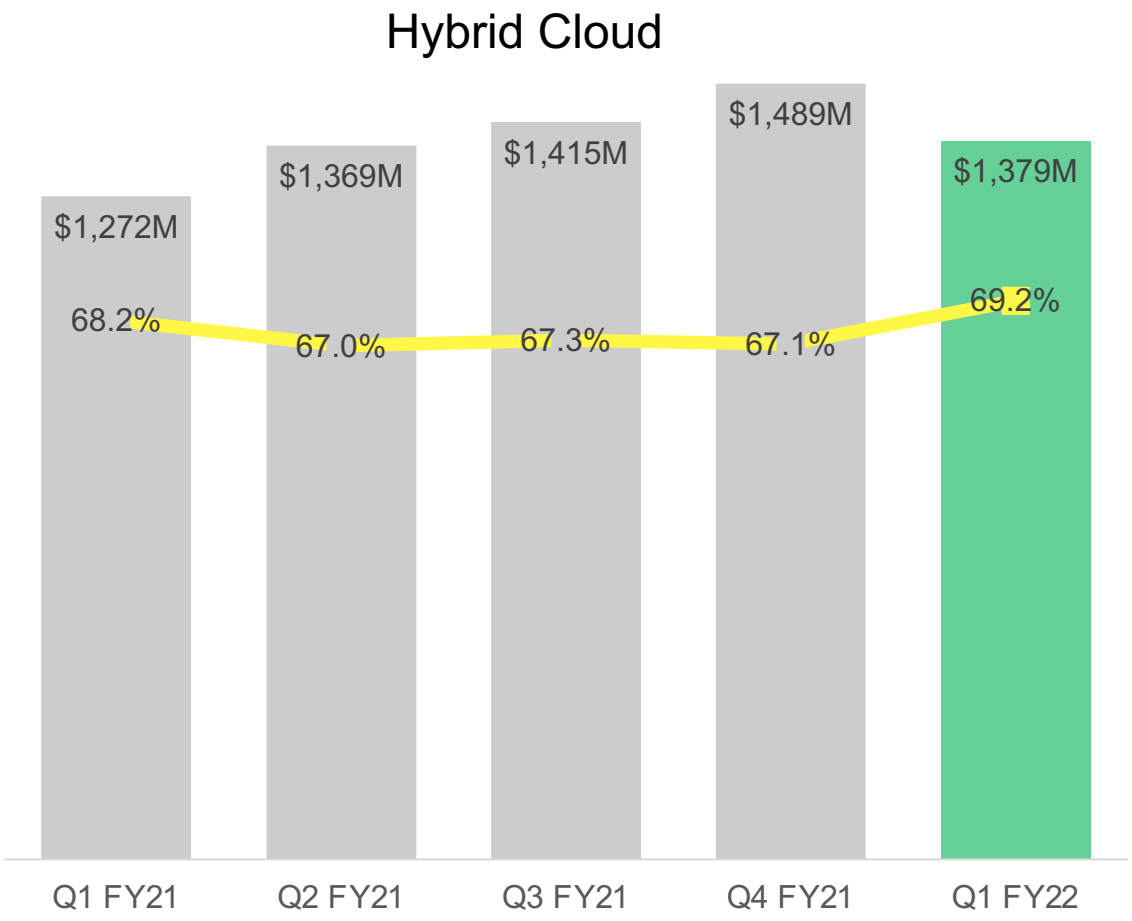


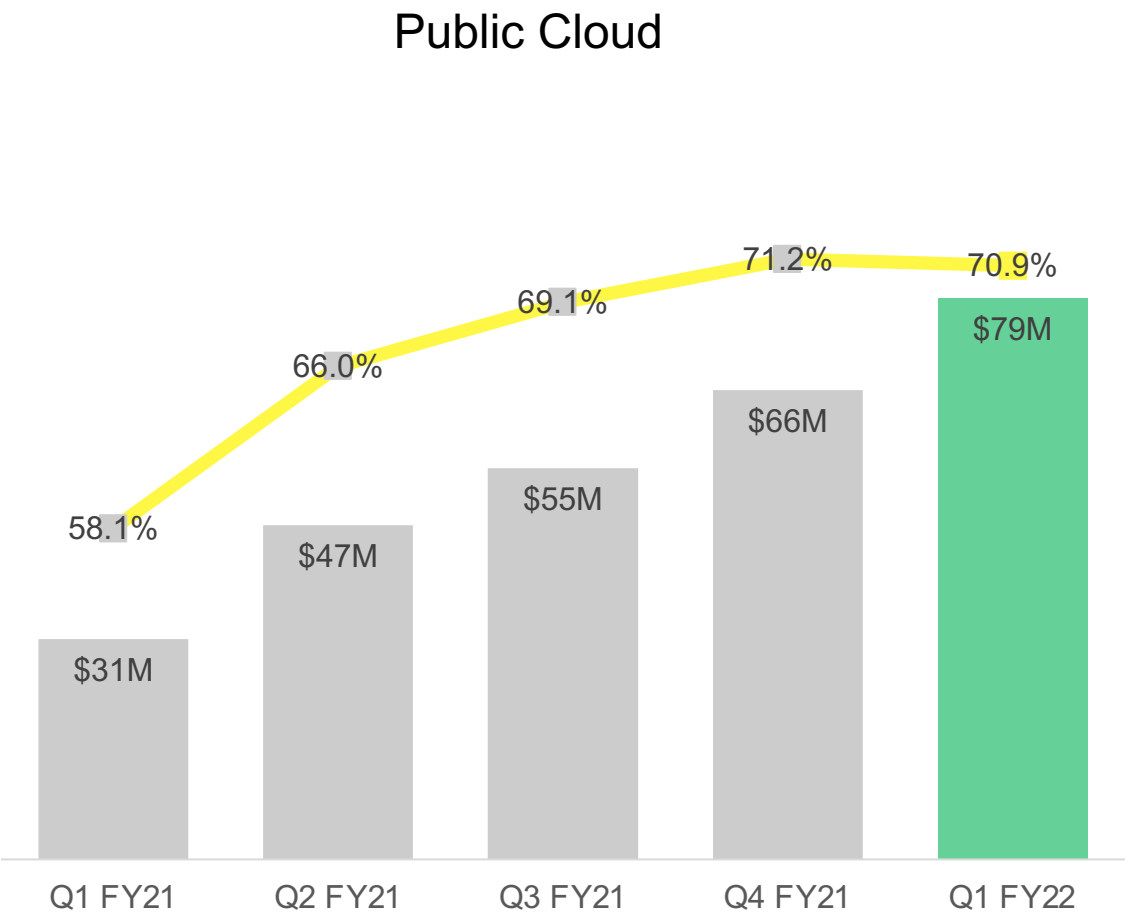
Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers

NetApp

© 2021 NetApp, Inc. All rights reserved.

Segment revenue and gross margin



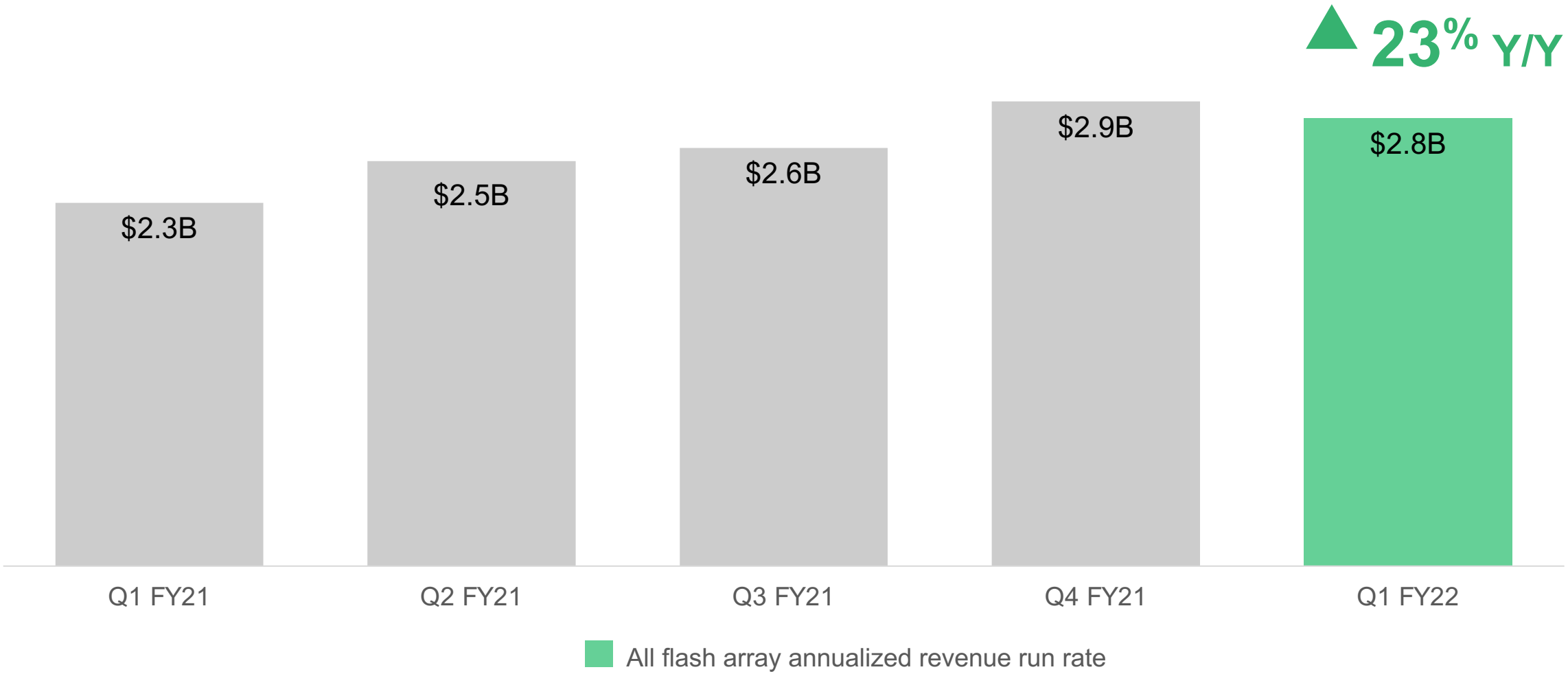


Segment revenue Segment gross margin

In the first quarter of fiscal 2022, the company introduced two segments for financial reporting purposes: Hybrid Cloud and Public Cloud. A reconciliation of segment gross profit, which does not include stock-based compensation or amortization of intangibles, to consolidated gross profit in included in the appendix.

© 2021 NetApp, Inc. All rights reserved.

All flash array annualized revenue run rate

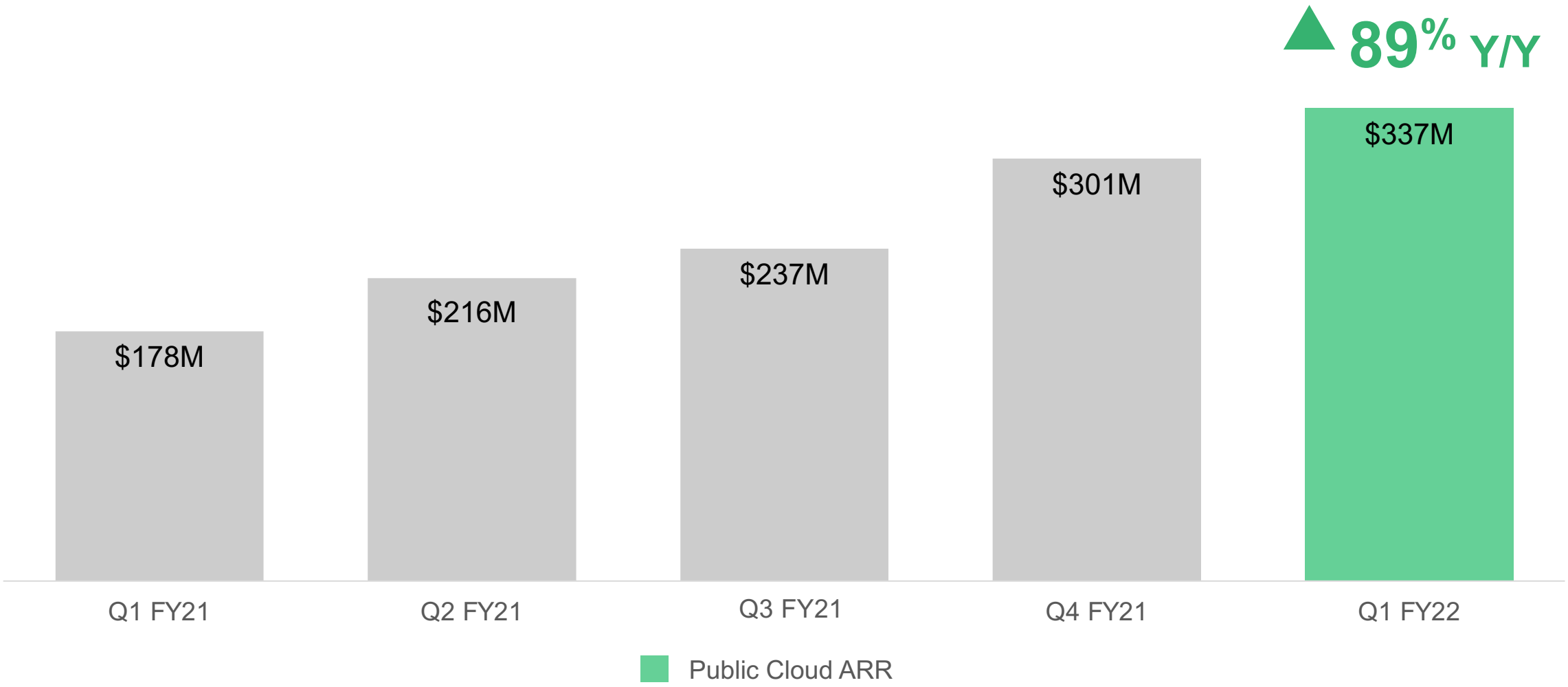


NetApp

© 2021 NetApp, Inc. All rights reserved.

AFA annualized net revenue run rate is determined by products and services revenue for the current period, multiplied by 4

Public Cloud ARR

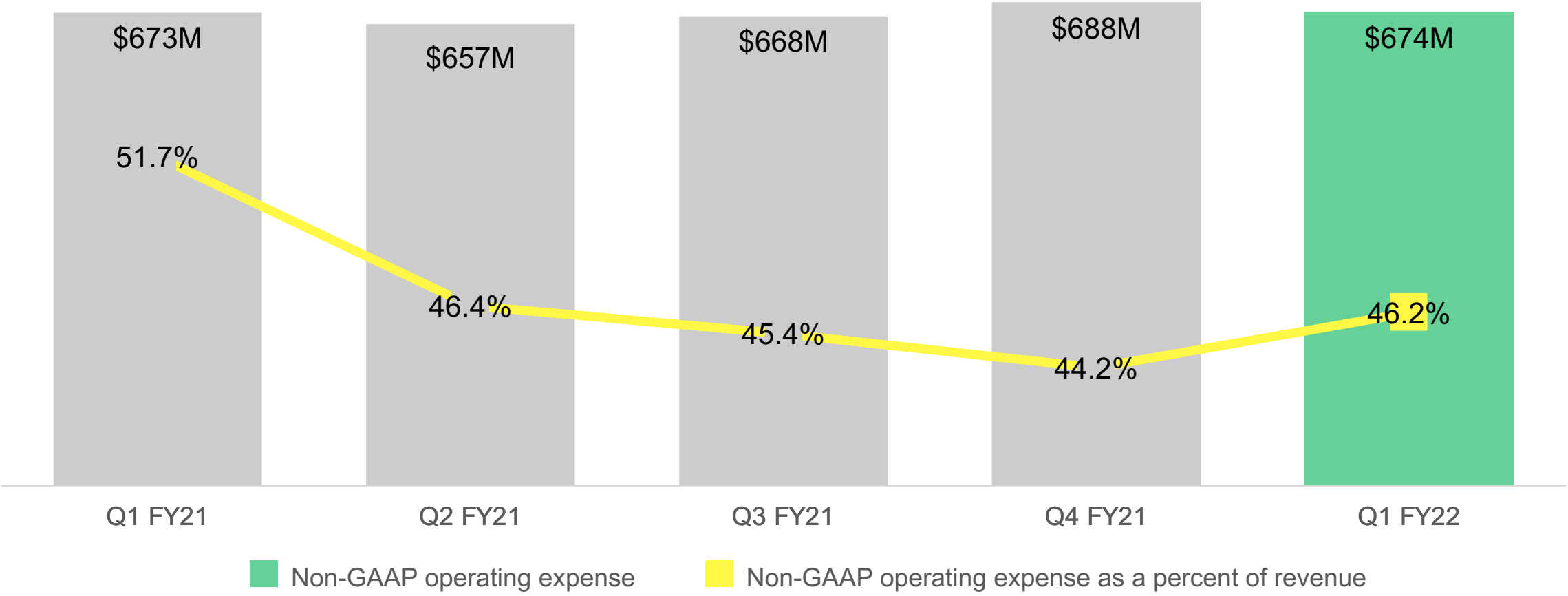


NetApp

© 2021 NetApp, Inc. All rights reserved.

Public cloud annualized revenue run-rate is calculated as the annualized value of all Public Cloud customer commitments with the assumption that any commitment expiring during the next 12 months will be renewed with its existing term

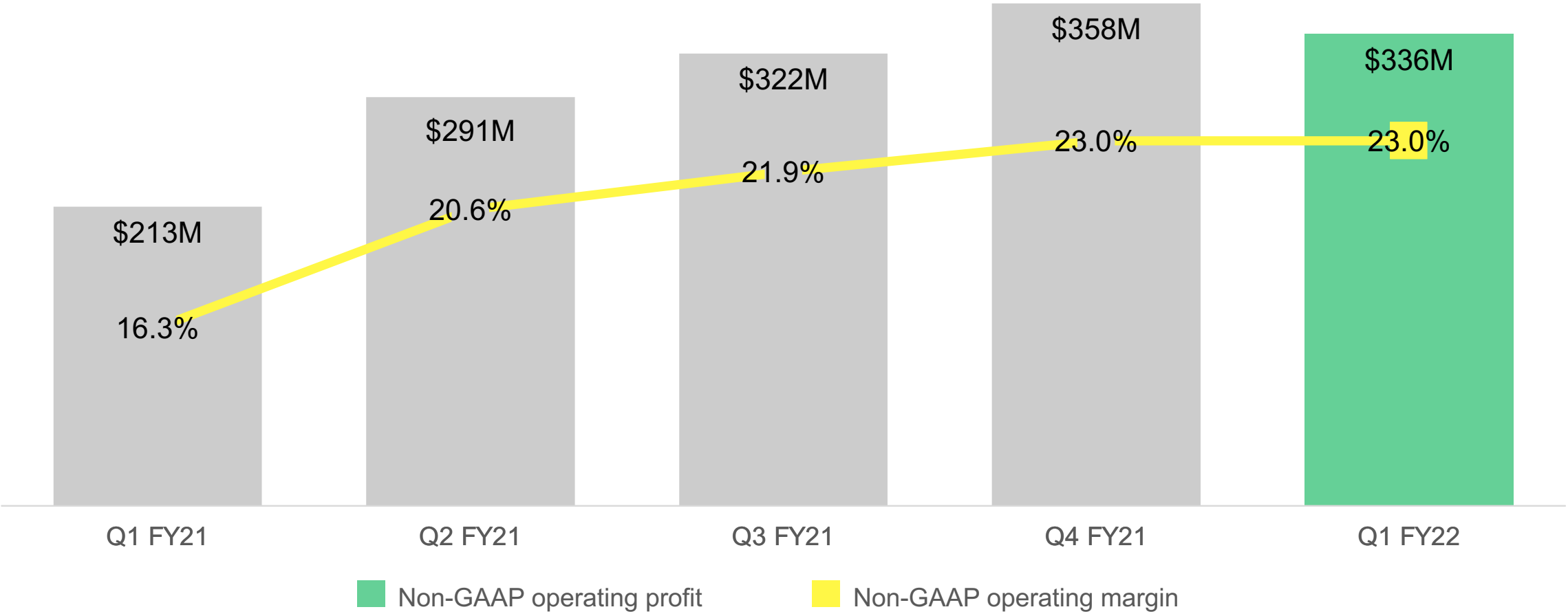
Non-GAAP operating expense



Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers

© 2021 NetApp, Inc. All rights reserved.

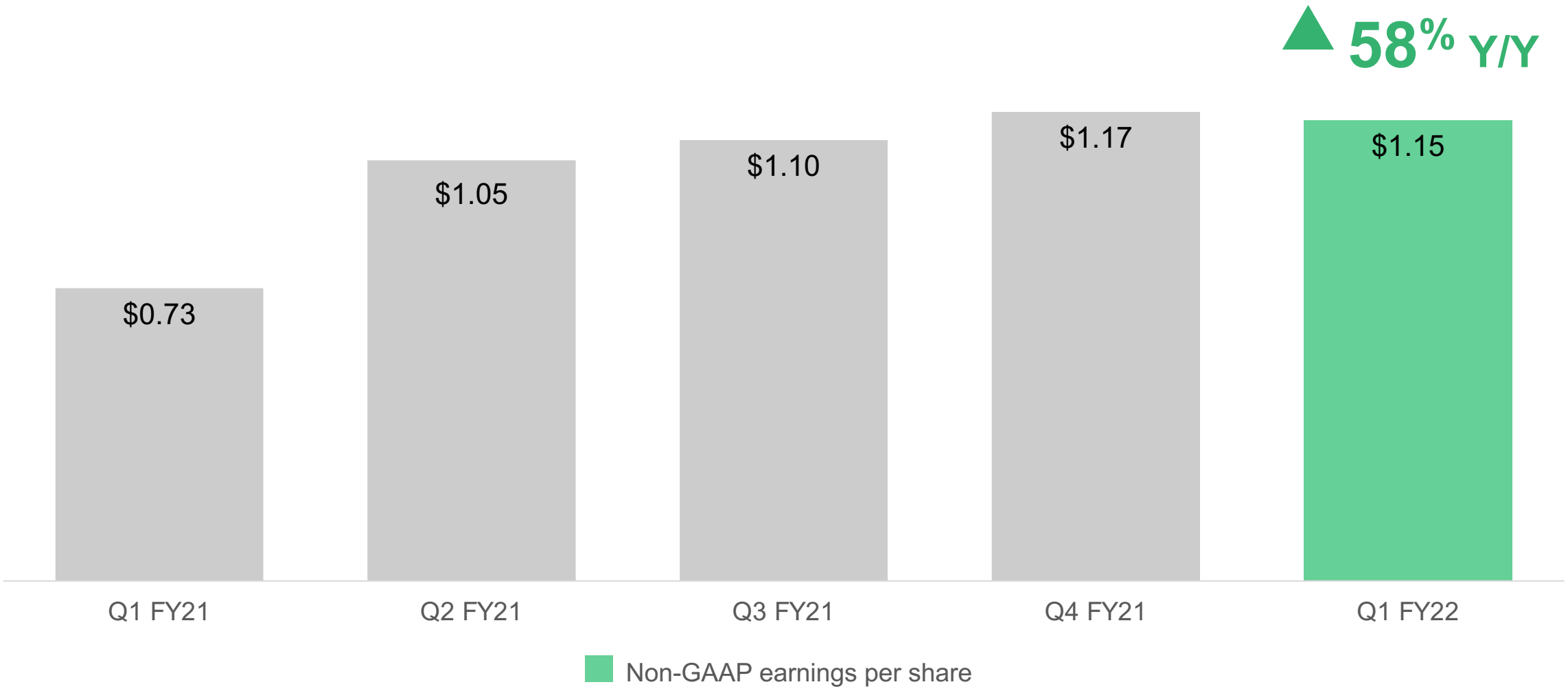
Non-GAAP operating profit



Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers

© 2021 NetApp, Inc. All rights reserved.

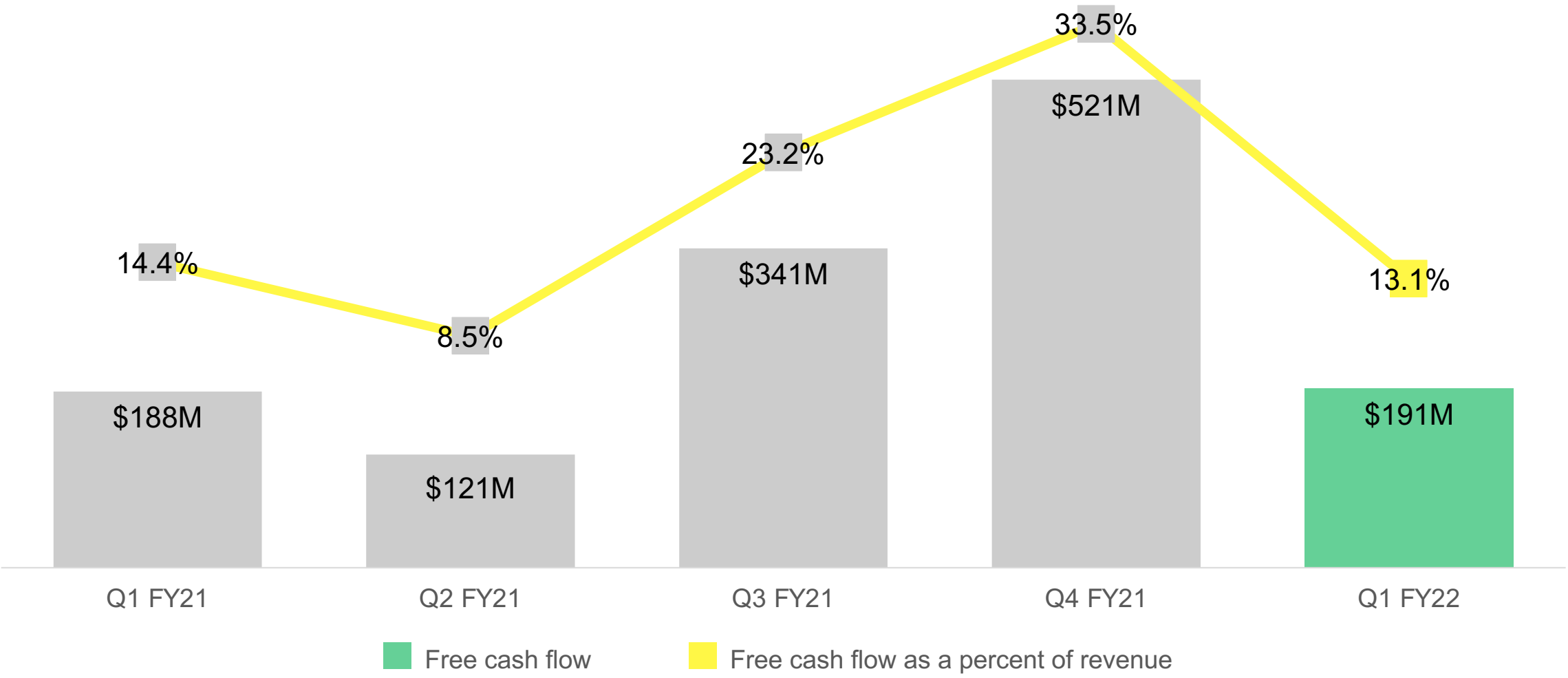
Non-GAAP earnings per share



Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers

© 2021 NetApp, Inc. All rights reserved.

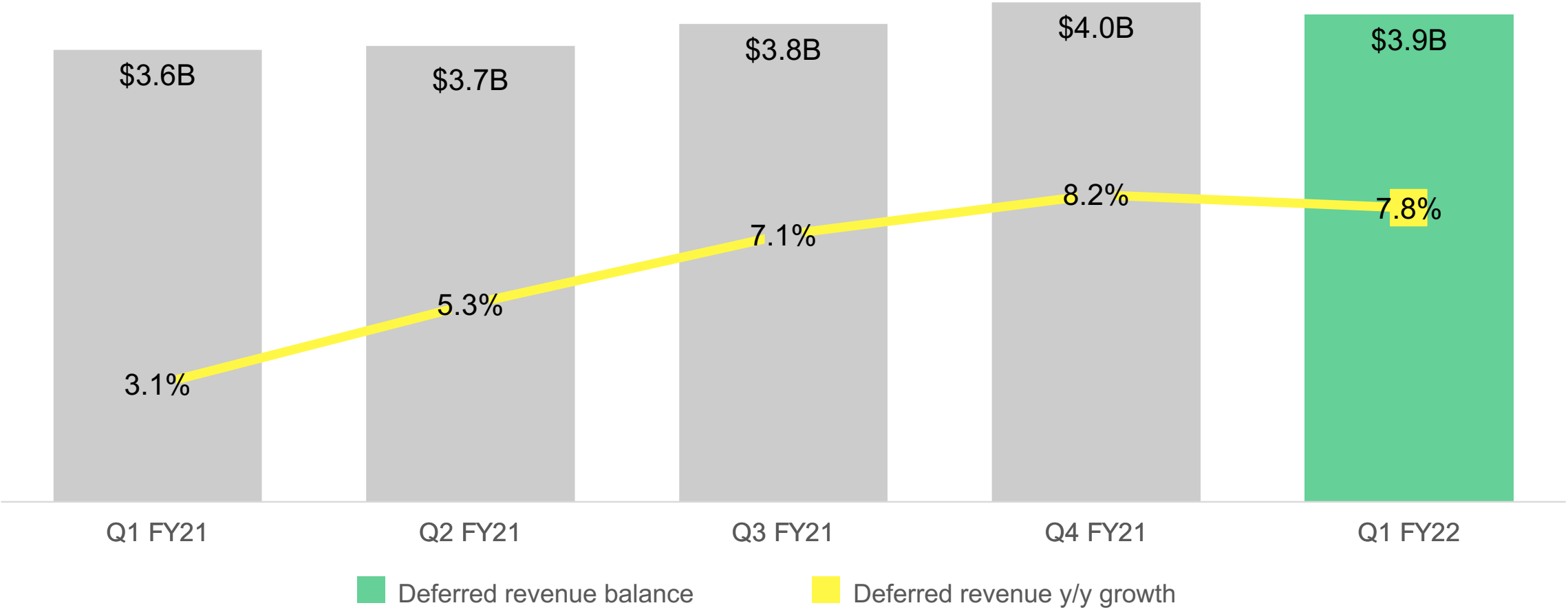
Non-GAAP free cash flow



Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers

© 2021 NetApp, Inc. All rights reserved.

Deferred revenue



© 2021 NetApp, Inc. All rights reserved.

Q2 FY22 Guidance

as of Aug 25, 2021

	Q2 Guide
Revenue	$1.49B – $1.59B
Non-GAAP gross margin	~ 68%
Non-GAAP operating margin	~ 23%
Earnings per share*	$1.14 – $1.24

Additional modeling points

Operating expenses*	$690M – $700M
Other income & expense	($15M – $20M)
Non-GAAP tax rate	~ 19%

*Earnings per share and Operating expenses are presented on a Non-GAAP basis. Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers.

NetApp

© 2021 NetApp, Inc. All rights reserved.

Updated FY22 Guidance

as of Aug 25, 2021

	FY22 Guide
Revenue	+ 8% – 9% y/y
Non-GAAP gross margin	~ 68%
Non-GAAP operating margin	23% – 24%
Earnings per share*	$4.85 – $5.05

Additional modeling points

Public Cloud ARR	$450M – $500M
Operating expenses*	$2.75B – $2.80B
Other income & expense	($60M – $65M)
Non-GAAP tax rate	~ 19%

*Earnings per share and operating expenses are presented on a Non-GAAP basis. Refer to appendix for a reconciliation between Non-GAAP and GAAP numbers.

NetApp

© 2021 NetApp, Inc. All rights reserved.

Appendix: Supplementary Tables and Non-GAAP to GAAP Reconciliations & Explanations

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Segments Gross Profit to Total Gross Profit

RECONCILIATION OF SEGMENTS GROSS PROFIT TO TOTAL GROSS PROFIT
($ in millions)

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
Revenues by Segment					
Product	$ 627	$ 749	$ 775	$ 840	$ 730
Support	577	553	571	576	578
Professional and Other Services	68	67	69	73	71
Hybrid Cloud Segment Net Revenues	**1,272**	**1,369**	**1,415**	**1,489**	**1,379**
Public Cloud Segment Net Revenues	**31**	**47**	**55**	**66**	**79**
Net Revenues	**1,303**	**1,416**	**1,470**	**1,555**	**1,458**
Gross Profit by Segment					
Product	322	397	414	456	404
Support	526	503	522	525	530
Professional and Other Services	20	17	16	18	20
Hybrid Cloud Segment Gross Profit	**868**	**917**	**952**	**999**	**954**
Public Cloud Segment Gross Profit	**18**	**31**	**38**	**47**	**56**
Total Segments Gross Profit	**886**	**948**	**990**	**1,046**	**1,010**
Amortization of Intangible Assets	(10)	(12)	(12)	(7)	(7)
Stock-based Compensation	(4)	(3)	(3)	(4)	(4)
Unallocated Cost of Revenues	**(14)**	**(15)**	**(15)**	**(11)**	**(11)**
Gross Profit	**$ 872**	**$ 933**	**$ 975**	**$ 1,035**	**$ 999**
Hybrid Cloud Segment Gross Margin	**68.2%**	**67.0%**	**67.3%**	**67.1%**	**69.2%**
Public Cloud Segment Gross Margin	**58.1%**	**66.0%**	**69.1%**	**71.2%**	**70.9%**

NetApp © 2021 NetApp, Inc. All rights reserved.

Dollar-based net revenue retention rate for cloud services (Non-GAAP)

Dollar-based net revenue retention rate (DBNRR) for cloud services is a Non-GAAP metric calculated by dividing the approximate total revenue from our cloud customer base at the end of a period (“Cloud Current Period revenue”) by the approximate revenue of the same group of customers at the beginning of that 12-month period. Cloud Current Period revenue includes existing customer renewals and expansion, is net of existing customer contraction and churn, and excludes new customers. Amounts used in the calculation of DBNRR differ from revenues recognized in accordance with US GAAP as they are derived from contract values prior to the reallocation of total contract value across all performance obligations based on relative standalone selling price, as required by ASC 606.

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Net Revenues to Billings (Non-GAAP)

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

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
Net revenues	$ 1,303	$ 1,416	$ 1,470	$ 1,555	$ 1,458
Change in deferred revenue and financed unearned services revenue*	(158)	40	128	183	(82)
Billings	$ 1,145	$ 1,456	$ 1,598	$ 1,738	$ 1,376

* As reported on our Condensed Consolidated Statements of Cash Flows

Some items may not add or recalculate due to rounding

Billings - NetApp approximates billings by adding net revenues as reported on our consolidated statements of operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our consolidated statements of cash flows.

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP to GAAP Gross Profit and Gross Margin

RECONCILIATION OF NON-GAAP TO GAAP
GROSS PROFIT AND GROSS MARGIN
($ in millions)

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
NET REVENUES	$ 1,303	$ 1,416	$ 1,470	$ 1,555	$ 1,458
GROSS PROFIT	**$ 872**	**$ 933**	**$ 975**	**$ 1,035**	**$ 999**
Adjustments:					
Amortization of intangible assets	10	12	12	7	7
Stock-based compensation	4	3	3	4	4
NON-GAAP GROSS PROFIT	**$ 886**	**$ 948**	**$ 990**	**$ 1,046**	**$ 1,010**
Gross margin-GAAP	**66.9%**	**65.9%**	**66.3%**	**66.6%**	**68.5%**
Adjustments	1.1%	1.1%	1.0%	0.7%	0.8%
Gross margin-Non-GAAP	**68.0%**	**66.9%**	**67.3%**	**67.3%**	**69.3%**

NetApp © 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP to GAAP Operating Expenses

RECONCILIATION OF NON-GAAP TO GAAP OPERATING EXPENSES
($ in millions)

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
OPERATING EXPENSES	**$ 736**	**$ 751**	**$ 717**	**$ 580**	**$ 750**
Adjustments:					
Amortization of intangible assets	-	(3)	(3)	(2)	(2)
Stock-based compensation	(50)	(46)	(43)	(44)	(49)
Litigation settlements	-	(5)	-	-	(2)
Restructuring charges	(5)	(37)	-	-	(22)
Acquisition-related expense	(8)	(3)	(3)	(2)	(1)
Gain on sale or derecognition of assets	-	-	-	156	-
NON-GAAP OPERATING EXPENSES	**$ 673**	**$ 657**	**$ 668**	**$ 688**	**$ 674**
NET REVENUES	$ 1,303	$ 1,416	$ 1,470	$ 1,555	$ 1,458
GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES	**56.5%**	**53.0%**	**48.8%**	**37.3%**	**51.4%**
Adjustments	(4.8%)	(6.6%)	(3.3%)	6.9%	-5.2%
NON-GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES	**51.7%**	**46.4%**	**45.4%**	**44.2%**	**46.2%**

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP to GAAP Income from Operations

RECONCILIATION OF NON-GAAP TO GAAP
INCOME FROM OPERATIONS
($ in millions)

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
INCOME FROM OPERATIONS	**$ 136**	**$ 182**	**$ 258**	**$ 455**	**$ 249**
Adjustments:					
Amortization of intangible assets	10	15	15	9	9
Stock-based compensation	54	49	46	48	53
Asset impairment	-	-	-	-	-
Litigation settlements	-	5	-	-	2
COVID-19 charges	-	-	-	-	-
Restructuring charges	5	37	-	-	22
Acquisition-related expense	8	3	3	2	1
Gain on sale or derecognition of assets	-	-	-	(156)	-
NON-GAAP INCOME FROM OPERATIONS	**$ 213**	**$ 291**	**$ 322**	**$ 358**	**$ 336**
NET REVENUES	$ 1,303	$ 1,416	$ 1,470	$ 1,555	$ 1,458
GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES	**10.4%**	**12.9%**	**17.6%**	**29.3%**	**17.1%**
Adjustments	5.9%	7.7%	4.4%	-6.2%	6.0%
NON-GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES	**16.3%**	**20.6%**	**21.9%**	**23.0%**	**23.0%**

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP to GAAP Net Income per Share

RECONCILIATION OF NON-GAAP TO GAAP
NET INCOME PER SHARE

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
NET INCOME PER SHARE	**$ 0.35**	**$ 0.61**	**$ 0.80**	**$ 1.46**	**$ 0.88**
Adjustments:					
Amortization of intangible assets	0.05	0.07	0.07	0.04	0.04
Stock-based compensation	0.24	0.22	0.20	0.21	0.23
Litigation settlements	-	0.02	-	-	0.01
Restructuring charges	0.02	0.17	-	-	0.10
Acquisition-related expense	0.04	0.01	0.01	0.01	0.00
Gain on sale or derecognition of assets	-	-	-	(0.68)	-
Debt extinguishment costs	0.06	-	-	-	-
Gain on sale of equity investment	-	(0.03)	-	-	-
Income tax effects	(0.07)	(0.04)	(0.06)	0.08	(0.11)
Income tax expenses from integration of acquired companies	0.05	0.02	0.07	0.06	-
NON-GAAP NET INCOME PER SHARE	**$ 0.73**	**$ 1.05**	**$ 1.10**	**$ 1.17**	**$ 1.15**

Diluted Shares 229

Note: GAAP and Non-GAAP Net Income Per Share were computed using the Diluted number of shares
Some items may not add or recalculate due to rounding

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Net Cash Provided by (Used In) Operating Activities to Free Cash Flow (Non-GAAP)

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

	Q1 FY'21	Q2 FY'21	Q3 FY'21	Q4 FY'21	Q1 FY'22
Net cash provided by (used in) operating activities	$ 240	$ 161	$ 373	$ 559	$ 242
Purchases of property and equipment	(52)	(40)	(32)	(38)	(51)
Free cash flow	$ 188	$ 121	$ 341	$ 521	$ 191
NET REVENUES	$ 1,303	$ 1,416	$ 1,470	$ 1,555	$ 1,458
FREE CASH FLOWS AS A PERCENTAGE OF NET REVENUES	**14.4%**	**8.5%**	**23.2%**	**33.5%**	**13.1%**

Free cash flow is calculated as net cash provided by operating activities less purchases of property and equipment.

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - Second Quarter Fiscal 2022

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

	Second Quarter Fiscal 2022
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%

	Second Quarter Fiscal 2022 (In millions)
Operating Expenses - Non-GAAP Guidance	$690 - $700
Adjustments:	
Amortization of intangibles	$2
Stock-based compensation expense	$54
Operating Expenses - GAAP Guidance	$746 - $756

	Second Quarter Fiscal 2022
Operating Margin - Non-GAAP Guidance	~23%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	~19%

NetApp © 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - Second Quarter Fiscal 2022, continued

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2021
(Unaudited)

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

	Second Quarter Fiscal 2022
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	~21%

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - Fiscal 2022

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

	Fiscal 2022
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%

	Fiscal 2022 (In millions)
Operating Expenses - Non-GAAP Guidance	$2,750 - $2,800
Adjustments:	
Amortization of intangibles	$9
Stock-based compensation expense	$209
Operating Expenses - GAAP Guidance	$2,968 - $3,018

	Fiscal 2022
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	18% - 19%

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - Quarter Fiscal 2022, continued

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

	Fiscal 2022
Net Income Per Share - Non-GAAP Guidance	$4.85 - $5.05
Adjustments:	
Amortization of intangible assets	($0.16)
Stock-based compensation expense	($0.98)
Income tax effects	$0.12
Net Income Per Share - GAAP Guidance	$3.83 - $4.03

	Fiscal 2022
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	~21%

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - First Quarter Fiscal 2022

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

	First Quarter Fiscal 2022
Gross Margin - Non-GAAP Guidance	~68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~67%

	First Quarter Fiscal 2022 (In millions)
Operating Expenses - Non-GAAP Guidance	$680 - $690
Adjustments:	
Amortization of intangibles	$2
Stock-based compensation expense	$44
Operating Expenses - GAAP Guidance	$726 - $736

	First Quarter Fiscal 2022
Operating Margin - Non-GAAP Guidance	19% - 20%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(3)%
Operating Margin - GAAP Guidance	15% - 16%

© 2021 NetApp, Inc. All rights reserved.

Reconciliation of Non-GAAP Guidance to GAAP - First Quarter Fiscal 2022, continued

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

	First Quarter Fiscal 2022
Net Income Per Share - Non-GAAP Guidance	$0.89 - $0.97
Adjustments:	
Amortization of intangible assets	($0.04)
Stock-based compensation expense	($0.20)
Income tax effects	$0.04
Net Income Per Share - GAAP Guidance	$0.69 - $0.77

	First Quarter Fiscal 2022
Effective Tax Rate - Non-GAAP Guidance	~19%
Adjustment:	
Income tax effects	1%
Effective Tax Rate - GAAP Guidance	~20%

© 2021 NetApp, Inc. All rights reserved.

NetApp unlocks the best of cloud

© 2021 NetApp, Inc. All rights reserved.