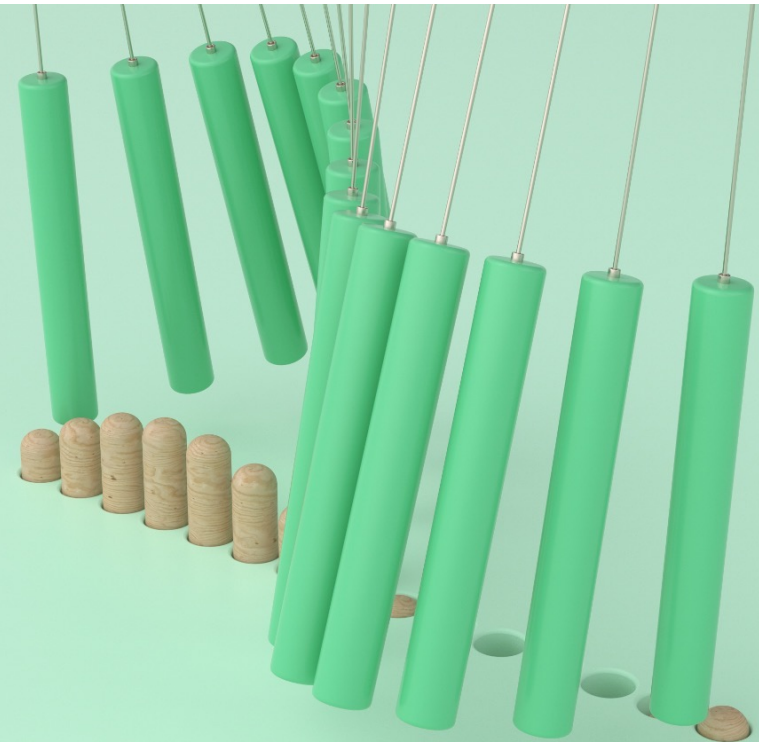


# Q1 FY23 Earnings Results

August 24, 2022



# 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, our ability to keep pace with rapid industry, technological and market trends and changes in the markets in which we operate, our ability to execute our data fabric strategy and introduce and gain market acceptance for our products and services, our ability to maintain our customer, partners, supplier and contract manufacturer relationships on favorable terms and conditions, general global political, macroeconomic and market conditions, the impact of the COVID-19 pandemic, including supply chain disruptions, on our business operations, financial performance and results of operations, material cybersecurity and other security breaches, changes in U.S. government spending, 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 filing on Form 10-K available at [www.sec.gov](http://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.

# NetApp unlocks the best of cloud

We help customers build their data fabric so they can thrive during times of disruption by getting the most out of their data, whether on premises, in a hybrid environment, or entirely in the cloud.

# In the post-COVID business world, work and IT architectures are hybrid...

Physical is being replaced or complemented by digital



Physical: predictable, slow



Digital: resilient, agile

# The new rules of digital – and hybrid – business...

Speed and flexibility matter enormously: businesses will pay more for these capabilities



**Speed** is the  
new scale



**Flexibility** is the  
greatest strength



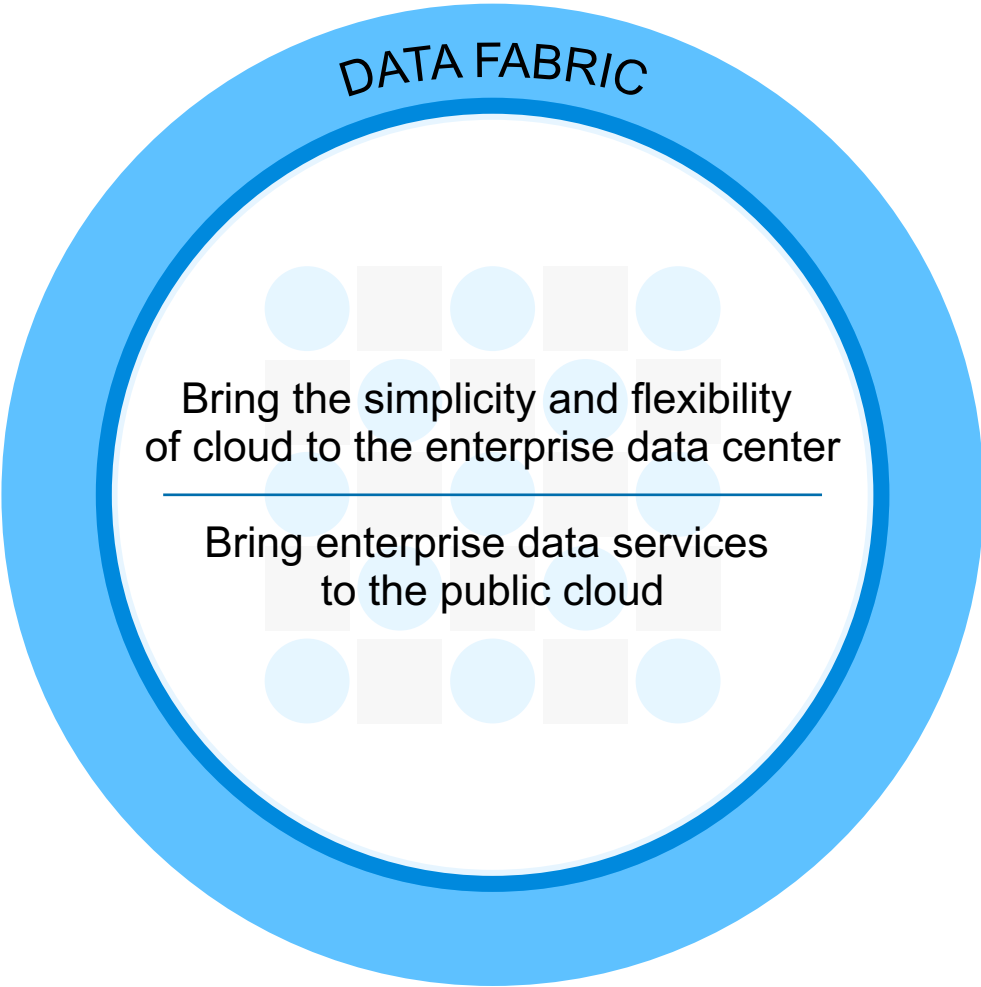
**Cloud** is the platform  
and **data** is the  
currency for digital



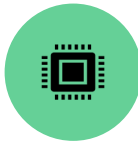
**Hybrid multi-cloud**  
is the de facto  
IT architecture

Cloud, software, and data-focused projects  
are resilient in the new normal economic environment

# 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**

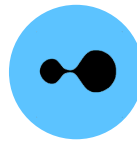
**Cost optimization**



Flash and hybrid storage



Object storage



Converged and hybrid cloud infrastructure



Protection and security



Enterprise solutions

## 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

# Results highlights

- Strong start to FY23 with company Q1 all-time high billings, revenue, gross profit dollars, operating income and EPS
- Recurring support and Public Cloud revenue achieved a new high at 46% of total revenue
- Public Cloud ARR of \$584M grew 73% year on year
- Delivered substantial innovation in our Public Cloud portfolio, including the acquisition of InstaClustr
- FSx for NetApp ONTAP achieved SAP certification
- NetApp is now an AWS Government ISV Competency Partner for Public Sector
- NetApp AI won a 2022 AI Breakthrough Award for Best Overall Computer Vision

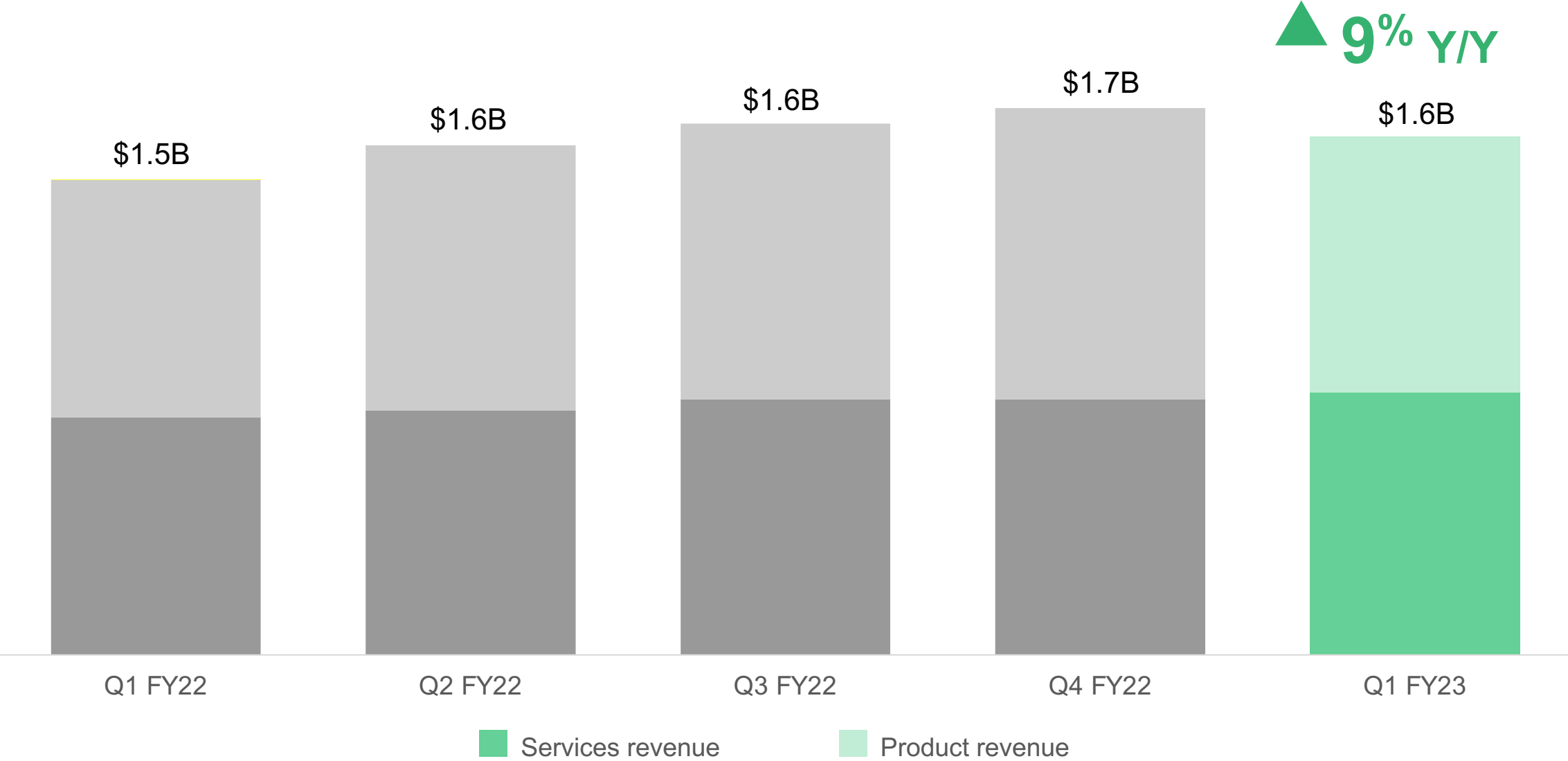


# Q1 FY23 summary

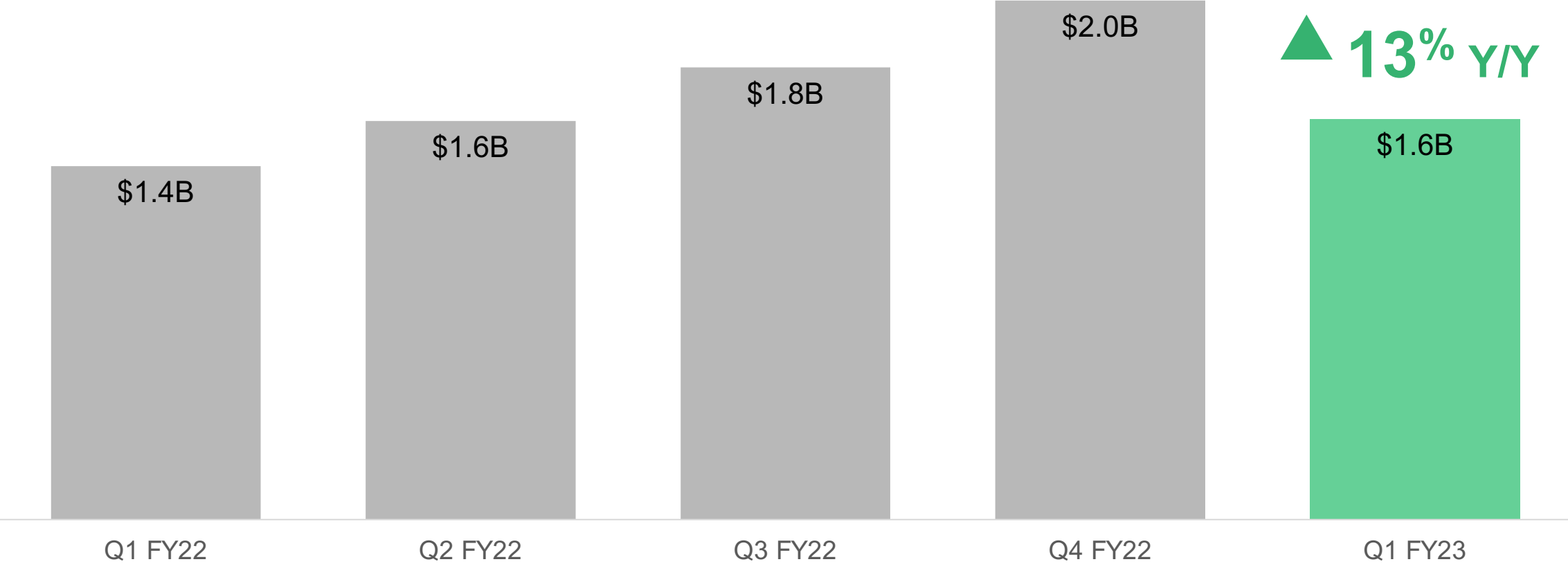
	Q1 guidance (as of June 1, 2022)	Q1 actual	
Revenue	\$1.475B – \$1.625B	\$1.59B +9.2% y/y	✓
Billings*		\$1.56B +13.4% y/y	
Non-GAAP gross margin	~ 67%	66.7% -260 bps y/y	✓
Non-GAAP operating margin	~ 21%	22.6% -40 bps y/y	✓
Non-GAAP EPS	\$1.05 – \$1.15	\$1.20 +4.3% y/y	✓
Non-GAAP FCF margin		13.6%	
Capital returns*		\$460M	

\*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.

# Revenues

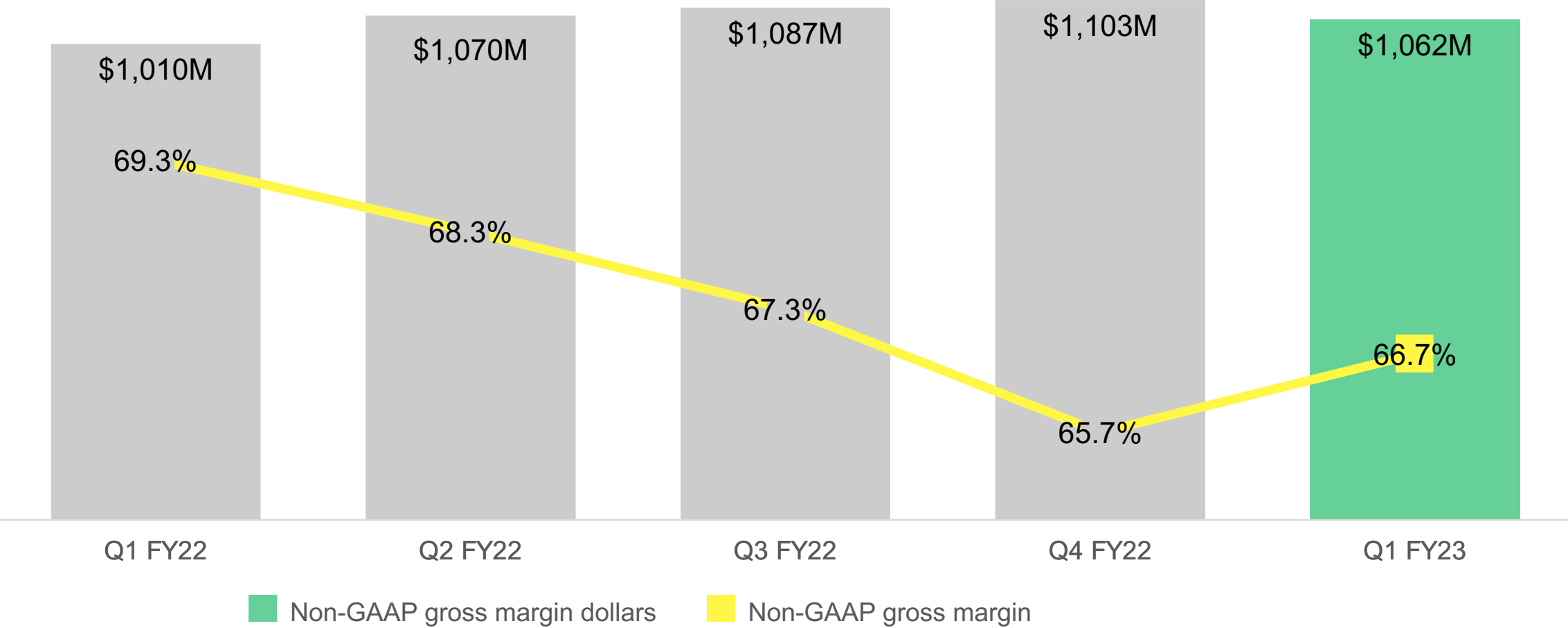


# Billings

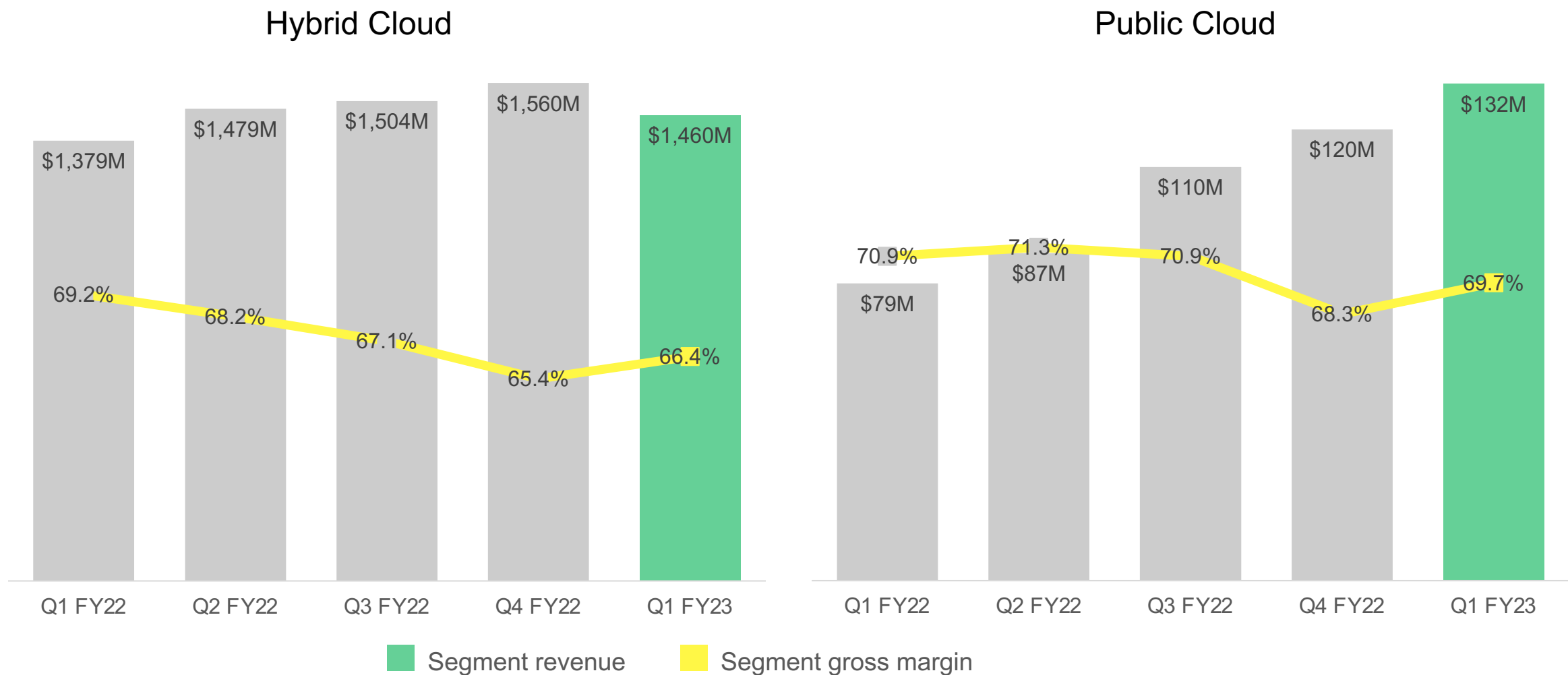


Billings is a Non-GAAP measure. Refer to appendix for details and a reconciliation between Non-GAAP and GAAP numbers.

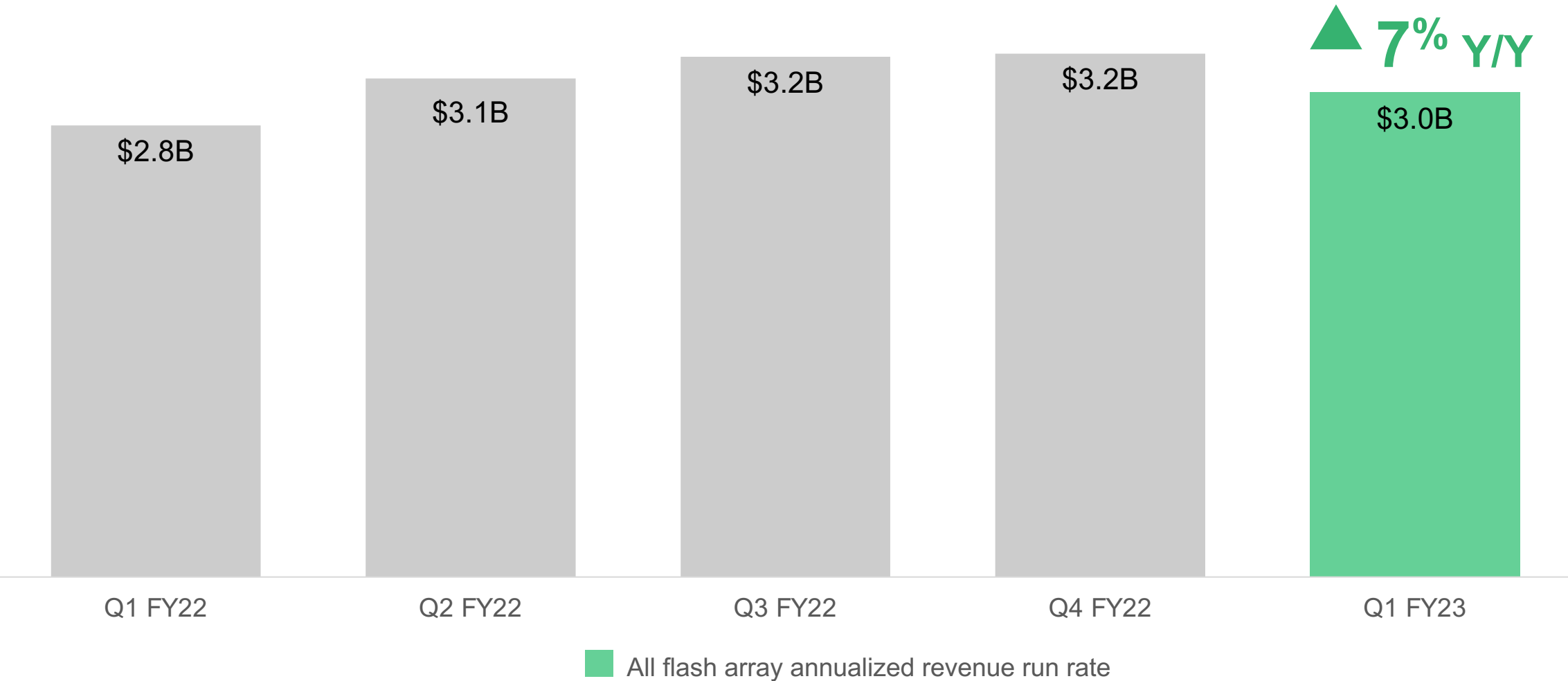
# Non-GAAP gross margin



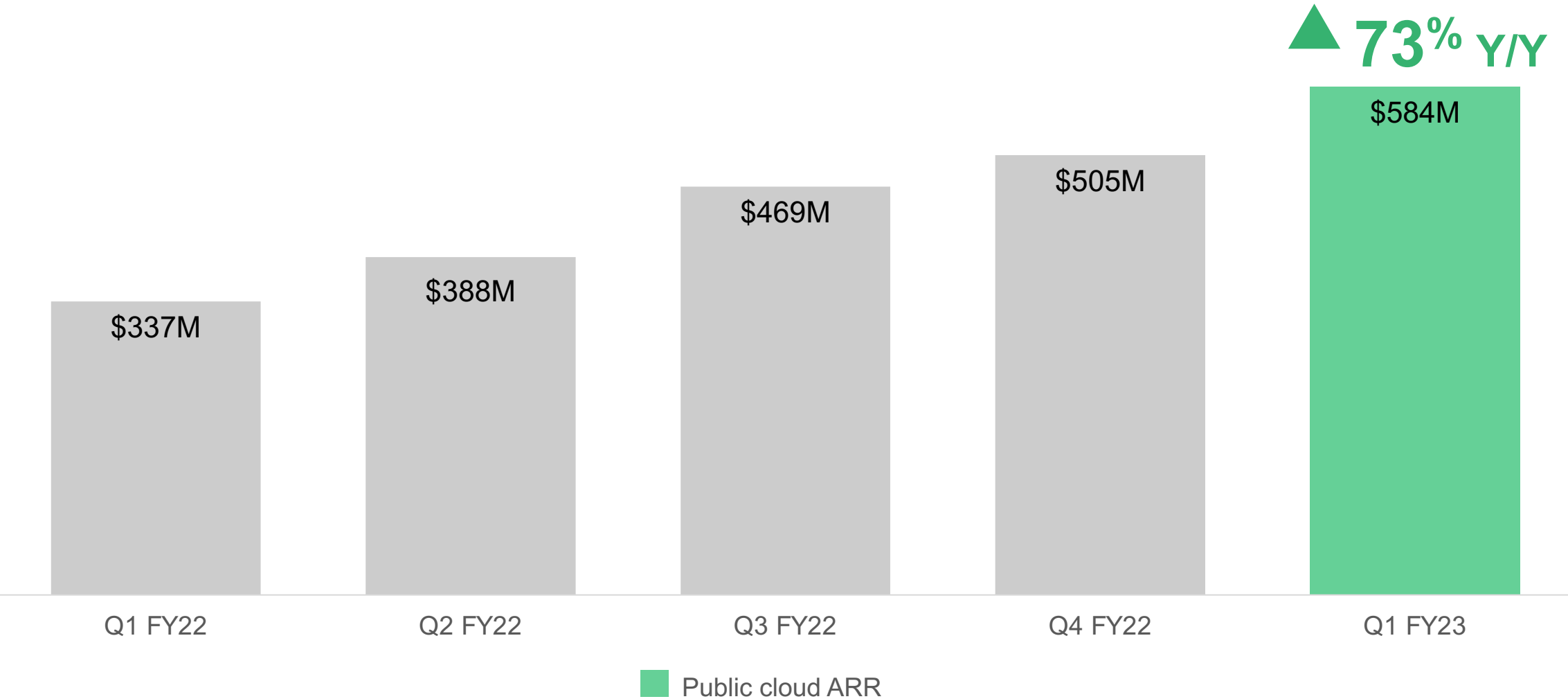
# Segment revenue and gross margin



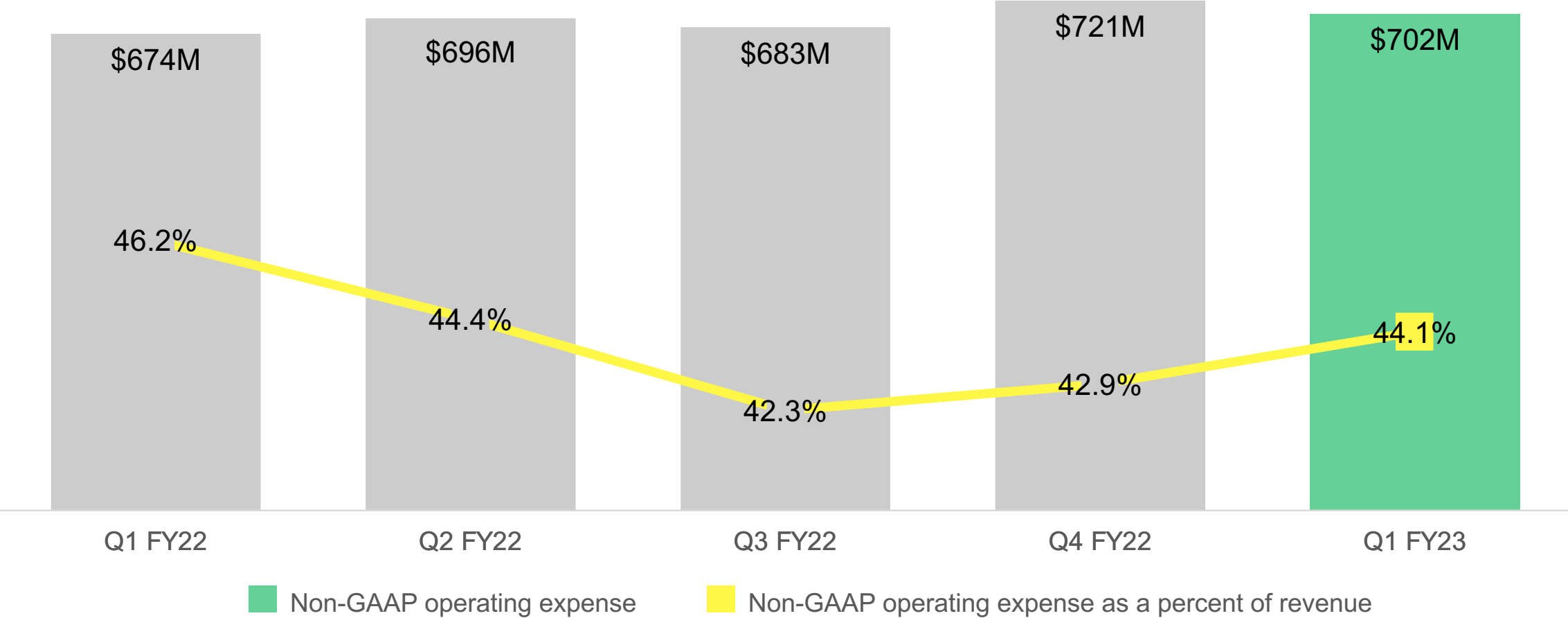
# All flash array annualized revenue run rate



# Public cloud ARR

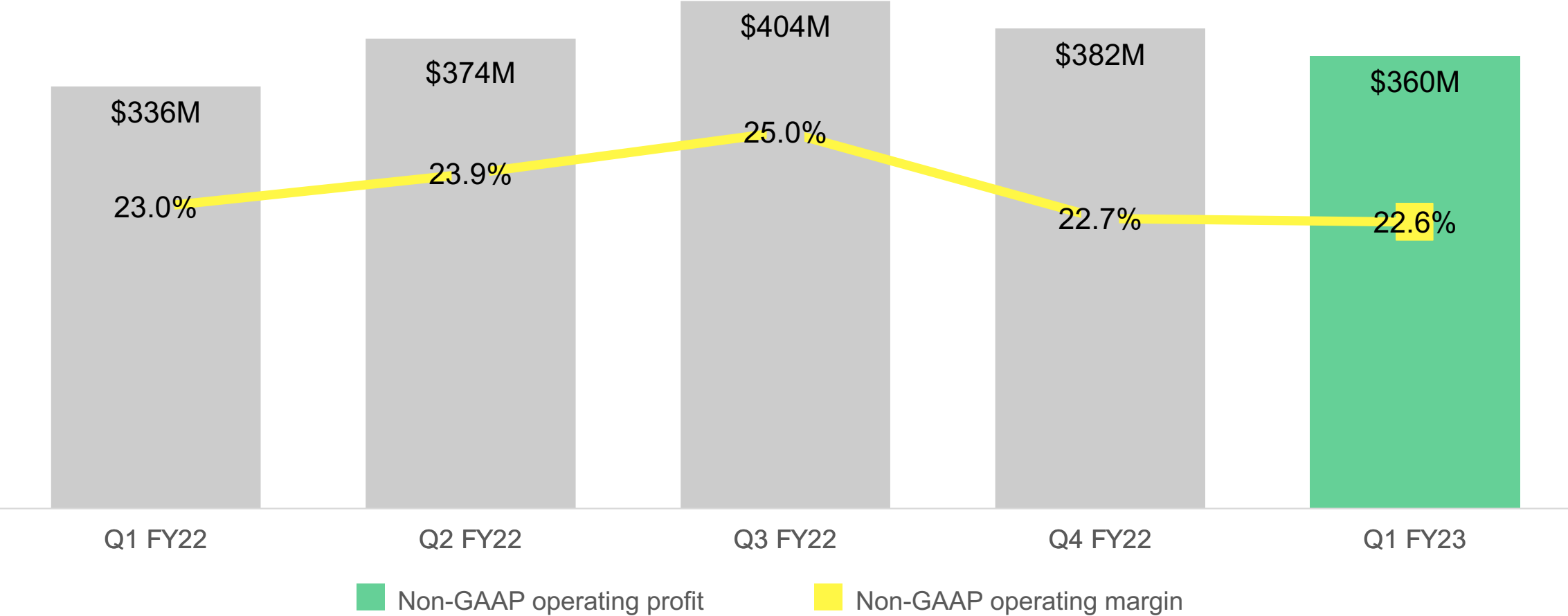


# Non-GAAP operating expense

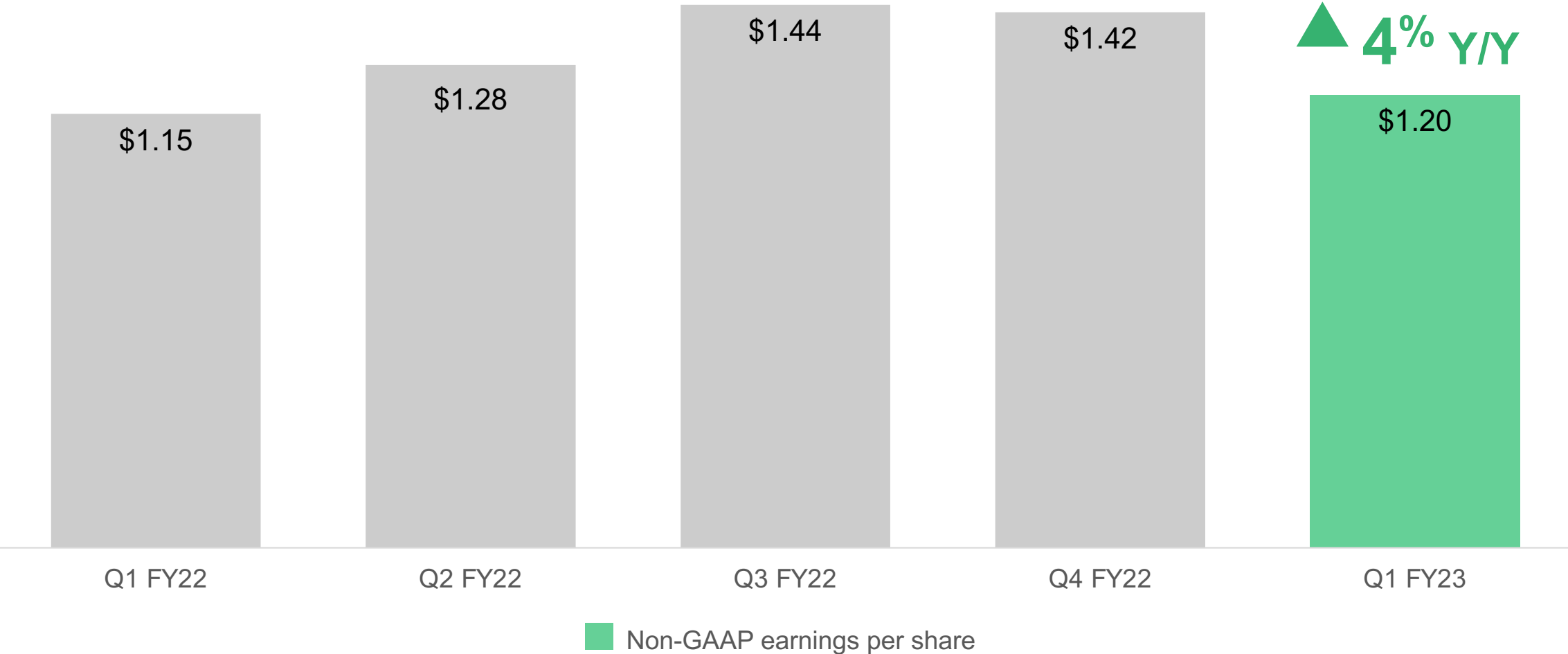




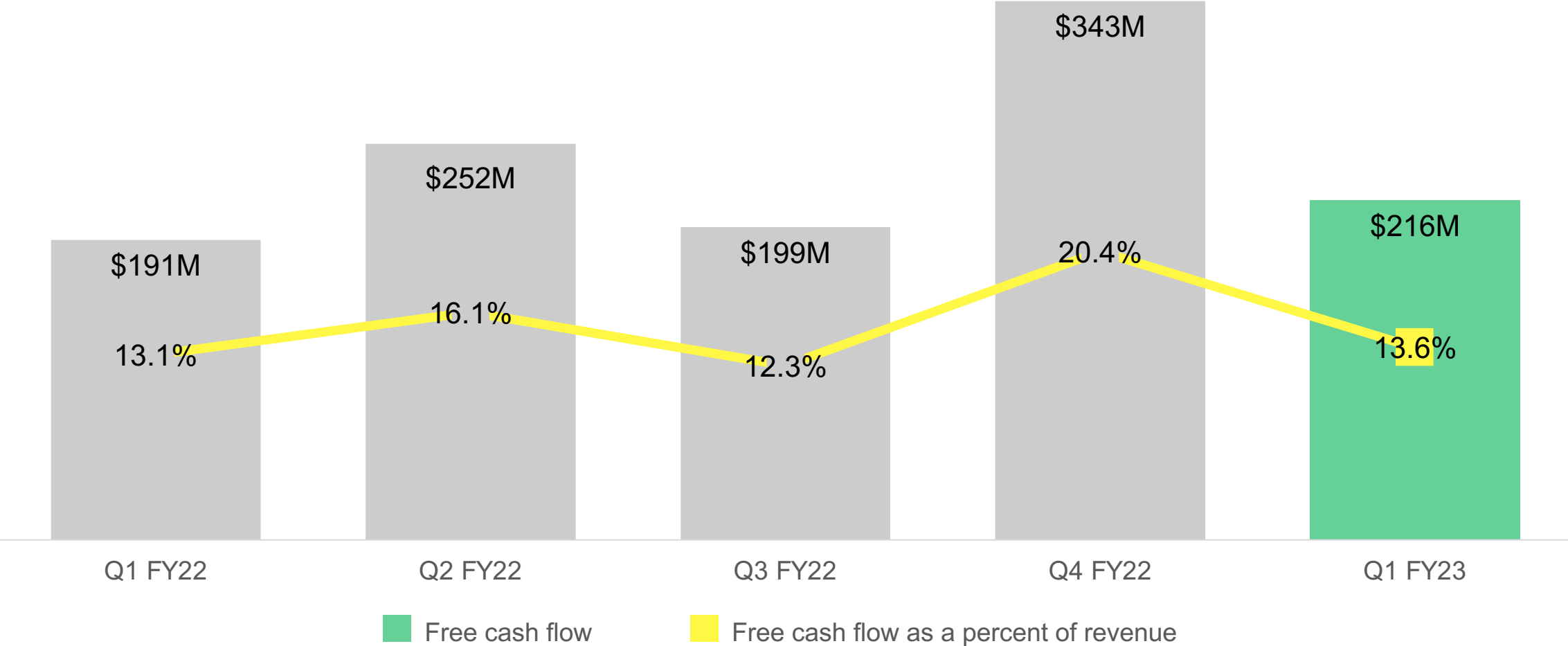
# Non-GAAP operating profit



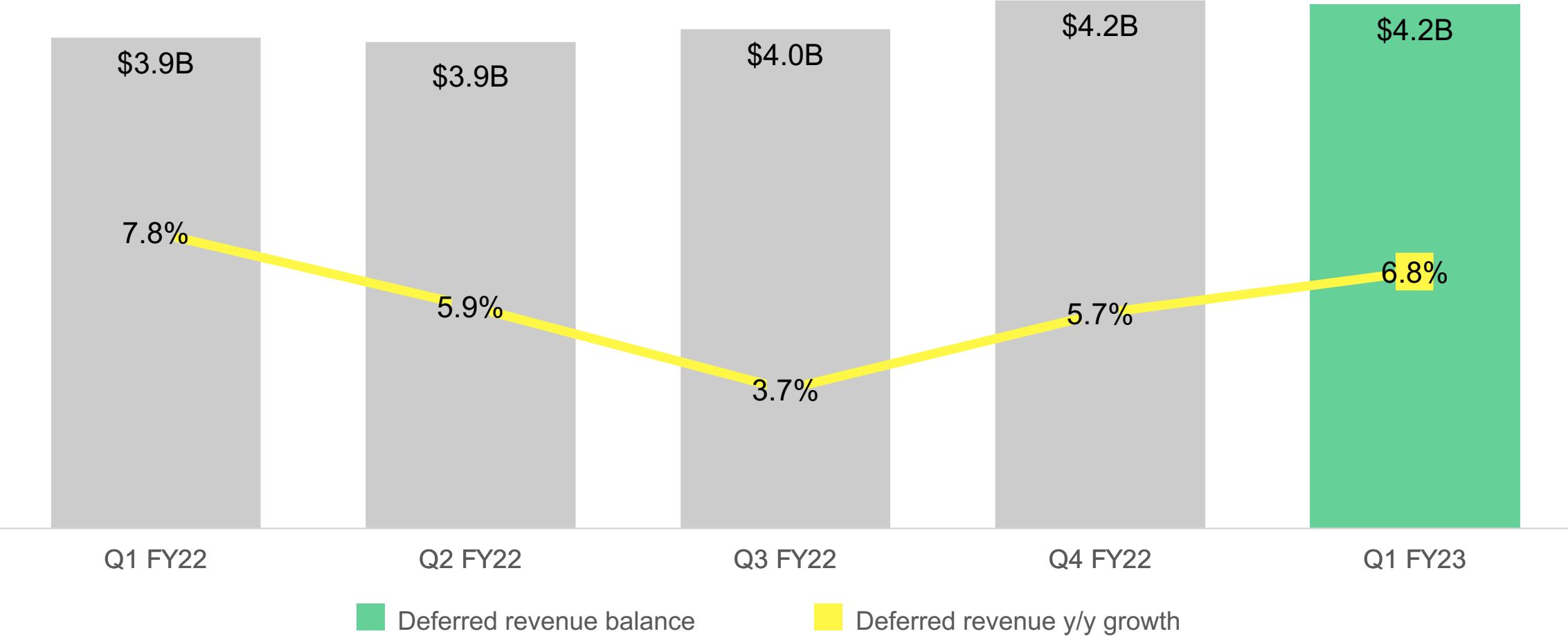
# Non-GAAP earnings per share



# Non-GAAP free cash flow



# Deferred revenue



# Q2 FY23 guidance

as of Aug 24, 2022

	Q2 Guide
Revenue	\$1.595B – \$1.745B
Non-GAAP gross margin	66% – 67%
Non-GAAP operating margin	~ 23%
Earnings per share*	\$1.28 – \$1.38

## Additional modeling points

Net interest expense	~ \$5M
Non-GAAP tax rate	21% – 22%
Share count	~ 223M

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

# Reaffirmed FY23 guidance

as of Aug 24, 2022

	FY23 Guide
Revenue	+ 6% – 8% y/y
Non-GAAP gross margin	66% – 67%
Non-GAAP operating margin	23% – 24%
Earnings per share*	\$5.40 – \$5.60

## Additional modeling points

Public Cloud ARR	\$780M – \$820M
Net interest expense	~ \$30M
Non-GAAP tax rate	21% – 22%
Operating cash flow	> \$1.4B
Capex	\$250M – \$300M
Share count	Down 2% – 3% y/y

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

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





# Supplemental revenue and gross margin data

## RECONCILIATION OF SEGMENTS GROSS PROFIT TO TOTAL GROSS PROFIT

(\$ in millions)

	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
<b>Revenues by Segment</b>					
Product	\$ 730	\$ 814	\$ 846	\$ 894	\$ 786
Support	578	590	586	590	598
Professional and Other Services	71	75	72	76	76
<b>Hybrid Cloud Segment Net Revenues</b>	<b>1,379</b>	<b>1,479</b>	<b>1,504</b>	<b>1,560</b>	<b>1,460</b>
<b>Public Cloud Segment Net Revenues</b>	<b>79</b>	<b>87</b>	<b>110</b>	<b>120</b>	<b>132</b>
<b>Net Revenues</b>	<b>1,458</b>	<b>1,566</b>	<b>1,614</b>	<b>1,680</b>	<b>1,592</b>
<b>Gross Profit by Segment</b>					
Product	404	445	442	452	391
Support	530	542	541	547	555
Professional and Other Services	20	21	26	22	24
<b>Hybrid Cloud Segment Gross Profit</b>	<b>954</b>	<b>1,008</b>	<b>1,009</b>	<b>1,021</b>	<b>970</b>
<b>Public Cloud Segment Gross Profit</b>	<b>56</b>	<b>62</b>	<b>78</b>	<b>82</b>	<b>92</b>
<b>Total Segments Gross Profit</b>	<b>1,010</b>	<b>1,070</b>	<b>1,087</b>	<b>1,103</b>	<b>1,062</b>
Amortization of Intangible Assets	(7)	(7)	(9)	(10)	(11)
Stock-based Compensation	(4)	(4)	(5)	(4)	(5)
<b>Unallocated Cost of Revenues</b>	<b>(11)</b>	<b>(11)</b>	<b>(14)</b>	<b>(14)</b>	<b>(16)</b>
<b>Gross Profit</b>	<b>\$ 999</b>	<b>\$ 1,059</b>	<b>\$ 1,073</b>	<b>\$ 1,089</b>	<b>\$ 1,046</b>
<b>Hybrid Cloud Segment Gross Margin</b>	<b>69.2%</b>	<b>68.2%</b>	<b>67.1%</b>	<b>65.4%</b>	<b>66.4%</b>
<b>Public Cloud Segment Gross Margin</b>	<b>70.9%</b>	<b>71.3%</b>	<b>70.9%</b>	<b>68.3%</b>	<b>69.7%</b>

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

Dollar-based net revenue retention rate (DBNRR) for public cloud services is a Non-GAAP metric calculated by dividing the approximate total revenue from our public 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.

# Reconciliation of net revenues to billings (Non-GAAP)

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

	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
Net revenues	\$ 1,458	\$ 1,566	\$ 1,614	\$ 1,680	\$ 1,592
Change in deferred revenue and financed unearned services revenue*	(82)	(15)	143	338	(32)
Billings	\$ 1,376	\$ 1,551	\$ 1,757	\$ 2,018	\$ 1,560

\* 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.

# 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'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
NET REVENUES	\$ 1,458	\$ 1,566	\$ 1,614	\$ 1,680	\$ 1,592
<b>GROSS PROFIT</b>	<b>\$ 999</b>	<b>\$ 1,059</b>	<b>\$ 1,073</b>	<b>\$ 1,089</b>	<b>\$ 1,046</b>
Adjustments:					
Amortization of intangible assets	7	7	9	10	11
Stock-based compensation	4	4	5	4	5
<b>NON-GAAP GROSS PROFIT</b>	<b>\$ 1,010</b>	<b>\$ 1,070</b>	<b>\$ 1,087</b>	<b>\$ 1,103</b>	<b>\$ 1,062</b>
<b>Gross margin-GAAP</b>	<b>68.5%</b>	<b>67.6%</b>	<b>66.5%</b>	<b>64.8%</b>	<b>65.7%</b>
Adjustments	0.8%	0.7%	0.9%	0.8%	1.0%
<b>Gross margin-Non-GAAP</b>	<b>69.3%</b>	<b>68.3%</b>	<b>67.3%</b>	<b>65.7%</b>	<b>66.7%</b>

# Reconciliation of Non-GAAP to GAAP operating expenses

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

	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
	\$ 750	\$ 765	\$ 752	\$ 796	\$ 791
<b>OPERATING EXPENSES</b>					
Adjustments:					
Amortization of intangible assets	(2)	(3)	(4)	(4)	(6)
Stock-based compensation	(49)	(58)	(59)	(62)	(62)
Litigation settlements	(2)	-	-	-	-
Restructuring charges	(22)	(7)	-	(4)	(11)
Acquisition-related expense	(1)	(1)	(6)	(5)	(10)
<b>NON-GAAP OPERATING EXPENSES</b>	<b>\$ 674</b>	<b>\$ 696</b>	<b>\$ 683</b>	<b>\$ 721</b>	<b>\$ 702</b>
 NET REVENUES	 \$ 1,458	 \$ 1,566	 \$ 1,614	 \$ 1,680	 \$ 1,592
 <b>GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES</b>	 <b>51.4%</b>	 <b>48.9%</b>	 <b>46.6%</b>	 <b>47.4%</b>	 <b>49.7%</b>
Adjustments	(5.2%)	(4.4%)	(4.3%)	-4.5%	(5.6%)
<b>NON-GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES</b>	<b>46.2%</b>	<b>44.4%</b>	<b>42.3%</b>	<b>42.9%</b>	<b>44.1%</b>

# Reconciliation of Non-GAAP to GAAP income from operations

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

	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
<b>INCOME FROM OPERATIONS</b>	<b>\$ 249</b>	<b>\$ 294</b>	<b>\$ 321</b>	<b>\$ 293</b>	<b>\$ 255</b>
Adjustments:					
Amortization of intangible assets	9	10	13	14	17
Stock-based compensation	53	62	64	66	67
Litigation settlements	2	-	-	-	-
Restructuring charges	22	7	-	4	11
Acquisition-related expense	1	1	6	5	10
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<b>\$ 336</b>	<b>\$ 374</b>	<b>\$ 404</b>	<b>\$ 382</b>	<b>\$ 360</b>
 NET REVENUES	 \$ 1,458	 \$ 1,566	 \$ 1,614	 \$ 1,680	 \$ 1,592
 <b>GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES</b>	 <b>17.1%</b>	 <b>18.8%</b>	 <b>19.9%</b>	 <b>17.4%</b>	 <b>16.0%</b>
Adjustments	6.0%	5.1%	5.1%	5.3%	6.6%
<b>NON-GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES</b>	<b>23.0%</b>	<b>23.9%</b>	<b>25.0%</b>	<b>22.7%</b>	<b>22.6%</b>

# Reconciliation of Non-GAAP to GAAP net income per share

## RECONCILIATION OF NON-GAAP TO GAAP NET INCOME PER SHARE

	Q1 FY'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
NET INCOME PER SHARE	\$ 0.88	\$ 0.98	\$ 1.10	\$ 1.14	\$ 0.96
Adjustments:					
Amortization of intangible assets	0.04	0.04	0.06	0.06	0.08
Stock-based compensation	0.23	0.27	0.28	0.29	0.30
Litigation settlements	0.01	-	-	-	-
Restructuring charges	0.10	0.03	-	0.02	0.05
Acquisition-related expense	-	-	0.03	0.02	0.04
Gain on sale of equity investment	-	-	-	-	(0.14)
Income tax effects	(0.11)	(0.06)	(0.02)	(0.11)	(0.08)
NON-GAAP NET INCOME PER SHARE	\$ 1.15	\$ 1.28	\$ 1.44	\$ 1.42	\$ 1.20

Diluted Shares 224

# 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'22	Q2 FY'22	Q3 FY'22	Q4 FY'22	Q1 FY'23
Net cash provided by (used in) operating activities	\$ 242	\$ 298	\$ 260	\$ 411	\$ 281
Purchases of property and equipment	(51)	(46)	(61)	(68)	(65)
Free cash flow	\$ 191	\$ 252	\$ 199	\$ 343	\$ 216
NET REVENUES	\$ 1,458	\$ 1,566	\$ 1,614	\$ 1,680	\$ 1,592
<b>FREE CASH FLOWS AS A PERCENTAGE OF NET REVENUES</b>	<b>13.1%</b>	<b>16.1%</b>	<b>12.3%</b>	<b>20.4%</b>	<b>13.6%</b>

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



# Reconciliation of Non-GAAP guidance to GAAP - second quarter fiscal 2023

NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
SECOND QUARTER FISCAL 2023  
(Unaudited)

	Second Quarter Fiscal 2023
Gross Margin - Non-GAAP Guidance	66% - 67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	65% - 66%

	Second Quarter Fiscal 2023
Operating Margin - Non-GAAP Guidance	~23%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	~18%

# Reconciliation of Non-GAAP guidance to GAAP - second quarter fiscal 2023, continued

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

	Second Quarter Fiscal 2023
Net Income Per Share - Non-GAAP Guidance	\$1.28 - \$1.38
Adjustments:	
Amortization of intangible assets	(\$0.08)
Stock-based compensation expense	(\$0.33)
Income tax effects	\$0.06
Net Income Per Share - GAAP Guidance	\$0.93 - \$1.03

	Second Quarter Fiscal 2023
Effective Tax Rate - Non-GAAP Guidance	21% - 22%
Adjustment:	
Income tax effects	2%
Effective Tax Rate - GAAP Guidance	23% - 24%

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

# Reconciliation of Non-GAAP guidance to GAAP – fiscal 2023

NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
FISCAL 2023  
(Unaudited)

	Fiscal 2023
Gross Margin - Non-GAAP Guidance	66% - 67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	65% - 66%
	Fiscal 2023
Operating Margin - Non-GAAP Guidance	23% - 24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	18% - 19%

# Reconciliation of Non-GAAP guidance to GAAP – fiscal 2023, continued

NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
FISCAL 2023  
(Unaudited)

	<u>Fiscal 2023</u>
Net Income Per Share - Non-GAAP Guidance	\$5.40 - \$5.60
Adjustments:	
Amortization of intangible assets	(\$0.31)
Stock-based compensation expense	(\$1.33)
Restructuring charges	(\$0.05)
Acquisition-related expenses	(\$0.04)
Gain on sale of equity investment	\$0.14
Income tax effects	\$0.28
Net Income Per Share - GAAP Guidance	<u>\$4.09 - \$4.29</u>
	<u>Fiscal 2023</u>
Effective Tax Rate - Non-GAAP Guidance	21% - 22%
Adjustment:	
Income tax effects	1%
Effective Tax Rate - GAAP Guidance	<u>22% - 23%</u>

# Reconciliation of Non-GAAP guidance to GAAP - first quarter fiscal 2023

NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
FIRST QUARTER FISCAL 2023  
(Unaudited)

	First Quarter Fiscal 2023
Gross Margin - Non-GAAP Guidance	~67%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~66%
	First Quarter Fiscal 2023
Operating Margin - Non-GAAP Guidance	~21%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	~16%

# Reconciliation of Non-GAAP guidance to GAAP - first quarter fiscal 2023, continued

NETAPP, INC.  
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP  
FIRST QUARTER FISCAL 2023  
(Unaudited)

	First Quarter Fiscal 2023
Net Income Per Share - Non-GAAP Guidance	\$1.05 - \$1.15
Adjustments:	
Amortization of intangible assets	(\$0.08)
Stock-based compensation expense	(\$0.30)
Income tax effects	\$0.05
Net Income Per Share - GAAP Guidance	\$0.72 - \$0.82
	First Quarter Fiscal 2023
Effective Tax Rate - Non-GAAP Guidance	21% - 22%
Adjustment:	
Income tax effects	3%
Effective Tax Rate - GAAP Guidance	24% - 25%

Some items may not add or recalculate due to rounding

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