

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

	April 30, 2021	April 24, 2020
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 4,596	\$ 2,882
Accounts receivable	945	973
Inventories	114	145
Other current assets	346	274
Total current assets	6,001	4,274
Property and equipment, net	525	727
Goodwill and purchased intangible assets, net	2,140	1,822
Other non-current assets	694	699
Total assets	<u>\$ 9,360</u>	<u>\$ 7,522</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 420	\$ 426
Accrued expenses	970	774
Commercial paper notes	—	522
Short-term deferred revenue and financed unearned services revenue	2,062	1,894
Total current liabilities	3,452	3,616
Long-term debt	2,632	1,146
Other long-term liabilities	650	714
Long-term deferred revenue and financed unearned services revenue	1,941	1,804
Total liabilities	8,675	7,280
Stockholders' equity	685	242
Total liabilities and stockholders' equity	<u>\$ 9,360</u>	<u>\$ 7,522</u>

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

	Three Months Ended		Year Ended	
	April 30, 2021	April 24, 2020	April 30, 2021	April 24, 2020
Revenues:				
Product	\$ 840	\$ 793	\$ 2,991	\$ 2,995
Software support	343	267	1,281	1,034
Hardware support and other services	372	341	1,472	1,383
Net revenues	<u>1,555</u>	<u>1,401</u>	<u>5,744</u>	<u>5,412</u>
Cost of revenues:				
Cost of product	387	355	1,432	1,368
Cost of software support	28	15	95	48
Cost of hardware support and other services	105	90	402	373
Total cost of revenues	<u>520</u>	<u>460</u>	<u>1,929</u>	<u>1,789</u>
Gross profit	<u>1,035</u>	<u>941</u>	<u>3,815</u>	<u>3,623</u>
Operating expenses:				
Sales and marketing	447	389	1,744	1,585
Research and development	221	212	881	847
General and administrative	66	63	257	263
Restructuring charges	—	—	42	21
Acquisition-related expense	2	—	16	—
Gain on sale or derecognition of assets	(156)	—	(156)	(38)
Total operating expenses	<u>580</u>	<u>664</u>	<u>2,784</u>	<u>2,678</u>
Income from operations	455	277	1,031	945
Other expense, net	<u>(19)</u>	<u>(27)</u>	<u>(69)</u>	<u>(1)</u>
Income before income taxes	436	250	962	944
Provision for income taxes	<u>102</u>	<u>54</u>	<u>232</u>	<u>125</u>
Net income	<u>\$ 334</u>	<u>\$ 196</u>	<u>\$ 730</u>	<u>\$ 819</u>
Net income per share:				
Basic	<u>\$ 1.50</u>	<u>\$ 0.89</u>	<u>\$ 3.29</u>	<u>\$ 3.56</u>
Diluted	<u>\$ 1.46</u>	<u>\$ 0.88</u>	<u>\$ 3.23</u>	<u>\$ 3.52</u>
Shares used in net income per share calculations:				
Basic	<u>222</u>	<u>220</u>	<u>222</u>	<u>230</u>
Diluted	<u>229</u>	<u>222</u>	<u>226</u>	<u>233</u>

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

	Three Months Ended		Year Ended	
	April 30, 2021	April 24, 2020	April 30, 2021	April 24, 2020
Cash flows from operating activities:				
Net income	\$ 334	\$ 196	\$ 730	\$ 819
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	48	47	207	193
Non-cash operating lease cost	14	12	52	51
Stock-based compensation	48	35	197	153
Deferred income taxes	(5)	6	(6)	(17)
Gain on sale or derecognition of assets	(156)	—	(156)	(38)
Other items, net	(11)	17	24	1
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(146)	(156)	62	238
Inventories	(8)	(32)	31	(14)
Accounts payable	81	41	(11)	(117)
Accrued expenses	195	96	134	(177)
Deferred revenue and financed unearned services revenue	183	147	193	54
Long-term taxes payable	(6)	(30)	(57)	(163)
Changes in other operating assets and liabilities, net	(12)	4	(67)	77
Net cash provided by operating activities	559	383	1,333	1,060
Cash flows from investing activities:				
Redemptions of investments, net	20	82	160	1,370
Purchases of property and equipment	(38)	(24)	(162)	(124)
Proceeds from sale of properties	365	—	371	96
Acquisitions of businesses, net of cash acquired	—	(17)	(350)	(73)
Other investing activities, net	(6)	1	2	—
Net cash provided by investing activities	341	42	21	1,269
Cash flows from financing activities:				
Proceeds from issuance of common stock under employee stock award plans	6	—	98	102
Payments for taxes related to net share settlement of stock awards	(4)	(2)	(42)	(79)
Repurchase of common stock	(75)	(161)	(125)	(1,411)
(Repayments of) proceeds from commercial paper notes, original maturities of three months or less, net	—	(261)	(420)	172
Issuances of debt, net of issuance costs	—	101	2,057	111
Repayments and extinguishment of debt	—	(10)	(689)	(410)
Dividends paid	(106)	(105)	(427)	(439)
Other financing activities, net	(1)	(2)	(8)	(6)
Net cash (used in) provided by financing activities	(180)	(440)	444	(1,960)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	(30)	71	(34)
Net increase (decrease) in cash, cash equivalents and restricted cash	721	(45)	1,869	335
Cash, cash equivalents and restricted cash:				
Beginning of period	3,814	2,711	2,666	2,331
End of period	<u>\$ 4,535</u>	<u>\$ 2,666</u>	<u>\$ 4,535</u>	<u>\$ 2,666</u>

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

	Q4'FY21	Q3'FY21	Q4'FY20	FY2021	FY2020
Revenues					
Product	\$ 840	\$ 775	\$ 793	\$ 2,991	\$ 2,995
<i>Hardware</i>	\$ 360	\$ 347	\$ 386	\$ 1,355	\$ 1,541
<i>Software</i>	\$ 480	\$ 428	\$ 407	\$ 1,636	\$ 1,454
Software Support	\$ 343	\$ 334	\$ 267	\$ 1,281	\$ 1,034
Hardware Support & Other Services	\$ 372	\$ 361	\$ 341	\$ 1,472	\$ 1,383
<i>Hardware Support Contracts</i>	\$ 299	\$ 293	\$ 279	\$ 1,195	\$ 1,142
<i>Professional and Other Services</i>	\$ 73	\$ 68	\$ 62	\$ 277	\$ 241
Net Revenues	\$ 1,555	\$ 1,470	\$ 1,401	\$ 5,744	\$ 5,412

Product Revenues					
Total	\$ 840	\$ 775	\$ 793	\$ 2,991	\$ 2,995
<i>Software*</i>	\$ 480	\$ 428	\$ 407	\$ 1,636	\$ 1,454
<i>Hardware*</i>	\$ 360	\$ 347	\$ 386	\$ 1,355	\$ 1,541

* 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.

	Q4'FY21	Q3'FY21	Q4'FY20	FY2021	FY2020
Software and recurring support and cloud revenue					
Product - Software	\$ 480	\$ 428	\$ 407	\$ 1,636	\$ 1,454
Software Support	\$ 343	\$ 334	\$ 267	\$ 1,281	\$ 1,034
Hardware Support Contracts	\$ 299	\$ 293	\$ 279	\$ 1,195	\$ 1,142
Software and recurring support and cloud revenue*	\$ 1,121	\$ 1,055	\$ 953	\$ 4,111	\$ 3,630

Software and recurring support and cloud revenue as a percentage of net revenues	72%	72%	68%	72%	67%
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Cloud revenue is included in software support revenues

*Software and recurring support and 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 Q4 FY'21 Revenue	% of Q3 FY'21 Revenue	% of Q4 FY'20 Revenue	% of FY 2021 Revenue	% of FY 2020 Revenue
Americas	53%	53%	54%	54%	53%
<i>Americas Commercial</i>	44%	43%	43%	43%	41%
<i>U.S. Public Sector</i>	9%	10%	11%	11%	12%
EMEA	32%	32%	32%	31%	32%
Asia Pacific	15%	15%	14%	15%	15%

Pathways Mix

	% of Q4 FY'21 Revenue	% of Q3 FY'21 Revenue	% of Q4 FY'20 Revenue	% of FY 2021 Revenue	% of FY 2020 Revenue
Direct	23%	24%	23%	23%	21%
Indirect	77%	76%	77%	77%	79%

Non-GAAP Gross Margins

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Non-GAAP Gross Margin	67.3%	67.3%	68.0%	67.4%	67.9%
Product	54.3%	53.4%	56.4%	53.1%	55.7%
Software Support	93.3%	93.1%	94.4%	93.8%	95.4%
Hardware Support & Other Services	72.6%	73.4%	74.5%	73.4%	73.8%

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Non-GAAP Income from Operations	\$ 358	\$ 322	\$ 324	\$ 1,184	\$ 1,123
% of Net Revenues	23.0%	21.9%	23.1%	20.6%	20.8%
Non-GAAP Income before Income Taxes	\$ 339	\$ 311	\$ 307	\$ 1,123	\$ 1,132
Non-GAAP Effective Tax Rate	20.9%	19.6%	13.7%	18.3%	16.6%

Non-GAAP Net Income

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Non-GAAP Net Income	\$ 268	\$ 250	\$ 265	\$ 917	\$ 944
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	229	227	222	226	233
Non-GAAP Net Income per Share, Diluted	\$ 1.17	\$ 1.10	\$ 1.19	\$ 4.06	\$ 4.05

Select Balance Sheet Items

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,003	\$ 3,828	\$ 3,698
DSO (days)	55	49	63
DPO (days)	74	62	84
Inventory Turns	18	19	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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Net Cash Provided by Operating Activities	\$ 559	\$ 373	\$ 383	\$ 1,333	\$ 1,060
Purchases of Property and Equipment	\$ 38	\$ 32	\$ 24	\$ 162	\$ 124
Free Cash Flow	\$ 521	\$ 341	\$ 359	\$ 1,171	\$ 936
Free Cash Flow as % of Net Revenues	33.5%	23.2%	25.6%	20.4%	17.3%

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)

	Q4'FY21	Q3'FY21	Q4'FY20	FY2021	FY2020
	\$ 334	\$ 182	\$ 196	\$ 730	\$ 819
NET INCOME					
Adjustments:					
Amortization of intangible assets	9	15	9	49	39
Stock-based compensation	48	46	35	197	153
Asset impairment	—	—	10	—	10
Litigation settlements	—	—	—	5	—
COVID-19 charges	—	—	3	—	3
Restructuring charges	—	—	—	42	21
Acquisition-related expense	2	3	—	16	—
Gain on sale or derecognition of assets	(156)	—	—	(156)	(38)
Gain on sale of equity investment	—	—	—	(6)	—
Debt extinguishment costs	—	—	—	14	—
Income tax effects	18	(13)	12	(20)	(13)
Income tax expenses from integration of acquired companies	13	17	—	46	—
Resolution of income tax matters	—	—	—	—	(50)
NON-GAAP NET INCOME	<u>\$ 268</u>	<u>\$ 250</u>	<u>\$ 265</u>	<u>\$ 917</u>	<u>\$ 944</u>
COST OF REVENUES	\$ 520	\$ 495	\$ 460	\$ 1,929	\$ 1,789
Adjustments:					
Amortization of intangible assets	(7)	(12)	(9)	(41)	(39)
Stock-based compensation	(4)	(3)	(3)	(14)	(13)
NON-GAAP COST OF REVENUES	<u>\$ 509</u>	<u>\$ 480</u>	<u>\$ 448</u>	<u>\$ 1,874</u>	<u>\$ 1,737</u>
COST OF PRODUCT REVENUES	\$ 387	\$ 369	\$ 355	\$ 1,432	\$ 1,368
Adjustments:					
Amortization of intangible assets	(2)	(7)	(9)	(26)	(39)
Stock-based compensation	(1)	(1)	—	(4)	(3)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 384</u>	<u>\$ 361</u>	<u>\$ 346</u>	<u>\$ 1,402</u>	<u>\$ 1,326</u>
COST OF SOFTWARE SUPPORT REVENUES	\$ 28	\$ 28	\$ 15	\$ 95	\$ 48
Adjustment:					
Amortization of intangible assets	(5)	(5)	—	(15)	—
NON-GAAP COST OF SOFTWARE SUPPORT REVENUES	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 15</u>	<u>\$ 80</u>	<u>\$ 48</u>
COST OF HARDWARE SUPPORT AND OTHER SERVICES REVENUES	\$ 105	\$ 98	\$ 90	\$ 402	\$ 373
Adjustment:					
Stock-based compensation	(3)	(2)	(3)	(10)	(10)
NON-GAAP COST OF HARDWARE SUPPORT AND OTHER SERVICES REVENUES	<u>\$ 102</u>	<u>\$ 96</u>	<u>\$ 87</u>	<u>\$ 392</u>	<u>\$ 363</u>
GROSS PROFIT	\$ 1,035	\$ 975	\$ 941	\$ 3,815	\$ 3,623
Adjustments:					
Amortization of intangible assets	7	12	9	41	39
Stock-based compensation	4	3	3	14	13
NON-GAAP GROSS PROFIT	<u>\$ 1,046</u>	<u>\$ 990</u>	<u>\$ 953</u>	<u>\$ 3,870</u>	<u>\$ 3,675</u>

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
SALES AND MARKETING EXPENSES	\$ 447	\$ 436	\$ 389	\$ 1,744	\$ 1,585
Adjustments:					
Amortization of intangible assets	(2)	(3)	—	(8)	—
Stock-based compensation	(22)	(21)	(16)	(92)	(66)
COVID-19 charges	—	—	(3)	—	(3)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 423</u>	<u>\$ 412</u>	<u>\$ 370</u>	<u>\$ 1,644</u>	<u>\$ 1,516</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 221	\$ 215	\$ 212	\$ 881	\$ 847
Adjustment:					
Stock-based compensation	(15)	(15)	(12)	(64)	(53)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 206</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 817</u>	<u>\$ 794</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 66	\$ 63	\$ 63	\$ 257	\$ 263
Adjustments:					
Stock-based compensation	(7)	(7)	(4)	(27)	(21)
Litigation settlements	—	—	—	(5)	—
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 59</u>	<u>\$ 56</u>	<u>\$ 59</u>	<u>\$ 225</u>	<u>\$ 242</u>
RESTRUCTURING CHARGES	\$ —	\$ —	\$ —	\$ 42	\$ 21
Adjustment:					
Restructuring charges	—	—	—	(42)	(21)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAIN ON SALE OR DERECOGNITION OF ASSETS	\$ (156)	\$ —	\$ —	\$ (156)	\$ (38)
Adjustment:					
Gain on sale or derecognition of assets	156	—	—	156	38
NON-GAAP GAIN ON SALE OR DERECOGNITION OF ASSETS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ 2	\$ 3	\$ —	\$ 16	\$ —
Adjustment:					
Acquisition-related expense	(2)	(3)	—	(16)	—
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 580	\$ 717	\$ 664	\$ 2,784	\$ 2,678
Adjustments:					
Amortization of intangible assets	(2)	(3)	—	(8)	—
Stock-based compensation	(44)	(43)	(32)	(183)	(140)
Litigation settlements	—	—	—	(5)	—
COVID-19 charges	—	—	(3)	—	(3)
Restructuring charges	—	—	—	(42)	(21)
Acquisition-related expense	(2)	(3)	—	(16)	—
Gain on sale or derecognition of assets	156	—	—	156	38
NON-GAAP OPERATING EXPENSES	<u>\$ 688</u>	<u>\$ 668</u>	<u>\$ 629</u>	<u>\$ 2,686</u>	<u>\$ 2,552</u>

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

	Q4'FY21	Q3'FY21	Q4'FY20	FY2021	FY2020
INCOME FROM OPERATIONS	\$ 455	\$ 258	\$ 277	\$ 1,031	\$ 945
Adjustments:					
Amortization of intangible assets	9	15	9	49	39
Stock-based compensation	48	46	35	197	153
Litigation settlements	—	—	—	5	—
COVID-19 charges	—	—	3	—	3
Restructuring charges	—	—	—	42	21
Acquisition-related expense	2	3	—	16	—
Gain on sale or derecognition of assets	(156)	—	—	(156)	(38)
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 358</u>	<u>\$ 322</u>	<u>\$ 324</u>	<u>\$ 1,184</u>	<u>\$ 1,123</u>
OTHER INCOME (EXPENSE), NET	\$ (19)	\$ (11)	\$ (27)	\$ (69)	\$ (1)
Adjustments:					
Asset impairment	—	—	10	—	10
Debt extinguishment costs	—	—	—	14	—
Gain on sale of equity investment	—	—	—	(6)	—
NON-GAAP OTHER INCOME (EXPENSE), NET	<u>\$ (19)</u>	<u>\$ (11)</u>	<u>\$ (17)</u>	<u>\$ (61)</u>	<u>\$ 9</u>
INCOME BEFORE INCOME TAXES	\$ 436	\$ 247	\$ 250	\$ 962	\$ 944
Adjustments:					
Amortization of intangible assets	9	15	9	49	39
Stock-based compensation	48	46	35	197	153
Asset impairment	—	—	10	—	10
Litigation settlements	—	—	—	5	—
COVID-19 charges	—	—	3	—	3
Restructuring charges	—	—	—	42	21
Acquisition-related expense	2	3	—	16	—
Gain on sale or derecognition of assets	(156)	—	—	(156)	(38)
Debt extinguishment costs	—	—	—	14	—
Gain on sale of equity investment	—	—	—	(6)	—
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 339</u>	<u>\$ 311</u>	<u>\$ 307</u>	<u>\$ 1,123</u>	<u>\$ 1,132</u>
PROVISION FOR INCOME TAXES	\$ 102	\$ 65	\$ 54	\$ 232	\$ 125
Adjustments:					
Income tax effects	(18)	13	(12)	20	13
Income tax expenses from integration of acquired companies	(13)	(17)	—	(46)	—
Resolution of income tax matters	—	—	—	—	50
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 71</u>	<u>\$ 61</u>	<u>\$ 42</u>	<u>\$ 206</u>	<u>\$ 188</u>
NET INCOME PER SHARE	\$ 1.46	\$ 0.80	\$ 0.88	\$ 3.23	\$ 3.52
Adjustments:					
Amortization of intangible assets	0.04	0.07	0.04	0.22	0.17
Stock-based compensation	0.21	0.20	0.16	0.87	0.66
Asset impairment	—	—	0.05	—	0.04
Litigation settlements	—	—	—	0.02	—
COVID-19 charges	—	—	0.01	—	0.01
Restructuring charges	—	—	—	0.19	0.09
Acquisition-related expense	0.01	0.01	—	0.07	—
Gain on sale or derecognition of assets	(0.68)	—	—	(0.69)	(0.16)
Debt extinguishment costs	—	—	—	0.06	—
Gain on sale of equity investment	—	—	—	(0.03)	—

Income tax effects	0.08	(0.06)	0.05	(0.09)	(0.06)
Income tax expenses from integration of acquired companies	0.06	0.07	—	0.20	—
Resolution of income tax matters	—	—	—	—	(0.21)
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.17</u>	<u>\$ 1.10</u>	<u>\$ 1.19</u>	<u>\$ 4.06</u>	<u>\$ 4.05</u>

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Gross margin-GAAP	66.6%	66.3%	67.2%	66.4%	66.9%
Cost of revenues adjustments	0.7%	1.0%	0.9%	1.0%	1.0%
Gross margin-Non-GAAP	67.3%	67.3%	68.0%	67.4%	67.9%
 GAAP cost of revenues	 \$ 520	 \$ 495	 \$ 460	 \$ 1,929	 \$ 1,789
Cost of revenues adjustments:					
Amortization of intangible assets	(7)	(12)	(9)	(41)	(39)
Stock-based compensation	(4)	(3)	(3)	(14)	(13)
Non-GAAP cost of revenues	<u>\$ 509</u>	<u>\$ 480</u>	<u>\$ 448</u>	<u>\$ 1,874</u>	<u>\$ 1,737</u>
 Net revenues	 \$ 1,555	 \$ 1,470	 \$ 1,401	 \$ 5,744	 \$ 5,412

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Product gross margin-GAAP	53.9%	52.4%	55.2%	52.1%	54.3%
Cost of product revenues adjustments	0.4%	1.0%	1.1%	1.0%	1.4%
Product gross margin-Non-GAAP	54.3%	53.4%	56.4%	53.1%	55.7%
 GAAP cost of product revenues	 \$ 387	 \$ 369	 \$ 355	 \$ 1,432	 \$ 1,368
Cost of product revenues adjustments:					
Amortization of intangible assets	(2)	(7)	(9)	(26)	(39)
Stock-based compensation	(1)	(1)	—	(4)	(3)
Non-GAAP cost of product revenues	<u>\$ 384</u>	<u>\$ 361</u>	<u>\$ 346</u>	<u>\$ 1,402</u>	<u>\$ 1,326</u>
 Product revenues	 \$ 840	 \$ 775	 \$ 793	 \$ 2,991	 \$ 2,995

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Software support gross margin-GAAP	91.8%	91.6%	94.4%	92.6%	95.4%
Cost of software support revenues adjustment	1.5%	1.5%	—%	1.2%	—%
Software support gross margin-Non-GAAP	93.3%	93.1%	94.4%	93.8%	95.4%
 GAAP cost of software support revenues	 \$ 28	 \$ 28	 \$ 15	 \$ 95	 \$ 48
Cost of software support revenues adjustment:					
Amortization of intangible assets	(5)	(5)	—	(15)	—
Non-GAAP cost of software support revenues	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 15</u>	<u>\$ 80</u>	<u>\$ 48</u>
 Software support revenues	 \$ 343	 \$ 334	 \$ 267	 \$ 1,281	 \$ 1,034

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Hardware support and other services gross margin-GAAP	71.8%	72.9%	73.6%	72.7%	73.0%
Cost of hardware support and other services revenues adjustment	0.8%	0.6%	0.9%	0.7%	0.7%
Hardware support and other services gross margin-Non-GAAP	72.6%	73.4%	74.5%	73.4%	73.8%
GAAP cost of hardware support and other services revenues	\$ 105	\$ 98	\$ 90	\$ 402	\$ 373
Cost of hardware support and other services revenues adjustment:					
Stock-based compensation	(3)	(2)	(3)	(10)	(10)
Non-GAAP cost of hardware support and other services revenues	\$ 102	\$ 96	\$ 87	\$ 392	\$ 363
Hardware support and other services revenues	\$ 372	\$ 361	\$ 341	\$ 1,472	\$ 1,383

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
GAAP effective tax rate	23.4%	26.3%	21.6%	24.1%	13.2%
Adjustments:					
Income tax effects	0.5%	0.2%	(7.9)%	(1.0)%	(1.1)%
Income tax expenses from integration of acquired companies	(3.0)%	(6.9)%	—%	(4.8)%	—%
Resolution of income tax matters	—%	—%	—%	—%	4.4%
Non-GAAP effective tax rate	20.9%	19.6%	13.7%	18.3%	16.6%

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Net cash provided by operating activities	\$ 559	\$ 373	\$ 383	\$ 1,333	\$ 1,060
Purchases of property and equipment	(38)	(32)	(24)	(162)	(124)
Free cash flow	\$ 521	\$ 341	\$ 359	\$ 1,171	\$ 936

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

	<u>Q4'FY21</u>	<u>Q3'FY21</u>	<u>Q4'FY20</u>	<u>FY2021</u>	<u>FY2020</u>
Net revenues	\$ 1,555	\$ 1,470	\$ 1,401	\$ 5,744	\$ 5,412
Change in deferred revenue and financed unearned services revenue*	183	128	147	193	54
Billings	\$ 1,738	\$ 1,598	\$ 1,548	\$ 5,937	\$ 5,466

* As reported on our Condensed Consolidated Statements of Cash Flows

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

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

Some items may not add or recalculate due to rounding.

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

	GROSS MARGIN
Gross Margin - Non-GAAP Guidance	67% - 68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	66% - 67%
	OPERATING MARGIN
Operating Margin - Non-GAAP Guidance	21% - 22%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(4)%
Operating Margin - GAAP Guidance	16% - 17%
	EFFECTIVE TAX RATE
Effective Tax Rate - Non-GAAP Guidance	~ 19%
Adjustment:	
Income tax effects	1%
Effective Tax Rate - GAAP Guidance	~ 20%

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

	Fiscal 2022
Non-GAAP Guidance - Net Income Per Share	\$4.45 - \$4.65
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	\$0.17
Total Adjustments	(\$0.97)
GAAP Guidance - Net Income Per Share	\$3.48 - \$3.68

Some items may not add or recalculate due to rounding.

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