

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

	January 24, 2020	April 26, 2019
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and investments	\$ 3,008	\$ 3,899
Accounts receivable	821	1,216
Inventories	113	131
Other current assets	276	364
Total current assets	4,218	5,610
Property and equipment, net	740	759
Goodwill and purchased intangible assets, net	1,813	1,782
Other non-current assets	712	590
Total assets	<u>\$ 7,483</u>	<u>\$ 8,741</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 381	\$ 542
Accrued expenses	660	851
Commercial paper notes	693	249
Current portion of long-term debt	—	400
Short-term deferred revenue and financed unearned services revenue	1,795	1,825
Total current liabilities	3,529	3,867
Long-term debt	1,146	1,144
Other long-term liabilities	748	797
Long-term deferred revenue and financed unearned services revenue	1,778	1,843
Total liabilities	<u>7,201</u>	<u>7,651</u>
Stockholders' equity	282	1,090
Total liabilities and stockholders' equity	<u>\$ 7,483</u>	<u>\$ 8,741</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2020	January 25, 2019	January 24, 2020	January 25, 2019
<b>Revenues:</b>				
Product	\$ 787	\$ 967	\$ 2,202	\$ 2,755
Software maintenance	263	239	767	704
Hardware maintenance and other services	354	357	1,042	1,095
Net revenues	<u>1,404</u>	<u>1,563</u>	<u>4,011</u>	<u>4,554</u>
<b>Cost of revenues:</b>				
Cost of product	360	469	1,013	1,295
Cost of software maintenance	12	10	33	25
Cost of hardware maintenance and other services	91	102	283	315
Total cost of revenues	<u>463</u>	<u>581</u>	<u>1,329</u>	<u>1,635</u>
Gross profit	<u>941</u>	<u>982</u>	<u>2,682</u>	<u>2,919</u>
<b>Operating expenses:</b>				
Sales and marketing	402	401	1,196	1,218
Research and development	211	203	635	622
General and administrative	60	67	200	209
Restructuring charges	—	—	21	19
Gain on sale or derecognition of assets	—	—	(38)	—
Total operating expenses	<u>673</u>	<u>671</u>	<u>2,014</u>	<u>2,068</u>
Income from operations	268	311	668	851
Other income, net	8	8	26	33
Income before income taxes	276	319	694	884
Provision (benefit) for income taxes	(1)	70	71	111
Net income	<u>\$ 277</u>	<u>\$ 249</u>	<u>\$ 623</u>	<u>\$ 773</u>
<b>Net income per share:</b>				
Basic	<u>\$ 1.23</u>	<u>\$ 1.00</u>	<u>\$ 2.67</u>	<u>\$ 3.01</u>
Diluted	<u>\$ 1.21</u>	<u>\$ 0.98</u>	<u>\$ 2.64</u>	<u>\$ 2.94</u>
<b>Shares used in net income per share calculations:</b>				
Basic	<u>226</u>	<u>250</u>	<u>233</u>	<u>257</u>
Diluted	<u>229</u>	<u>255</u>	<u>236</u>	<u>263</u>

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

	Three Months Ended		Nine Months Ended	
	January 24, 2020	January 25, 2019	January 24, 2020	January 25, 2019
<b>Cash flows from operating activities:</b>				
Net income	\$ 277	\$ 249	\$ 623	\$ 773
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	47	51	146	149
Non-cash operating lease cost	13	—	39	—
Stock-based compensation	36	43	118	121
Deferred income taxes	—	4	(23)	(21)
Gain on sale or derecognition of assets	—	—	(38)	—
Other items, net	(3)	(3)	(16)	8
Changes in assets and liabilities, net of acquisitions of businesses:				
Accounts receivable	(41)	(104)	394	165
Inventories	(2)	(14)	18	22
Accounts payable	(1)	26	(158)	(101)
Accrued expenses	42	77	(273)	(85)
Deferred revenue and financed unearned services revenue	104	146	(93)	17
Long-term taxes payable	(84)	3	(133)	(60)
Changes in other operating assets and liabilities, net	32	(27)	73	(46)
Net cash provided by operating activities	420	451	677	942
<b>Cash flows from investing activities:</b>				
Redemptions of investments, net	142	172	1,288	661
Purchases of property and equipment	(32)	(31)	(100)	(138)
Proceeds from sale of properties	—	—	96	—
Acquisitions of businesses, net of cash acquired	—	—	(56)	(3)
Other investing activities, net	1	(1)	(1)	1
Net cash provided by investing activities	111	140	1,227	521
<b>Cash flows from financing activities:</b>				
Proceeds from issuance of common stock under employee stock award plans	47	53	102	118
Payments for taxes related to net share settlement of stock awards	(3)	(3)	(77)	(92)
Repurchase of common stock	(500)	(550)	(1,250)	(1,611)
Proceeds from (repayments of) commercial paper notes, net	194	(86)	443	(221)
Repayment of long-term debt	—	—	(400)	—
Dividends paid	(108)	(99)	(334)	(306)
Other financing activities, net	(2)	(3)	(4)	(5)
Net cash used in financing activities	(372)	(688)	(1,520)	(2,117)
<b>Effect of exchange rate changes on cash, cash equivalents and restricted cash</b>				
	1	8	(4)	(17)
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>				
	160	(89)	380	(671)
<b>Cash, cash equivalents and restricted cash:</b>				
Beginning of period	2,551	2,365	2,331	2,947
End of period	\$ 2,711	\$ 2,276	\$ 2,711	\$ 2,276

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

	Q3 FY'20	Q2 FY'20	Q3 FY'19
<b>Revenues</b>			
Product	\$ 787	\$ 771	\$ 967
<i>Strategic*</i>	\$ 483	\$ 442	\$ 517
<i>Mature*</i>	\$ 304	\$ 329	\$ 450
Software Maintenance	\$ 263	\$ 254	\$ 239
Hardware Maintenance and Other Services	\$ 354	\$ 346	\$ 357
<i>Hardware Maintenance Support Contracts</i>	\$ 293	\$ 286	\$ 292
<i>Professional and Other Services</i>	\$ 61	\$ 60	\$ 65
<b>Net Revenues</b>	<b>\$ 1,404</b>	<b>\$ 1,371</b>	<b>\$ 1,563</b>

\* In Q1 FY'20 we made changes to the products and solutions contained in each of the Strategic and Mature product groupings. Strategic now includes All-flash FAS products, including all related add-on hardware and OS software, private cloud solutions, enterprise software license agreements and other optional add-on software products. Mature now includes Hybrid FAS products, including all related add-on hardware and OS software, OEM products, and branded E-Series. Prior to this change, Hybrid FAS and branded E-Series were included in Strategic, while all add-on hardware and OS software were included in Mature. For comparability, Strategic and Mature revenues presented for the prior year period have been recast based on the revised groupings.

**Geographic Mix**

	% of Q3 FY'20 Revenue	% of Q2 FY'20 Revenue	% of Q3 FY'19 Revenue
Americas	50%	56%	52%
<i>Americas Commercial</i>	39%	42%	41%
<i>U.S. Public Sector</i>	11%	14%	11%
EMEA	35%	29%	33%
Asia Pacific	15%	14%	14%

**Pathways Mix**

	% of Q3 FY'20 Revenue	% of Q2 FY'20 Revenue	% of Q3 FY'19 Revenue
Direct	21%	21%	19%
Indirect	79%	79%	81%

**Non-GAAP Gross Margins**

	Q3 FY'20	Q2 FY'20	Q3 FY'19
Non-GAAP Gross Margin	67.8%	68.6%	63.7%
Product	55.4%	57.3%	52.6%
Software Maintenance	95.4%	95.7%	95.8%
Hardware Maintenance and Other Services	74.9%	73.7%	72.3%

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

	Q3 FY'20	Q2 FY'20	Q3 FY'19
Non-GAAP Income from Operations	\$ 312	\$ 309	\$ 367
% of Net Revenues	22.2%	22.5%	23.5%
Non-GAAP Income before Income Taxes	\$ 320	\$ 312	\$ 375
Non-GAAP Effective Tax Rate	17.2%	17.6%	18.7%

**Non-GAAP Net Income**

	Q3 FY'20	Q2 FY'20	Q3 FY'19
Non-GAAP Net Income	\$ 265	\$ 257	\$ 305
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	229	236	255
Non-GAAP Income per Share, Diluted	\$ 1.16	\$ 1.09	\$ 1.20

**Select Balance Sheet Items**

	Q3 FY'20	Q2 FY'20	Q3 FY'19
Deferred Revenue and Financed Unearned Services Revenue	\$ 3,573	\$ 3,468	\$ 3,357
DSO (days)	53	52	51
DIO (days)	22	23	16
DPO (days)	75	78	78
CCC (days)	1	(4)	(11)
Inventory Turns	16	16	23

*Days sales outstanding (DSO) is defined as accounts receivable divided by net revenues, multiplied by the number of days in the quarter.*

*Days inventory outstanding (DIO) is defined as net inventories divided by cost of 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.*

*Cash conversion cycle (CCC) is defined as DSO plus DIO minus DPO.*

*Inventory turns is defined as annualized cost of revenues divided by net inventories.*

**Select Cash Flow Statement Items**

	Q3 FY'20	Q2 FY'20	Q3 FY'19
Net Cash Provided by (used in) Operating Activities	\$ 420	\$ (53)	\$ 451
Purchases of Property and Equipment	\$ 32	\$ 36	\$ 31
Free Cash Flow	\$ 388	\$ (89)	\$ 420
Free Cash Flow as a % of Net Revenues	27.6%	(6.5)%	26.9%

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

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

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>NET INCOME</b>	\$ 277	\$ 243	\$ 249
Adjustments:			
Amortization of intangible assets	8	11	13
Stock-based compensation	36	40	43
Gain on sale or derecognition of assets	—	(38)	—
Income tax effects	(6)	1	—
Resolution of income tax matters	(50)	—	—
<b>NON-GAAP NET INCOME</b>	<u>\$ 265</u>	<u>\$ 257</u>	<u>\$ 305</u>
<b>COST OF REVENUES</b>	\$ 463	\$ 446	\$ 581
Adjustments:			
Amortization of intangible assets	(8)	(11)	(10)
Stock-based compensation	(3)	(4)	(4)
<b>NON-GAAP COST OF REVENUES</b>	<u>\$ 452</u>	<u>\$ 431</u>	<u>\$ 567</u>
<b>COST OF PRODUCT REVENUES</b>	\$ 360	\$ 341	\$ 469
Adjustments:			
Amortization of intangible assets	(8)	(11)	(10)
Stock-based compensation	(1)	(1)	(1)
<b>NON-GAAP COST OF PRODUCT REVENUES</b>	<u>\$ 351</u>	<u>\$ 329</u>	<u>\$ 458</u>
<b>COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	\$ 91	\$ 94	\$ 102
Adjustment:			
Stock-based compensation	(2)	(3)	(3)
<b>NON-GAAP COST OF HARDWARE MAINTENANCE AND OTHER SERVICES REVENUES</b>	<u>\$ 89</u>	<u>\$ 91</u>	<u>\$ 99</u>
<b>GROSS PROFIT</b>	\$ 941	\$ 925	\$ 982
Adjustments:			
Amortization of intangible assets	8	11	10
Stock-based compensation	3	4	4
<b>NON-GAAP GROSS PROFIT</b>	<u>\$ 952</u>	<u>\$ 940</u>	<u>\$ 996</u>

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

	Q3'FY20	Q2'FY20	Q3'FY19
<b>SALES AND MARKETING EXPENSES</b>	\$ 402	\$ 389	\$ 401
Adjustments:			
Amortization of intangible assets	—	—	(3)
Stock-based compensation	(15)	(17)	(19)
<b>NON-GAAP SALES AND MARKETING EXPENSES</b>	<u>\$ 387</u>	<u>\$ 372</u>	<u>\$ 379</u>
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	\$ 211	\$ 209	\$ 203
Adjustment:			
Stock-based compensation	(13)	(13)	(13)
<b>NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES</b>	<u>\$ 198</u>	<u>\$ 196</u>	<u>\$ 190</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	\$ 60	\$ 69	\$ 67
Adjustment:			
Stock-based compensation	(5)	(6)	(7)
<b>NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 55</u>	<u>\$ 63</u>	<u>\$ 60</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>	\$ 673	\$ 629	\$ 671
Adjustments:			
Amortization of intangible assets	—	—	(3)
Stock-based compensation	(33)	(36)	(39)
Gain on sale or derecognition of assets	—	38	—
<b>NON-GAAP OPERATING EXPENSES</b>	<u>\$ 640</u>	<u>\$ 631</u>	<u>\$ 629</u>

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>INCOME FROM OPERATIONS</b>	\$ 268	\$ 296	\$ 311
Adjustments:			
Amortization of intangible assets	8	11	13
Stock-based compensation	36	40	43
Gain on sale or derecognition of assets	—	(38)	—
<b>NON-GAAP INCOME FROM OPERATIONS</b>	<u>\$ 312</u>	<u>\$ 309</u>	<u>\$ 367</u>
<b>INCOME BEFORE INCOME TAXES</b>	\$ 276	\$ 299	\$ 319
Adjustments:			
Amortization of intangible assets	8	11	13
Stock-based compensation	36	40	43
Gain on sale or derecognition of assets	—	(38)	—
<b>NON-GAAP INCOME BEFORE INCOME TAXES</b>	<u>\$ 320</u>	<u>\$ 312</u>	<u>\$ 375</u>
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	\$ (1)	\$ 56	\$ 70
Adjustments:			
Income tax effects	6	(1)	—
Resolution of income tax matters	50	—	—
<b>NON-GAAP PROVISION FOR INCOME TAXES</b>	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 70</u>
<b>NET INCOME PER SHARE</b>	\$ 1.21	\$ 1.03	\$ 0.98
Adjustments:			
Amortization of intangible assets	0.03	0.05	0.05
Stock-based compensation	0.16	0.17	0.17
Gain on sale or derecognition of assets	—	(0.16)	—
Income tax effects	(0.03)	—	—
Resolution of income tax matters	(0.22)	—	—
<b>NON-GAAP NET INCOME PER SHARE</b>	<u>\$ 1.16</u>	<u>\$ 1.09</u>	<u>\$ 1.20</u>

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>Gross margin-GAAP</b>	67.0%	67.5%	62.8%
Cost of revenues adjustments	0.8%	1.1%	0.9%
<b>Gross margin-Non-GAAP</b>	67.8%	68.6%	63.7%
GAAP cost of revenues	\$ 463	\$ 446	\$ 581
Cost of revenues adjustments:			
Amortization of intangible assets	(8)	(11)	(10)
Stock-based compensation	(3)	(4)	(4)
Non-GAAP cost of revenues	\$ 452	\$ 431	\$ 567
Net revenues	\$ 1,404	\$ 1,371	\$ 1,563

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>Product gross margin-GAAP</b>	54.3%	55.8%	51.5%
Cost of product revenues adjustments	1.1%	1.6%	1.1%
<b>Product gross margin-Non-GAAP</b>	55.4%	57.3%	52.6%
GAAP cost of product revenues	\$ 360	\$ 341	\$ 469
Cost of product revenues adjustments:			
Amortization of intangible assets	(8)	(11)	(10)
Stock-based compensation	(1)	(1)	(1)
Non-GAAP cost of product revenues	\$ 351	\$ 329	\$ 458
Product revenues	\$ 787	\$ 771	\$ 967

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>Hardware maintenance and other services gross margin-GAAP</b>	74.3%	72.8%	71.4%
Cost of hardware maintenance and other services revenues adjustment	0.6%	0.9%	0.8%
<b>Hardware maintenance and other services gross margin-Non-GAAP</b>	74.9%	73.7%	72.3%
GAAP cost of hardware maintenance and other services revenues	\$ 91	\$ 94	\$ 102
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	\$ 89	\$ 91	\$ 99
Hardware maintenance and other services revenues	\$ 354	\$ 346	\$ 357

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
<b>GAAP effective tax rate</b>	(0.4)%	18.7%	21.9%
Adjustments:			
Income tax effects	2.0%	(1.1)%	(2.7)%
Resolution of income tax matters	15.6%	—%	—%
<b>Non-GAAP effective tax rate</b>	17.2%	17.6%	19.3%

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

	<u>Q3'FY20</u>	<u>Q2'FY20</u>	<u>Q3'FY19</u>
Net cash provided by (used in) operating activities	\$ 420	\$ (53)	\$ 451
Purchases of property and equipment	(32)	(36)	(31)
<b>Free cash flow</b>	\$ 388	\$ (89)	\$ 420

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

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**EXPRESSED AS EARNINGS PER SHARE**  
**FOURTH QUARTER FISCAL 2020**

**Fourth Quarter**  
**Fiscal 2020**

Non-GAAP Guidance - Net Income Per Share	\$1.28 - \$1.36
Adjustments of Specific Items to Net Income	
Per Share for the Fourth Quarter Fiscal 2020:	
Amortization of intangible assets	(0.04)
Stock-based compensation expense	(0.17)
Income tax effects	0.04
Total Adjustments	(0.17)
GAAP Guidance - Net Income Per Share	\$1.11 - \$1.19

**NETAPP, INC.**  
**RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP**  
**FISCAL 2020**  
**(Unaudited)**

	<b>Fiscal 2020</b>
Gross Margin - Non-GAAP Guidance	67% - 68%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	66% - 67%
	<b>Fiscal 2020</b>
Operating Margin - Non-GAAP Guidance	~21%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(3)%
Gain on sale or derecognition of assets	1%
Operating Margin - GAAP Guidance	~18%
	<b>Fiscal 2020 versus Fiscal 2019</b>
Year-over-year Decrease in Net Income Per Share - Non-GAAP Guidance	(7)%
Adjustments:	
Amortization of intangible assets	1%
Restructuring charges	1%
Gain on sale or derecognition of assets	(3)%
Income tax benefit of ASC 606 adoption	(3)%
Income tax effects	(5)%
Year-over-year Decrease in Net Income Per Share - GAAP Guidance	(16)%

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

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