

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

	<u>July 28,</u> <u>2023</u>	<u>April 28,</u> <u>2023</u>
ASSETS		
Current assets:		
Cash, cash equivalents and investments	\$ 2,975	\$ 3,070
Accounts receivable	653	987
Inventories	131	167
Other current assets	401	456
Total current assets	4,160	4,680
Property and equipment, net	641	650
Goodwill and purchased intangible assets, net	2,925	2,940
Other non-current assets	1,544	1,548
Total assets	\$ 9,270	\$ 9,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 344	\$ 392
Accrued expenses	778	857
Short-term deferred revenue and financed unearned services revenue	2,127	2,218
Total current liabilities	3,249	3,467
Long-term debt	2,390	2,389
Other long-term liabilities	703	708
Long-term deferred revenue and financed unearned services revenue	2,055	2,095
Total liabilities	8,397	8,659
Stockholders' equity	873	1,159
Total liabilities and stockholders' equity	\$ 9,270	\$ 9,818

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

	Three Months Ended	
	July 28, 2023	July 29, 2022
Net revenues:		
Product	\$ 590	\$ 786
Services	842	806
Net revenues	<u>1,432</u>	<u>1,592</u>
Cost of revenues:		
Cost of product	265	397
Cost of services	171	149
Total cost of revenues	<u>436</u>	<u>546</u>
Gross profit	<u>996</u>	<u>1,046</u>
Operating expenses:		
Sales and marketing	468	458
Research and development	247	240
General and administrative	74	72
Restructuring charges	26	11
Acquisition-related expense	3	10
Total operating expenses	<u>818</u>	<u>791</u>
Income from operations	178	255
Other income, net	8	15
Income before income taxes	186	270
Provision for income taxes	37	56
Net income	<u>\$ 149</u>	<u>\$ 214</u>
Net income per share:		
Basic	<u>\$ 0.70</u>	<u>\$ 0.97</u>
Diluted	<u>\$ 0.69</u>	<u>\$ 0.96</u>
Shares used in net income per share calculations:		
Basic	<u>212</u>	<u>220</u>
Diluted	<u>216</u>	<u>224</u>

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

	Three Months Ended	
	July 28, 2023	July 29, 2022
Cash flows from operating activities:		
Net income	\$ 149	\$ 214
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64	58
Non-cash operating lease cost	11	14
Stock-based compensation	87	67
Deferred income taxes	(6)	(15)
Other items, net	(2)	(66)
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable	332	364
Inventories	37	(28)
Accounts payable	(56)	(90)
Accrued expenses	(89)	(208)
Deferred revenue and financed unearned services revenue	(133)	(32)
Long-term taxes payable	1	1
Changes in other operating assets and liabilities, net	58	2
Net cash provided by operating activities	<u>453</u>	<u>281</u>
Cash flows from investing activities:		
Purchases of investments, net	(192)	(131)
Purchases of property and equipment	(35)	(65)
Acquisitions of businesses, net of cash acquired	—	(491)
Other investing activities, net	(1)	59
Net cash used in investing activities	<u>(228)</u>	<u>(628)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock award plans	52	54
Payments for taxes related to net share settlement of stock awards	(65)	(52)
Repurchase of common stock	(400)	(350)
Dividends paid	(106)	(110)
Other financing activities, net	(2)	(1)
Net cash used in financing activities	<u>(521)</u>	<u>(459)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	(18)
Net change in cash, cash equivalents and restricted cash	(296)	(824)
Cash, cash equivalents and restricted cash:		
Beginning of period	2,322	4,119
End of period	<u>\$ 2,026</u>	<u>\$ 3,295</u>

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

Revenues by Segment

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Product	\$ 590	\$ 744	\$ 786
Support	611	598	598
Professional and Other Services	77	88	76
Hybrid Cloud Segment Net Revenues	1,278	1,430	1,460
Public Cloud Segment Net Revenues	154	151	132
Net Revenues	\$ 1,432	\$ 1,581	\$ 1,592

Gross Profit by Segment

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Product	\$ 326	\$ 410	\$ 391
Support	564	549	555
Professional and Other Services	19	33	24
Hybrid Cloud Segment Gross Profit	909	992	970
Public Cloud Segment Gross Profit	103	99	92
Total Segments Gross Profit	1,012	1,091	1,062
Amortization of Intangible Assets	(9)	(10)	(11)
Stock-based Compensation	(7)	(6)	(5)
Unallocated Cost of Revenues	(16)	(16)	(16)
Gross Profit	\$ 996	\$ 1,075	\$ 1,046

Gross Margin by Segment

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Product	55.3%	55.1%	49.7%
Support	92.3%	91.8%	92.8%
Professional and Other Services	24.7%	37.5%	31.6%
Hybrid Cloud Segment Gross Margin	71.1%	69.4%	66.4%
Public Cloud Segment Gross Margin	66.9%	65.6%	69.7%

Product Revenues

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Total	\$ 590	\$ 744	\$ 786
Software*	\$ 342	\$ 437	\$ 476
Hardware*	\$ 248	\$ 307	\$ 310

Software and recurring support and public cloud revenue

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Product - Software	\$ 342	\$ 437	\$ 476
Support	611	598	598
Public Cloud	154	151	132
Software and recurring support and public cloud revenue*	\$ 1,107	\$ 1,186	\$ 1,206

Software and recurring support and public cloud revenue as a percentage of net revenues	77%	75%	76%
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* 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, which are considered non-GAAP measures, to display the significance of software included in total product revenues. 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'24 Revenue	% of Q4 FY'23 Revenue	% of Q1 FY'23 Revenue
Americas	53%	49%	52%
<i>Americas Commercial</i>	41%	39%	41%
<i>U.S. Public Sector</i>	12%	10%	11%
EMEA	31%	36%	32%
Asia Pacific	16%	15%	16%

** Effective in Q1 FY'24, management changed its methodology for allocating revenues to each geographic region to reflect the location to which products and services are delivered, rather than the location from which the customer relationship is managed. Prior period percentages have been conformed to the current period presentation.

Pathways Mix

	% of Q1 FY'24 Revenue	% of Q4 FY'23 Revenue	% of Q1 FY'23 Revenue
Direct	24%	22%	21%
Indirect	76%	78%	79%

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

	Q1'FY24	Q4'FY23	Q1'FY23
Non-GAAP Income from Operations	\$ 309	\$ 414	\$ 360
% of Net Revenues	21.6%	26.2%	22.6%
Non-GAAP Income before Income Taxes	\$ 317	\$ 419	\$ 343
Non-GAAP Effective Tax Rate	21.5%	20.3%	21.6%

Non-GAAP Net Income

	Q1'FY24	Q4'FY23	Q1'FY23
Non-GAAP Net Income	\$ 249	\$ 334	\$ 269
Non-GAAP Weighted Average Common Shares Outstanding, Diluted	216	217	224
Non-GAAP Net Income per Share, Diluted	\$ 1.15	\$ 1.54	\$ 1.20

Select Balance Sheet Items

	Q1'FY24	Q4'FY23	Q1'FY23
Deferred Revenue and Financed Unearned Services Revenue	\$ 4,182	\$ 4,313	\$ 4,170
DSO (days)	41	57	49
DPO (days)	72	70	86
Inventory Turns	13	12	9

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'FY24	Q4'FY23	Q1'FY23
Net Cash Provided by Operating Activities	\$ 453	\$ 235	\$ 281
Purchases of Property and Equipment	\$ 35	\$ 39	\$ 65
Free Cash Flow	\$ 418	\$ 196	\$ 216
<i>Free Cash Flow as % of Net Revenues</i>	29.2%	12.4%	13.6%

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>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
NET INCOME	\$ 149	\$ 245	\$ 214
Adjustments:			
Amortization of intangible assets	15	17	17
Stock-based compensation	87	74	67
Restructuring charges	26	11	11
Acquisition-related expense	3	3	10
Gain on sale of equity investment	—	—	(32)
Income tax effects	(31)	11	(18)
Income tax (benefits) expenses from integration of acquired companies	—	(27)	—
NON-GAAP NET INCOME	<u>\$ 249</u>	<u>\$ 334</u>	<u>\$ 269</u>
COST OF REVENUES	\$ 436	\$ 506	\$ 546
Adjustments:			
Amortization of intangible assets	(9)	(10)	(11)
Stock-based compensation	(7)	(6)	(5)
NON-GAAP COST OF REVENUES	<u>\$ 420</u>	<u>\$ 490</u>	<u>\$ 530</u>
COST OF PRODUCT REVENUES	\$ 265	\$ 335	\$ 397
Adjustments:			
Amortization of intangible assets	—	—	(1)
Stock-based compensation	(1)	(1)	(1)
NON-GAAP COST OF PRODUCT REVENUES	<u>\$ 264</u>	<u>\$ 334</u>	<u>\$ 395</u>
COST OF SERVICES REVENUES	\$ 171	\$ 171	\$ 149
Adjustments:			
Amortization of intangible assets	(9)	(10)	(10)
Stock-based compensation	(6)	(5)	(4)
NON-GAAP COST OF SERVICES REVENUES	<u>\$ 156</u>	<u>\$ 156</u>	<u>\$ 135</u>
GROSS PROFIT	\$ 996	\$ 1,075	\$ 1,046
Adjustments:			
Amortization of intangible assets	9	10	11
Stock-based compensation	7	6	5
NON-GAAP GROSS PROFIT	<u>\$ 1,012</u>	<u>\$ 1,091</u>	<u>\$ 1,062</u>

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

	Q1'FY24	Q4'FY23	Q1'FY23
SALES AND MARKETING EXPENSES	\$ 468	\$ 442	\$ 458
Adjustments:			
Amortization of intangible assets	(6)	(7)	(6)
Stock-based compensation	(36)	(32)	(28)
NON-GAAP SALES AND MARKETING EXPENSES	<u>\$ 426</u>	<u>\$ 403</u>	<u>\$ 424</u>
RESEARCH AND DEVELOPMENT EXPENSES	\$ 247	\$ 243	\$ 240
Adjustments:			
Stock-based compensation	(32)	(29)	(24)
NON-GAAP RESEARCH AND DEVELOPMENT EXPENSES	<u>\$ 215</u>	<u>\$ 214</u>	<u>\$ 216</u>
GENERAL AND ADMINISTRATIVE EXPENSES	\$ 74	\$ 67	\$ 72
Adjustments:			
Stock-based compensation	(12)	(7)	(10)
NON-GAAP GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 62</u>	<u>\$ 60</u>	<u>\$ 62</u>
RESTRUCTURING CHARGES	\$ 26	\$ 11	\$ 11
Adjustments:			
Restructuring charges	(26)	(11)	(11)
NON-GAAP RESTRUCTURING CHARGES	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
ACQUISITION-RELATED EXPENSE	\$ 3	\$ 3	\$ 10
Adjustments:			
Acquisition-related expense	(3)	(3)	(10)
NON-GAAP ACQUISITION-RELATED EXPENSE	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
OPERATING EXPENSES	\$ 818	\$ 766	\$ 791
Adjustments:			
Amortization of intangible assets	(6)	(7)	(6)
Stock-based compensation	(80)	(68)	(62)
Restructuring charges	(26)	(11)	(11)
Acquisition-related expense	(3)	(3)	(10)
NON-GAAP OPERATING EXPENSES	<u>\$ 703</u>	<u>\$ 677</u>	<u>\$ 702</u>

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

	Q1'FY24	Q4'FY23	Q1'FY23
INCOME FROM OPERATIONS	\$ 178	\$ 309	\$ 255
Adjustments:			
Amortization of intangible assets	15	17	17
Stock-based compensation	87	74	67
Restructuring charges	26	11	11
Acquisition-related expense	3	3	10
NON-GAAP INCOME FROM OPERATIONS	<u>\$ 309</u>	<u>\$ 414</u>	<u>\$ 360</u>
OTHER INCOME, NET	\$ 8	\$ 5	\$ 15
Adjustments:			
Gain on sale of equity investment	—	—	(32)
NON-GAAP OTHER INCOME (EXPENSE), NET	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ (17)</u>
INCOME BEFORE INCOME TAXES	\$ 186	\$ 314	\$ 270
Adjustments:			
Amortization of intangible assets	15	17	17
Stock-based compensation	87	74	67
Restructuring charges	26	11	11
Acquisition-related expense	3	3	10
Gain on sale of equity investment	—	—	(32)
NON-GAAP INCOME BEFORE INCOME TAXES	<u>\$ 317</u>	<u>\$ 419</u>	<u>\$ 343</u>
PROVISION FOR INCOME TAXES	\$ 37	\$ 69	\$ 56
Adjustments:			
Income tax effects	31	(11)	18
Income tax benefits (expenses) from integration of acquired companies	—	27	—
NON-GAAP PROVISION FOR INCOME TAXES	<u>\$ 68</u>	<u>\$ 85</u>	<u>\$ 74</u>
NET INCOME PER SHARE	\$ 0.69	\$ 1.13	\$ 0.96
Adjustments:			
Amortization of intangible assets	0.07	0.08	0.08
Stock-based compensation	0.40	0.34	0.30
Restructuring charges	0.12	0.05	0.05
Acquisition-related expense	0.01	0.01	0.04
Gain on sale of equity investment	—	—	(0.14)
Income tax effects	(0.14)	0.05	(0.08)
Income tax (benefits) expenses from integration of acquired companies	—	(0.12)	—
NON-GAAP NET INCOME PER SHARE	<u>\$ 1.15</u>	<u>\$ 1.54</u>	<u>\$ 1.20</u>

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Gross margin-GAAP	69.6%	68.0%	65.7%
Cost of revenues adjustments	1.1%	1.0%	1.0%
Gross margin-Non-GAAP	70.7%	69.0%	66.7%
GAAP cost of revenues	\$ 436	\$ 506	\$ 546
Cost of revenues adjustments:			
Amortization of intangible assets	(9)	(10)	(11)
Stock-based compensation	(7)	(6)	(5)
Non-GAAP cost of revenues	\$ 420	\$ 490	\$ 530
Net revenues	\$ 1,432	\$ 1,581	\$ 1,592

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Product gross margin-GAAP	55.1%	55.0%	49.5%
Cost of product revenues adjustments	0.2%	0.1%	0.3%
Product gross margin-Non-GAAP	55.3%	55.1%	49.7%
GAAP cost of product revenues	\$ 265	\$ 335	\$ 397
Cost of product revenues adjustments:			
Amortization of intangible assets	—	—	(1)
Stock-based compensation	(1)	(1)	(1)
Non-GAAP cost of product revenues	\$ 264	\$ 334	\$ 395
Product revenues	\$ 590	\$ 744	\$ 786

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Services gross margin-GAAP	79.7%	79.6%	81.5%
Cost of services revenues adjustments	1.8%	1.8%	1.7%
Services gross margin-Non-GAAP	81.5%	81.4%	83.3%
GAAP cost of services revenues	\$ 171	\$ 171	\$ 149
Cost of services revenues adjustments:			
Amortization of intangible assets	(9)	(10)	(10)
Stock-based compensation	(6)	(5)	(4)
Non-GAAP cost of services revenues	\$ 156	\$ 156	\$ 135
Services revenues	\$ 842	\$ 837	\$ 806

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
GAAP effective tax rate	19.9%	22.0%	20.7%
Adjustments:			
Income tax effects	1.6%	(10.3)%	0.8%
Income tax benefits from integration of acquired companies	—%	8.6%	—%
Non-GAAP effective tax rate	21.5%	20.3%	21.6%

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Net cash provided by operating activities	\$ 453	\$ 235	\$ 281
Purchases of property and equipment	(35)	(39)	(65)
Free cash flow	\$ 418	\$ 196	\$ 216

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

	<u>Q1'FY24</u>	<u>Q4'FY23</u>	<u>Q1'FY23</u>
Net revenues	\$ 1,432	\$ 1,581	\$ 1,592
Change in deferred revenue and financed unearned services revenue*	(133)	93	(32)
Billings	\$ 1,299	\$ 1,674	\$ 1,560

* 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 2024

	Second Quarter Fiscal 2024
Non-GAAP Guidance - Net Income Per Share	\$1.35-\$1.45
Adjustments of Specific Items to Net Income Per Share for the Second Quarter Fiscal 2024:	
Amortization of intangible assets	(\$0.07)
Stock-based compensation expense	(\$0.44)
Income tax effects	\$0.06
Total Adjustments	(\$0.45)
GAAP Guidance - Net Income Per Share	\$0.90-\$1.00

Some items may not add or recalculate due to rounding.

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
Fiscal 2024

	Fiscal 2024
Gross Margin - Non-GAAP Guidance	~70%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~69%
	Fiscal 2024
Operating Margin - Non-GAAP Guidance	~25%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~18%

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 2024

	Fiscal 2024
Non-GAAP Guidance - Net Income Per Share	\$5.65-\$5.85
Adjustments of Specific Items to Net Income	
Per Share for Fiscal 2024:	
Amortization of intangible assets	(\$0.27)
Stock-based compensation expense	(\$1.78)
Restructuring charges	(\$0.12)
Acquisition-related expenses	(\$0.01)
Income tax effects	\$0.28
Total Adjustments	(\$1.90)
GAAP Guidance - Net Income Per Share	\$3.75-\$3.95

Some items may not add or recalculate due to rounding.

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