

Q2 FY24 Earnings Results

November 28, 2023



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.

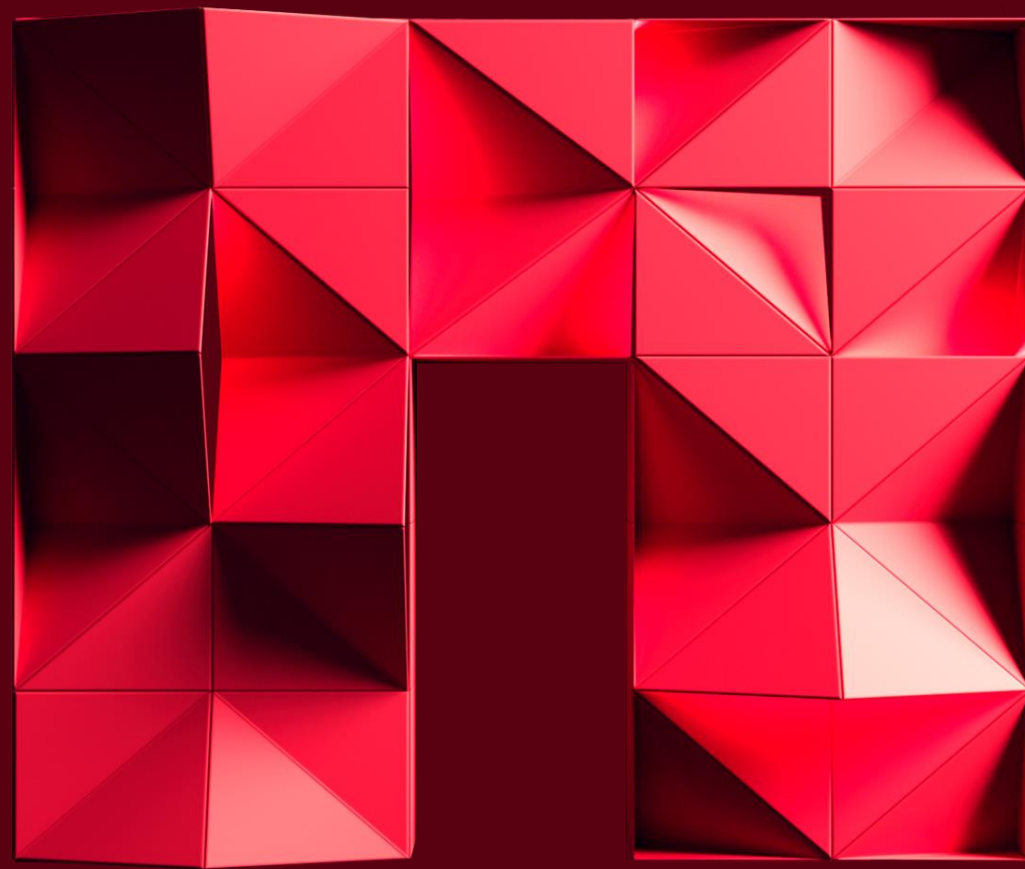
Actual results may differ materially from our statements or projections for a variety of reasons, including, without limitation, our ability to keep pace with rapid industry, technological and market trends and changes in the markets in which we operate, our ability to execute our evolved cloud strategy and introduce and gain market acceptance for our products and services, our ability to maintain our customer, partner, supplier and contract manufacturer relationships on favorable terms and conditions, general global political, macroeconomic and market conditions, including inflation, rising interest rates and foreign exchange volatility, changes in U.S. government spending, revenue seasonality, changes in laws or regulations, including those relating to privacy, data protection and information security, 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 annual report on Form 10-K and quarterly report on Form 10-Q, each 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.

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THE INTELLIGENT DATA INFRASTRUCTURE COMPANY



NetApp collaborates to build Intelligent Data Infrastructure to deliver 3 key benefits



**ANY DATA,
ANY PLACE**



**ACTIVE
DATA MANAGEMENT**



**ADAPTIVE
OPERATIONS**



- Single storage OS for all data
- Natively embedded in the world's largest clouds
- Unified control

- Built-in data security & protection
- Policy-based data governance
- Comprehensive sustainability

- Infrastructure optimization
- Application services
- Operations automation



COLLABORATIVE SUCCESS

Tap into the diverse expertise of our people, partners, and communities to make a tangible business and social impact

**NetApp makes data infrastructure
intelligent to turn a world of disruption
into opportunities for every customer**

NetApp helps
customers
confidently rise
to every
moment



NetApp ESG Highlights

MSCI
ESG RATINGS



CCC B BB BBB A AA AAA

RATING ACTION DATE: October 20, 2023



ENVIRONMENT

- Decreased Scope 1 and Scope 2 emissions by 31% from our FY20 baseline
- Joined the CDP Supply Chain program and conducted a baseline Scope 3 supplier survey
- Reduced potable water consumption by 20%
- Increased renewable energy use by 113% as compared to our FY20 baseline.



SOCIAL

- Accountability for DEI&B objectives set at the corporate level
- Donated more than \$3.3M to charities
- Reached over 1,000 students with data science education
- Achieved 36% employee participation in social impact programs



GOVERNANCE

- Enhanced ESG oversight
- Added cybersecurity and human capital management to the skills evaluated for Board members
- Implemented new, standard contractual clauses for transferring data across borders in our customer and supplier agreement
- Expanded the Privacy Champions Program

Results highlights

Delivered company all-time highs for gross margin, operating margin, and EPS

Introduced the ASA C-series for price-sensitive block workloads

Expanded our addressable market for AI with the addition of the AFF C-series to ONTAP AI

Extended our partnership with Google with the introduction of Google Cloud NetApp Volumes

Named a leader in Gartner's Magic Quadrant for Primary Storage for the 5th consecutive year

Awarded a gold ranking from EcoVadis

Q2 FY25 summary

	Q2 guidance (as of Aug 23, 2023)	Q2 actual	
Revenue	\$1.455B – \$1.605B	\$1.56B -6.1% y/y	✓
Billings*		\$1.45B -9.2% y/y	
Non-GAAP gross margin	~ 70%	72.0% +580 bps y/y	✓
Non-GAAP operating margin	~ 24%	26.8% +320 bps y/y	✓
Non-GAAP EPS	\$1.35 – \$1.45	\$1.58 +6.8% y/y	✓
Non-GAAP FCF margin		6.0%	
Capital returns*		\$403M	

*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.

FY25 summary

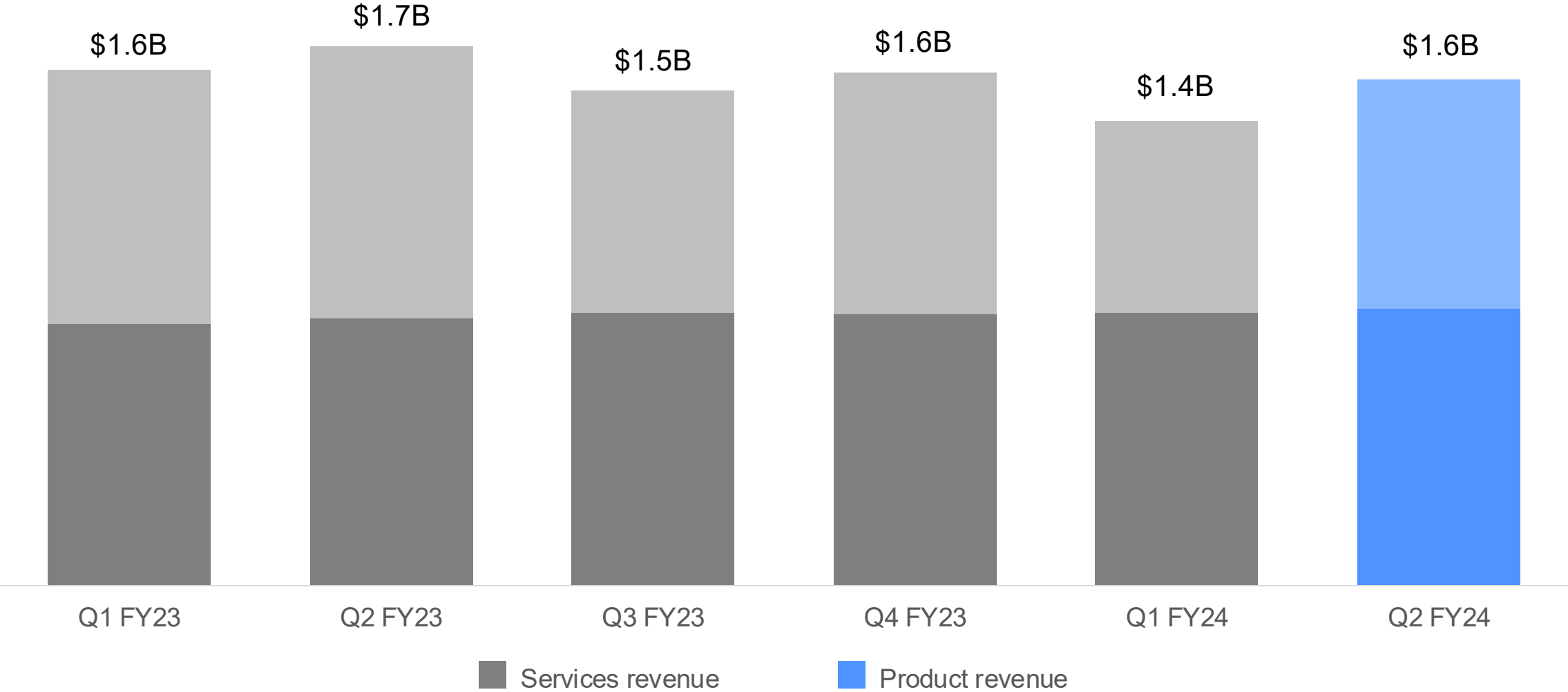
	Q1	Q2	1H FY25
Revenue	\$1.43B -10.1% y/y	\$1.56B -6.1% y/y	\$2.99B -8.0% y/y
Billings*	\$1.30B -16.7% y/y	\$1.45B -9.2% y/y	\$2.75B -12.9% y/y
Non-GAAP gross margin	70.7% + 400 bps y/y	72.0% +580 bps y/y	71.4% +490 bps y/y
Non-GAAP operating margin	21.6% -100 bps y/y	26.8% +320 bps y/y	24.3% +120 bps y/y
Non-GAAP EPS	\$1.15 -4.2% y/y	\$1.58 +6.8% y/y	\$2.72 +1.5% y/y
Non-GAAP FCF margin	29.2%	6.0%	17.2%
Capital returns*	\$506M	\$403M	\$909M

*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.

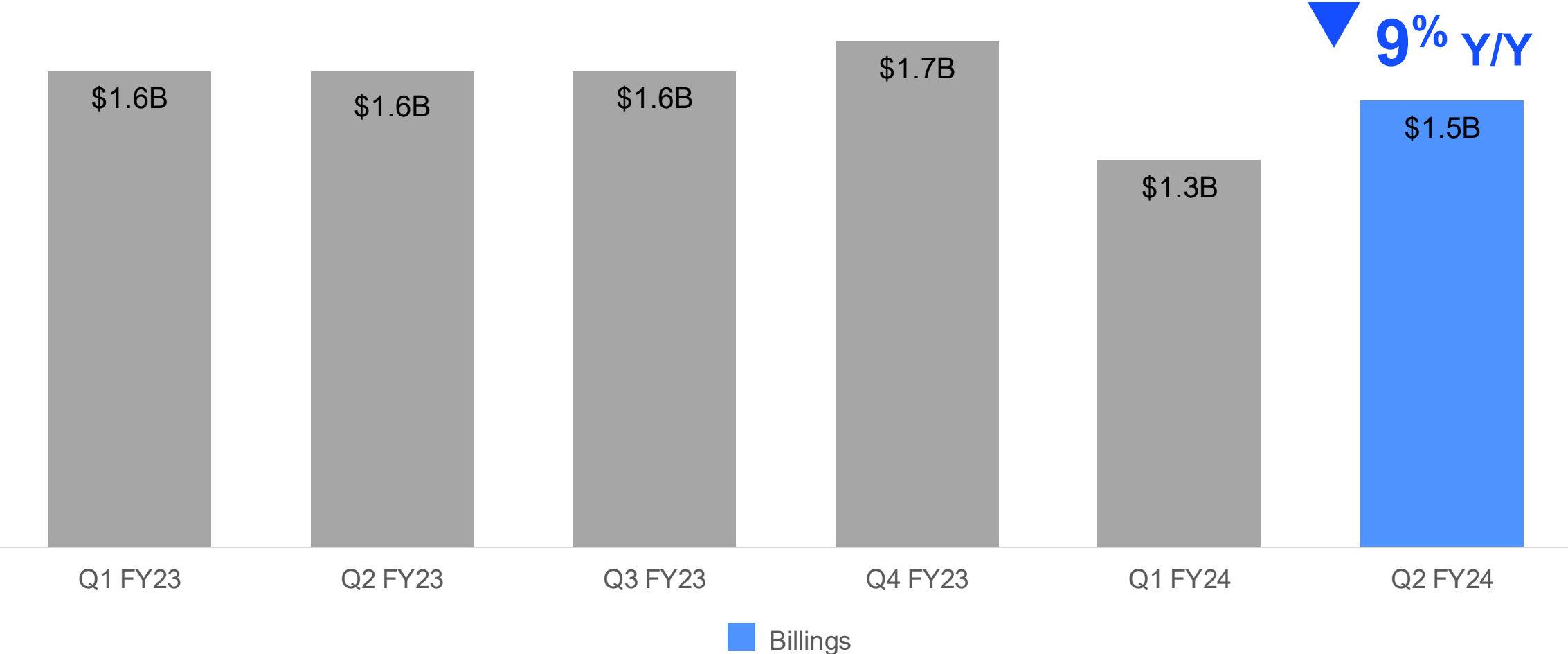
Capital returns are the sum of cash dividends and share repurchases.

Revenues

▼ 6% Y/Y

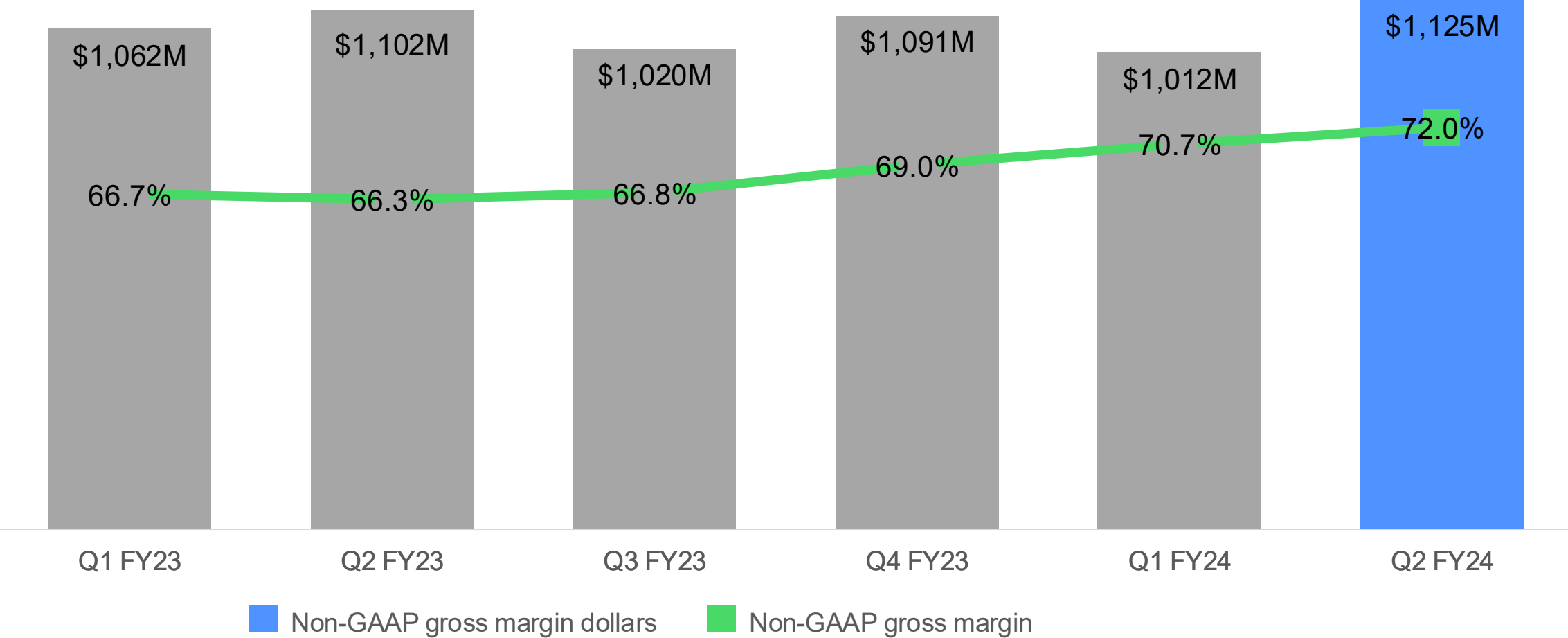


Billings

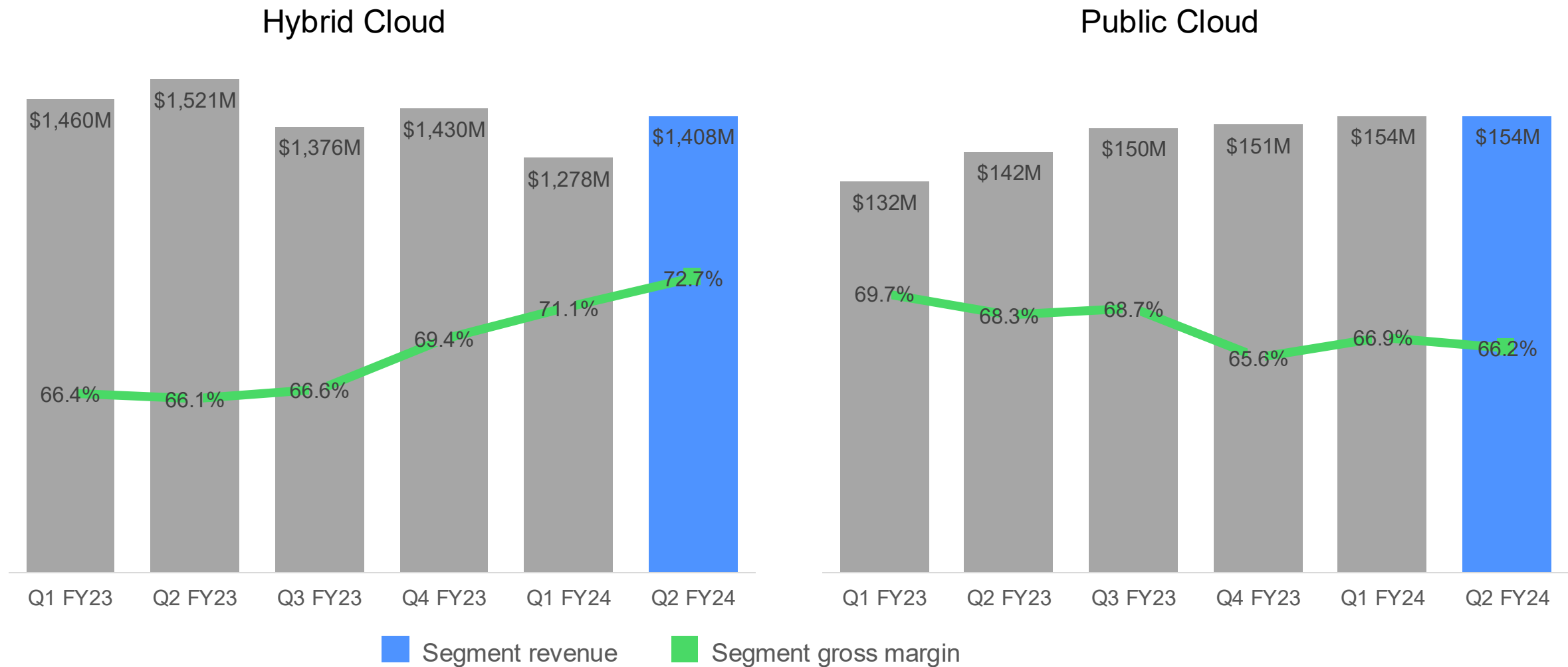


Billings is a Non-GAAP measure. Refer to appendix for details and a reconciliation between Non-GAAP and GAAP numbers.

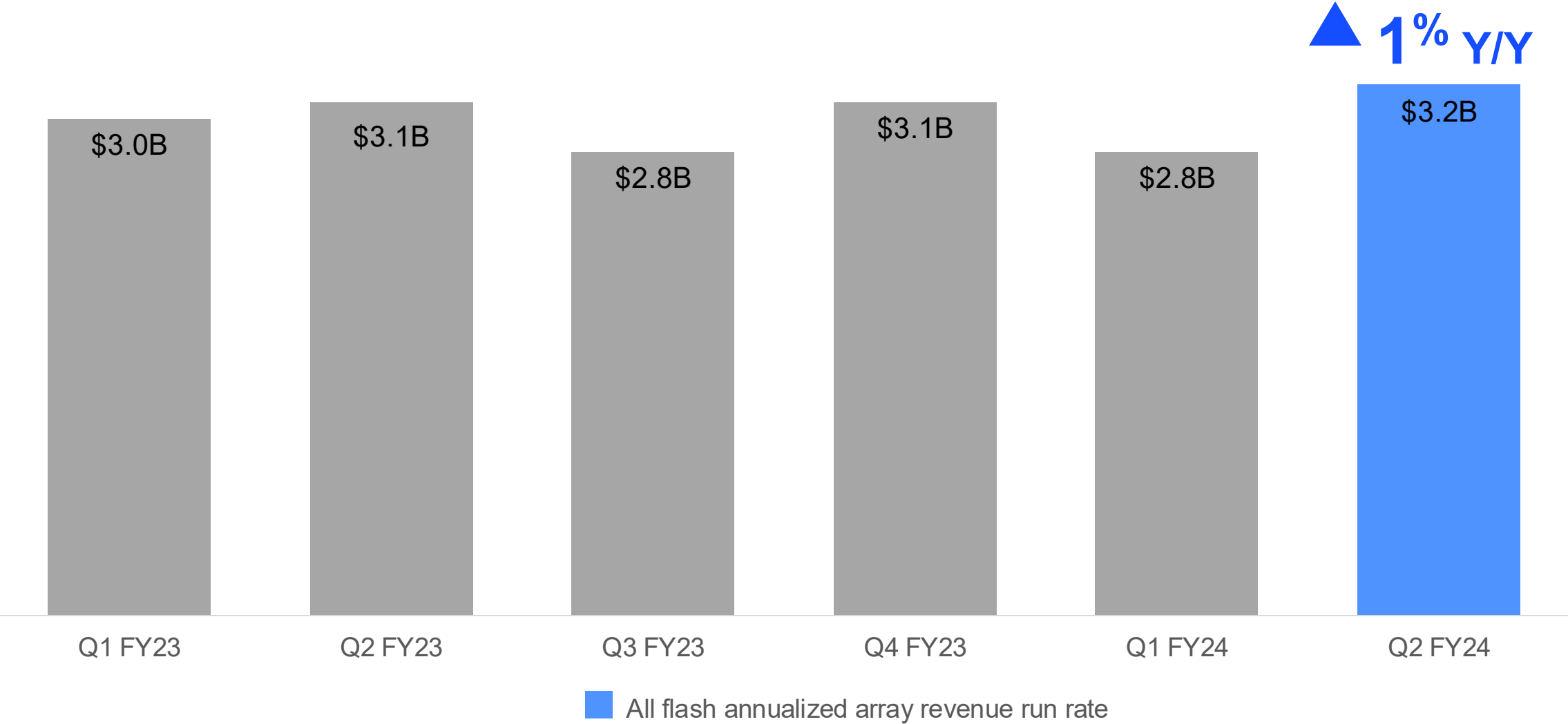
Non-GAAP gross margin



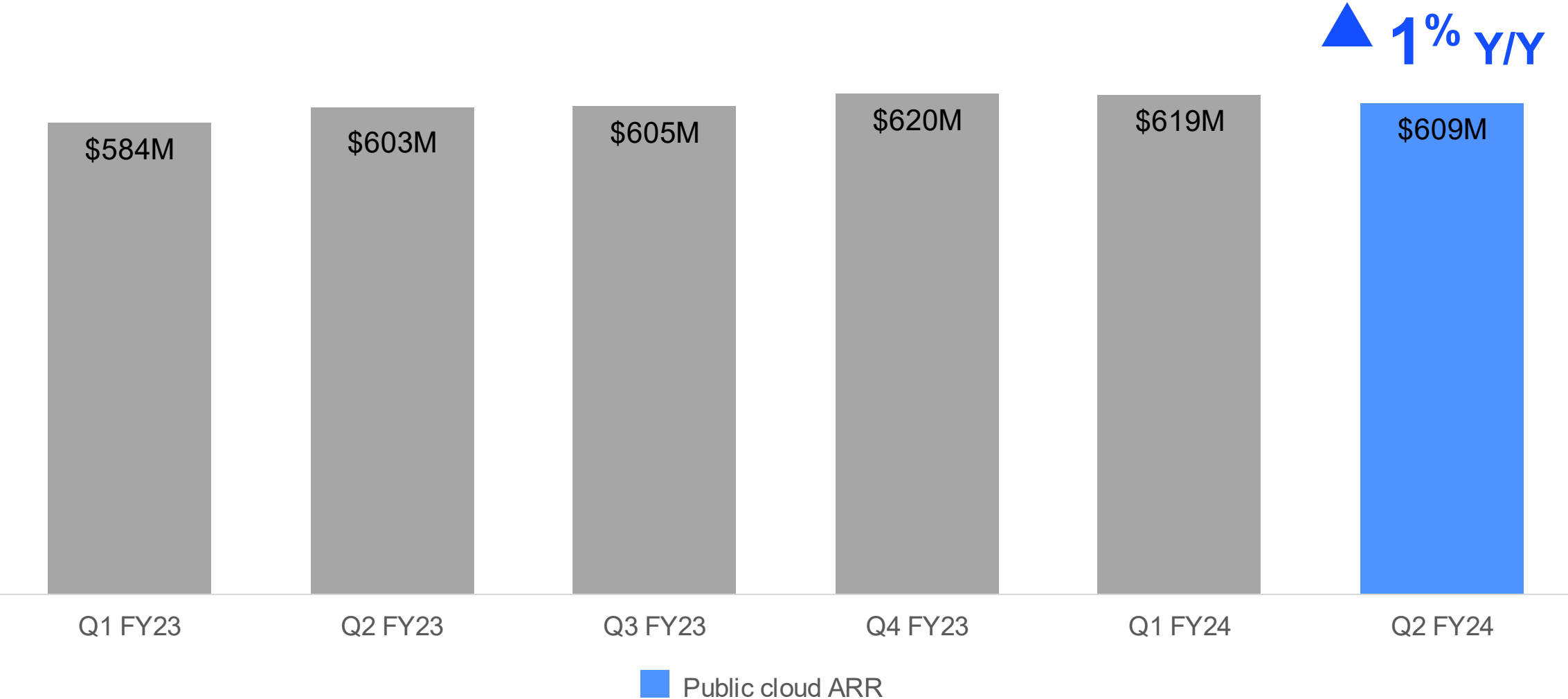
Segment revenue and gross margin



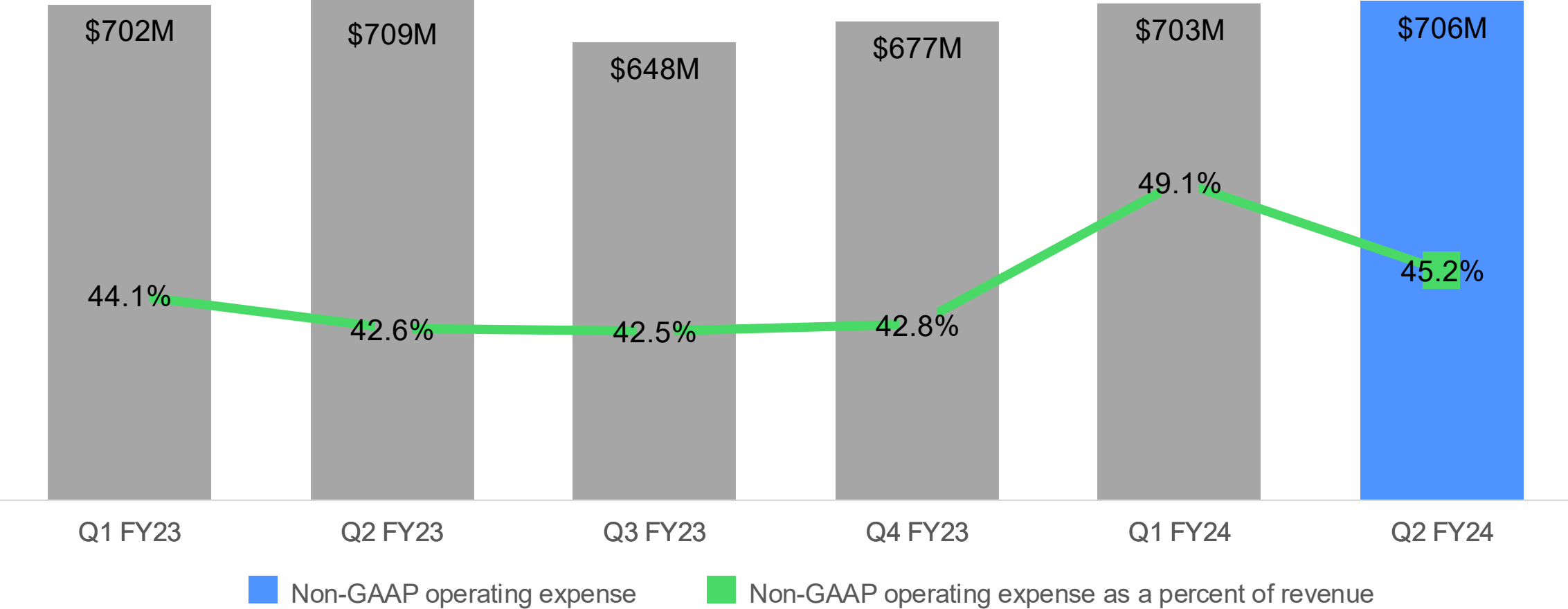
All flash array annualized revenue run rate



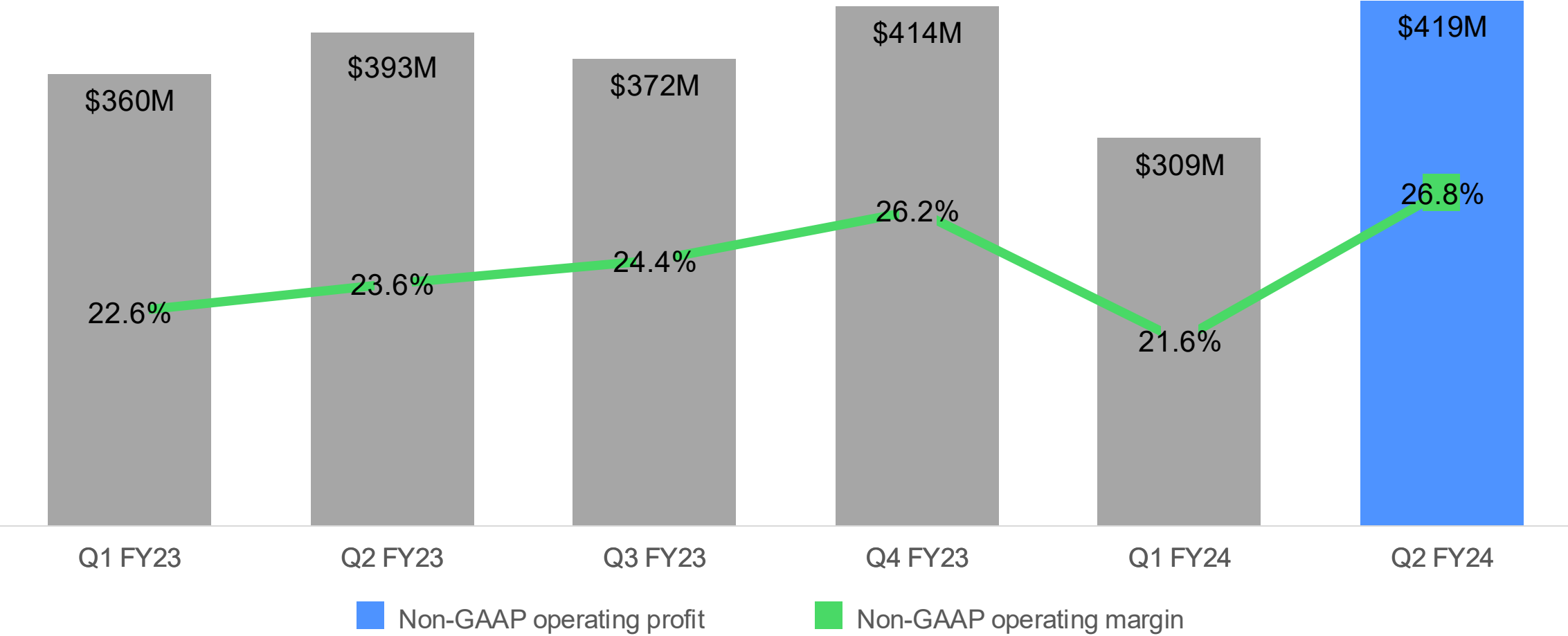
Public cloud ARR



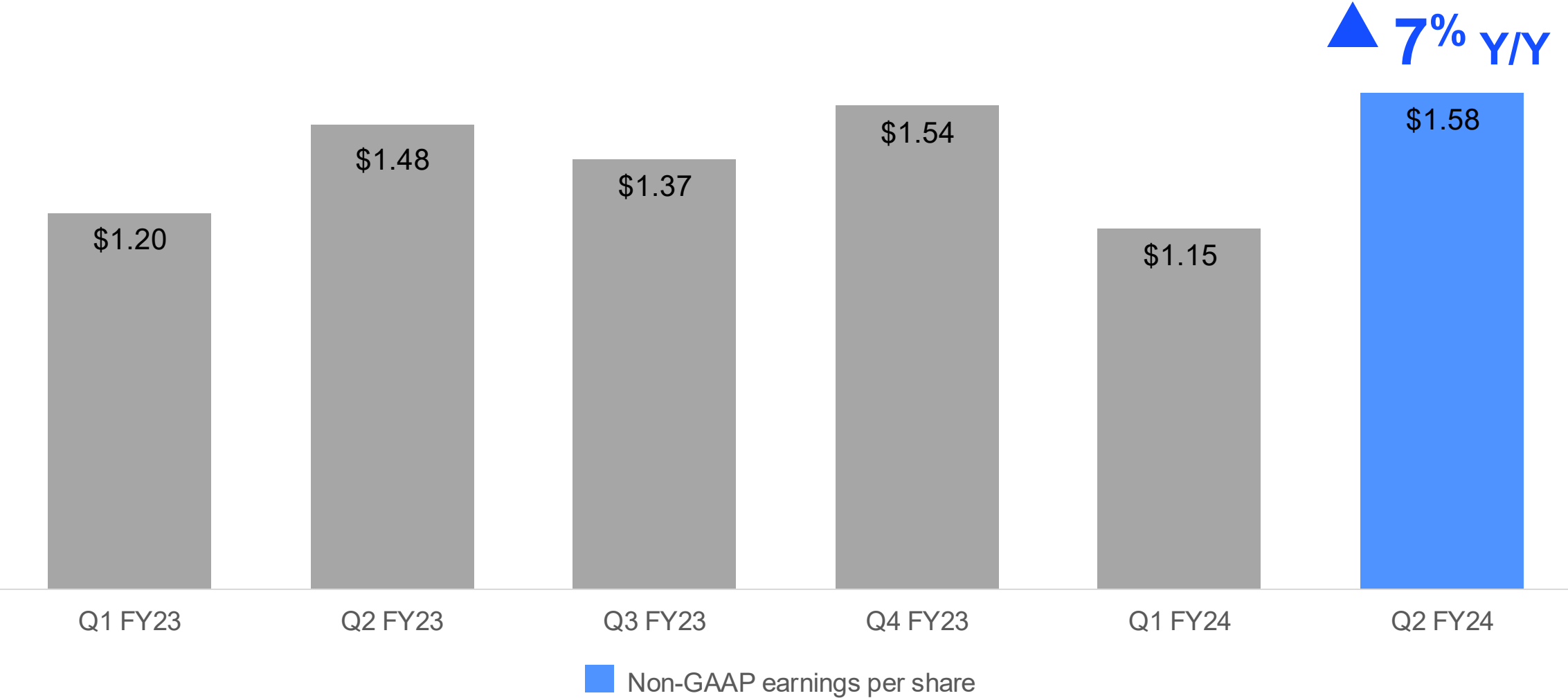
Non-GAAP operating expense



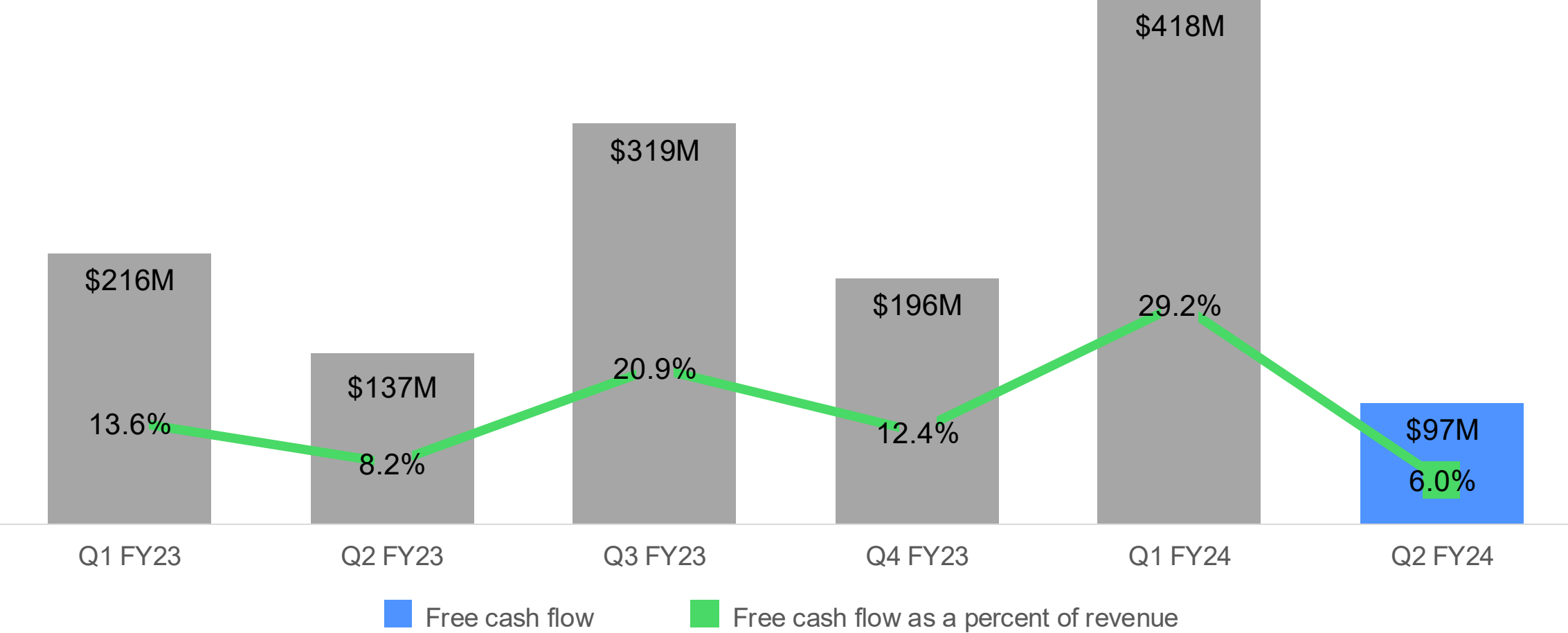
Non-GAAP operating profit



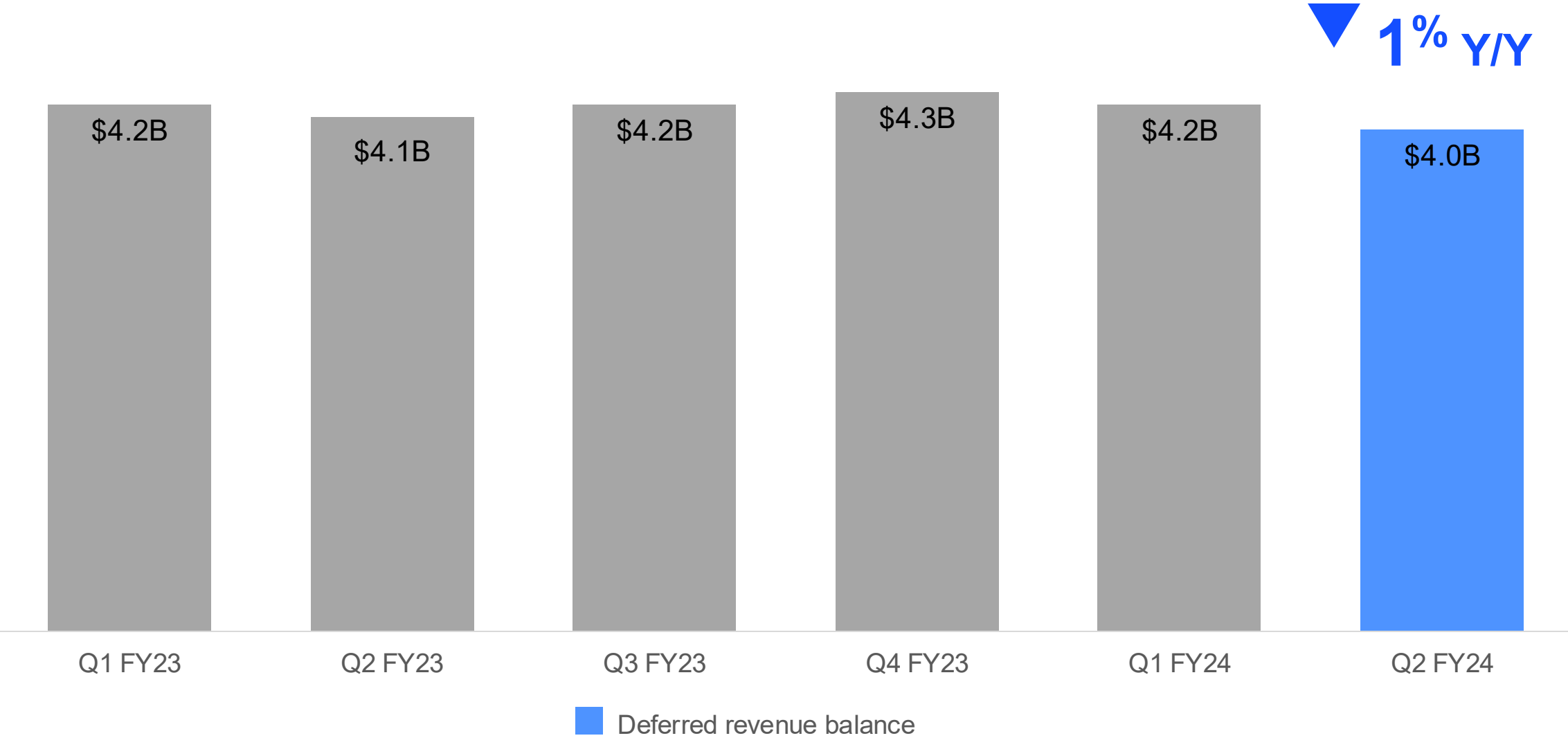
Non-GAAP earnings per share



Non-GAAP free cash flow



Deferred revenue



Q3 FY24 Guidance

as of Nov 28, 2023

	Q3 Guide
Revenue	\$1.51B – \$1.67B
Non-GAAP gross margin	~ 71%
Non-GAAP operating margin	~ 28%
Earnings per share*	\$1.64 – \$1.74

* EPS is a Non-GAAP number. Refer to appendix for additional details and a reconciliation between Non-GAAP and GAAP numbers.

Updated FY24 Guidance

as of Nov 28, 2023

	FY24 Guide
Revenue	Down ~2% y/y
Non-GAAP gross margin	~ 71%
Non-GAAP operating margin	~26%
Earnings per share*	\$6.05 – \$6.25

Additional modeling points

2H product gross margin	58% – 60%
Net interest income	~ \$30M
Share count	~ 212M

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'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
Revenues by Segment								
Product	\$ 786	\$ 837	\$ 682	\$ 744	\$ 590	\$ 706	\$ 1,623	\$ 1,296
Support	598	607	616	598	611	623	1,205	1,234
Professional and Other Services	76	77	78	88	77	79	153	156
Hybrid Cloud Segment Net Revenues	1,460	1,521	1,376	1,430	1,278	1,408	2,981	2,686
Public Cloud Segment Net Revenues	132	142	150	151	154	154	274	308
Net Revenues	1,592	1,663	1,526	1,581	1,432	1,562	3,255	2,994
Gross Profit by Segment								
Product	391	420	317	410	326	431	811	757
Support	555	562	572	549	564	573	1,117	1,137
Professional and Other Services	24	23	28	33	19	19	47	38
Hybrid Cloud Segment Gross Profit	970	1,005	917	992	909	1,023	1,975	1,932
Public Cloud Segment Gross Profit	92	97	103	99	103	102	189	205
Total Segments Gross Profit	1,062	1,102	1,020	1,091	1,012	1,125	2,164	2,137
Amortization of Intangible Assets	(11)	(10)	(11)	(10)	(9)	(8)	(21)	(17)
Stock-based Compensation	(5)	(5)	(8)	(6)	(7)	(7)	(10)	(14)
Unallocated Cost of Revenues	(16)	(15)	(19)	(16)	(16)	(15)	(31)	(31)
Gross Profit	\$ 1,046	\$ 1,087	\$ 1,001	\$ 1,075	\$ 996	\$ 1,110	\$ 2,133	\$ 2,106
Hybrid Cloud Segment Gross Margin	66.4%	66.1%	66.6%	69.4%	71.1%	72.7%	66.3%	71.9%
Public Cloud Segment Gross Margin	69.7%	68.3%	68.7%	65.6%	66.9%	66.2%	69.0%	66.6%

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'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
Net revenues	\$ 1,592	\$ 1,663	\$ 1,526	\$ 1,581	\$ 1,432	\$ 1,562	\$ 3,255	\$ 2,994
Change in deferred revenue and financed unearned services revenue*	(32)	(61)	46	93	(133)	(108)	(93)	(241)
Billings	\$ 1,560	\$ 1,602	\$ 1,572	\$ 1,674	\$ 1,299	\$ 1,454	\$ 3,162	\$ 2,753

* 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'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
NET REVENUES	\$ 1,592	\$ 1,663	\$ 1,526	\$ 1,581	\$ 1,432	\$ 1,562	\$ 3,255	\$ 2,994
GROSS PROFIT	\$ 1,046	\$ 1,087	\$ 1,001	\$ 1,075	\$ 996	\$ 1,110	\$ 2,133	\$ 2,106
Adjustments:								
Amortization of intangible assets	11	10	11	10	9	8	21	17
Stock-based compensation	5	5	8	6	7	7	10	14
NON-GAAP GROSS PROFIT	\$ 1,062	\$ 1,102	\$ 1,020	\$ 1,091	\$ 1,012	\$ 1,125	\$ 2,164	\$ 2,137
Gross margin-GAAP	65.7%	65.4%	65.6%	68.0%	69.6%	71.1%	65.5%	70.3%
Adjustments	1.0%	0.9%	1.2%	1.0%	1.1%	1.0%	1.0%	1.0%
Gross margin-Non-GAAP	66.7%	66.3%	66.8%	69.0%	70.7%	72.0%	66.5%	71.4%

Reconciliation of Non-GAAP to GAAP operating expenses

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

	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
OPERATING EXPENSES	\$ 791	\$ 805	\$ 829	\$ 766	\$ 818	\$ 806	\$ 1,596	\$ 1,624
Adjustments:								
Amortization of intangible assets	(6)	(7)	(6)	(7)	(6)	(6)	(13)	(12)
Stock-based compensation	(62)	(73)	(85)	(68)	(80)	(86)	(135)	(166)
Restructuring charges	(11)	(11)	(87)	(11)	(26)	(5)	(22)	(31)
Acquisition-related expense	(10)	(5)	(3)	(3)	(3)	(3)	(15)	(6)
NON-GAAP OPERATING EXPENSES	\$ 702	\$ 709	\$ 648	\$ 677	\$ 703	\$ 706	\$ 1,411	\$ 1,409
 NET REVENUES	 \$ 1,592	 \$ 1,663	 \$ 1,526	 \$ 1,581	 \$ 1,432	 \$ 1,562	 \$ 3,255	 \$ 2,994
 GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES	 49.7%	 48.4%	 54.3%	 48.5%	 57.1%	 51.6%	 49.0%	 54.2%
Adjustments	(5.6%)	(5.8%)	(11.9%)	(5.6%)	(8.0%)	(6.4%)	(5.7%)	(7.2%)
NON-GAAP OPERATING EXPENSES AS A PERCENTAGE OF NET REVENUES	44.1%	42.6%	42.5%	42.8%	49.1%	45.2%	43.3%	47.1%

Reconciliation of Non-GAAP to GAAP income from operations

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

	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
INCOME FROM OPERATIONS	\$ 255	\$ 282	\$ 172	\$ 309	\$ 178	\$ 304	\$ 537	\$ 482
Adjustments:								
Amortization of intangible assets	17	17	17	17	15	14	34	29
Stock-based compensation	67	78	93	74	87	93	145	180
Restructuring charges	11	11	87	11	26	5	22	31
Acquisition-related expense	10	5	3	3	3	3	15	6
NON-GAAP INCOME FROM OPERATIONS	\$ 360	\$ 393	\$ 372	\$ 414	\$ 309	\$ 419	\$ 753	\$ 728
NET REVENUES	\$ 1,592	\$ 1,663	\$ 1,526	\$ 1,581	\$ 1,432	\$ 1,562	\$ 3,255	\$ 2,994
GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES	16.0%	17.0%	11.3%	19.5%	12.4%	19.5%	16.5%	16.1%
Adjustments	6.6%	6.7%	13.1%	6.6%	9.1%	7.4%	6.6%	8.2%
NON-GAAP INCOME FROM OPERATIONS AS A PERCENTAGE OF NET REVENUES	22.6%	23.6%	24.4%	26.2%	21.6%	26.8%	23.1%	24.3%

Reconciliation of Non-GAAP to GAAP net income per share

RECONCILIATION OF NON-GAAP TO GAAP NET INCOME PER SHARE

	Q1 FY'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
NET INCOME PER SHARE	\$ 0.96	\$ 3.41	\$ 0.30	\$ 1.13	\$ 0.69	\$ 1.10	\$ 4.34	\$ 1.79
Adjustments:								
Amortization of intangible assets	0.08	0.08	0.08	0.08	0.07	0.07	0.15	0.14
Stock-based compensation	0.30	0.35	0.42	0.34	0.40	0.44	0.65	0.84
Restructuring charges	0.05	0.05	0.40	0.05	0.12	0.02	0.10	0.14
Acquisition-related expense	0.04	0.02	0.01	0.01	0.01	0.01	0.07	0.03
Gain on sale of equity investment	(0.14)	-	-	-	-	-	(0.14)	-
Litigation settlements	-	-	-	-	-	(0.02)	-	(0.02)
Income tax effects	(0.08)	(0.05)	(0.15)	0.05	(0.14)	(0.04)	(0.13)	(0.19)
Income tax (benefits) expenses from integration of acquired companies	-	-	-	(0.12)	-	-	-	-
Resolution of income tax matters	-	-	0.32	-	-	-	-	-
Income tax benefit from intra-entity intellectual property transfer	-	(2.38)	-	-	-	-	(2.38)	-
NON-GAAP NET INCOME PER SHARE	\$ 1.20	\$ 1.48	\$ 1.37	\$ 1.54	\$ 1.15	\$ 1.58	\$ 2.68	\$ 2.72
Diluted Shares	224	220	219	217	216	211		

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

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'23	Q2 FY'23	Q3 FY'23	Q4 FY'23	Q1'FY24	Q2'FY24	First Six Months of FY'23	First Six Months of FY'24
Net cash provided by (used in) operating activities	\$ 281	\$ 214	\$ 377	\$ 235	\$ 453	\$ 135	\$ 495	\$ 588
Purchases of property and equipment	(65)	(77)	(58)	(39)	(35)	(38)	(142)	(73)
Free cash flow	\$ 216	\$ 137	\$ 319	\$ 196	\$ 418	\$ 97	\$ 353	\$ 515
NET REVENUES	\$ 1,592	\$ 1,663	\$ 1,526	\$ 1,581	\$ 1,432	\$ 1,562	\$ 3,255	\$ 2,994
FREE CASH FLOWS AS A PERCENTAGE OF NET REVENUES	13.6%	8.2%	20.9%	12.4%	29.2%	6.2%	10.8%	17.2%

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 - third quarter fiscal 2024

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
THIRD QUARTER FISCAL 2024
(Unaudited)

	THIRD Quarter Fiscal 2024
Gross Margin - Non-GAAP Guidance	~71%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~70%
	THIRD Quarter Fiscal 2024
Operating Margin - Non-GAAP Guidance	~28%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~21%

Reconciliation of Non-GAAP guidance to GAAP - third quarter fiscal 2024, continued

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
THIRD QUARTER FISCAL 2024
(Unaudited)

	THIRD Quarter Fiscal 2024
Net Income Per Share - Non-GAAP Guidance	\$1.64 - \$1.74
Adjustments:	
Amortization of intangible assets	(\$0.07)
Stock-based compensation expense	(\$0.44)
Income tax effects	\$0.04
Net Income Per Share - GAAP Guidance	\$1.17 - \$1.27

Reconciliation of Non-GAAP guidance to GAAP – fiscal 2024

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2024
(Unaudited)

	Fiscal 2024
Gross Margin - Non-GAAP Guidance	~71%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~70%
	Fiscal 2024
Product Margin - Non-GAAP Guidance	58% - 60%
Adjustments:	-
Product Margin - GAAP Guidance	58% - 60%
	Fiscal 2024
Operating Margin - Non-GAAP Guidance	~26%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~19%

Reconciliation of Non-GAAP guidance to GAAP – fiscal 2024, continued

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
FISCAL 2024
(Unaudited)

	Fiscal 2024
Net Income Per Share - Non-GAAP Guidance	\$6.05 - \$6.25
Adjustments:	
Amortization of intangible assets	(\$0.27)
Stock-based compensation expense	(\$1.73)
Restructuring charges	(\$0.15)
Acquisition-related expenses	(\$0.03)
Litigation Settlement	\$0.02
Income tax effects	\$0.26
Net Income Per Share - GAAP Guidance	\$4.15 - \$4.35

Reconciliation of Non-GAAP guidance to GAAP - second quarter fiscal 2024

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2024
(Unaudited)

	Second Quarter Fiscal 2024
Gross Margin - Non-GAAP Guidance	~70%
Adjustment:	
Cost of revenues adjustments	(1)%
Gross Margin - GAAP Guidance	~69%

	Second Quarter Fiscal 2024
Operating Margin - Non-GAAP Guidance	~24%
Adjustments:	
Amortization of intangible assets	(1)%
Stock-based compensation expense	(6)%
Operating Margin - GAAP Guidance	~17%

Reconciliation of Non-GAAP guidance to GAAP - second quarter fiscal 2024, continued

NETAPP, INC.
RECONCILIATION OF NON-GAAP GUIDANCE TO GAAP
SECOND QUARTER FISCAL 2024
(Unaudited)

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

