



NEWS RELEASE

NetApp reports first quarter of fiscal year 2023 results

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Delivers company record for Q1 billings, revenue, gross profit dollars, operating income, and EPS

- Net revenues for the first quarter grew 9% year-over-year to \$1.59 billion, 13% in constant currency¹
- Q1 product revenue grew 8% year-over-year to \$786 million, the sixth consecutive quarter of year-over-year growth
- Q1 billings² were \$1.56 billion, an increase of 13% year-over-year, 18% in constant currency
- NetApp™ Public Cloud annualized revenue run rate (ARR)³ increased 73% year-over-year to \$584 million
- All-flash array ARR⁴ increased 7% year-over-year to \$3.0 billion
- \$460 million returned to shareholders in share repurchases and cash dividends

SAN JOSE, Calif.—August 24, 2022—NetApp (NASDAQ: NTAP) today reported financial results for the first quarter of fiscal year 2023, which ended on July 29, 2022.

“We delivered a great start to the year, fueled by broad-based demand across our portfolio and geographies, setting all-time Q1 company highs for billings, revenue, gross profit dollars, operating income and EPS,” said George Kurian, chief executive officer. “Our solutions are aligned with our customer’s top priorities helping them reduce cost, risk and complexity for their digital and cloud transformations. This is evidenced by the strong growth of our revenue, billings and profitability.”

First quarter of fiscal year 2023 financial results

- **Net revenues:** \$1.59 billion, compared to \$1.46 billion in the first quarter of fiscal year 2022
 - **Hybrid Cloud segment revenue:** \$1.46 billion, compared to \$1.38 billion in the first quarter of fiscal year 2022
 - **Public Cloud segment revenue:** \$132 million, compared to \$79 million in the first quarter of fiscal year 2022
- **Net income:** GAAP net income of \$214 million, compared to \$202 million in the first quarter of fiscal year 2022; non-GAAP net income⁵ of \$269 million, compared to \$263 million in the first quarter of fiscal year 2022
- **Earnings per share:** GAAP net income per share⁶ of \$0.96, compared to \$0.88 in the first quarter of fiscal year 2022; non-GAAP net income per share of \$1.20, compared to \$1.15 in the first quarter of fiscal year

2022

- **Cash, cash equivalents and investments:** \$3.44 billion at the end of the first quarter of fiscal year 2023
- **Cash provided by operations:** \$281 million, compared to \$242 million in the first quarter of fiscal year 2022
- **Share repurchase and dividends:** Returned \$460 million to shareholders through share repurchases and cash dividends

Second quarter of fiscal year 2023 financial outlook

The Company provided the following financial guidance for the second quarter of fiscal year 2023:

Net revenues are expected to be in the range of:

\$1.595 billion to \$1.745 billion

Earnings per share is expected to be in the range of:

GAAP	Non-GAAP
\$0.93 - \$1.03	\$1.28 - \$1.38

Full fiscal year 2023 financial outlook

The Company provided the following financial guidance for the full fiscal year 2023:

Net revenues are expected to grow in the range of:

6% to 8%

Public Cloud ARR is expected to exit the fiscal year in the range of:

\$780 million to \$820 million

Consolidated gross margins are expected to be in the range of:

GAAP	Non-GAAP
65% - 66%	66% - 67%
18% - 19%	23% - 24%
\$4.09 - \$4.29	\$5.40 - \$5.60

Operating margins are expected to be in the range of:

Earnings per share is expected to be in the range of:

Dividend

The next cash dividend of \$0.50 per share is to be paid on October 26, 2022, to shareholders of record as of the close of business on October 7, 2022.

First quarter of fiscal year 2023 business highlights

Leading product innovation

- NetApp announced the **general availability of Spot PC by NetApp**, a managed cloud desktop-as-a-service solution with security, automation, observability, and optimization.
- NetApp announced the **general availability of Spot Security**, delivering continuous, automated security to all users.
- NetApp announced updates to **Delight**, the free cross-platform monitoring UI for Spark, with a new, more intuitive user interface.
- NetApp announced the general availability of **Ocean for Apache Spark on Google Cloud**.
- NetApp completed its **acquisition of InstaClustr**, a leading platform provider of fully managed open-source

database, pipeline, and workflow applications delivered as a service.

- NetApp announced new capabilities to simplify hybrid cloud operations, including improved **ransomware protection**, hybrid cloud storage as a service in a single subscription with **Keystone™**, improved unified management in a single user interface with **Cloud Manager**, and collaboration with VMware to help transition workloads to the cloud.
- NetApp enhanced **StorageGRID™** with updates including integration with Google Cloud, security, compliance enhancements, faster performance for analytical workloads, and more.
- NetApp announced the **general availability of FlexPod™ XCS**, leveraging its integration into the Cisco Intersight cloud operations platform.

Customer and partner momentum

- NetApp and **NVIDIA** extended their partnership to accelerate HPC and AI with turnkey supercomputing infrastructure, announcing that NetApp EF600 all-flash NVMe storage combined with the BeeGFS parallel file system is now certified for NVIDIA DGX SuperPOD.
- NetApp and **Kyndryl** announced a global alliance to help customers unlock insights from data stored on premises, in the cloud, and in edge computing environments.
- NetApp announced that it is now an **AWS Government ISV Competency Partner** for Public Sector.
- NetApp and **Alluxio** collaborated to help customers adapt to new requirements for modernizing data architecture with low-touch operations for analytics, machine learning, and AI.

Corporate news and events

- NetApp announced the winners of its annual **Asia-Pacific (APAC) Partner Excellence Award⁷** at the NetApp Partner Summit 2022.
- NetApp announced that **Spot by NetApp** joined the FinOps Foundation as a Premier Member.

NetApp awards and recognition

- An **IDC study of Spot by NetApp⁸** customers found significant ROI, productivity, and time-to-market benefits, including an average **696% three-year ROI** and a **21% reduction in Public Cloud spending**.
- NetApp announced that NetApp AI won a **2022 AI Breakthrough Award for Best Overall Computer Vision**.
- NetApp was named to **CRN's Software-Defined Data Center 50 List for 2022.⁹**
- NetApp was listed as a recipient of the **CRN Health and Wellbeing Recognition Award¹⁰** for the **Women & Diversity in Channel Awards 2022**.
- NetApp was named among the companies that scored 100% on **Disability:IN's Disability Equality Index 2022 Best Places to Work.¹¹**

Executive appointments

- NetApp announced the appointments of **Giovanna Sangiorgi and Srivatsan (Sri) Vaiyakarnam** to its go-to-market leadership team as part of the ongoing evolution of NetApp's sales organization to accelerate cloud-led growth.

Webcast and conference call information

NetApp will host a conference call to discuss these results today at 2:00 p.m. Pacific Time. To access the live webcast of this event, go to the NetApp Investor Relations website at investors.netapp.com. In addition, this

press release, historical supplemental data tables, and other information related to the call will be posted on the Investor Relations website. An audio replay will be available on the website after 4:00 p.m. Pacific Time today.

“Safe Harbor” statement under U.S. Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, all of the statements made in the Second Quarter of Fiscal Year 2023 Financial Outlook section and Full Fiscal Year 2023 Financial Outlook section and statements about our solutions’ alignment with our customer’s top priorities and our ability to help customers reduce cost, risk and complexity for their digital and cloud transformations. Actual results may differ materially from these statements for a variety of reasons, including, without limitation, our ability to keep pace with the 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, partner, 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, revenue seasonality, our ability to manage our gross profit margins. These and other equally important factors are described in reports and documents we file from time to time with the Securities and Exchange Commission, including the factors described under the section titled “Risk Factors” in our most recently submitted report on Form 10-K. We disclaim any obligation to update information contained in this press release whether as a result of new information, future events, or otherwise.

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NetApp usage of non-GAAP financial information

To supplement NetApp’s condensed consolidated financial statement information presented in accordance with generally accepted accounting principles in the United States (GAAP), NetApp provides investors with certain non-GAAP measures, including, but not limited to, historical non-GAAP operating results, non-GAAP net income, non-GAAP effective tax rate, free cash flow, billings, and historical and projected non-GAAP earnings per diluted share. NetApp also presents the hardware and software components of our GAAP product revenues. Because 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, hardware and software components of our product revenues are considered non-GAAP measures. The hardware and software components of our product revenues are derived from an estimated fair value allocation of the transaction price of our contracts with customers, down to the level of the product hardware and software components. This allocation is primarily based on the contractual prices at which NetApp has historically billed customers for such respective components.

NetApp believes that the presentation of non-GAAP net income, non-GAAP effective tax rates, and non-GAAP earnings per share data, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

NetApp believes that the presentation of free cash flow, which it defines as the net cash provided by operating

activities less cash used to acquire property and equipment, to be a liquidity measure that provides useful information to management and investors because it reflects cash that can be used to, among other things, invest in its business, make strategic acquisitions, repurchase common stock, and pay dividends on its common stock. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free cash flow should be considered in addition to, but not as a substitute for, the analysis provided in the statement of cash flows.

NetApp believes that the presentation of the software and hardware components of our product revenues is meaningful to investors and management as it illustrates the significance of the Company's software and provides improved visibility into the value created by our software innovation and R&D investment.

NetApp approximates billings by adding net revenues as reported on our Condensed Consolidated Statements of Operations for the period to the change in total deferred revenue and financed unearned services revenue as reported on our Condensed Consolidated Statements of Cash Flows for the same period. Billings is a performance measure that NetApp believes provides useful information to management and investors because it approximates the amounts under purchase orders received by us during a given period that have been billed.

NetApp's management uses these non-GAAP measures in making operating decisions because it believes the measurements provide meaningful supplemental information regarding NetApp's ongoing operational performance. These non-GAAP financial measures are used to: (1) measure company performance against historical results, (2) facilitate comparisons to our competitors' operating results and (3) allow greater transparency with respect to information used by management in financial and operational decision making.

NetApp excludes the following items from its non-GAAP measures when applicable:

A. Amortization of intangible assets. NetApp records amortization of intangible assets that were acquired in connection with its business combinations. The amortization of intangible assets varies depending on the level of acquisition activity. Management finds it useful to exclude these charges to assess the appropriate level of various operating expenses to assist in budgeting, planning and forecasting future periods and in measuring operational performance.

B. Stock-based compensation expenses. NetApp excludes stock-based compensation expenses from its non-GAAP measures primarily because the amount can fluctuate based on variables unrelated to the performance of the underlying business. While management views stock-based compensation as a key element of our employee retention and long-term incentives, we do not view it as an expense to be used in evaluating operational performance in any given period.

C. Litigation settlements. NetApp may periodically incur charges or benefits related to litigation settlements. NetApp excludes these charges and benefits, when significant, because it does not believe they are reflective of ongoing business and operating results.

D. Acquisition-related expenses. NetApp excludes acquisition-related expenses, including (a) due diligence, legal and other one-time integration charges and (b) write down of assets acquired that NetApp does not intend to use in its ongoing business, from its non-GAAP measures, primarily because they are not related to our ongoing business or cost base and, therefore, are less useful for future planning and forecasting.

E. Restructuring charges. These charges consist of restructuring charges that are incurred based on the particular facts and circumstances of restructuring decisions, including employment and contractual settlement terms, and other related charges, and can vary in size and frequency. We therefore exclude them in our assessment of operational performance.

F. Asset impairments. These are non-cash charges to write down assets when there is an indication that the asset has become impaired. Management finds it useful to exclude these non-cash charges due to the unpredictability of these events in its assessment of operational performance.

G. Gains/losses on the sale or derecognition of assets. These are gains/losses from the sale of our properties and other transactions in which we transfer control of assets to a third party. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, are less useful for future planning and forecasting.

H. Gains/losses on the sale of investments in equity securities. These are gains/losses from the sale of our investment in certain equity securities. Typically, such investments are sold as a result of a change in control of the underlying businesses. Management believes that these transactions do not reflect the results of our underlying, on-going business and, therefore, are less useful for future planning and forecasting.

I. Debt extinguishment costs. NetApp excludes certain non-recurring expenses incurred as a result of the early extinguishment of debt. Management believes such nonrecurring costs do not reflect the results of its underlying, on-going business and, therefore, are less useful for future planning and forecasting.

J. Income tax adjustments. NetApp's non-GAAP tax provision is based upon a projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. The non-GAAP tax provision also excludes, when applicable, (a) tax charges or benefits in the current period that relate to one or more prior fiscal periods that are a result of events such as changes in tax legislation, authoritative guidance, income tax audit settlements, statute lapses and/or court decisions, (b) tax charges or benefits that are attributable to unusual or non-recurring book and/or tax accounting method changes, (c) tax charges that are a result of a non-routine foreign cash repatriation, (d) tax charges or benefits that are a result of infrequent restructuring of the Company's tax structure, (e) tax charges or benefits that are a result of a change in valuation allowance, and (f) tax charges resulting from the integration of intellectual property from acquisitions. Management believes that the use of non-GAAP tax provisions provides a more meaningful measure of the Company's operational performance.

These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. NetApp believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. NetApp management compensates for these limitations by analyzing current and projected results on a GAAP basis as well as a non-GAAP basis. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with generally accepted accounting principles in the United States. The non-GAAP financial measures are meant to supplement,

and be viewed in conjunction with, GAAP financial measures.

Constant Currency

Constant currency net revenues growth is defined as net revenues for a given period restated at the comparative period's foreign currency exchange rates measured against the comparative period's net revenues. Constant currency billings growth is defined as billings for a given period computed using net revenues for that period restated at the comparative period's foreign currency exchange rates, measured against the comparative period's billings.

About NetApp

NetApp is a global, cloud-led, data-centric software company that empowers organizations to lead with data in the age of accelerated digital transformation. The company provides systems, software, and cloud services that enable them to run their applications optimally from data center to cloud, whether they are developing in the cloud, moving to the cloud, or creating their own cloudlike experiences on premises. With solutions that perform across diverse environments, NetApp helps organizations build their own data fabric and securely deliver the right data, services, and applications to the right people—anytime, anywhere. Learn more at www.netapp.com or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#), and [Instagram](#).

Footnotes

^[1]Refer to the Constant Currency section below for an explanation of constant currency growth rates.

^[2]Refer to the NetApp Usage of Non-GAAP Financial Information section below for an explanation of billings.

^[3]Public Cloud annualized revenue run rate (ARR) is calculated as the annualized value of all Public Cloud customer commitments with the assumption that any commitment expiring during the next 12 months will be renewed with its existing terms.

^[4]All-flash array annualized net revenue run rate is determined by products and services revenue for the current quarter, multiplied by 4.

^[5]Non-GAAP net income excludes, when applicable, (a) amortization of intangible assets, (b) stock-based compensation expenses, (c) litigation settlements, (d) acquisition-related expenses, (e) restructuring charges, (f) asset impairments, (g) gains/losses on the sale or derecognition of assets, (h) gains/losses on the sale of investments in equity securities, (i) debt extinguishment costs, and (j) our GAAP tax provision, but includes a non-GAAP tax provision based upon our projected annual non-GAAP effective tax rate for the first three quarters of the fiscal year and an actual non-GAAP tax provision for the fourth quarter of the fiscal year. NetApp makes additional adjustments to the non-GAAP tax provision for certain tax matters as described below. A detailed reconciliation of our non-GAAP to GAAP results can be found at <http://investors.netapp.com>. NetApp's management uses these non-GAAP measures in making operating decisions because it believes that the measurements provide meaningful supplemental information regarding NetApp's ongoing operational performance.

^[6]GAAP net income per share and non-GAAP net income per share are calculated using the diluted number of shares.

[7]Channel Life Australia, Catherine Knowles, June 21, 2022. [NetApp announces winners of APAC Partner Excellence Awards \(channellife.com.au\)](https://www.channellife.com.au).

[8]IDC, Courtney Wilson, May 23, 2022. [IDC Study Highlights Spot Customer Benefits](#).

[9]CRN Data Center News, O’Ryan Johnson, June 7, 2022. [25 Hot Software-Defined Data Center Infrastructure Companies: 2022 SDDC 50](#).

[10]CRN Health and Wellbeing Recognition Award, July 22, 2022. [Women & Diversity in Channel Awards 2022—SHORTLIST ANNOUNCED! \(channelweb.co.uk\)](#).

[11]Disability:IN’s Disability Equality Index 2022. 2022 [Best Places to Work \(disabilityin.org\)](#).