



NEWS RELEASE

# NetApp reports fourth quarter and fiscal year 2022 results

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Net revenues for the fourth quarter grew 8% year-over-year to \$1.68 billion;  
Net revenues for fiscal year 2022 grew 10% to \$6.32 billion

- Q4 billings<sup>1</sup> were \$2.02 billion, an increase of 16% year-over-year
- Q4 product revenue grew 6% year-over-year to \$894 million, the fifth consecutive quarter of year-over-year growth
- NetApp™ Public Cloud annualized revenue run rate (ARR)<sup>2</sup> increased 68% year-over-year to \$505 million
- All-flash array annualized net revenue run rate<sup>3</sup> increased 12% year-over-year to \$3.2 billion
- \$1.05 billion returned to shareholders in fiscal year 2022, 86% of cash from operations; 106% of free cash flow

**SAN JOSE, Calif.—June 1, 2022**—NetApp (NASDAQ: NTAP) today reported financial results for the fourth quarter and fiscal year 2022, which ended on April 29, 2022.

“Our solid fourth quarter results cap off a strong year. We made sustained progress against our strategic goals: gaining share in enterprise storage, expanding our public cloud business, and, most notably, delivering record levels of gross margin dollars, operating income, and earnings per share,” said George Kurian, chief executive officer. “The strong fundamentals of our business, including our alignment to customer priorities, strong balance sheet, and prudent operational management put NetApp in a position of strength as we scale our Public Cloud services while continuing to drive growth in our Hybrid Cloud solutions.”

## Fourth quarter of fiscal year 2022 financial results

- **Net revenues:** \$1.68 billion, compared to \$1.56 billion in the fourth quarter of fiscal year 2021
  - **Hybrid Cloud segment revenue:** \$1.56 billion, compared to \$1.49 billion in the fourth quarter of fiscal year 2021
  - **Public Cloud segment revenue:** \$120 million, compared to \$66 million in the fourth quarter of fiscal year 2021
- **Net income:** GAAP net income of \$259 million, compared to \$334 million in the fourth quarter of fiscal year 2021; non-GAAP net income<sup>4</sup> of \$324 million, compared to \$268 million in the fourth quarter of fiscal year 2021

- **Earnings per share:** GAAP net income per share<sup>5</sup> of \$1.14 compared to \$1.46 in the fourth quarter of fiscal year 2021; non-GAAP net income per share of \$1.42, compared to \$1.17 in the fourth quarter of fiscal year 2021
- **Cash, cash equivalents and investments:** \$4.13 billion at the end of the fourth quarter of fiscal year 2022
- **Cash provided by operations:** \$411 million, compared to \$559 million in the fourth quarter of fiscal year 2021
- **Share repurchase and dividends:** Returned \$361 million to shareholders through share repurchases and cash dividends

### Fiscal year 2022 financial results

- **Net revenues:** \$6.32 billion, compared to \$5.74 billion in fiscal year 2021
  - **Hybrid Cloud segment revenue:** \$5.92 billion, compared to \$5.55 billion in the fourth quarter of fiscal year 2021
  - **Public Cloud segment revenue:** \$396 million, compared to \$199 million in the fourth quarter of fiscal year 2021
- **Net income:** GAAP net income of \$937 million, compared to \$730 million in fiscal year 2021; non-GAAP net income of \$1.21 billion, compared to \$917 million in fiscal year 2021
- **Earnings per share:** GAAP net income per share of \$4.09 compared to \$3.23 in fiscal year 2021; non-GAAP net income per share of \$5.28, compared to \$4.06 in fiscal year 2021
- **Cash provided by operations:** \$1.21 billion compared to \$1.33 billion in fiscal year 2021
- **Share repurchase and dividends:** Returned \$1.05 billion to shareholders through share repurchases and cash dividends

### First quarter of fiscal year 2023 financial outlook

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

Net revenues are expected to be in the range of:

\$1.475 billion to \$1.625 billion

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

<b>GAAP</b>	<b>Non-GAAP</b>
\$0.72 - \$0.82	\$1.05 - \$1.15

### 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:

<b>GAAP</b>	<b>Non-GAAP</b>
65% - 66%	66% - 67%
18% - 19%	23% - 24%
24% - 25%	21% - 22%

Operating margins are expected to be in the range of:

Effective tax rate is expected to be in the range of:

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

\$3.96 - \$4.16

\$5.40 - \$5.60

## Dividend

The next cash dividend of \$0.50 per share is to be paid on July 27, 2022, to shareholders of record as of the close of business on July 8, 2022.

## Fourth quarter of fiscal year 2022 business highlights

### Leading product innovation

- NetApp acquired **Fylamynt**, a CloudOps automation technology company that enables customers to build, run, manage, and analyze workflows securely in any cloud with little or no code.
- NetApp announced the intent to acquire **Instaclustr**, the industry-leading platform for deploying and managing open-source data and workflow applications as a service.
- NetApp announced the general availability of **Ocean for Apache Spark** on AWS.
- NetApp introduced **NetApp Cloud Volumes Edge Cache** software as a service with intelligent caching and global file locking, helping customers reduce risk and improve performance of centrally managed files.
- NetApp introduced **NetApp Cloud Manager Digital Wallet** service, which delivers unified license and entitlement management to data storage and data services resources.
- NetApp announced updates to **NetApp Cloud Insights**, leveraging artificial intelligence and machine learning to provide dynamic observability of changing conditions that are out of the normal parameters, and to recommend remediation actions to prevent performance, availability, or breach issues.
- NetApp announced that **Spot Ocean by NetApp** supports **Kubernetes pod topology spread constraints**, helping users meet different business needs such as high availability, low latency, and controlled saturation of applications.
- NetApp announced that **Spot by NetApp** is available in **Azure Marketplace**.
- Spot by NetApp introduced the first **Spot Storage** optimization capabilities, available to AWS customers in the Spot console, enabling immediate, actionable insights to reduce costs and improve efficiency for all storage components across the customer's AWS account.
- NetApp announced a new update to **Spot Ocean** to automate cloud infrastructure for containers with a new "Revert to Lower-Cost Node" optimization process.
- NetApp launched a new **User Management System for Spot** with new capabilities to better manage and control access to the cloud.
- NetApp and **Cisco** introduced **FlexPod™ XCS**, providing one automated platform for modern applications, data, and hybrid cloud services.
- NetApp introduced **StorageGRID™ 11.6** with Google Cloud integration, security and compliance enhancements, and faster performance for analytical workloads.

### NetApp Awards and Recognition

- NetApp was named as one of **Newsweek's most trustworthy companies in 2022**<sup>6</sup>.
- NetApp CloudCheckr™ was named by GigaOm as a **leader and outperformer in cloud management**<sup>7</sup>.
- NetApp AI was named a winner of the **Business Intelligence Group's Artificial Intelligence Excellence Awards**<sup>8</sup>.
- NetApp was named a winner of the Business intelligence Group's **Excellence in Customer Service Award**<sup>9</sup>.

- NetApp was included in **CRN's Storage 100 list<sup>10</sup>**, representing industry leaders offering traditional on-premises and cloud deployments for cutting-edge solutions.

#### **Webcast and conference call information**

NetApp will host a conference call to discuss these results today at 2:30 p.m. Pacific Time. To access the live webcast of this event, go to the NetApp Investor Relations website at [investors.netapp.com](https://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 4:30 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 First Quarter of Fiscal Year 2023 Financial Outlook section and Full Fiscal Year 2023 Financial Outlook section and statements about the strong fundamentals of our business and resulting position of strength, and our ability to scale our Public Cloud services while driving growth in our Hybrid Cloud solutions. Actual results may differ materially from these statements for a variety of reasons, including, without limitation, customer demand for and acceptance of our products and services, our ability to successfully execute on our data fabric strategy to generate profitable growth and stockholder return, our ability to successfully execute new business models, general global political, macroeconomic and market conditions, changes in U.S. government spending, revenue seasonality, our ability to manage our gross profit margins, the impact of the COVID-19 pandemic on our business operations, including supply chain disruptions, our financial performance and results of operations, and our ability to expand our total available market and grow our portfolio of products. 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 reports on Forms 10-Q and 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.

NetApp, the NetApp logo, and the marks listed at [netapp.com/TM](https://netapp.com/TM) are trademarks of NetApp, Inc. All other marks are the property of their respective owners.

#### **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.

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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 fourth 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.

## About NetApp

In a world full of generalists, NetApp is a specialist. We're focused on one thing, helping your business get the most out of your data. NetApp brings the enterprise-grade data services you rely on into the cloud, and the simple flexibility of cloud into the data center. Our industry-leading solutions work across diverse customer environments and the world's biggest public clouds. As a cloud-led, data-centric software company, only NetApp can help build your unique data fabric, simplify and connect your cloud, and securely deliver the right data, services, and applications to the right people—anytime, anywhere.

## Footnotes

<sup>[1]</sup>Refer to the NetApp Usage of Non-GAAP Financial Information section below for an explanation of billings.

<sup>[2]</sup>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.

<sup>[3]</sup>All-flash array annualized net revenue run rate is determined by products and services revenue for the current quarter, multiplied by 4.

<sup>[4]</sup>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.

<sup>[5]</sup>GAAP net income per share and non-GAAP net income per share are calculated using the diluted number of shares.

<sup>[6]</sup>Newsweek, "America's Most Trustworthy Companies, 2022," Nancy Cooper, May 9, 2022. [America's Most Trustworthy Companies 2022 - All Winners \(newsweek.com\)](https://www.newsweek.com/america-most-trustworthy-companies-2022-all-winners).

<sup>[7]</sup>GigaOm, "GigaOm Radar for Cloud Platforms for Hybrid Integration and Automation," [Enrico Signoretti, Max Mortillaro, Arjan Timmerman](https://www.gigaom.com/2022/04/04/gigaom-radar-for-high-performance-object-storage/), April 4, 2022. [GigaOm Radar for High-Performance Object Storage - Gigaom](https://www.gigaom.com/2022/04/04/gigaom-radar-for-high-performance-object-storage/).

<sup>[8]</sup>Business Intelligence Group, "Winners of the 2022 Excellence in Customer Service Awards," April 12, 2022.

**[Here are the 85 Names Leading the Way in Customer Service in 2022 — Business Intelligence Group \(bintelligence.com\).](#)**

**[\[9\]Business Intelligence Group, "Honoring Achievements in Artificial Intelligence," March 22, 2022. 6 People, 26 Companies, and 65 Products Awarded for Excellence in Artificial Intelligence — Business Intelligence Group \(bintelligence.com\).](#)**

**[\[10\]CRN's Storage 100 list, "2022 Storage 100: Who's Got Your Backup, 2022," Joseph F. Kovar, April 11, 2022. 2022 Storage 100: Who's Got Your Backup? \(crn.com\).](#)**