UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 29, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 000-27130

NetApp, Inc.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**77-0307520** *(I.R.S. Employer Identification No.)*

3060 Olsen Drive,
San Jose, California 95128
(Address of principal executive offices, including zip code)

(408) 822-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.001 Par Value	NTAP	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 24, 2022, there were 217,365,705 shares of the registrant's common stock, $0.001 par value, outstanding.

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Item 1. Condensed Consolidated Financial Statements (Unaudited)

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

	July 29, 2022	April 29, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,288	$ 4,112
Short-term investments	151	22
Accounts receivable	865	1,230
Inventories	232	204
Other current assets	386	377
Total current assets	4,922	5,945
Property and equipment, net	622	602
Goodwill	2,767	2,346
Other intangible assets, net	232	142
Other non-current assets	1,001	991
Total assets	$ 9,544	$ 10,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 515	$ 607
Accrued expenses	722	925
Current portion of long-term debt	250	250
Short-term deferred revenue and financed unearned services revenue	2,088	2,171
Total current liabilities	3,575	3,953
Long-term debt	2,387	2,386
Other long-term liabilities	843	788
Long-term deferred revenue and financed unearned services revenue	2,082	2,061
Total liabilities	8,887	9,188
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock and additional paid-in capital, $0.001 par value; 218 and 220 shares issued and outstanding as of July 29, 2022 and April 29, 2022, respectively	705	760
Retained earnings	—	122
Accumulated other comprehensive loss	(48)	(44)
Total stockholders' equity	657	838
Total liabilities and stockholders' equity	$ 9,544	$ 10,026

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	July 29, 2022	July 30, 2021
Net revenues:		
Product	$ 786	$ 730
Services	806	728
Net revenues	1,592	1,458
Cost of revenues:		
Cost of product	397	329
Cost of services	149	130
Total cost of revenues	546	459
Gross profit	1,046	999
Operating expenses:		
Sales and marketing	458	451
Research and development	240	210
General and administrative	72	66
Restructuring charges	11	22
Acquisition-related expense	10	1
Total operating expenses	791	750
Income from operations	255	249
Other income (expense), net	15	(12)
Income before income taxes	270	237
Provision for income taxes	56	35
Net income	$ 214	$ 202
Net income per share:		
Basic	$ 0.97	$ 0.91
Diluted	$ 0.96	$ 0.88
Shares used in net income per share calculations:		
Basic	220	223
Diluted	224	229

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended	
	July 29, 2022	July 30, 2021
Net income	$ 214	$ 202
Other comprehensive income (loss):		
Foreign currency translation adjustments	(3)	(4)
Unrealized losses on available-for-sale securities:		
Unrealized holding losses arising during the period	—	(1)
Unrealized gains (losses) on cash flow hedges:		
Unrealized holding gains (losses) arising during the period	—	1
Reclassification adjustments for gains included in net income	(1)	—
Other comprehensive income (loss)	(4)	(4)
Comprehensive income	$ 210	$ 198

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	July 29, 2022	July 30, 2021
Cash flows from operating activities:		
Net income	$ 214	$ 202
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58	46
Non-cash operating lease cost	14	13
Stock-based compensation	67	53
Deferred income taxes	(15)	(15)
Other items, net	(66)	4
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable	364	287
Inventories	(28)	6
Other operating assets	1	29
Accounts payable	(90)	(51)
Accrued expenses	(208)	(242)
Deferred revenue and financed unearned services revenue	(32)	(82)
Long-term taxes payable	1	(8)
Other operating liabilities	1	—
Net cash provided by operating activities	281	242
Cash flows from investing activities:		
Purchases of investments	(133)	(5)
Maturities, sales and collections of investments	2	16
Purchases of property and equipment	(65)	(51)
Acquisitions of businesses, net of cash acquired	(491)	(14)
Other investing activities, net	59	—
Net cash used in investing activities	(628)	(54)
Cash flows from financing activities:		
Proceeds from issuance of common stock under employee stock award plans	54	53
Payments for taxes related to net share settlement of stock awards	(52)	(57)
Repurchase of common stock	(350)	(100)
Dividends paid	(110)	(112)
Other financing activities, net	(1)	(2)
Net cash used in financing activities	(459)	(218)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(18)	(5)
Net change in cash, cash equivalents and restricted cash	(824)	(35)
Cash, cash equivalents and restricted cash:		
Beginning of period	4,119	4,535
End of period	$ 3,295	$ 4,500

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended July 29, 2022				
	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount			
Balances, April 29, 2022	220	$ 760	$ 122	$ (44)	$ 838
Net income	—	—	214	—	214
Other comprehensive loss	—	—	—	(4)	(4)
Issuance of common stock under employee stock award plans, net of taxes	3	2	—	—	2
Repurchase of common stock	(5)	(18)	(332)	—	(350)
Stock-based compensation	—	67	—	—	67
Cash dividends declared ($0.50 per common share)	—	(106)	(4)	—	(110)
Balances, July 29, 2022	218	$ 705	$ —	$ (48)	$ 657

	Three Months Ended July 30, 2021				
	Common Stock and Additional Paid-in Capital		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount			
Balances, April 30, 2021	222	$ 504	$ 211	$ (30)	$ 685
Net income	—	—	202	—	202
Other comprehensive loss	—	—	—	(4)	(4)
Issuance of common stock under employee stock award plans, net of taxes	3	(4)	—	—	(4)
Repurchase of common stock	(1)	(3)	(97)	—	(100)
Stock-based compensation	—	53	—	—	53
Cash dividends declared ($0.50 per common share)	—	—	(112)	—	(112)
Balances, July 30, 2021	224	$ 550	$ 204	$ (34)	$ 720

See accompanying notes to condensed consolidated financial statements.

1. Description of Business and Significant Accounting Policies

NetApp, Inc. (we, us, or the Company) is a global cloud-led, data-centric software company that provides organizations the ability to manage and share their data across on-premises, private and public clouds. We provide a full range of enterprise-class software, systems and services solutions that customers use to modernize their infrastructures, build next generation data centers and harness the power of hybrid clouds.

Basis of Presentation and Preparation

Our fiscal year is reported on a 52- or 53-week year ending on the last Friday in April. An additional week is included in the first fiscal quarter approximately every six years to realign fiscal months with calendar months. Fiscal years 2023 and 2022, ending on April 28, 2023, and April 29, 2022, respectively, are each 52-week years, with 13 weeks in each quarter.

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, and reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary for the fair presentation of our financial position, results of operations, comprehensive income, cash flows and stockholders' equity for the interim periods presented. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these statements do not include all information and footnotes required by GAAP for annual consolidated financial statements, and should be read in conjunction with our audited consolidated financial statements as of and for the fiscal year ended April 29, 2022 contained in our Annual Report on Form 10-K. The results of operations for the three months ended July 29, 2022 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include, but are not limited to, revenue recognition, reserves and allowances; inventory valuation; valuation of goodwill and intangibles; restructuring reserves; employee benefit accruals; stock-based compensation; loss contingencies; investment impairments; income taxes and fair value measurements. Actual results could differ materially from those estimates. Management's estimates include, as applicable, the anticipated impacts of the COVID-19 pandemic.

2. Recent Accounting Pronouncements

Although there are new accounting pronouncements issued or proposed by the FASB that we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements had or will have a material impact on our consolidated financial position, operating results, cash flows or disclosures.

3. Business Combinations

Fiscal 2023 Acquisition

Instaclustr Inc. Acquisition

On May 20, 2022, we acquired all the outstanding shares of privately-held Instaclustr Inc., (Instaclustr) for approximately $498 million. Instaclustr is a leading platform provider of fully managed open-source database, pipeline and workflow applications delivered as-a-service.

The preliminary acquisition-date values of the assets acquired and liabilities assumed are as follows (in millions):

	Amount
Cash	$ 4
Intangible assets	107
Goodwill	421
Other assets	15
Total assets acquired	547
Liabilities assumed	(49)
Total purchase price	$ 498

The components of the intangible assets acquired were as follows (in millions, except useful life):

	Amount	Estimated useful life (years)
Developed technology	$ 55	5
Customer contracts/relationships	50	5
Trade name	2	3
Total intangible assets	$ 107	

The acquired net assets and assumed debt of Instaclustr were recorded at their estimated values. We determined the estimated values with the assistance of valuations and appraisals performed by third party specialists and estimates made by management. We expect to realize revenue synergies and anticipate opportunities for growth through the ability to leverage additional future products and capabilities. These factors, among others, contributed to a purchase price in excess of the estimated value of their identifiable net assets acquired, and as a result, we have recorded goodwill in connection with the acquisition. The goodwill is not deductible for income tax purposes.

The results of operations related to the acquisition of Instaclustr have been included in our condensed consolidated statements of income from the acquisition date. Pro forma results of operations have not been presented because the impact from the acquisition was not material to our consolidated results of operations.

Fiscal 2022 Acquisitions

Fylamynt Acquisition

On February 18, 2022, we acquired all the outstanding shares of privately-held NeurOps Inc. (which operated under the name "Fylamynt") for approximately $27 million in cash, of which $22 million was paid at closing. The purchase price includes $5 million related to an indemnity holdback provision, of which $4 million is expected to be paid within 12 months from the acquisition date. Fylamynt is an innovative CloudOps automation technology company that enables customers to build, run, manage and analyze workflows securely in any cloud with little to no code.

The preliminary acquisition-date values of the assets acquired are as follows (in millions):

	Amount
Cash	$ 1
Developed technology	6
Goodwill	20
Total assets acquired	27
Total purchase price	$ 27

CloudCheckr Acquisition

On November 5, 2021, we acquired all the outstanding shares of privately-held CloudCheckr Inc. (CloudCheckr) for approximately $347 million in cash. CloudCheckr is a leading cloud optimization platform that provides cloud visibility and insights to lower costs, maintain security and compliance, and optimize cloud resources.

The acquisition-date values of the assets acquired and liabilities assumed are as follows (in millions):

	Amount
Cash	$ 2
Intangible assets	76
Goodwill	276
Other assets	6
Total assets acquired	360
Liabilities assumed	(13)
Total purchase price	$ 347

The components of the intangible assets acquired were as follows (in millions, except useful life):

	Amount	Estimated useful life (years)
Developed technology	$ 45	5
Customer contracts/relationships	30	5
Trade name	1	3
Total intangible assets	$ 76	

Data Mechanics Acquisition

On June 18, 2021, we acquired all the outstanding shares of privately-held Data Mechanics Inc., a provider of managed platforms for big data processing and cloud analytics headquartered in Paris, France, for approximately $15 million in cash.

The acquisition-date values of the assets acquired and liabilities assumed are as follows (in millions):

	Amount
Cash	$ 1
Developed technology	5
Goodwill	11
Total assets acquired	17
Liabilities assumed	(2)
Total purchase price	$ 15

The acquired assets and assumed liabilities of Fylamynt, CloudCheckr and Data Mechanics were recorded at their estimated values. We determined the estimated values with the assistance of valuations and appraisals performed by third party specialists and estimates made by management. We expect to realize incremental revenue by offering continuous cost optimization and managed services from our existing capabilities to help customers improve their cloud resources and realize the benefits of cloud faster and at scale. We also anticipate opportunities for growth through the ability to leverage additional future products and capabilities. These factors, among others, contributed to a purchase price in excess of the estimated fair value of their identifiable net assets acquired, and as a result, we have recorded goodwill in connection with these acquisitions. The goodwill is not deductible for income tax purposes.

The results of operations related to the acquisitions of Fylamynt, CloudCheckr and Data Mechanics have been included in our consolidated statements of income from their respective acquisition dates. Pro forma results of operations have not been presented because the impact from these acquisitions was not material to our consolidated results of operations.

4. Goodwill and Purchased Intangible Assets, Net

Goodwill activity is summarized as follows (in millions):

	Amount
Balance as of April 29, 2022	$ 2,346
Additions	421
Balance as of July 29, 2022	$ 2,767

The goodwill addition of $421 million related to the acquisition of Instaclustr has been allocated to our Public Cloud segment.

Goodwill by reportable segment as of July 29, 2022 is as follows (in millions):

	Amount
Hybrid Cloud	$ 1,714
Public Cloud	1,053
Total goodwill	$ 2,767

Purchased intangible assets, net are summarized below (in millions):

	July 29, 2022			April 29, 2022		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Developed technology	$ 212	$ (76)	$ 136	$ 157	$ (65)	$ 92
Customer contracts/relationships	118	(25)	93	68	(20)	48
Other purchased intangibles	6	(3)	3	4	(2)	2
Total purchased intangible assets	$ 336	$ (104)	$ 232	$ 229	$ (87)	$ 142

Amortization expense for purchased intangible assets is summarized below (in millions):

	Three Months Ended		Statements of Income Classification
	July 29, 2022	July 30, 2021	
Developed technology	$ 10	$ 7	Cost of revenues
Customer contracts/relationships	6	1	Operating expenses
Other purchased intangibles	1	1	Operating expenses
Total	$ 17	$ 9	

As of July 29, 2022, future amortization expense related to purchased intangible assets is as follows (in millions):

Fiscal Year	Amount
2023 (remainder)	$ 51
2024	57
2025	55
2026	39
2027	29
2028	1
Total	$ 232

5. Supplemental Financial Information

Cash and cash equivalents (in millions):

The following table presents cash and cash equivalents as reported in our condensed consolidated balance sheets, as well as the sum of cash, cash equivalents and restricted cash as reported on our condensed consolidated statements of cash flows:

	July 29, 2022	April 29, 2022
Cash and cash equivalents	$ 3,288	$ 4,112
Restricted cash	7	7
Cash, cash equivalents and restricted cash	$ 3,295	$ 4,119

Inventories (in millions):

	July 29, 2022	April 29, 2022
Purchased components	$ 145	$ 131
Finished goods	87	73
Inventories	$ 232	$ 204

Property and equipment, net (in millions):

	July 29, 2022	April 29, 2022
Land	$ 46	$ 46
Buildings and improvements	354	353
Leasehold improvements	93	92
Computer, production, engineering and other equipment	944	904
Computer software	321	316
Furniture and fixtures	77	76
Construction-in-progress	67	65
	1,902	1,852
Accumulated depreciation and amortization	(1,280)	(1,250)
Property and equipment, net	$ 622	$ 602

Other non-current assets (in millions):

	July 29, 2022	April 29, 2022
Deferred tax assets	$ 377	$ 362
Operating lease ROU assets	318	294
Other assets	306	335
Other non-current assets	$ 1,001	$ 991

Other non-current assets as of July 29, 2022 and April 29, 2022 include $75 million and $73 million, respectively, for our 49% non-controlling equity interest in Lenovo NetApp Technology Limited (LNTL), a China-based entity that we formed with Lenovo (Beijing) Information Technology Ltd. in fiscal 2019. LNTL is integral to our sales channel strategy in China, acting as a distributor of our offerings to customers headquartered there, and involved in certain OEM sales to Lenovo. LNTL is also focused on localizing our products and services, and developing new joint offerings for the China market by leveraging NetApp and Lenovo technologies. Our sales to LNTL are conducted on terms equivalent to those prevailing in an arm's length transaction.

Accrued expenses (in millions):

	July 29, 2022	April 29, 2022
Accrued compensation and benefits	$ 282	$ 462
Product warranty liabilities	17	17
Operating lease liabilities	50	47
Other current liabilities	373	399
Accrued expenses	$ 722	$ 925

Other long-term liabilities (in millions):

	July 29, 2022	April 29, 2022
Liability for uncertain tax positions	$ 137	$ 131
Income taxes payable	303	303
Product warranty liabilities	9	9
Operating lease liabilities	278	257
Other liabilities	116	88
Other long-term liabilities	$ 843	$ 788

Deferred revenue and financed unearned services revenue

The following table summarizes the components of our deferred revenue and financed unearned services revenue balance as reported in our condensed consolidated balance sheets (in millions):

	July 29, 2022	April 29, 2022
Deferred product revenue	$ 36	$ 31
Deferred services revenue	4,079	4,140
Financed unearned services revenue	55	61
Total	$ 4,170	$ 4,232
Reported as:		
Short-term	$ 2,088	$ 2,171
Long-term	2,082	2,061
Total	$ 4,170	$ 4,232

Deferred product revenue represents unrecognized revenue related to undelivered product commitments and other product deliveries that have not met all revenue recognition criteria. Deferred services revenue represents customer payments made in advance for services, which include software and hardware support contracts, certain public cloud services and other services. Financed unearned services revenue represents undelivered services for which cash has been received under certain third-party financing arrangements. See Note 15 – Commitments and Contingencies for additional information related to these arrangements.

During the three months ended July 29, 2022 and July 30, 2021, we recognized revenue of $706 million and $617 million, respectively, that was included in the deferred revenue and financed unearned services revenue balance at the beginning of the respective periods.

As of July 29, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that are unsatisfied or partially unsatisfied approximated our deferred revenue and unearned services revenue balance. Because customer orders are typically placed on an as-needed basis, and cancellable without penalty prior to shipment, orders in backlog may not be a meaningful indicator of future revenue and have not been included in this amount. We expect to recognize as revenue approximately 50% of our deferred revenue and financed unearned services revenue balance in the next 12 months, approximately 23% in the next 13 to 24 months, and the remainder thereafter.

Deferred commissions

The following table summarizes deferred commissions balances as reported in our condensed consolidated balance sheets (in millions):

	July 29, 2022	April 29, 2022
Other current assets	$ 83	$ 80
Other non-current assets	111	117
Total deferred commissions	$ 194	$ 197

Other income (expense), net (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Interest income	$ 7	$ 2
Interest expense	(18)	(18)
Other, net	26	4
Total other income (expense), net	$ 15	$ (12)

In the first quarter of fiscal 2023, Other, net includes a $32 million gain recognized on our sale of a minority equity interest in a privately held company for proceeds of approximately $59 million.

Statements of cash flows additional information (in millions):

Supplemental cash flow information related to our operating leases is included in Note 8 — Leases. Non-cash investing and financing activities and other supplemental cash flow information are presented below:

	Three Months Ended	
	July 29, 2022	July 30, 2021
Non-cash Investing and Financing Activities:		
Capital expenditures incurred but not paid	$ 20	$ 15
Liabilities incurred to former owners of acquired business	$ 3	$ —
Supplemental Cash Flow Information:		
Income taxes paid, net of refunds	$ 12	$ 17
Interest paid	$ 27	$ 27

6. Financial Instruments and Fair Value Measurements

The accounting guidance for fair value measurements provides a framework for measuring fair value on either a recurring or nonrecurring basis, whereby the inputs used in valuation techniques are assigned a hierarchical level. The following are the three levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs that reflect quoted prices for identical assets or liabilities in less active markets; quoted prices for similar assets or liabilities in active markets; benchmark yields, reported trades, broker/dealer quotes, inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that reflect our own assumptions incorporated in valuation techniques used to measure fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our own or the counterparty's non-performance risk is considered in measuring the fair values of liabilities and assets, respectively.

Investments

The following is a summary of our investments at their cost or amortized cost for the periods ended July 29, 2022 and April 29, 2022 (in millions):

	July 29, 2022	April 29, 2022
Corporate bonds	$ 9	$ 9
U.S. Treasury and government debt securities	142	13
Certificates of deposit	69	71
Mutual funds	38	36
Total debt and equity securities	$ 258	$ 129

The fair value of our investments approximates their cost or amortized cost for both periods presented. Investments in mutual funds relate to the non-qualified deferred compensation plan offered to certain employees.

As of July 29, 2022, all our debt investments are due to mature in one year or less.

Fair Value of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis (in millions):

	July 29, 2022		
		Fair Value Measurements at Reporting Date Using	
	Total	Level 1	Level 2
Cash	$ 3,219	$ 3,219	$ —
Corporate bonds	9	—	9
U.S. Treasury and government debt securities	142	142	—
Certificates of deposit	69	—	69
Total cash, cash equivalents and short-term investments	$ 3,439	$ 3,361	$ 78
Other items:			
Mutual funds (1)	$ 7	$ 7	$ —
Mutual funds (2)	$ 31	$ 31	$ —
Foreign currency exchange contracts assets (1)	$ 4	$ —	$ 4
Foreign currency exchange contracts liabilities (3)	$ (13)	$ —	$ (13)

	April 29, 2022		
		Fair Value Measurements at Reporting Date Using	
	Total	Level 1	Level 2
Cash	$ 4,041	$ 4,041	$ —
Corporate bonds	9	—	9
U.S. Treasury and government debt securities	13	13	—
Certificates of deposit	71	—	71
Total cash, cash equivalents and short-term investments	$ 4,134	$ 4,054	$ 80
Other items:			
Mutual funds (1)	$ 6	$ 6	$ —
Mutual funds (2)	$ 30	$ 30	$ —
Foreign currency exchange contracts assets (1)	$ 2	$ —	$ 2
Foreign currency exchange contracts liabilities (3)	$ (29)	$ —	$ (29)

(1) Reported as other current assets in the condensed consolidated balance sheets

(2) Reported as other non-current assets in the condensed consolidated balance sheets

(3) Reported as accrued expenses in the condensed consolidated balance sheets

Our Level 2 debt instruments are held by a custodian who prices some of the investments using standard inputs in various asset price models or obtains investment prices from third-party pricing providers that incorporate standard inputs in various asset price models. These pricing providers utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. We review Level 2 inputs and fair value for reasonableness and the values may be further validated by comparison to multiple independent pricing sources. In addition, we review third-party pricing provider models, key inputs and assumptions and understand the pricing processes at our third-party providers in determining the overall reasonableness of the fair value of our Level 2 debt instruments. As of July 29, 2022 and April 29, 2022, we have not made any adjustments to the prices obtained from our third-party pricing providers.

Fair Value of Debt

As of July 29, 2022 and April 29, 2022, the fair value of our long-term debt was approximately $2,472 million and $2,491 million, respectively. The fair value of our long-term debt was based on observable market prices in a less active market.

7. Financing Arrangements

Long-Term Debt

The following table summarizes information relating to our long-term debt, which we collectively refer to as our Senior Notes (in millions, except interest rates):

	Effective Interest Rate	July 29, 2022	April 29, 2022
3.25% Senior Notes Due December 2022	3.43%	$ 250	$ 250
3.30% Senior Notes Due September 2024	3.42%	400	400
1.875% Senior Notes Due June 2025	2.03%	750	750
2.375% Senior Notes Due June 2027	2.51%	550	550
2.70% Senior Notes Due June 2030	2.81%	700	700
Total principal amount		2,650	2,650
Unamortized discount and issuance costs		(13)	(14)
Total senior notes		2,637	2,636
Less: Current portion of long-term debt		(250)	(250)
Total long-term debt		$ 2,387	$ 2,386

Senior Notes

Our $750 million aggregate principal amount of 1.875% Senior Notes due 2025, $550 million aggregate principal amount of 2.375% Senior Notes due 2027 and $700 million aggregate principal amount of 2.70% Senior Notes due 2030, were issued in June 2020. Interest on these Senior Notes is payable semi-annually in June and December.

Our 3.30% Senior Notes, with a principal amount of $400 million, were issued in September 2017 with interest paid semi-annually in March and September. Our 3.25% Senior Notes, with a principal amount of $250 million, were issued in December 2012 with interest paid semi-annually in June and December.

Our Senior Notes, which are unsecured, unsubordinated obligations, rank equally in right of payment with any existing and future senior unsecured indebtedness.

We may redeem the Senior Notes in whole or in part, at any time at our option at specified redemption prices. In addition, upon the occurrence of certain change of control triggering events, we may be required to repurchase the Senior Notes under specified terms. The Senior Notes also include covenants that limit our ability to incur debt secured by liens on assets or on shares of stock or indebtedness of our subsidiaries; to engage in certain sale and lease-back transactions; and to consolidate, merge or sell all or substantially all of our assets. As of July 29, 2022, we were in compliance with all covenants associated with the Senior Notes.

In August 2022, we called for redemption of the aggregate principal amount of 3.25% Senior Notes due December 2022. The aggregate redemption price to be paid is $252 million, comprised of the principal and unpaid interest. The redemption date is September 15, 2022.

As of July 29, 2022, our aggregate future principal debt maturities are as follows (in millions):

Fiscal Year	Amount
2023 (remainder)	$ 250
2024	—
2025	400
2026	750
2027	—
Thereafter	1,250
Total	$ 2,650

Commercial Paper Program and Credit Facility

We have a commercial paper program (the Program), under which we may issue unsecured commercial paper notes. Amounts available under the Program, as amended in July 2017, may be borrowed, repaid and re-borrowed, with the aggregate face or principal amount of the notes outstanding under the Program at any time not to exceed $1.0 billion. The maturities of the notes can vary, but may not exceed 397 days from the date of issue. The notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of their issuance. The proceeds from the issuance of the notes are used for general corporate purposes. There were no commercial paper notes outstanding as of July 29, 2022 or April 29, 2022.

In connection with the Program, we have a senior unsecured credit agreement with a syndicated group of lenders. The credit agreement, which was amended in January 2021, provides for a $1.0 billion revolving unsecured credit facility, with a sublimit of $50 million available for the issuance of letters of credit on our behalf. The credit facility matures on January 22, 2026, with an option for us to extend the maturity date for two additional 1-year periods, subject to certain conditions. The proceeds of the loans may be used by us for general corporate purposes and as liquidity support for our existing commercial paper program. As of July 29, 2022, we were compliant with all associated covenants in the agreement. No amounts were drawn against this credit facility during any of the periods presented.

8. Leases

We lease real estate, equipment and automobiles in the U.S. and internationally. Our real estate leases, which are responsible for the majority of our aggregate ROU asset and liability balances, include leases for office space, data centers and other facilities, and as of July 29, 2022, have remaining lease terms not exceeding 19 years. Some of these leases contain options that allow us to extend or terminate the lease agreement. Our equipment leases are primarily for servers and networking equipment and as of July 29, 2022, have remaining lease terms not exceeding 4 years. As of July 29, 2022, our automobile leases have remaining lease terms not exceeding 4 years. All our leases are classified as operating leases except for certain immaterial equipment finance leases.

The components of lease cost related to our operating leases were as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Operating lease cost	$ 15	$ 15
Variable lease cost	4	4
Total lease cost	$ 19	$ 19

Variable lease cost is primarily attributable to amounts paid to lessors for common area maintenance and utility charges under our real estate leases.

The supplemental cash flow information related to our operating leases is as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 14	$ 13
Right-of-use assets obtained in exchange for new operating lease obligations	$ 38	$ 159

The supplemental balance sheet information related to our operating leases is as follows (in millions, except lease term and discount rate):

	July 29, 2022	April 29, 2022
Other non-current assets	$ 318	$ 294
Total operating lease ROU assets	$ 318	$ 294
Accrued expenses	$ 50	$ 47
Other long-term liabilities	278	257
Total operating lease liabilities	$ 328	$ 304
Weighted Average Remaining Lease Term	9.6 years	9.6 years
Weighted Average Discount Rate	2.9 %	2.8 %

Future minimum operating lease payments as of July 29, 2022, are as follows (in millions):

Fiscal Year	Operating Leases
2023 (remainder)	$ 44
2024	52
2025	42
2026	37
2027	33
Thereafter	175
Total lease payments	383
Less: Interest	(55)
Total	$ 328

9. Stockholders’ Equity

Restricted Stock Units

We granted approximately 5 million restricted stock units (RSUs) with a weighted average grant date fair value of $58.42 per share, including performance-based RSUs (PBRSUs), during the three months ended July 29, 2022. In the three months ended July 29, 2022, we granted PBRSUs to certain of our executives. Each PBRSU has performance-based vesting criteria (in addition to the service-based vesting criteria) such that the PBRSUs cliff-vest at the end of an approximate one, two or three year performance period, which began on the date specified in the grant agreements and typically ends on the last day of the first, second or third fiscal year, respectively, following the grant date. The number of shares of common stock that will be issued to settle most of these PBRSUs at the end of the applicable performance and service period will range from 0% to 200% of a target number of shares originally granted. For half of the PBRSUs granted in the three months ended July 29, 2022, the number of shares issued will depend upon our Total Stockholder Return (TSR) as compared to the TSR of a specified group of benchmark peer companies (each expressed as a growth rate percentage) calculated as of the end of the performance period. The fair values of these TSR performance-based awards were fixed at grant date using a Monte Carlo simulation model. For the remaining half of the PBRSUs granted in the three months ended July 29, 2022, the number of shares issued will depend upon the Company's billings result average over the three-year performance period as compared to a predetermined billings target. Billings for purposes of measuring the performance of these PBRSUs means the total obtained by adding net revenues as reported on the Company's Consolidated Statements of Income to the amount reported as the change in deferred revenue and financed unearned services revenue on the Consolidated Statements of Cash Flows for the applicable measurement period, excluding the impact of fluctuations in foreign currency exchange rates. The fair values of these billings PBRSUs were established consistent with our methodology for valuing time-based RSUs, while compensation cost is being recognized based on the probable outcome of the performance condition. The aggregate grant date fair value of PBRSUs effectively granted in the current year was $27 million, which is being recognized to compensation expense over the remaining performance / service periods.

Stock-Based Compensation Expense

Stock-based compensation expense is included in the condensed consolidated statements of income as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Cost of product revenues	$ 1	$ 1
Cost of services revenues	4	2
Sales and marketing	28	26
Research and development	24	16
General and administrative	10	8
Total stock-based compensation expense	$ 67	$ 53

As of July 29, 2022, total unrecognized compensation expense related to our equity awards was $746 million, which is expected to be recognized on a straight-line basis over a weighted-average remaining service period of 2.6 years.

Stock Repurchase Program

As of July 29, 2022, our Board of Directors has authorized the repurchase of up to $15.1 billion of our common stock. Under this program, we may purchase shares of our outstanding common stock through solicited or unsolicited transactions in the open market, in privately negotiated transactions, through accelerated share repurchase programs, pursuant to a Rule 10b5-1 plan or in such other manner as deemed appropriate by our management. The stock repurchase program may be suspended or discontinued at any time.

The following table summarizes activity related to the stock repurchase program for the three months ended July 29, 2022 (in millions, except for per share amounts):

Number of shares repurchased		5
Average price per share	$	67.26
Stock repurchases allocated to additional paid-in capital	$	18
Stock repurchases allocated to retained earnings	$	332
Remaining authorization at end of period	$	902

Since the May 13, 2003 inception of our stock repurchase program through July 29, 2022, we repurchased a total of 352 million shares of our common stock at an average price of $40.35 per share, for an aggregate purchase price of $14.2 billion.

Dividends

The following is a summary of our activities related to dividends on our common stock (in millions, except per share amounts):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Dividends per share declared	$ 0.50	$ 0.50
Dividend payments allocated to additional paid-in capital	$ 106	$ —
Dividend payments allocated to retained earnings	$ 4	$ 112

On August 22, 2022, we declared a cash dividend of $0.50 per share of common stock, payable on October 26, 2022 to holders of record as of the close of business on October 7, 2022. The timing and amount of future dividends will depend on market conditions, corporate business and financial considerations and regulatory requirements. All dividends declared have been determined by us to be legally authorized under the laws of the state in which we are incorporated.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) (AOCI) by component, net of tax, are summarized below (in millions):

	Foreign Currency Translation Adjustments	Defined Benefit Obligation Adjustments	Unrealized Gains (Losses) on Derivative Instruments	Total
Balance as of April 29, 2022	$ (44)	$ (1)	$ 1	$ (44)
Other comprehensive income (loss), net of tax	(3)	—	—	(3)
Amounts reclassified from AOCI, net of tax	—	—	(1)	(1)
Total other comprehensive income (loss)	(3)	—	(1)	(4)
Balance as of July 29, 2022	$ (47)	$ (1)	$ —	$ (48)

The amounts reclassified out of AOCI are as follows (in millions):

	Three Months Ended		
	July 29, 2022	July 30, 2021	Statements of Income Classification
Realized gains on cash flow hedges	$ (1)	$ —	Net revenues
Total reclassifications	$ (1)	$ —	

10. Derivatives and Hedging Activities

We use derivative instruments to manage exposures to foreign currency risk. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The maximum length of time over which forecasted foreign currency denominated revenues are hedged is 12 months. The program is not designated for trading or speculative purposes. Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet their obligations under the terms of our agreements. We seek to mitigate such risk by limiting our counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. We also have in place master netting arrangements to mitigate the credit risk of our counterparties and to potentially reduce our losses due to counterparty nonperformance. We present our derivative instruments as net amounts in our condensed consolidated balance sheets. The gross and net fair value amounts of such instruments were not material as of July 29, 2022 or April 29, 2022. All contracts have a maturity of less than 12 months.

The notional amount of our outstanding U.S. dollar equivalent foreign currency exchange forward contracts consisted of the following (in millions):

	July 29, 2022	April 29, 2022
Cash Flow Hedges		
Forward contracts purchased	$ 115	$ 78
Balance Sheet Contracts		
Forward contracts sold	$ 708	$ 841
Forward contracts purchased	$ 139	$ 129

The gain (loss) of cash flow hedges recognized in net revenues is presented in the condensed consolidated statements of comprehensive income and Note 9 – Stockholders' Equity.

The effect of derivative instruments not designated as hedging instruments recognized in other income (expense), net on our condensed consolidated statements of income was as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Foreign currency exchange contracts	$ (21)	$ 9

11. Restructuring Charges

In the first three months of fiscal 2023, we executed a restructuring plan to redirect resources to highest return activities, which included a reduction in our global workforce of less than 1%, and consisted primarily of employee severance-related costs.

We also continued activities related to the establishment of an international headquarters in Cork, Ireland, during the first three months of fiscal 2023, and incurred restructuring charges consisting primarily of legal and tax-related professional fees. Activities under this plan, for which we expect to incur additional charges, will continue during the remainder of fiscal 2023.

During the first three months of fiscal 2022, we executed a restructuring plan to reduce the amount of office space we occupied as we allow more employees to work remotely. In connection with the plan, we also reduced our global workforce by approximately 1%. Charges related to the plan consisted primarily of office relocation costs, lease termination fees, and employee severance-related costs. Substantially all activities under the plan had been completed by the end of fiscal 2022.

Activities related to our restructuring plans are summarized as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Balance at beginning of period	$ 1	$ 1
Net charges	11	22
Cash payments	(3)	(17)
Balance at end of period	$ 9	$ 6

12. Income Taxes

Our effective tax rates for the periods presented were as follows:

	Three Months Ended	
	July 29, 2022	July 30, 2021
Effective tax rates	20.7 %	14.8 %

Our effective tax rate reflects the impact of a significant amount of earnings being taxed in foreign jurisdictions at rates below the United States (U.S.) statutory rate. Our effective tax rate for the three months ended July 29, 2022 increased from the prior year primarily due to the capitalization of research and development expenses. Under the Tax Cuts and Jobs Act of 2017, costs incurred beginning in our fiscal 2023 are to be amortized over five or 15 years depending on where the research activities are conducted. Additionally, our effective tax rate for the three months ended July 29, 2022 includes the impact of discrete benefits related to stock-based compensation. The effective tax rate for the three months ended July 30, 2021 includes the impact of discrete tax benefits for lapses of statute of limitations as well as larger benefits related to stock-based compensation as compared to the current year.

As of July 29, 2022, we had $224 million of gross unrecognized tax benefits. Inclusive of penalties, interest and certain income tax benefits, $137 million would affect our provision for income taxes if recognized. Net unrecognized tax benefits of $137 million have been recorded in other long-term liabilities.

We are currently undergoing various income tax audits in the U.S. and audits in several foreign tax jurisdictions. Transfer pricing calculations are key topics under these audits and are often subject to dispute and appeals.

In September 2010, the Danish Tax Authorities issued a decision concluding that distributions declared in 2005 and 2006 by our Danish subsidiary were subject to Danish at-source dividend withholding tax. We do not believe that our Danish subsidiary is liable for such withholding tax and filed an appeal with the Danish Tax Tribunal. In December 2011, the Danish Tax Tribunal issued a ruling in favor of NetApp. The Danish tax examination agency appealed this decision at the Danish High Court (DHC) in March 2012. In February 2016, the DHC requested a preliminary ruling from the Court of Justice of the European Union (CJEU). In March 2018, the Advocate General issued an opinion which was largely in favor of NetApp. The CJEU was not bound by the opinion of the Advocate General and issued its preliminary ruling in February 2019. The CJEU ruling did not preclude the Danish Tax Authorities from imposing withholding tax on distributions based on the benefits of certain European Union directives. On May 3, 2021, the DHC reached a decision resulting in NetApp prevailing on the predominate distribution made in 2005. The smaller distribution made in 2006 was ruled in favor of the Danish Tax Authorities. On May 28, 2021, the Danish Tax Authorities appealed the DHC decision to the Danish Supreme Court. We believe it is more likely than not that our distributions were not subject to withholding tax and we will continue to support our position in the appeals process with the Danish Supreme Court.

We continue to monitor the progress of ongoing discussions with tax authorities and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. We engage in continuous discussion and negotiation with taxing authorities regarding tax matters in multiple jurisdictions. We believe that within the next 12 months, it is reasonably possible that either certain audits will conclude, certain statutes of limitations will lapse, or both. As a result of uncertainties regarding tax audits and their possible outcomes, an estimate of the range of possible impacts to unrecognized tax benefits in the next twelve months cannot be made at this time.

13. Net Income per Share

The following is a calculation of basic and diluted net income per share (in millions, except per share amounts):

	Three Months Ended	
	July 29, 2022	July 30, 2021
Numerator:		
Net income	$ 214	$ 202
Denominator:		
Shares used in basic computation	220	223
Dilutive impact of employee equity award plans	4	6
Shares used in diluted computation	224	229
Net Income per Share:		
Basic	$ 0.97	$ 0.91
Diluted	$ 0.96	$ 0.88

Five million shares from outstanding employee awards were excluded from the diluted net income per share calculation for the three months ended July 29, 2022, as their inclusion would have been anti-dilutive. No potential shares from outstanding employee equity awards were excluded from the diluted net income per share calculations for the three months ended July 30, 2021.

14. Segment, Geographic, and Significant Customer Information

Our operations are organized into two segments: Hybrid Cloud and Public Cloud. The two segments are based on the information reviewed by our Chief Operating Decision Maker (CODM), who is the Chief Executive Officer, to evaluate results and allocate resources. The CODM measures performance of each segment based on segment revenue and segment gross profit. We do not allocate to our segments certain cost of revenues which we manage at the corporate level. These unallocated costs include stock-based compensation and amortization of intangible assets. We do not allocate assets to our segments.

Hybrid Cloud offers a portfolio of storage and infrastructure solutions that help customers recast their data centers with the power of cloud. This portfolio is designed to operate with public clouds to unlock the potential of hybrid, multi-cloud operations. Hybrid Cloud is composed of software, hardware, and related support, as well as professional and other services.

Public Cloud offers a portfolio of products delivered primarily as-a-service, including related support. This portfolio includes cloud storage and data services, and cloud operations services.

Segment Revenues and Gross Profit

Financial information by segment is as follows (in millions, except percentages):

	Three Months Ended July 29, 2022		
	Hybrid Cloud	Public Cloud	Consolidated
Product revenues	$ 786	$ —	$ 786
Support revenues	598	—	598
Professional and other services revenues	76	—	76
Public cloud revenues	—	132	132
Net revenues	1,460	132	1,592
Cost of product revenues	395	—	395
Cost of support revenues	43	—	43
Cost of professional and other services revenues	52	—	52
Cost of public cloud revenues	—	40	40
Segment cost of revenues	490	40	530
Segment gross profit	$ 970	$ 92	$ 1,062
Segment gross margin	66.4 %	69.7 %	66.7 %
Unallocated cost of revenues[1]			16
Total gross profit			$ 1,046
Total gross margin			65.7 %

[1] Unallocated cost of revenues are composed of $5 million of stock-based compensation expense and $11 million of amortization of intangible assets.

	Three Months Ended July 30, 2021		
	Hybrid Cloud	Public Cloud	Consolidated
Product revenues	$ 730	$ —	$ 730
Support revenues	578	—	578
Professional and other services revenues	71	—	71
Public cloud revenues	—	79	79
Net revenues	1,379	79	1,458
Cost of product revenues	326	—	326
Cost of support revenues	48	—	48
Cost of professional and other services revenues	51	—	51
Cost of public cloud revenues	—	23	23
Segment cost of revenues	425	23	448
Segment gross profit	$ 954	$ 56	$ 1,010
Segment gross margin	69.2 %	70.9 %	69.3 %
Unallocated cost of revenues[1]			11
Total gross profit			$ 999
Total gross margin			68.5 %

[1] Unallocated cost of revenues are composed of $4 million of stock-based compensation expense and $7 million of amortization of intangible assets.

Geographical Revenues and Certain Assets

Revenues summarized by geographic region are as follows (in millions):

	Three Months Ended	
	July 29, 2022	July 30, 2021
United States, Canada and Latin America (Americas)	$ 856	$ 786
Europe, Middle East and Africa (EMEA)	500	454
Asia Pacific (APAC)	236	218
Net revenues	$ 1,592	$ 1,458

Americas revenues consist of sales to Americas commercial and U.S. public sector markets. Sales to customers inside the U.S. were $758 million and $696 million during the three months ended July 29, 2022 and July 30, 2021, respectively.

The majority of our assets, excluding cash, cash equivalents, short-term investments and accounts receivable, were attributable to our domestic operations. The following table presents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries (in millions):

	July 29, 2022	April 29, 2022
U.S.	$ 1,441	$ 1,820
International	1,998	2,314
Total	$ 3,439	$ 4,134

With the exception of property and equipment, we do not identify or allocate our long-lived assets by geographic area. The following table presents property and equipment information for geographic areas based on the physical location of the assets (in millions):

	July 29, 2022	April 29, 2022
U.S.	$ 399	$ 392
International	223	210
Total	$ 622	$ 602

Significant Customers

The following customers, each of which is a distributor, accounted for 10% or more of our net revenues:

	Three Months Ended	
	July 29, 2022	July 30, 2021
Arrow Electronics, Inc.	25 %	24 %
Tech Data Corporation	21 %	20 %

The following customers accounted for 10% or more of accounts receivable in at least one of the periods presented:

	July 29, 2022	April 29, 2022
Arrow Electronics, Inc.	12 %	10 %
Tech Data Corporation	15 %	19 %

15. Commitments and Contingencies

Purchase Orders and Other Commitments

In the ordinary course of business, we make commitments to third-party contract manufacturers and component suppliers to manage manufacturer lead times and meet product forecasts, and to other parties, to purchase various key components used in the manufacture of our products. A significant portion of our reported purchase commitments arising from these agreements consist of firm, non-cancelable, and unconditional commitments. As of July 29, 2022, we had approximately $0.9 billion in non-cancelable purchase commitments for inventory. We record a liability for firm, non-cancelable and unconditional purchase commitments for quantities in excess of our future demand forecasts consistent with the valuation of our excess and obsolete inventory. As of July 29, 2022 and April 29, 2022, such liability amounted to $23 million and $18 million, respectively, and is included in accrued expenses in our condensed consolidated balance sheets. To the extent that such forecasts are not achieved, our commitments and associated accruals may change.

In addition to inventory commitments with contract manufacturers and component suppliers, we have open purchase orders and contractual obligations associated with our ordinary course of business for which we have not yet received goods or services. As of July 29, 2022, we had approximately $0.3 billion in other purchase obligations.

Financing Guarantees

While most of our arrangements for sales include short-term payment terms, from time to time we provide long-term financing to creditworthy customers. We have generally sold receivables financed through these arrangements on a non-recourse basis to third party financing institutions within 10 days of the contracts' dates of execution, and we classify the proceeds from these sales as cash flows from operating activities in our condensed consolidated statements of cash flows. We account for the sales of these receivables as "true sales" as defined in the accounting standards on transfers of financial assets, as we are considered to have surrendered control of these financing receivables. Provided all other revenue recognition criteria have been met, we recognize product revenues for these arrangements, net of any payment discounts from financing transactions, upon product acceptance. We sold $3 million and $17 million of receivables during the three months ended July 29, 2022 and July 30, 2021, respectively.

In addition, we enter into arrangements with leasing companies for the sale of our hardware systems products. These leasing companies, in turn, lease our products to end-users. The leasing companies generally have no recourse to us in the event of default by the end-user and we recognize revenue upon delivery to the end-user customer, if all other revenue recognition criteria have been met.

Some of the leasing arrangements described above have been financed on a recourse basis through third-party financing institutions. Under the terms of recourse leases, which are generally three years or less, we remain liable for the aggregate unpaid remaining lease payments to the third-party leasing companies in the event of end-user customer default. These arrangements are generally collateralized by a security interest in the underlying assets. Where we provide a guarantee for recourse leases and collectability is probable, we account for these transactions as sales type leases. If collectability is not probable, the cash received is recorded as a deposit liability and revenue is deferred until the arrangement is deemed collectible. For leases that we are not a party to, other than providing recourse, we recognize revenue when control is transferred. As of July 29, 2022 and April 29, 2022, the aggregate amount by which such contingencies exceeded the associated liabilities was not significant. To date, we have not experienced significant losses under our lease financing programs or other financing arrangements.

We have entered into service contracts with certain of our end-user customers that are supported by third-party financing arrangements. If a service contract is terminated as a result of our non-performance under the contract or our failure to comply with the terms of the financing arrangement, we could, under certain circumstances, be required to acquire certain assets related to the service contract or to pay the aggregate unpaid financing payments under such arrangements. As of July 29, 2022, we have not been required to make any payments under these arrangements, and we believe the likelihood of having to acquire a material amount of assets or make payments under these arrangements is remote. The portion of the financial arrangement that represents unearned services revenue is included in deferred revenue and financed unearned services revenue in our condensed consolidated balance sheets.

Legal Contingencies

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency.

On August 14, 2019, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, naming as defendants NetApp and certain of our executive officers. The complaint alleges that the defendants violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and SEC Rule 10b-5, by making materially false or misleading statements with respect to our financial guidance for fiscal 2020, as provided on May 22, 2019. Members of the alleged class are purchasers of the Company's stock between May 22, 2019 and August 1, 2019, the date we provided revised financial guidance for fiscal 2020. The complaint alleges unspecified damages based on the decline in the market price of our shares following the issuance of the revised guidance on August 1, 2019. The defendants' Motion to Dismiss was granted and on February 26, 2021 and the judge entered judgment in favor of NetApp and the other defendants. On March 26, 2021, plaintiffs filed a notice of appeal. The parties subsequently engaged in settlement discussions, and on July 30, 2021 entered into a Memorandum of Understanding (MOU) providing for the settlement of the class action. Pursuant to the terms of the MOU, NetApp has agreed to pay approximately $2.0 million in connection with the settlement, and this amount was accrued during the three months ended July 30, 2021. The parties subsequently executed a stipulation of settlement, which contains no admission of liability, wrongdoing or responsibility by any of the parties, and which provides that the class action will be dismissed with prejudice, with mutual releases by all parties, upon final court approval. On September 24, 2021, plaintiff filed an unopposed motion seeking court approval of the settlement. On May 2, 2022, the court preliminarily approved the settlement, subject to further consideration at a final approval hearing, which is scheduled to be held on September 1, 2022. The court's approval of settlement will remain preliminary pending the outcome of the final approval hearing.

We are subject to various other legal proceedings and claims that arise in the normal course of business. We may, from time to time, receive claims that we are infringing third parties' intellectual property rights, including claims for alleged patent infringement brought by non-practicing entities. We are currently involved in patent litigations brought by non-practicing entities and other third parties. We believe we have strong arguments that our products do not infringe and/or the asserted patents are invalid, and we intend to vigorously defend against the plaintiffs' claims. However, there is no guarantee that we will prevail at trial and if a jury were to find that our products infringe, we could be required to pay significant monetary damages, and may cause product shipment delays or stoppages, require us to redesign our products, or require us to enter into royalty or licensing agreements.

Although management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could include significant monetary damages. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, cash flows and overall trends. No material accrual has been recorded as of July 29, 2022 related to such matters.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements also can be identified by words such as “future,” “anticipates,” “believes,” “estimates,” “expects,” “intends,” “will,” “would,” “could,” “can,” “may,” and similar terms. Forward-looking statements are not guarantees of future performance and the actual results of NetApp, Inc. (“we,” “us,” or the “Company”) may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those described in our 2022 Annual Report on Form 10-K, including under the heading “Risk Factors” and discussed in this Form 10-Q under the heading “Risk Factors,” which are incorporated herein by reference. The following discussion should be read in conjunction with our consolidated financial statements as of and for the fiscal year ended April 29, 2022, and the notes thereto, contained in our Annual Report on Form 10-K, and the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. We assume no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Overview

Our Company

NetApp is a global cloud-led, data-centric software company that gives organizations the freedom to put data to work in the applications that elevate their business. We help our customers get the most out of their data with industry-leading public cloud services, and hybrid cloud solutions. Building on a rich history of innovation, we give customers the freedom to manage applications and data across hybrid multicloud environments. No matter where a customer's data is or how the business uses it, NetApp helps to bring it together in a data fabric. For nearly three decades, NetApp has supported customers to accelerate their unique data fabrics and extend their workflows into a hybrid cloud environment with the right tools and right capabilities.

Our operations are organized into two segments: Hybrid Cloud and Public Cloud.

Hybrid Cloud offers a portfolio of storage management and infrastructure solutions that help customers recast their data centers with the power of cloud. This portfolio is designed to operate with public clouds to unlock the potential of hybrid, multi-cloud operations. We offer a broad portfolio of cloud-connected all-flash, hybrid-flash, and object storage systems, powered by intelligent data management software. Hybrid Cloud is composed of software, hardware, and related support, as well as professional and other services.

Public Cloud offers a portfolio of products delivered primarily as-a-service, including related support. This portfolio includes cloud storage and data services, and cloud operations services. Our enterprise-class solutions and services enable customers to control and manage storage in the cloud, consume high-performance storage services for primary workloads, and optimize cloud environments for cost and efficiency. These solutions and services are generally available on the leading public clouds, including Microsoft Azure, Google Cloud Platform and Amazon AWS.

Global Business Environment

Macroeconomic Conditions

Continuing global economic uncertainty, political conditions and fiscal challenges in the U.S. and abroad could result in adverse macroeconomic conditions, including inflation, slower growth or recession. In particular, during the first quarter of fiscal 2023, we continued to experience inflationary pressure and constraints in our supply chain.

Ongoing supply chain constraints, which substantially began to impact us in the second half of fiscal 2022, led to higher product component and freight costs in the first quarter of fiscal 2023 than incurred in the first quarter of fiscal 2022, and increased our cost of revenues. Supply chain constraints also delayed our ability to fulfill certain customer orders during the current quarter. Given the uncertainties that exist in the broader technology supply chain, we have continued to invest in inventory and certain longer-term commitments to help mitigate the impact of supply shortages.

If these macroeconomic uncertainties or supply chain challenges persist or worsen throughout the remainder of fiscal 2023, we may observe reduced customer demand for our offerings, increased competition for critical components, challenges fulfilling certain customer orders or continued increases in component and freight costs which could impact our operating results, including our ability to achieve historical levels of revenue growth.

COVID-19

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in many of the regions in which we sell our products and services and conduct our business operations. We have taken precautionary measures intended to minimize the risk of the virus to our employees, our customers, and the communities in which we operate. Since March 2020, the vast majority of our employees have been working remotely and we have limited business travel.

Russia Sanctions

Beginning in February 2022, in response to Russian military actions in Ukraine, the U.S. and other countries imposed sanctions on Russia, and we suspended business operations, including sales, support on existing contracts and professional services, in Russia and Belarus. The impact of these actions was not significant to our results for the first quarter of fiscal 2023. However, their ultimate magnitude and duration remain uncertain, and we will continue to closely monitor their potential impacts to our business.

The magnitude and duration of the disruption to our business, and impact to our operational and financial performance of the factors above remain uncertain. Refer to Part II, Item 1A. – Risk Factors for the significant risks we have identified related to the global business environment.

Stock Repurchase and Dividend Activity

During the first three months of fiscal 2023, we repurchased 5 million shares of our common stock at an average price of $67.26 per share, for an aggregate of $350 million. We also declared aggregate cash dividends of $0.50 per share in that period, for which we paid $110 million.

Acquisition

On May 20, 2022, we acquired all the outstanding shares of privately-held Instaclustr, Inc., a leading platform provider of fully managed open-source database, pipeline and workflow applications delivered as-a-service, for approximately $498 million.

Restructuring Events

In the first quarter of fiscal 2023, we executed a restructuring plan to redirect resources to highest return activities, and also continued restructuring activities related to the establishment of an international headquarters in Cork, Ireland. Aggregate restructuring charges incurred under these two plans during the quarter totaled $11 million.

Results of Operations

Our fiscal year is reported as a 52- or 53-week year that ends on the last Friday in April. Fiscal years 2023 and 2022, ending on April 28, 2023 and April 29, 2022, respectively, are each 52-week years, with 13 weeks in each of their quarters. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company's fiscal years ended in April and the associated quarters, months and periods of those fiscal years.

The following table sets forth certain condensed consolidated statements of income data as a percentage of net revenues for the periods indicated:

	Three Months Ended	
	July 29, 2022	July 30, 2021
Net revenues:		
Product	49 %	50 %
Services	51	50
Net revenues	100	100
Cost of revenues:		
Cost of product	25	23
Cost of services	9	9
Gross profit	66	69
Operating expenses:		
Sales and marketing	29	31
Research and development	15	14
General and administrative	5	5
Restructuring charges	1	2
Acquisition-related expense	1	—
Total operating expenses	50	51
Income from operations	16	17
Other income (expense), net	1	(1)
Income before income taxes	17	16
Provision for income taxes	4	2
Net income	13 %	14 %

Percentages may not add due to rounding

Discussion and Analysis of Results of Operations

Net Revenues (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Net revenues	$ 1,592	$ 1,458	9 %

The increase in net revenues for the first quarter of fiscal 2023 compared to the corresponding period of fiscal 2022 was due to an increase in both product revenues and services revenues. Product revenues as a percentage of net revenues decreased by less than one percentage point in the first quarter of fiscal 2023, compared to the corresponding period of fiscal 2022. Fluctuations in foreign currency exchange rates adversely impacted net revenues percent growth by approximately four percentage points in the first quarter of fiscal 2023, compared to the corresponding period of fiscal 2022.

Product Revenues (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Product revenues	**$ 786**	**$ 730**	**8 %**
Hardware (Non-GAAP)	310	316	(2)%
Software (Non-GAAP)	476	414	15 %

Hybrid Cloud

Product revenues consist of sales of configured all-flash array and hybrid systems, which are bundled hardware and software products, as well as add-on flash, disk and/or hybrid storage and related OS, NetApp HCI, StorageGrid, OEM products and add-on optional software.

In order to provide visibility into the value created by our software innovation and R&D investment, we disclose the software and hardware components of our product revenues. Software product revenues include the operating system software and optional add-on software solutions attached to our systems across our entire product set, while hardware product revenues include the non-software component of our systems across the entire set. 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, the 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.

Total product revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year, primarily driven by an increase in sales of all-flash array systems, despite an unfavorable impact from foreign exchange rate fluctuations.

Revenues from the hardware component of product revenues represented 39% of product revenues in the first quarter of fiscal 2023, compared to 43% of product revenues in the corresponding period of the prior year. The software component of product revenues represented 61% of product revenues in the first quarter of fiscal 2023, compared to 57% of product revenues in the corresponding period of the prior year. The increase in the software component percentage of product revenues in the first quarter of fiscal 2023 was primarily due to the mix of systems sold, including a higher mix of all-flash array systems, which contain a higher proportion of software components than other Hybrid Cloud products.

Services Revenues (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Services revenues	**$ 806**	**$ 728**	**11 %**
Support	598	578	3 %
Professional and other services	76	71	7 %
Public cloud	132	79	67 %

Hybrid Cloud

Hybrid Cloud services revenues are derived from the sale of: (1) support, which includes both hardware and software support contracts (the latter of which entitle customers to receive unspecified product upgrades and enhancements, bug fixes and patch releases), and (2) professional and other services, which include customer education and training.

Support revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year, primarily due to growth in sales of all-flash systems (which carry a higher support dollar content than our other products) and a higher aggregate support contract value for our installed based in the current year.

Professional and other services revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year primarily due to an increase in demand from increased product sales.

Public Cloud

Public Cloud revenues are derived from the sale of public cloud offerings primarily delivered as-a-service, which include cloud storage and data services, and cloud operations services.

Public Cloud revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year primarily due to strong customer demand for NetApp's diversified cloud offerings, coupled with overall growth in the cloud market, and the acquisition of Instaclustr early in the first quarter of fiscal 2023 and CloudCheckr in the third quarter of fiscal 2022.

Cost of Revenues

Our cost of revenues consists of:

(1) cost of product revenues, composed of (a) cost of Hybrid Cloud product revenues, which includes the costs of manufacturing and shipping our products, inventory write-downs, and warranty costs, and (b) unallocated cost of product revenues, which includes stock-based compensation and amortization of intangibles, and;

(2) cost of services revenues, composed of (a) cost of support revenues, which includes the costs of providing support activities for hardware and software support, global support partnership programs, and third party royalty costs, (b) cost of professional and other services revenues, (c) cost of public cloud revenues, constituting the cost of providing our Public Cloud offerings which includes depreciation and amortization expense and third party datacenter fees, and (d) unallocated cost of services revenues, which includes stock-based compensation and amortization of intangibles.

Cost of Product Revenues (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	**July 30, 2021**	**% Change**
Cost of product revenues	**$ 397**	**$ 329**	**21 %**
Hybrid Cloud	395	326	21 %
Unallocated	2	3	(33)%

Hybrid Cloud

Cost of Hybrid Cloud product revenues represented 50% of product revenues for the first quarter of fiscal 2023, compared to 45% for the first quarter of fiscal 2022. Materials costs represented 93% of cost of Hybrid Cloud product revenues for the first quarter of fiscal 2023, compared to 91% of the corresponding period of fiscal 2022.

Materials costs increased by approximately $57 million in the first quarter of fiscal 2023, compared to the corresponding period of the prior year, reflecting the increases in product revenues, the mix of systems sold, and higher component and freight costs as a result of COVID-19 related supply chain challenges.

Hybrid Cloud product gross margins decreased by approximately six percentage points in the first quarter of fiscal 2023 compared to the corresponding period of the prior year, primarily due to the increase in component and freight costs and, to a lesser extent, the adverse impact of fluctuations in foreign currency exchange rates. These decreases were partially offset by the mix of systems sold, including a higher mix of all-flash array systems which have higher margins than hybrid systems.

Unallocated

Unallocated cost of product revenues was relatively flat in the first quarter of fiscal 2023 compared to the corresponding period of the prior year.

Cost of Services Revenues (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	**July 30, 2021**	**% Change**
Cost of services revenues	**$ 149**	**$ 130**	**15 %**
Support	43	48	(10)%
Professional and other services	52	51	2 %
Public cloud	40	23	74 %
Unallocated	14	8	75 %

Hybrid Cloud

Cost of Hybrid Cloud services revenues, which are composed of the costs of support and professional and other services, decreased in the first quarter of fiscal 2023 compared to the corresponding period of fiscal 2022. Cost of Hybrid Cloud services revenues represented 14% of Hybrid Cloud services revenues in the first quarter of fiscal 2023, compared to 15% of the corresponding period of fiscal 2022.

Hybrid Cloud support gross margins increased by one percentage point in the first quarter of fiscal 2023 compared to the corresponding period of the prior year due to growth in support revenues achieved with a slightly reduced cost base resulting from operational efficiencies. Hybrid Cloud professional services gross margins increased by three percentage points in the first quarter of fiscal 2023 compared to the corresponding period of the prior year due to the mix of services provided.

Public Cloud

Cost of Public Cloud revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of fiscal 2022 reflecting the increase in Public Cloud revenues. Public Cloud gross margins decreased by one percentage point in the first quarter of fiscal 2023, compared to the corresponding period of fiscal 2022, primarily due to the mix of offerings provided.

Unallocated

Unallocated cost of services revenues increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year due to our acquisitions of Instaclustr in the first quarter of fiscal 2023 and CloudCheckr in the third quarter of fiscal 2022, which resulted in higher amortization expense from acquired intangible assets.

Operating Expenses

Sales and Marketing, Research and Development and General and Administrative Expenses

Sales and marketing, research and development, and general and administrative expenses for the first quarter of fiscal 2023 totaled $770 million, or 48% of net revenues, reflecting a decrease of two percentage points, compared to the corresponding period of fiscal 2022, primarily as a result of scaling our cost structure as revenues grow. While net revenues were adversely impacted by fluctuations in foreign currency exchange rates in the first quarter of fiscal 2023 compared to the first quarter of fiscal 2022, operating expenses were favorably impacted.

Compensation costs represent the largest component of operating expenses. Included in compensation costs are salaries, benefits, other compensation-related costs, stock-based compensation expense and employee incentive compensation plan costs.

Total compensation costs included in operating expenses increased by $56 million, or 13%, in the first quarter of fiscal 2023 compared to the corresponding period of the prior year, primarily as a result of a 9% increase in average headcount.

Sales and Marketing (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Sales and marketing expenses	$ 458	$ 451	2%

Sales and marketing expenses consist primarily of compensation costs, commissions, outside services, facilities and IT support costs, advertising and marketing promotional expense and travel and entertainment expense. The changes in sales and marketing expenses consisted of the following (in percentage points of the total change):

	Three Months Ended Fiscal 2023 to Fiscal 2022
Compensation costs	5
Commissions	(3)
Travel and entertainment	1
Other	(1)
Total change	2

The increase in compensation costs for the first quarter of fiscal 2023 compared to the corresponding period of the prior year reflected an increase in average headcount of approximately 8%. The expansion of our sales and marketing teams are expected to support our ability to execute on key market opportunities.

The decrease in commissions expense for the first quarter of fiscal 2023 compared to the corresponding period of the prior year was primarily due to lower performance against sales goals.

Travel and entertainment expense increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year as COVID-19 related travel restrictions eased.

Research and Development (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Research and development expenses	$ 240	$ 210	14 %

Research and development expenses consist primarily of compensation costs, facilities and IT support costs, depreciation, equipment and software related costs, prototypes, non-recurring engineering charges and other outside services costs. Changes in research and development expense consisted of the following (in percentage points of the total change):

	Three Months Ended Fiscal 2023 to Fiscal 2022
Compensation costs	14
Development projects and outside services	2
Other	(2)
Total change	14

The increase in compensation costs for the first quarter of fiscal 2023 compared to the corresponding period in the prior year was primarily attributable to an increase in average headcount of 12%. The expansion of our research and development teams are expected to support our ability to continue expanding and enhancing our portfolio offerings. The increase in development projects and outside services for the first quarter of fiscal 2023 compared to the corresponding period in the prior year was primarily due to the higher spending on certain engineering projects.

General and Administrative (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
General and administrative expenses	$ 72	$ 66	9 %

General and administrative expenses consist primarily of compensation costs, professional and corporate legal fees, outside services and facilities and IT support costs. Changes in general and administrative expense consisted of the following (in percentage points of the total change):

	Three Months Ended Fiscal 2023 to Fiscal 2022
Compensation costs	8
Professional and legal fees and outside services	4
Facilities and IT support costs	(2)
Other	(1)
Total change	9

The increase in compensation costs in the first quarter of fiscal 2023 compared to the corresponding period of the prior year was primarily attributable to an increase in average headcount of 9%. The increase in professional and legal fees and outside services expense in the first quarter of fiscal 2023 was primarily due to higher spending on business transformation projects and an increase in legal fees. The decrease in facilities and IT support costs was primarily due to lower spending levels on IT projects.

Restructuring Charges (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Restructuring charges	$ 11	$ 22	(50)%

In the first quarter of fiscal 2023, we executed a restructuring plan to redirect resources to highest return activities, which included a reduction in our global workforce of less than 1%, and consisted primarily of employee severance-related costs. We also continued restructuring activities related to the establishment of an international headquarters in Cork, Ireland, for which we incurred charges primarily for legal and tax-related consulting.

Acquisition-related Expense (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Acquisition-related expense	$ 10	$ 1	NM

NM – Not Meaningful

Acquisition-related expenses, primarily legal and consulting fees, totaled $10 million in the first quarter of fiscal 2023 and were primarily related to our acquisition of Instaclustr, Inc.

Other Income (Expense), Net (in millions, except percentages)

The components of other income (expense), net were as follows:

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Interest income	$ 7	$ 2	250 %
Interest expense	(18)	(18)	— %
Other, net	26	4	550 %
Total	$ 15	$ (12)	NM

NM – Not Meaningful

Interest income increased in the first quarter of fiscal 2023 compared to the corresponding period of the prior year due primarily to higher yields earned on our cash and investments. Interest expense remained flat in the first quarter of fiscal 2023 compared to the corresponding period of fiscal 2022.

In the first quarter of fiscal 2023, Other, net includes a $32 million gain recognized on our sale of a minority equity interest in a privately held company for proceeds of approximately $59 million. The remaining differences in Other, net for the first quarter of fiscal 2022 as compared to the corresponding period of the prior year are partially due to foreign exchange gains and losses year-over-year.

Provision for Income Taxes (in millions, except percentages):

	Three Months Ended		
	July 29, 2022	July 30, 2021	% Change
Provision for income taxes	$ 56	$ 35	60 %

Our effective tax rate for the first quarter of fiscal 2023 was 21% compared to 15% for the first quarter of fiscal 2022. Our effective tax rate reflects the impact of a significant amount of earnings being taxed in foreign jurisdictions at rates below the United States (U.S.) statutory rate. Our effective tax rate for the first quarter of fiscal 2023 increased from the prior year primarily due to the capitalization of research and development expenses. Under the Tax Cuts and Jobs Act of 2017, costs incurred beginning in our fiscal 2023 are to be amortized over five or 15 years depending on where the research activities are conducted. Additionally, our effective tax rate for the first quarter of fiscal 2023 includes the impact of discrete benefits related to stock-based compensation. The effective tax rate for the first quarter of fiscal 2022 includes the impact of discrete tax benefits for lapses of statute of limitations as well as larger benefits related to stock-based compensation as compared to the current year.

As of July 29, 2022, we had $224 million of gross unrecognized tax benefits. Inclusive of penalties, interest and certain income tax benefits, $137 million would affect our provision for income taxes if recognized. Net unrecognized tax benefits of $137 million have been recorded in other long-term liabilities.

Liquidity, Capital Resources and Cash Requirements

(In millions, except percentages)	**July 29, 2022**	**April 29, 2022**
Cash, cash equivalents and short-term investments	$ 3,439	$ 4,134
Principal amount of debt	$ 2,650	$ 2,650

The following is a summary of our cash flow activities:

	Three Months Ended	
(In millions)	**July 29, 2022**	**July 30, 2021**
Net cash provided by operating activities	$ 281	$ 242
Net cash used in investing activities	(628)	(54)
Net cash used in financing activities	(459)	(218)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(18)	(5)
Net change in cash, cash equivalents and restricted cash	$ (824)	$ (35)

Cash Flows

As of July 29, 2022, our cash, cash equivalents and short-term investments were $3.4 billion, which represents a decrease of $695 million for the first quarter of fiscal 2023. The decrease was primarily due to $491 million, net of cash acquired, used for the acquisition of a privately-held company, $350 million paid for the repurchase of our common stock, and $110 million used for the payment of dividends, partially offset by $281 million provided by operating activities. Net working capital was $1.3 billion as of July 29, 2022, a reduction of $645 million when compared to April 29, 2022 primarily due to the decreases in cash, cash equivalents and short-term investments discussed above.

Cash Flows from Operating Activities

During the first three months of fiscal 2023, we generated cash from operating activities of $281 million, reflecting net income of $214 million, adjusted by non-cash depreciation and amortization of $58 million and non-cash stock-based compensation expense of $67 million, compared to $242 million of cash generated from operating activities during the first three months of fiscal 2022.

Significant changes in assets and liabilities in the first three months of fiscal 2023 included the following:

- *Accounts receivable* decreased $364 million, reflecting more favorable shipping linearity and typical lower billings in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022.
- *Accrued expenses* decreased by $208 million, primarily due to employee compensation payouts related to fiscal year 2022 incentive compensation and commissions plans.
- Accounts payable decreased by $90 million, reflecting typical lower purchases and the timing of payments to our suppliers in the first quarter of fiscal 2023 compared to the fourth quarter of fiscal 2022.

We expect that cash provided by operating activities may materially fluctuate in future periods due to a number of factors, including fluctuations in our operating results, shipping linearity, accounts receivable collections performance, inventory and supply chain management, vendor payment initiatives, tax benefits or charges from stock-based compensation, and the timing and amount of compensation and other payments.

Cash Flows from Investing Activities

During the first three months of fiscal 2023, we used $131 million for the purchases of investments, net of maturities and sales, and paid $65 million for capital expenditures, as compared to the same period of fiscal 2022, in which we generated $11 million from maturities and sales of investments, net of purchases, and paid $51 million for capital expenditures. During the first three months of fiscal 2023, we paid approximately $491 million, net of cash acquired for a privately-held company, as compared to $14 million, net of cash acquired, that we paid for a privately-held company in the first three months of fiscal 2022. Additionally, we received proceeds of $59 million from the sale of one of our minority investments.

Cash Flows from Financing Activities

During the first three months of fiscal 2023, cash flows used in financing activities totaled $459 million and include $350 million for the repurchase of approximately 5.2 million shares of common stock and $110 million for the payment of dividends. During the first three months of fiscal 2022, cash flows used in financing activities totaled $218 million and included $100 million for the repurchase of 1.2 million shares of common stock and $112 million for the payment of dividends.

Key factors that could affect our cash flows include changes in our revenue mix and profitability, our ability to effectively manage our working capital, in particular, accounts receivable, accounts payable and inventories, the timing and amount of stock repurchases and payment of cash dividends, the impact of foreign exchange rate changes, our ability to effectively integrate acquired products, businesses and technologies and the timing of repayments of our debt. Based on past performance and our current business outlook, we believe that our sources of liquidity, including cash, cash equivalents and short-term investments, cash generated from operations, and our ability to access capital markets and committed credit lines will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on our debt and other liquidity requirements associated with operations and meet our cash requirements for at least the next 12 months. However, in the event our liquidity is insufficient, we may be required to curtail spending and implement additional cost saving measures and restructuring actions or enter into new financing arrangements. We cannot be certain that we will continue to generate cash flows at or above current levels or that we will be able to obtain additional financing, if necessary, on satisfactory terms, if at all. For further discussion of factors that could affect our cash flows and liquidity requirements, including the impact of the COVID-19 pandemic, see Part II, Item 1A. Risk Factors.

Liquidity

Our principal sources of liquidity as of July 29, 2022 consisted of cash, cash equivalents and short-term investments, cash we expect to generate from operations, and our commercial paper program and related credit facility.

Cash, cash equivalents and short-term investments consisted of the following (in millions):

	July 29, 2022	April 29, 2022
Cash and cash equivalents	$ 3,288	$ 4,112
Short-term investments	151	22
Total	$ 3,439	$ 4,134

As of July 29, 2022 and April 29, 2022, $2.0 billion and $2.3 billion, respectively, of cash, cash equivalents and short-term investments were held by various foreign subsidiaries and were generally based in U.S. dollar-denominated holdings, while $1.4 billion and $1.8 billion, respectively, were available in the U.S.

Our principal liquidity requirements are primarily to meet our working capital needs, support ongoing business activities, fund research and development, meet capital expenditure needs, invest in critical or complementary technologies through asset purchases and/or business acquisitions, service interest and principal payments on our debt, fund our stock repurchase program, and pay dividends, as and if declared. In the ordinary course of business, we engage in periodic reviews of opportunities to invest in or acquire companies or units in companies to expand our total addressable market, leverage technological synergies and establish new streams of revenue, particularly in our Public Cloud segment.

The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We attempt to mitigate default risk by investing in high-quality investment grade securities, limiting the time to maturity and monitoring the counter-parties and underlying obligors closely. We believe our cash equivalents and short-term investments are liquid and accessible. We are not aware of any significant deterioration in the fair value of our cash equivalents or investments from the values reported as of July 29, 2022.

Our investment portfolio has been and will continue to be exposed to market risk due to trends in the credit and capital markets. We continue to closely monitor current economic and market events to minimize the market risk of our investment portfolio. We routinely monitor our financial exposure to both sovereign and non-sovereign borrowers and counterparties. We utilize a variety of planning and financing strategies in an effort to ensure our worldwide cash is available when and where it is needed. We also have an automatic shelf registration statement on file with the U.S. Securities and Exchange Commission (SEC). We may in the future offer an additional unspecified amount of debt, equity and other securities.

Senior Notes

The following table summarizes the principal amount of our Senior Notes as of July 29, 2022 (in millions):

3.25% Senior Notes Due December 2022	$ 250
3.30% Senior Notes Due September 2024	400
1.875% Senior Notes Due June 2025	750
2.375% Senior Notes Due June 2027	550
2.70% Senior Notes Due June 2030	700
Total	$ 2,650

Interest on the Senior Notes is payable semi-annually. For further information on the underlying terms, see Note 7 – Financing Arrangements of the Notes to Condensed Consolidated Financial Statements.

In August 2022, we called for redemption of the aggregate principal amount of 3.25% Senior Notes due December 2022. The aggregate redemption price to be paid is $252 million, comprised of the principal amount of the notes and accrued interest. The redemption date is September 15, 2022.

Commercial Paper Program and Credit Facility

We have a commercial paper program (the Program), under which we may issue unsecured commercial paper notes. Amounts available under the Program may be borrowed, repaid and re-borrowed, with the aggregate face or principal amount of the notes outstanding under the Program at any time not to exceed $1.0 billion. The maturities of the notes can vary but may not exceed 397 days from the date of issue. The notes are sold under customary terms in the commercial paper market and may be issued at a discount from par or, alternatively, may be sold at par and bear interest at rates dictated by market conditions at the time of their issuance. The proceeds from the issuance of the notes are used for general corporate purposes. No commercial paper notes were outstanding as of July 29, 2022.

In connection with the Program, we have a senior unsecured credit agreement with a syndicated group of lenders. The credit agreement, which was amended on January 22, 2021, provides for a $1.0 billion revolving unsecured credit facility, with a sublimit of $50 million available for the issuance of letters of credit on our behalf. The credit facility matures on January 22, 2026, with an option for us to extend the maturity date for two additional 1-year periods, subject to certain conditions. The proceeds of the loans may be used by us for general corporate purposes and as liquidity support for our existing commercial paper program. As of July 29, 2022, we were compliant with all associated covenants in the agreement. No amounts were drawn against this credit facility during any of the periods presented.

Capital Expenditure Requirements

We expect to fund our capital expenditures, including our commitments related to facilities, equipment, operating leases and internal-use software development projects over the next few years through existing cash, cash equivalents, investments and cash generated from operations. The timing and amount of our capital requirements cannot be precisely determined and will depend on a number of factors, including future demand for products, changes in the network storage industry, hiring plans and our decisions related to the financing of our facilities and equipment requirements. We anticipate capital expenditures for the remainder of fiscal 2023 to be between $200 million and $300 million.

Dividends and Stock Repurchase Program

On August 22, 2022, we declared a cash dividend of $0.50 per share of common stock, payable on October 26, 2022 to holders of record as of the close of business on October 7, 2022.

As of July 29, 2022, our Board of Directors had authorized the repurchase of up to $15.1 billion of our common stock under our stock repurchase program. Under this program, we may purchase shares of our outstanding common stock through solicited or unsolicited transactions in the open market, in privately negotiated transactions, through accelerated share repurchase programs, pursuant to a Rule 10b5-1 plan or in such other manner as deemed appropriate by our management. The stock repurchase program may be suspended or discontinued at any time. Since the May 13, 2003 inception of this program through July 29, 2022, we repurchased a total of 352 million shares of our common stock at an average price of $40.35 per share, for an aggregate purchase price of $14.2 billion. As of July 29, 2022, the remaining authorized amount for stock repurchases under this program was $0.9 billion.

Purchase Commitments

In the ordinary course of business, we make commitments to third-party contract manufacturers and component suppliers to manage manufacturer lead times and meet product forecasts, and to other parties, to purchase various key components used in the manufacture of our products. In addition, we have open purchase orders and contractual obligations associated with our ordinary course of business for which we have not yet received goods or services. These off-balance sheet purchase commitments totaled approximately $1.2 billion at July 29, 2022.

Financing Guarantees

While most of our arrangements for sales include short-term payment terms, from time to time we provide long-term financing to creditworthy customers. We have generally sold receivables financed through these arrangements on a non-recourse basis to third party financing institutions within 10 days of the contracts' dates of execution, and we classify the proceeds from these sales as cash flows from operating activities in our condensed consolidated statements of cash flows. We account for the sales of these receivables as "true sales" as defined in the accounting standards on transfers of financial assets, as we are considered to have surrendered control of these financing receivables. We sold $3 million and $17 million of receivables during the first three months of fiscal 2023 and fiscal 2022, respectively.

In addition, we enter into arrangements with leasing companies for the sale of our hardware systems products. These leasing companies, in turn, lease our products to end-users. The leasing companies generally have no recourse to us in the event of default by the end-user.

Some of the leasing arrangements described above have been financed on a recourse basis through third-party financing institutions. Under the terms of recourse leases, which are generally three years or less, we remain liable for the aggregate unpaid remaining lease payments to the third-party leasing companies in the event of end-user customer default. These arrangements are generally collateralized by a security interest in the underlying assets. As of July 29, 2022 and April 29, 2022, the aggregate amount by which such contingencies exceeded the associated liabilities was not significant. To date, we have not experienced significant losses under our lease financing programs or other financing arrangements.

We have entered into service contracts with certain of our end-user customers that are supported by third-party financing arrangements. If a service contract is terminated as a result of our non-performance under the contract or our failure to comply with the terms of the financing arrangement, we could, under certain circumstances, be required to acquire certain assets related to the service contract or to pay the aggregate unpaid payments under such arrangements. As of July 29, 2022, we have not been required to make any payments under these arrangements, and we believe the likelihood of having to acquire a material amount of assets or make payments under these arrangements is remote. The portion of the financial arrangement that represents unearned services revenue is included in deferred revenue and financed unearned services revenue in our condensed consolidated balance sheets.

Legal Contingencies

We are subject to various legal proceedings and claims which arise in the normal course of business. See further details on such matters in Note 15 – Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), which require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses, and the disclosure of contingent assets and liabilities. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the ongoing COVID-19 pandemic, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We believe that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates and such differences may be material.

The summary of significant accounting policies is included under Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations of our fiscal 2022 Form 10-K. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. There have been no material changes to the critical accounting policies and estimates as filed in such report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to fluctuations in interest rates and foreign currency exchange rates. We use certain derivative financial instruments to manage foreign currency exchange risks. We do not use derivative financial instruments for speculative or trading purposes. All financial instruments are used in accordance with management-approved policies.

Interest Rate Risk

Fixed Income Investments — As of July 29, 2022, we had fixed income debt investments of $151 million and certificates of deposit of $69 million. Our fixed income debt investment portfolio primarily consists of investments with original maturities greater than three months at the date of purchase, which are classified as available-for-sale investments. These fixed income debt investments, which consist primarily of corporate bonds and U.S. Treasury and government debt securities, and our certificates of deposit are subject to interest rate and interest income risk and will decrease in value if market interest rates increase. Conversely, declines in interest rates, including the impact from lower credit spreads, could have an adverse impact on interest income for our investment portfolio. A hypothetical 100 basis point increase in market interest rates from levels as of July 29, 2022 would have resulted in a decrease in the fair value of our fixed-income securities of less than $1 million. Volatility in market interest rates over time will cause variability in our interest income. We do not use derivative financial instruments in our investment portfolio.

Our investment policy is to limit credit exposure through diversification and investment in highly rated securities. We further mitigate concentrations of credit risk in our investments by limiting our investments in the debt securities of a single issuer and by diversifying risk across geographies and type of issuer. We actively review, along with our investment advisors, current investment ratings, company-specific events and general economic conditions in managing our investments and in determining whether there is a significant decline in fair value that is other-than-temporary. We monitor and evaluate our investment portfolio on a quarterly basis for any other-than-temporary impairments.

Debt — As of July 29, 2022, we have outstanding $2.7 billion aggregate principal amount of Senior Notes. We carry these instruments at face value less unamortized discount and issuance costs on our condensed consolidated balance sheets. Since these instruments bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these instruments fluctuates when interest rates change. See Note 7 – Financing Arrangements of the Notes to Condensed Consolidated Financial Statements for more information.

Credit Facility — We are exposed to the impact of changes in interest rates in connection with our $1.0 billion five-year revolving credit facility. Borrowings under the facility accrue interest at rates that vary based on certain market rates and our credit rating on our Senior Notes. Consequently, our interest expense would fluctuate with any changes in these market interest rates or in our credit rating if we were to borrow any amounts under the credit facility. As of July 29, 2022, no amounts were outstanding under the credit facility.

Foreign Currency Exchange Rate Risk

We hedge risks associated with certain foreign currency transactions to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize foreign currency exchange forward contracts to hedge against the short-term impact of foreign currency fluctuations on certain foreign currency denominated monetary assets and liabilities. We also use foreign currency exchange forward contracts to hedge foreign currency exposures related to forecasted sales transactions denominated in certain foreign currencies. These derivatives are designated and qualify as cash flow hedges under accounting guidance for derivatives and hedging.

We do not enter into foreign currency exchange contracts for speculative or trading purposes. In entering into foreign currency exchange forward contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of the contracts. We attempt to limit our exposure to credit risk by executing foreign currency exchange contracts with creditworthy multinational commercial banks. All contracts have a maturity of 12 months or less. See Note 10 – Derivatives and Hedging Activities of the Notes to Condensed Consolidated Financial Statements for more information regarding our derivatives and hedging activities.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The phrase “disclosure controls and procedures” refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission (SEC). Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of July 29, 2022, the end of the fiscal period covered by this Quarterly Report on Form 10-Q (the Evaluation Date). Based on this evaluation, our CEO and CFO concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information required to be disclosed in our SEC reports (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with our evaluation that occurred during the first quarter of fiscal 2023 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

For a discussion of legal proceedings, see Note 15 – Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

Our future business, operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended April 29, 2022, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common and capital stock. Except as set forth below, there have been no material changes to the Company's risk factors since our Annual Report on Form 10-K for the year ended April 29, 2022.

General Risks

We could be subject to additional income tax liabilities.

Our effective tax rate is influenced by a variety of factors, many of which are outside of our control. These factors include among other things, fluctuations in our earnings and financial results in the various countries and states in which we do business, changes to the tax laws in such jurisdictions and the outcome of income tax audits. Changes to any of these factors could materially impact our operating results, financial condition and cash flows.

We receive significant tax benefits from sales to our non-U.S. customers. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations or a change in how we manage our international operations could adversely affect our ability to continue realizing these tax benefits.

Many countries around the world are beginning to implement legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting recommendations and related action plans that aim to standardize and modernize global corporate tax policy, including changes to cross-border tax, transfer-pricing documentation rules and nexus-based tax incentive practices. As a result, many of these changes, if enacted, could increase our worldwide effective tax rate and harm our operating results, financial condition and cash flows.

Our effective tax rate could also be adversely affected by changes in tax laws and regulations and interpretations of such laws and regulations, which in turn would negatively impact our earnings and cash and cash equivalent balances we currently maintain. Additionally, our effective tax rate could also be adversely affected if there is a change in international operations, our tax structure and how our operations are managed and structured, and as a result, we could experience harm to our operating results and financial condition. For example, on August 16, 2022, the U.S. enacted the Inflation Reduction Act, which includes a corporate minimum tax and a 1% excise tax on stock repurchases. We continue to evaluate the impacts of changes in tax laws and regulations on our business.

We are routinely subject to income tax audits in the U.S. and several foreign tax jurisdictions. If the ultimate determination of income taxes or at-source withholding taxes assessed under these audits results in amounts in excess of the tax provision we have recorded or reserved for, our operating results, financial condition and cash flows could be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Purchases of equity securities

The following table provides information with respect to the shares of common stock repurchased by us during the three months ended July 29, 2022:

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program		Approximate Dollar Value of Shares That May Yet Be Purchased Under The Repurchase Program
	(Shares in thousands)			(Shares in thousands)		(Dollars in millions)
April 30, 2022 - May 27, 2022	574	$	71.08	347,822	$	1,211
May 28, 2022 - June 24, 2022	1,515	$	65.90	349,337	$	1,112
June 25, 2022 - July 29, 2022	3,115	$	67.22	352,452	$	902
Total	5,204	$	67.26			

In May 2003, our Board of Directors approved a stock repurchase program. As of July 29, 2022, our Board of Directors has authorized the repurchase of up to $15.1 billion of our common stock. Since the May 13, 2003 inception of the program through July 29, 2022, we repurchased a total of 352 million shares of our common stock for an aggregate purchase price of $14.2 billion. Under this program, we may purchase shares of our outstanding common stock through solicited or unsolicited transactions in the open market, in privately negotiated transactions, through accelerated share repurchase programs, pursuant to a Rule 10b5-1 plan or in such other manner as deemed appropriate by our management. The stock repurchase program may be suspended or discontinued at any time.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following documents are filed as exhibits to this report.

Exhibit No	Description	Incorporation by Reference Form	File No.	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	—	—	—	—
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	—	—	—	—
101.SCH	Inline XBRL Taxonomy Extension Schema Document	—	—	—	—
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document	—	—	—	—
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—
101.LAB	Inline XBRL Taxonomy Label Linkbase Document	—	—	—	—
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	—	—	—	—

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETAPP, INC.
(Registrant)

/s/ MICHAEL J. BERRY
Michael J. Berry
Executive Vice President and
Chief Financial Officer

Date: August 30, 2022

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, George Kurian, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of NetApp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE KURIAN

George Kurian
Chief Executive Officer and Director
(Principal Executive Officer and Principal Operating Officer)

Date: August 30, 2022

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Berry, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of NetApp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL J. BERRY
Michael J. Berry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 30, 2022

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, George Kurian, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of NetApp, Inc., on Form 10-Q for the quarterly period ended July 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ GEORGE KURIAN
George Kurian
Chief Executive Officer and Director
(Principal Executive Officer and Principal Operating Officer)

Date: August 30, 2022

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael J. Berry, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of NetApp, Inc., on Form 10-Q for the quarterly period ended July 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ MICHAEL J. BERRY
Michael J. Berry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 30, 2022