

NetApp, Inc.
Form 10-Q
March 05, 2012
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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 January 27, 2012

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

77-0307520
(IRS Employer
Identification No.)

495 East Java Drive,

Sunnyvale, California 94089

(Address of principal executive offices, including zip code)

(408) 822-6000

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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.

Class	Outstanding at February 21, 2012
Common Stock	362,990,179

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited)****NETAPP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In millions)****(Unaudited)**

	January 27, 2012	April 29, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,420.9	\$ 2,757.3
Short-term investments	2,445.2	2,417.4
Accounts receivable, net of allowance of \$0.4 million and \$0.5 million at January 27, 2012 and April 29, 2011, respectively	685.4	742.6
Inventories	153.8	108.5
Other current assets	462.4	339.4
Total current assets	6,167.7	6,365.2
Property and equipment, net	1,081.8	911.6
Goodwill	905.2	760.3
Other intangible assets, net	257.5	53.0
Other non-current assets	409.4	408.7
Total assets	\$ 8,821.6	\$ 8,498.8
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 220.2	\$ 232.8
Accrued compensation and related benefits	269.2	437.2
Other current liabilities	358.8	325.8
1.75% Convertible Senior Notes Due 2013	0.0	1,150.4
Short-term deferred revenue	1,309.3	1,226.6
Total current liabilities	2,157.5	3,372.8
1.75% Convertible Senior Notes Due 2013	1,188.8	0.0
Other long-term liabilities	197.3	192.9
Long-term deferred revenue	1,236.5	1,088.3
Total liabilities	4,780.1	4,654.0
Commitments and contingencies (Note 15)		
1.75% Convertible Senior Notes Due 2013	0.0	114.6
Stockholders' equity:		
Common stock (466.3 and 473.3 shares issued at January 27, 2012 and April 29, 2011, respectively)	0.5	0.5
Additional paid-in capital	4,339.2	3,970.3
Treasury stock, at cost (104.3 shares at January 27, 2012 and April 29, 2011)	(2,927.4)	(2,927.4)

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Retained earnings	2,624.6	2,674.0
Accumulated other comprehensive income	4.6	12.8
Total stockholders' equity	4,041.5	3,730.2
Total liabilities and stockholders' equity	\$ 8,821.6	\$ 8,498.8

See accompanying notes to condensed consolidated financial statements.

Table of Contents**NETAPP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 27, 2012	January 28, 2011	January 27, 2012	January 28, 2011
Revenues:				
Product	\$ 1,062.7	\$ 844.3	\$ 3,044.6	\$ 2,406.6
Software entitlements and maintenance	203.5	182.7	599.7	533.6
Service	299.3	262.6	886.4	754.1
Net revenues	1,565.5	1,289.6	4,530.7	3,694.3
Cost of revenues:				
Cost of product	517.8	328.4	1,415.9	962.9
Cost of software entitlements and maintenance	6.2	4.0	17.1	10.9
Cost of service	133.0	111.0	379.3	320.0
Total cost of revenues	657.0	443.4	1,812.3	1,293.8
Gross profit	908.5	846.2	2,718.4	2,400.5
Operating expenses:				
Sales and marketing	477.0	397.4	1,385.9	1,134.4
Research and development	208.3	166.0	606.6	472.1
General and administrative	63.2	61.9	193.4	182.3
Restructuring and other charges	0.0	(0.7)	0.0	(0.6)
Acquisition-related expense	3.5	0.6	7.4	0.9
Total operating expenses	752.0	625.2	2,193.3	1,789.1
Income from operations	156.5	221.0	525.1	611.4
Other expense, net:				
Interest income	8.7	10.3	27.6	29.6
Interest expense	(18.9)	(19.0)	(54.7)	(56.2)
Other income (expense), net	0.6	0.4	(0.1)	1.2
Total other expense, net	(9.6)	(8.3)	(27.2)	(25.4)
Income before income taxes	146.9	212.7	497.9	586.0
Provision for income taxes	27.3	26.3	73.2	73.5
Net income	\$ 119.6	\$ 186.4	\$ 424.7	\$ 512.5
Net income per share:				
Basic	\$ 0.33	\$ 0.51	\$ 1.17	\$ 1.43

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Diluted	\$ 0.32	\$ 0.46	\$ 1.10	\$ 1.31
Shares used in net income per share calculations:				
Basic	360.3	364.8	364.0	358.8
Diluted	373.7	406.2	385.1	390.7

See accompanying notes to condensed consolidated financial statements.

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NETAPP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended	
	January 27, 2012	January 28, 2011
Cash flows from operating activities:		
Net income	\$ 424.7	\$