Risk Factors Comparison 2023-06-14 to 2022-06-16 Form: 10-K

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The information included elsewhere in this Annual Report on Form 10- K should be considered and understood in the context of the following risk factors, which describe circumstances that may materially harm our future business, operating results or financial condition. The following discussion reflects our current judgment regarding the most significant risks we face. These risks can and will change in the future. Risks Related to Our Business and Industry Our business may be harmed by technological trends in our market or if we are unable to keep pace with rapid industry, technological and market changes. ~~Our~~ **The growth in our** industry and the markets in which we compete **is driven by** ~~have historically experienced significant growth due to~~ the increase in ~~the~~ demand for storage and data management solutions by consumers, enterprises and governments around the world, and the purchases of storage and data management solutions to address this demand. The rise in cloud usage and commensurate spending is driving customers to search for cloud operations solutions to lower costs and speed development. Despite these growth drivers, our markets could be adversely impacted by customers delaying purchases in the face of technology transitions, increasing adoption of substitute products and / or services, increased storage efficiency, and / or changing economic and business environments **. For example, in fiscal 2023, we observed a slowdown in demand as a result of continuing global economic uncertainty** . Additionally, customer requirements are evolving in the nascent cloud operations market, which could also adversely impact our opportunity. While customers are navigating through their information technology (IT) transformations, which leverage modern architectures and hybrid cloud environments, they are also looking for simpler solutions, and changing how they consume IT. This evolution is diverting spending towards transformational projects and architectures like flash, hybrid cloud, cloud storage, IT as a service, converged infrastructure, and software defined storage. Our business may be adversely impacted if we are unable to keep pace with rapid industry, technological or market changes or if our ~~Data Fabric~~ **evolved cloud** strategy is not accepted in the marketplace. As a result of these and other factors discussed in this report, our revenue may decline on a year- over- year basis, as it did in fiscal ~~years~~ 2017 and 2020. The future impact of these trends on both short- and long- term growth patterns is uncertain. If the general historical rate of industry growth declines, if the growth rates of the specific markets in which we compete decline, and / or if the consumption model of storage changes and our new and existing products, services and solutions do not receive customer acceptance, our business, operating results, financial condition and cash flows could suffer. If we are unable to develop, introduce and gain market acceptance for new products and services while managing the transition from older ones, or if we cannot provide the expected level of quality and support for our new products and services, our business, operating results, financial condition and cash flows could be harmed. Our future growth depends upon the successful development and introduction of new hardware and software products and services. Due to the complexity of storage software, **cloud operations software,** subsystems and appliances and the difficulty in gauging the engineering effort required to produce new products and services, such products and services are subject to significant technical and quality control risks. If we are unable, for technological, customer reluctance or other reasons, to develop, introduce and gain market acceptance for new products and services, as and when required by the market and our customers, our business, operating results, financial condition and cash flows could be materially and adversely affected. New or additional product **and feature** introductions, including new software and cloud offerings, such as Astra by NetApp, cloud operations services including Spot by NetApp **, Instaclustr** and Cloud Insights, and new hardware and all- flash storage products, including AFF A900 **and AFF C- series** , subject us to additional financial and operational risks, including our ability to forecast customer preferences and / or demand, our ability to successfully manage the transition from older products and solutions, our ability to forecast and manage the impact of customers' demand for new products, services and solutions or the products being replaced, and our ability to manage production capacity to meet the demand for new products and services. In addition, as existing customers transition from older products and solutions to new software and cloud offerings, the transition could take longer than expected, or the customer could decide to delay the transition, either of which could result in non- renewal of the new offerings or affect our ability to manage and forecast customer churn and expansion rates for new software and cloud offerings, as we saw in the fourth quarter of fiscal 2022. As new or enhanced products and services are introduced, we must avoid excessive levels of older product inventories and related components and ensure that new products and services can be delivered to meet customers' demands. Further risks inherent in the introduction of new products, services and solutions include the uncertainty of price- performance relative to products of competitors, competitors' responses to the introductions, delays in sales caused by the desire of customers to evaluate new products for extended periods of time and our partners' investment in selling our new products and solutions. If these risks are not managed effectively, we could experience material risks to our business, operating results, financial condition and cash flows. As we enter new or emerging markets, we will likely increase demands on our service and support operations and may be exposed to additional competition. We may not be able to provide products, services and support to effectively compete for these market opportunities. Our sales and distribution structure makes forecasting revenues difficult and, if disrupted, could harm our business, operating results, financial condition and cash flows. Our business and sales models make revenues difficult to forecast. We sell to a variety of customers directly and through various channels, with a corresponding variety of sales cycles. The majority of our sales are made and / or fulfilled indirectly through channel partners, including value- added resellers, systems integrators, distributors, original equipment manufacturers (OEMs) and strategic business partners, which include public cloud providers. This structure significantly complicates our ability to forecast future revenue, especially within any particular fiscal quarter or year. Moreover, our relationships with our indirect channel partners and strategic business partners are critical to our success. The loss of one or more of our key indirect channel partners in a given geographic area or the failure of our channel or strategic partners **, including public cloud providers,** to promote our products could harm our operating results. Qualifying and developing new indirect channel partners typically requires a significant investment of time and resources before acceptable levels of productivity are met. If we fail to maintain our relationships with our indirect channel partners and strategic partners, **including public cloud providers,** if their financial condition, business or customer relationships were to weaken, if they fail to comply with legal or regulatory requirements, or if we were to cease to do business with them for these or other reasons, our business, operating results, financial condition and cash flows could be harmed. Increasing competition and industry consolidation could harm our business, operating results, financial condition and cash flows. Our markets are intensely competitive and are characterized by fragmentation and rapidly changing technology. We compete with many companies in the markets we serve, including established public companies, newer public companies with a strong flash focus, and new market entrants addressing the growing opportunity for application data management for Kubernetes **and cloud operations** . Some offer a broad spectrum of IT products and services (full- stack vendors) and others offer a more limited set of products or services. Technology trends, such as ~~the emergence of~~ hosted or public cloud storage, SaaS and flash storage are driving significant changes in storage architectures and solution requirements. Cloud service provider competitors provide customers storage for their data centers on demand, without requiring a capital expenditure, which meets rapidly evolving business needs and has changed the competitive landscape. ~~The impacts of the COVID- 19 pandemic, including the increase in the number of employees working remotely, has accelerated customer adoption of competitors' cloud solutions and contributed to increased competition in the market.~~ We also now compete in the emerging cloud operations market, where growth is being driven by increased customer cloud usage and commensurate spend, but customer requirements are still evolving. There is no clear leader in this market. Competitors may develop new technologies ~~or~~ **,** products **or services** in advance of us or establish new business models, more flexible contracting models or new technologies disruptive to us. By extending our flash, cloud storage, converged infrastructure and cloud operations offerings, we are competing in new segments with both traditional competitors and new competitors, particularly smaller emerging storage and cloud operations vendors. The longer- term potential and competitiveness of these emerging vendors remains to be determined. In cloud and converged infrastructure, we also compete with large well- established competitors. It is possible that new competitors or alliances among competitors might emerge and rapidly acquire significant market share or buying power. An increase in industry consolidation might result in stronger competitors that are better able to compete as full- stack vendors for customers and achieve increased economies of scale in the supply chain. In addition, current and potential competitors have established or might establish cooperative relationships among themselves or with third parties, including some of our partners or suppliers. For additional information regarding our competitors, see the section entitled " Competition " contained in Part I, Item 1 – Business of this Form 10- K. **Global** ~~Continuing uncertain~~ economic and ~~political~~ **geopolitical** conditions restrict our visibility and may harm our **industry,** business, **and** operating results, including our revenue growth and profitability, financial condition and cash flows. ~~Continuing~~ **We operate globally and as a result, our business, revenues and profitability are impacted by** global economic **and market conditions, including, among others, inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, tax rates, economic** uncertainty, political ~~conditions and fiscal~~ **instability, warfare,** ~~challenges~~ -- - **changes** in **laws** ~~the U. S. and abroad~~ , ~~such as inflation~~ **reduced consumer confidence** and ~~potential~~ **spending, and** economic **and trade barriers. Such factors may** ~~recession, have, among other things, limited~~ -- **limit** our ability to forecast future demand for our products **and services** , ~~contributed~~ - **contribute** to increased periodic volatility in the computer, storage and networking industries at large, as well as the IT market, ~~impacted~~ -- **impact** availability of supplies and could constrain future access to capital for our suppliers, customers and partners. The impacts of these circumstances are global and pervasive, and the timing and nature of any ultimate resolution of these matters remain highly uncertain. Adverse macroeconomic conditions, including **those identified above** ~~inflation, slower growth or recession, new or increased tariffs or other barriers to global trade, changes to fiscal and monetary policy and higher interest rates~~ , could materially adversely impact the demand for our products and our operating results **amid customer concerns over slowing demand for their products, reduced asset values, volatile energy costs, geopolitical issues, the availability and cost of credit and the stability and solvency of financial institutions, financial markets, businesses, local and state governments, and sovereign nations** . ~~In particular~~ **For example** , in fiscal ~~2022~~ **2023** , ~~we experienced inflationary pressure~~ **global economic uncertainty had,** and **could continue to have, a material adverse impact on** ~~other~~ -- **the demand for our products. Additionally,** constraints in our supply chain ~~. We are also unable~~ **in fiscal 2023, including higher component and freight costs, resulted, and may continue** to ~~predict whether~~ **result, in** increased **costs of revenue and delays in fulfillment of certain** customer **orders** ~~spending on our cloud offerings will continue after the COVID- 19 pandemic~~ . Consequently, these concerns have challenged our business and we expect them to continue to challenge our business for the foreseeable future ~~, which~~ **. All of these risks and conditions** could ~~cause harm to~~ **materially adversely affect** our **future sales and** operating results ~~. Such conditions have resulted, and may in the future again result, in failure to meet our forecasted financial expectations and to achieve historical levels of revenue growth~~ . Transition to consumption- based business models may adversely affect our revenues and profitability in other areas of our business and as a result may harm our business, operating results, financial condition and cash flows. We offer customers a full range of consumption models, including the deployment of our software through our subscription and cloud- based Software as a Service (SaaS), and utility pricing and managed services offerings for our hardware and software systems. These business models continue to evolve, and we may not be able to compete effectively, generate significant revenues or maintain the profitability of our consumption- based offerings. Additionally, the increasing prevalence of cloud and SaaS delivery models offered by us and our competitors may unfavorably impact the pricing of our on- premise hardware and software offerings and could have a dampening impact on overall demand for our on- premise hardware and software product and service offerings, which could reduce our revenues and profitability, at least in the near term. If we do not successfully execute our consumption model strategy or anticipate the needs of our customers, our revenues and profitability could decline. As customer demand for our consumption model offerings increases, we will experience differences in the timing of revenue recognition between our traditional hardware and software license arrangements (for which revenue is generally recognized in full at the time of delivery), relative to our consumption model offerings (for which revenue is generally recognized ratably over the term of the arrangement). We incur certain expenses associated with the infrastructure and marketing of our consumption model offerings in advance of our ability to recognize the revenues associated with these offerings. Due to the global nature of our business, risks inherent in our international operations could materially harm our business. A significant portion of our operations are located, and a significant portion of our revenues are derived, outside of the U. S. In addition, most of our products are manufactured outside of the U. S., and we have research and development, sales and service centers overseas. Accordingly, our business and future operating results could be adversely impacted by factors affecting our international operations including, among other things, local political or economic conditions, trade protection and export and import requirements, tariffs, local labor conditions, transportation costs, government spending patterns, acts of terrorism, international conflicts and natural disasters in areas with limited infrastructure and adverse public health developments. In particular, ~~the ongoing COVID- 19 pandemic, including the unpredictable nature of variants globally, and~~ ongoing trade tensions between the U. S. and China could impact our business and operating results. For products we manufacture in Mexico, tensions between the U. S. and Mexico related to trade and border security issues could delay our shipments to customers, or impact pricing or our business and operating results. As a result of Russia' s actions in the Ukraine, numerous countries and organizations have imposed sanctions and export controls, while businesses, including the Company, have limited or suspended Russian operations. Russia has likewise imposed currency restrictions and regulations and may further take retaliatory trade or other actions, including the nationalization of foreign businesses. These actions could impact our supply chain, pricing, business and operating results and expose us to cyberattacks. In addition, due to the global nature of our business, we are subject to complex legal and regulatory requirements in the U. S. and the foreign jurisdictions in which we operate and sell our products, including antitrust and anti- competition laws ~~, rules and regulations~~ , and regulations related to data privacy, data protection, and cybersecurity. We are also subject to the potential loss of proprietary information due to piracy, misappropriation, or laws that may be less protective of our intellectual property rights than U. S. laws. Such factors could have an adverse impact on our business, operating results, financial condition and cash flows. We face exposure to adverse movements in foreign currency exchange rates as a result of our international operations. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our operating results, financial condition and cash flows. We utilize forward and option contracts in an attempt to reduce the adverse earnings impact from the effect of exchange rate fluctuations on certain assets and liabilities. Our hedging strategies may not be successful, and currency exchange rate fluctuations could have a material adverse effect on our operating results and cash flows. In addition, our foreign currency exposure on assets, liabilities and cash flows that we do not hedge could have a material impact on our financial results in periods when the U. S. dollar significantly fluctuates in relation to foreign currencies. Moreover, in many foreign countries, particularly in those with developing economies, it is **a** common **business practice** to engage in **activities** ~~business practices~~ that are prohibited by ~~our~~ **NetApp' s** internal policies and procedures, or U. S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act. There can be no assurance that all our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, will comply with these policies, procedures, laws and / or regulations. Any such violation could subject us to fines and other penalties, which could have a material adverse effect on our business, operating results, financial condition and cash flows. Our acquisitions may not achieve expected benefits, and may increase our liabilities, disrupt our existing business and harm our operating results, financial condition and cash flows. As part of our strategy, we seek to acquire other businesses and technologies to complement our current products **and services** , expand the breadth of our markets, or enhance our technical capabilities. For example, we acquired ~~seven~~ **eight** privately held companies from fiscal 2020 through the end of fiscal ~~2022~~ **2023** . The benefits we have received, and expect to receive, from these and other acquisitions depend on our ability to successfully conduct due diligence, negotiate the terms of the acquisition and integrate the acquired business into our systems, procedures and organizational structure. Any inaccuracy in our acquisition assumptions or any failure to uncover or mitigate liabilities or risks associated with the acquisition, such as differing or inadequate cybersecurity and data privacy protection controls or contractual limitations of liability, **and any failure to** make the acquisition on favorable terms, integrate the acquired business or assets as and when expected **,** or retain key employees of the acquired company may reduce or eliminate the expected benefits of the acquisition to us, increase our costs, disrupt our operations, result in additional liabilities, investigations and litigation, and may also harm our strategy, our business and our operating results. The failure to achieve expected acquisition benefits may also result in impairment charges for goodwill and purchased intangible assets. If we are unable to attract and retain qualified personnel, our business, operating results, financial condition and cash flows could be harmed. Our continued success depends, in part, on our ability to hire and retain qualified personnel and to advance our corporate strategy and preserve the key aspects of our corporate culture. Because our future success is dependent on our ability to continue to enhance and introduce new products **and features** , we are particularly dependent on our ability to hire and retain qualified engineers, including in emerging areas of technology such as artificial intelligence and machine learning. In addition, to increase revenues, we will be required to increase the productivity of our sales force and support infrastructure to achieve adequate customer coverage. Competition for qualified employees, particularly in ~~Silicon Valley~~ **the technology industry** , is intense. We have periodically reduced our workforce, including reductions **of approximately 6 % and 8 %** announced in ~~each of the~~ fiscal ~~years from 2019~~ - **2021** ~~through~~ **and the fourth quarter of fiscal** ~~2022~~ **2023 , respectively** , and these actions may make it more difficult to attract and retain qualified employees. Our inability to hire and retain qualified management and skilled personnel, particularly engineers, salespeople and key executive management, could disrupt our development efforts, sales results, business relationships and / or our ability to execute our business plan and strategy on a timely basis and could materially and adversely affect our operating results, financial condition and cash flows **. Many of our employees participate in our flexible work program (Thrive Everywhere),**

and work remotely on a full- or part- time basis. While Thrive Everywhere has been generally well received by employees, it may also create other challenges that impact our ability to attract and retain qualified personnel, including, but not limited to, some employees may prefer an in person work environment, decreased collaboration and communication among employees, and reduced ability to maintain our corporate culture and workforce morale. If we are unable to effectively manage the risks and challenges associated with remote work, our business operations and financial performance may be adversely affected . Equity grants are a critical component of our current compensation programs **as they support attraction and engagement of key talent and align employee interests with shareholders. A competitive broad- based equity compensation program is essential to compete for talent in both the hardware and software industries, in which competitors for talent provide a more significant portion of compensation via equity** . If we reduce, modify or eliminate our equity programs or fail to grant equity competitively, we may have difficulty attracting and retaining critical employees. In addition, because of the structure of our sales, cash and equity incentive compensation plans, we may be at increased risk of losing employees at certain times. For example, the retention value of our compensation plans decreases after the payment of periodic bonuses or the vesting of equity awards. We often incur expenses before we receive related benefits, and expenses may be difficult to reduce quickly if demand declines. We base our expense levels in part on future revenue expectations and a significant percentage of our expenses are fixed. It is difficult to reduce our fixed costs quickly, and if revenue levels are below our expectations, operating results could be adversely impacted. During periods of uneven growth or decline, we may incur costs before we realize the anticipated related benefits, which could also harm our operating results. We have made, and will continue to make, significant investments in engineering, sales, service and support, marketing and other functions to support and grow our business. We are likely to recognize the costs associated with these investments earlier than some of the related anticipated benefits, such as revenue growth, and the return on these investments may be lower, or may develop more slowly, than we expect, which could harm our business, operating results, financial condition and cash flows. Initiatives intended to make our cost structure, business processes and systems more efficient may not achieve the expected benefits and could inadvertently have an adverse effect on our business, operating results, financial condition and cash flows. We continuously seek to make our cost structure and business processes more efficient, including by moving our business activities from higher- cost to lower- cost locations, outsourcing certain business processes and functions, and implementing changes to our business information systems. These efforts **may** involve a significant investment of financial and human resources and significant changes to our current operating processes **. For example, in fiscal 2024, we are implementing certain business information systems. We may encounter difficulties in implementing new business information systems or maintaining and upgrading existing systems and software. Such difficulties may lead to significant expenses or losses due to unexpected additional costs required to implement or maintain systems, disruption in business operations, loss of sales or profits, or disruption to our ability to timely and accurately process and report key aspects of our financial statements and, as a result, may have a material adverse effect on our business, results of operations, financial condition and prospects** . In addition, as we move operations into lower- cost jurisdictions and outsource certain business processes, we become subject to new regulatory regimes and lose control of certain aspects of our operations and, as a consequence, become more dependent upon the systems and business processes of third- parties. If we are unable to move our operations, outsource business processes ~~and~~ **or** implement new business information systems in a manner that complies with local law and maintains adequate standards, controls and procedures, the quality of our products and services may suffer and we may be subject to increased litigation risk, either of which could have an adverse effect on our business, operating results and financial condition. Additionally, we may not achieve the expected benefits of these and other transformational initiatives, which could harm our business, operating results, financial condition and cash flows. We are exposed to credit risks ~~and~~ **,** our investment portfolio may experience fluctuations in market value or returns **, and our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail** . We maintain an investment portfolio of various holdings, types, and maturities. Credit ratings and pricing of our investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk or other factors. As a result, the value and liquidity of our investments and the returns thereon may fluctuate substantially. ~~A resurgence of COVID- 19, unfavorable~~ **Unfavorable** macroeconomic conditions **, rising interest rates,** or other circumstances could result in an economic slowdown and possibly cause a global recession. An economic slowdown or increased regional or global economic uncertainty may lead to failures of counterparties, including financial institutions, governments and insurers, which could result in a material decline in the value of our investment portfolio and substantially reduce our investment returns **. We regularly maintain cash balances at large third- party financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit of $ 250, 000 and similar regulatory insurance limits outside the United States. If a depository institution where we maintain deposits fails or is subject to adverse conditions in the financial or credit markets, we may not be able to recover all of our deposits, which could adversely impact our operating liquidity and financial performance. Similarly, if our customers or partners experience liquidity issues as a result of financial institution defaults or non- performance where they hold cash assets, their ability to pay us may become impaired and could have a material adverse effect on our results of operations, including the collection of accounts receivable and cash flows** . Our goals and disclosures related to environmental, social and governance (ESG) matters expose us to risks that could adversely affect our reputation and performance. We have established and publicly announced ESG goals, including our commitment to reducing our greenhouse gas emissions ~~in accordance with a science- based target~~ and increasing our representation of women in our global workforce and underrepresented minorities in our US workforce. These statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our failure to accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance and growth, and expose us to increased scrutiny from **our stakeholders,** the investment community as well as enforcement authorities. Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control, including the changing regulatory requirements affecting ESG standards or disclosures, our ability to recruit, develop and retain diverse talent in our labor markets, the locations and usage of our products and the implications on their greenhouse gas emissions and the success of our organic growth and acquisitions. Standards for tracking and reporting ESG matters continue to evolve. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. This may result in a lack of consistent or meaningful comparative data from period to period or between the Company and other companies in the same industry. In addition, our processes and controls may not always comply with evolving standards for identifying, measuring and reporting ESG metrics, including ESG- related disclosures that may be required of public companies by the Securities and Exchange Commission, and such standards may change over time, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, acquiror or **supplier** ~~service provider~~ could be negatively impacted. Further, our failure or perceived failure to pursue or fulfill our goals and objectives or to satisfy various reporting standards on a timely basis, or at all, could have similar negative impacts or expose us to government enforcement actions and private litigation. Risks Related to Our Customers and Sales A portion of our revenues is generated by large, recurring purchases from various customers, resellers and distributors. A loss, cancellation or delay in purchases by any of these parties has negatively affected our revenues in the past, and could negatively affect our revenues in the future. A significant portion of our net revenues is generated through sales to a limited number of customers and distributors. We generally do not enter into binding purchase commitments with our customers, resellers and distributors for extended periods of time, and thus there is no guarantee we will continue to receive large, recurring orders from these customers, resellers or distributors. For example, our reseller agreements generally do not require minimum purchases, and our customers, resellers and distributors can stop purchasing and marketing our products at any time. In addition, unfavorable economic conditions may negatively impact the solvency of our customers, resellers and distributors or the ability of such customers, resellers and distributors to obtain credit to finance purchases of our products. If any of our key customers, resellers or distributors changes its pricing practices, reduces the size or frequency of its orders for our products, or stops purchasing our products altogether, our operating results, financial condition and cash flows could be materially adversely impacted. If we are unable to maintain and develop relationships with strategic partners, our revenues may be harmed. Our growth strategy includes developing and maintaining strategic partnerships with major third- party software and hardware vendors to integrate our products into their products and also co- market our products with them. A number of our strategic partners are industry leaders that offer us expanded access to segments in which **we** do not directly participate. In particular, strategic partnerships with public cloud providers and other cloud service vendors are critical to the success of our cloud- based business. However, there is intense competition for attractive strategic partners, and these relationships may not be exclusive, may not generate significant revenues and may be terminated on short notice. For instance, some of our partners are also partnering with our competitors, which may increase the availability of competing solutions and harm our ability to grow our relationships with those partners. Moreover, some of our partners, particularly large, more diversified technology companies, including major cloud providers, are also competitors, thereby complicating our relationships. If we are unable to establish new partnerships or maintain existing partnerships, if our strategic partners favor their relationships with other vendors in the storage industry or if our strategic partners increasingly compete with us, we could experience lower than expected revenues, suffer delays in product development, or experience other harm to our business, operating results, financial condition and cash flows. Our success depends upon our ability to effectively plan and manage our resources and restructure our business in response to changing market conditions and market demand for our products, and such actions may have an adverse effect on our business, operating results, financial condition and cash flows. Our ability to successfully offer our products and services in a rapidly evolving market requires an effective planning, forecasting, and management process to enable us to effectively scale and adjust our business in response to fluctuating market opportunities and conditions. We recently reorganized our sales resources, which included changes and additions to our sales leadership team, to gain operational efficiencies and improve the alignment of our resources with customer and market opportunities. We expect to continue developing our sales organization and go- to- market model towards these goals throughout fiscal ~~2023~~ **2024** . The reorganization of our sales resources, and ongoing evolution of our go- to- market model, could result in short or long- term disruption of our sales cycles, may not produce the efficiencies and benefits desired, and could harm our operating results, financial condition and cash flows. We **have and** may in the future undertake initiatives that could include reorganizing our workforce, restructuring, disposing of, and / or otherwise discontinuing certain products, **facility reductions** or a combination of these actions. Rapid changes in the size, alignment or organization of our workforce, including our business unit structure **, structure of our sales team,** and sales account coverage, could adversely affect our ability to develop, sell and deliver products and services as planned or impair our ability to realize our current or future business and financial objectives. Any decision to take these actions may result in charges to earnings associated with, among other things, inventory or other fixed, intangible or goodwill asset reductions (including, without limitation, impairment charges), workforce and facility reductions and penalties and claims from third- party resellers or users of discontinued products. Charges associated with these activities could harm our operating results. In addition to the costs associated with these activities, we may not realize any of the anticipated benefits of the underlying restructuring activities. Reduced U. S. government demand could materially harm our business, operating results, financial condition and cash flows. In addition, we could be harmed by claims that we have or a channel partner has failed to comply with regulatory and contractual requirements applicable to sales to the U. S. government. The U. S. government is an important customer for us. However, government demand is uncertain, as it is subject to political and budgetary fluctuations and constraints. Events such as the U. S. federal government shutdown from December 2018 to January 2019 and continued uncertainty regarding the U. S. budget and debt levels have increased demand uncertainty for our products. In addition, like other customers, the U. S. government may evaluate competing products and delay purchasing in the face of the technology transitions taking place in the storage industry. If the U. S. government or an individual agency or multiple agencies within the U. S. government continue to reduce or shift their IT spending patterns, our operating results, including revenues may be harmed. Selling our products to the U. S. government, whether directly or through channel partners, also subjects us to certain regulatory and contractual requirements. Failure to comply with these requirements by either us or our channel partners could subject us to investigations, fines, and other penalties, which could materially harm our operating results and financial condition. As an example, the United States Department of Justice (DOJ) and the General Services Administration (GSA) have in the past pursued claims against and financial settlements with IT vendors, including us and several of our competitors and channel partners, under the False Claims Act and other statutes related to pricing and discount practices and compliance with certain provisions of GSA contracts for sales to the federal government. Although the DOJ and GSA currently have no claims pending against us, we could face claims in the future. Violations of certain regulatory and contractual requirements, including with respect to ~~data security~~ **cybersecurity** ~~,~~ **or** affirmative action program requirements ~~, or COVID- 19 vaccine mandates~~ could also result in us being suspended or debarred from future government contracting. Any of these outcomes could have a material adverse effect on our business, operating results, financial condition and cash flows. In response to increasing cybersecurity threats, the U. S. government has subjected IT vendors, including us, to certain additional requirements. As an example, the Executive Order on Improving the Nation' s Cybersecurity (EO 14028), released in May 2021, outlines ~~a one- year plan to address~~ the U. S. government' s **plan to address** software supply chain security for " critical software ~~.~~" ~~While~~ **and** ~~the~~ **other software. NetApp' s products are** ~~potential impact of the Executive Order is still being monitored, we could be~~ categorized as ~~a provider of~~ critical software, ~~which may increase our~~ **requiring us to achieve** compliance ~~costs~~ **with the Secure Software Development Framework (SSDF) under NIST special publication 800- 218. The current deadline for compliance is subject to the U. S. government' s finalization of their common attestation form,** and **any products that cannot attest to compliance with the SSDF may result in** ~~delay~~ **delays** ~~or prevent our~~ - **or** ~~ability~~ **inability** to execute contracts with customers, ~~including in particular~~ **particularly** with government entities. If we do not achieve forecasted sales orders in any quarter, our operating results, financial condition and cash flows could be harmed. We derive a majority of our revenues in any given quarter from orders booked in the same quarter. Orders typically follow intra- quarter seasonality patterns weighted toward the back end of the quarter. If we do not achieve the level, timing and mix of orders consistent with our quarterly targets and historical patterns, or if we experience cancellations of significant orders, our operating results, financial condition and cash flows could be harmed. Our gross margins may vary. Our gross margins reflect a variety of factors, including competitive pricing, component and product design, and the volume and relative mix of revenues from product, software support, hardware support and other services offerings. Increased component costs, increased pricing and discounting pressures, the relative and varying rates of increases or decreases in component costs and product prices, or changes in the mix of revenue or decreased volume from product, software support, hardware support and other services offerings could harm our revenues, gross margins or earnings. Our gross margins are also impacted by the cost of any materials that are of poor quality and our sales and distribution activities, including, without limitation, pricing actions, rebates, sales initiatives and discount levels, and the timing of service contract renewals. The costs of third- party components comprise a significant portion of our product costs. While we generally have been able to manage our component and product design costs, we may have difficulty managing these costs if supplies of certain components become limited or component prices increase. Any such limitation could result in an increase in our product costs. An increase in component or design costs relative to our product prices could harm our gross margins and earnings. We are exposed to the credit and non- payment risk of our customers, resellers and distributors, especially during times of economic uncertainty and tight credit markets, which could result in material losses. Most of our sales to customers are on an open credit basis, with typical payment terms of 30 days. We may experience increased losses as potentially more customers are unable to pay all or a portion of their obligations to us, particularly in the current **macroeconomic** environment when access to sources of liquidity may be limited ~~as a result of the global COVID- 19 pandemic~~. Beyond our open credit arrangements, some of our customers have entered into recourse and non- recourse financing leasing arrangements using third- party leasing companies. 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. During periods of economic uncertainty, our exposure to credit risks from our customers increases. In addition, our exposure to credit risks of our customers may increase further if our customers and their customers or their lease financing sources are adversely affected by global economic conditions. Risks Related to Our Products and Services Any disruption to our supply chain could materially harm our business, operating results, financial condition and cash flows. We do not manufacture certain components used in our products. We rely on third parties to manufacture critical components, ~~such as disk drives,~~ as well as for associated logistics. Our lack of direct responsibility for, and control over, these elements of our business, as well as the diverse international geographic locations of our manufacturing partners and suppliers, creates significant risks for us, including, among other things: ~~• Impacts on our supply chain from adverse public health developments, including outbreaks of contagious diseases such as the ongoing COVID- 19 pandemic;~~ • Limited number of suppliers for certain components; • No guarantees of supply and limited ability to control the quality, quantity and cost of our products or of their components; • The potential for binding price or purchase commitments with our suppliers at higher than market rates; • Limited ability to adjust production volumes in response to our customers' demand fluctuations; • Labor and political unrest at facilities we do not operate or own; • Geopolitical disputes disrupting our supply chain; • **Impacts on our supply chain from adverse public health developments, including outbreaks of contagious diseases such as COVID- 19; •** Business, legal compliance, litigation and financial concerns affecting our suppliers or their ability to manufacture and ship components in the quantities, quality and manner we require; and • Disruptions due to floods, earthquakes, storms and other natural disasters, especially those caused by climate change, and particularly in countries with limited infrastructure and disaster recovery resources. Such risks have subjected us, and could in the future subject us, to supply constraints, price increases and minimum purchase requirements and our business, operating results, financial condition and cash flows could be harmed. For example, the ~~current~~ global shortage of critical product components ~~has~~ **in fiscal 2023** caused us to experience increased prices and extended lead times for certain critical components, such as semiconductors. ~~The~~ **Such** ~~shortage~~ **shortages** could reduce our flexibility to react to product mix changes and disrupt our production schedule. The risks associated with our outsourced manufacturing model are particularly acute when we transition products to new facilities or manufacturers, introduce and increase volumes of new products or qualify new contract manufacturers or suppliers, at which times our ability to manage the relationships among us, our manufacturing partners and our component suppliers, becomes critical. New manufacturers, products, components or facilities create increased costs and risk that we will fail to deliver high quality products in the required volumes to our customers. Any failure of a manufacturer or component supplier to meet our quality, quantity or delivery requirements in a cost- effective manner will harm our business, including customer relationships and as a result could harm our operating results, financial condition and cash flows. We rely on a limited number of suppliers for critical product components. We rely on a limited number of suppliers for drives and other components utilized in the assembly of our products, including certain single source suppliers, which has subjected us, and could in the future subject us, to price rigidity, periodic supply constraints, and the inability to produce our products with the quality and in the quantities demanded. Consolidation among suppliers, particularly within the semiconductor and ~~disk drive~~ **storage media** industries, has contributed to price ~~rigidity~~ **volatility** and supply constraints. When industry supply is constrained, or the supply chain is disrupted, as it ~~has been as~~ **was during** ~~a result of~~ the COVID- 19 pandemic, our suppliers may allocate volumes away from us and to our competitors, all of which rely on many of the same suppliers as we do. Accordingly, our business, operating results, financial condition and cash flows may be harmed. If a material cybersecurity or other security breach **impacts our services or** occurs on our systems, within our supply chain, or on our end- user customer systems, or if stored data is improperly accessed, customers may reduce or cease using our solutions, our reputation may be harmed and we may incur significant liabilities. We store and transmit, and sell products and services that store and transmit, personal, sensitive and proprietary data related to our products, our employees, customers, clients and partners (including third- party vendors such as data centers and providers of SaaS, cloud computing, and internet infrastructure and bandwidth), and their respective customers, including intellectual property, books of record and personal information. It is critical to our business strategy that our infrastructure, products and services remain secure and are perceived by customers, clients and partners to be secure. There are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state- sponsored intrusions, industrial espionage, human error and technological vulnerabilities. Material cybersecurity incidents or other security breaches could result in (1) unauthorized access to, or loss or unauthorized use, alteration, or disclosure of, such information; (2) litigation, indemnity obligations, government investigations and proceedings, and other possible liabilities; (3) negative publicity; and (4) disruptions to our internal and external operations. Any of these could damage our reputation and public perception of the security and reliability of our products, as well as harm our business and cause us to incur significant liabilities. In addition, a material cybersecurity incident or loss of personal information, or other material security breach could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs and lost revenues. Our clients and customers use our platforms for the transmission and storage of sensitive data. We do not **generally** review the information or content that our clients and their customers upload and store, and ~~, therefore,~~ we have no direct control over the substance of the information or content stored within our platforms. If our employees, or our clients, partners or their respective customers use our platforms for the transmission or storage of personal or other sensitive information **,** or our supply chain cybersecurity is compromised and our security measures are breached as a result of third- party action, employee error, malfeasance, stolen or fraudulently obtained log- in credentials or otherwise, our reputation could be damaged, our business may be harmed and we could incur significant liabilities. ~~High- profile cyberattacks and security breaches have increased in recent years, with the potential for such acts heightened as a result of geopolitical activities and the number of employees working remotely due to COVID- 19.~~ Security industry experts and **US** ~~government~~ **Government** officials **continue to emphasize** ~~have warned about the~~ risks **to our industry** ~~of hackers and cyberattacks targeting IT products and businesses~~ . ~~In this regard~~ **Cyber attacks and security breaches continue to increase** , **and of particular concern are supply- chain attacks** ~~the U. S. government has reported that U. S. sanctions~~ against **software development** ~~Russia in response to the war in Ukraine could lead to an increased threat of cyberattacks against U~~ . **We** ~~S. companies. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As we continue to increase our client base and expand our brand, we may become more of a target for third parties seeking to compromise our security systems and we~~ anticipate that ~~hacking attempts and~~ cyberattacks will **continue to** increase in the future. We cannot give assurance that we will always be successful in preventing or repelling unauthorized access to our systems. We also may face delays in our ability to identify or otherwise respond to any cybersecurity incident or any other breach. Additionally, we use third- party service providers to provide some services to us that involve the storage or transmission of data, such as SaaS, cloud computing, and internet infrastructure and bandwidth, and they face various cybersecurity threats and also may suffer cybersecurity incidents or other security breaches. Many jurisdictions have enacted or are enacting laws requiring companies to notify regulators or individuals of data security incidents involving certain types of personal data. These mandatory disclosures regarding security incidents often lead to widespread negative publicity. Moreover, the risk of reputational harm may be magnified and / or distorted through the rapid dissemination of information over the internet, including through news articles, blogs, social media, and other online communication forums and services. Any security incident, loss of data, or other security breach, whether actual or perceived, or whether impacting us or our third- party service providers, could harm our reputation, erode customer confidence in the effectiveness of our data security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their support contracts or their SaaS subscriptions, or subject us to third- party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. Our existing general liability **insurance coverage, cybersecurity** insurance coverage and coverage for errors and omissions may not continue to be available on acceptable terms or may not be available in sufficient amounts to cover one or more large claims, or our insurers may deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, operating results, financial condition and cash flows. If a data center or other third- party who relies on our products experiences a disruption in service or a loss of data, such disruption could be attributed to the quality of our products, thereby causing financial or reputational harm to our business. Our clients, including data centers, SaaS, cloud computing and internet infrastructure and bandwidth providers, rely on our products for their data storage needs. Our clients may authorize third- party technology providers to access their data on our systems. Because we do not control the transmissions between our clients, their customers, and third- party technology providers, or the processing of such data by third- party technology providers, we cannot ensure the complete integrity or security of such transmissions or processing. Errors or wrongdoing by clients, their customers, or third- party technology providers resulting in actual or perceived security breaches may result in such actual or perceived breaches being attributed to us. A failure or inability to meet our clients' expectations with respect to security and confidentiality through a disruption in the services provided by these third- party vendors, or the loss or alteration of data stored by such vendors, could result in financial or reputational harm to our business to the extent that such disruption or loss is caused by, or perceived by our customers to have been caused by, defects in our products. Moreover, the risk of reputational harm may be magnified and / or distorted through the rapid dissemination of information over the internet, including through news articles, blogs, social media, and other online communication forums and services. This may affect our ability to retain clients and attract new business. Failure to comply with new and existing laws and regulations relating to privacy, data protection, and information security could cause harm to our reputation, result in liability and adversely impact our business. Our business is subject to increasing regulation by various federal, state and international governmental agencies responsible for enacting and enforcing laws and regulations relating to privacy, data protection, and information security. For example, since the effective date of the EU' s General Data Privacy Regulation in 2018, the Court of Justice of the European Union has issued rulings that have impacted how multinational companies must implement that law and the European Commission (EC) has published new regulatory requirements relating to cross- border data transfers applicable to multinational companies like NetApp. NetApp relies on a variety of compliance methods to transfer personal data of European Economic Area (EEA) individuals to other countries, including Binding Corporate Rules and Standard Contractual Clauses (SCCs). In June 2021, the EC imposed new SCC requirements which impose certain contract and operational requirements on NetApp and its contracting parties, including requirements related to government access transparency, enhanced data subject rights, and broader third- party assessments to ensure safeguards necessary to protect personal data transferred from NetApp or its partners to countries outside the EEA **, requiring** ~~. To the extent~~ NetApp ~~relies on SCCs, such~~ **to revise customer and vendor** ~~engagements~~ --- **agreements** ~~will require new contractual arrangements under the updated requirements to avoid limitations on NetApp' s ability to process EEA data in countries outside of the EEA~~. In addition to the EU' s General Data Privacy Regulation, other global governments have adopted new privacy and data protection laws. In particular, the ~~UK~~ **United Kingdom** ' s exit from the EU has resulted in a parallel comprehensive privacy law known as the ~~UK~~ **United Kingdom** General Data Protection Regulation, which is similarly supplemented by other domestic data protection laws, such as the ~~UK~~ **United Kingdom** Data Protection Act 2018. The rapidly evolving regulatory framework in this area is likely to remain uncertain for the foreseeable future. In addition, changes in the interpretation and enforcement of existing laws and regulations could impact our business operations and those of our partners, vendors and customers. Customers, privacy advocates and industry groups also may propose new and different self- regulatory standards or standards of care that may legally or contractually apply to us, and these standards may be subject to change. These factors create uncertainty and we cannot yet determine the impact such future laws, regulations and standards, or changes to such laws, regulations, or standards, or to their interpretation or enforcement, may have on our business or the businesses of our partners, vendors and customers. In addition, changes in the interpretation of existing laws and regulations could impact our business operations and those of our partners, vendors and customers. Because the interpretation and application of many laws and regulations relating to privacy, data protection and information security, along with industry standards, are uncertain, it is possible that relevant laws, regulations, or standards may be interpreted and applied in manners that are, or are alleged to be, inconsistent with our data management practices or the features of our products. Any failure, or perceived failure, by us or our business partners to comply with federal, state or international laws and regulations relating to privacy, data protection, and information security, commitments relating to privacy, data protection, and information security contained in our contracts, self-regulatory standards that apply to us or that third parties assert are applicable to us, or our policies or notices we post or make available could subject us to claims, investigations, sanctions, enforcement actions and other proceedings, disgorgement of profits, fines, damages, civil and criminal liability, penalties or injunctions. Additionally, as a technology provider, our customers expect that we can demonstrate compliance with laws and regulations relating to privacy, data protection, and information security, and our inability or perceived inability to do so may adversely impact sales of our products and services, particularly to customers in highly- regulated industries. We have invested company resources in complying with new laws, regulations, and other obligations relating to privacy, data protection, and information security, and we may be required to make additional, significant changes in our business operations, all of which may adversely affect our revenue and our business overall. As a result of any inability to comply with such laws and regulations, our reputation and brand may be harmed, we could incur significant costs, and financial and operating results could be materially adversely affected, and we could be required to modify or change our products or our business practices, any of which could have an adverse effect on our business. Our business could be subject to stricter obligations, greater fines and private causes of action, including class actions, under the enactment of new laws and regulations relating to privacy, data protection, and information security, including but not limited to, the European Union General Data Protection Regulation, which provides for penalties of up to 20 million Euros or four percent of our annual global revenues, UK General Data Protection Regulation, which provides for penalties up to 15 million Pounds or four percent of our annual global revenue, the California Consumer Privacy Act and the California Privacy Rights Act, and other U. S. state- based regulation. If our products or services are defective, or are perceived to be defective as a result of improper use or maintenance, our operating results, including gross margins, and customer relationships may be harmed. Our products and services are complex. We have experienced in the past, and expect to experience in the future, quality issues impacting certain products, and in the future, we could experience reliability issues with services we provide. Such quality and reliability issues may be due to, for example, our own designs or processes, the designs or processes of our suppliers, and / or flaws in third- party software used in our products. These types of risks are most acute when we are introducing new products. Quality or reliability issues have and could again in the future cause customers to experience outages or disruptions in service, data loss or data corruption. If we fail to remedy a product defect or flaw, we may experience a failure of a product line, temporary or permanent withdrawal from a product or market, damage to our reputation, loss of revenue, inventory costs or product reengineering expenses and higher ongoing warranty and service costs, and these occurrences could have a material impact on our gross margins, business and operating results. In addition, we exercise little control over how our customers use or maintain our products and services, and in some cases improper usage or maintenance could impair the performance of our products and services, which could lead to a perception of a quality or reliability issue. Customers may experience losses that may result from or are alleged to result from defects or flaws in our products and services, which could subject us to claims for damages, including consequential damages. Changes in regulations relating to our products or their components, or the manufacture, sourcing, distribution or use thereof, may harm our business, operating results financial condition and cash flows. The laws and regulations governing the manufacturing, sourcing, distribution and use of our products have become more complex and stringent over time. For example, in addition to various environmental laws relating to carbon emissions, the use and discharge of hazardous materials and the use of certain minerals originating from identified conflict zones, many governments, including the U. S., the United Kingdom and Australia, have adopted regulations concerning the risk of human trafficking in supply chains which govern how workers are recruited and managed. We incur costs to comply with the requirements of such laws. Further, since our supply chain is complex, we may face reputational harm if our customers or other stakeholders conclude that we are unable to verify sufficiently the origins of the minerals used in the products we sell or the actions of our suppliers with respect to workers. As the laws and regulations governing our products continue to expand and change, our costs are likely to rise, and the failure to comply with any such laws and regulations could subject us to business interruptions, litigation risks and reputational harm. Some of our products are subject to U. S. export control laws and other laws affecting the countries in which our products and services may be sold, distributed, or delivered, and any violation of these laws could have a material and adverse effect on our business, operating results, financial condition and cash flows. Due to the global nature of our business, we are subject to import and export restrictions and regulations, including the Export Administration Regulations administered by the Commerce Department' s Bureau of Industry and Security (BIS) and the trade and economic sanctions regulations administered by the Treasury Department' s Office of Foreign Assets Control (OFAC). The U. S., through the BIS and OFAC, places restrictions on the sale or export of certain products and services to certain countries and persons, including most recently to Russia, Belarus and portions of Ukraine. These regulations have caused the Company to stop selling or servicing our products temporarily in restricted areas, such as Russia, Belarus and portions of Ukraine. The BIS and OFAC have also placed restrictions on dealing with certain" blocked " entities, such as Russia' s federal security service (FSB), including the Company' s filing of notifications to the FSB for exporting certain products to Russia. Violators of these export control and sanctions laws may be subject to significant penalties, which may include significant monetary fines, criminal proceedings against them and their officers and employees, a denial of export privileges, and suspension or debarment from selling products to the federal government. Our products could be shipped to those targets by third parties, including potentially our channel partners, despite our precautions. If we were ever found to have violated U. S. export control laws, we may be subject to various penalties available under the laws, any of which could have a material and adverse impact on our business, operating results and financial condition. Even if we were not found to have violated such laws, the political and media scrutiny surrounding any governmental investigation of us could cause us significant expense and reputational harm. Such collateral consequences could have a material adverse impact on our business, operating results, financial condition and cash flows. Our failure to protect our intellectual property could harm our business, operating results, financial condition and cash flows. Our success depends significantly upon developing, maintaining and protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions with employees, resellers, strategic partners and customers, to protect our proprietary rights. We currently have multiple U. S. and international patent applications pending and multiple U. S. and international patents issued. The pending applications may not be approved, and our existing and future patents may be challenged. If such challenges are brought, the patents may be invalidated. We may not be able to develop proprietary products or technologies that are patentable, and patents issued to us may not provide us with any competitive advantages and may be challenged by third parties. Further, the patents of others may materially and adversely affect our ability to do business. In addition, a failure to obtain and defend our trademark registrations may impede our marketing and branding efforts and competitive condition. Litigation may be necessary to protect our proprietary technology. Any such litigation may be time- consuming and costly. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the U. S. Our means of protecting our proprietary rights may not be adequate or our competitors may independently develop similar technology, duplicate our products, or design around patents issued to us or other intellectual property rights of ours. In addition, while we train employees in confidentiality practices and include terms in our employee and consultant agreements to protect our intellectual property, there is persistent risk that some individuals will improperly take our intellectual property after terminating their employment or other engagements with us, which could lead to intellectual property leakage to competitors and a loss of our competitive advantages. We may be found to infringe on intellectual property rights of others. We compete in markets in which intellectual property infringement claims arise in the normal course of business. Third parties have, from time to time, asserted intellectual property- related claims against us, including claims for alleged patent infringement brought by non- practicing entities. Such claims may be made against our products and services, our customers' use of our products and services, or a combination of our products and third- party products. We also may be subject to claims and indemnification obligations from customers and resellers with respect to third- party intellectual property rights pursuant to our agreements with them. If we refuse to indemnify or defend such claims, even in situations in which the third- party' s allegations are meritless, then customers and resellers may refuse to do business with us. Patent litigation is particularly common in our industry. We have been, and continue to be, in active patent litigations with non- practicing entities. While we vigorously defend our ability to compete in the marketplace, there is no guarantee that, in patent or other types of intellectual property litigation, we will prevail at trial or be able to settle at a reasonable cost. If a judge or jury were to find that our products infringe, we could be required to pay significant monetary damages and be subject to an injunction that could cause product shipment delays, require us to redesign our products, affect our ability to supply or service our customers, and / or require us to enter into compulsory royalty or licensing agreements. We expect that companies in the enterprise storage and data management, cloud storage and cloud operations markets will increasingly be subject to infringement claims as the number of products and competitors in our industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, and any such infringement claims discussed above, could be time consuming, result in costly litigation, cause suspension of product shipments or product shipment delays, require us to redesign our products, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our operating results, financial condition and cash flows. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all. We rely on software from third parties, and a failure to properly manage our use of third- party software could result in increased costs or loss of revenue. Many of our products are designed to include software licensed from third parties. Such third- party software includes software licensed from commercial suppliers and software licensed under public open source licenses. We have internal processes to manage our use of such third- party software. However, if we fail to adequately manage our use of third- party software, then we may be subject to copyright infringement or other third- party claims. If we are non- compliant with a license for commercial software, then we may be required to pay penalties or undergo costly audits pursuant to the license agreement. In the case of open- source software licensed under certain " copyleft " licenses, the license itself may require, or a court- imposed remedy for non- compliant use of the open source software may require, that proprietary portions of our own software be publicly disclosed or licensed. This could result in a loss of intellectual property rights, increased costs, damage to our reputation and / or a loss of revenue. In addition, many of our products use open- source software. Such open- source software generally does not provide any warranty or contractual protection, and may be susceptible to attack from bad actors. Further, open- source software may contain vulnerabilities, which may or may not be known at the time of our inclusion of the software in a product. If a vulnerability in such software is successfully exploited, we could be subject to damages including remediation costs, reputational damage and lost revenues. Our failure to adjust to emerging standards may harm our business. Emerging standards may adversely affect the UNIX ®, Windows ® and World Wide Web server markets upon which we depend. For example, we provide our open access data retention solutions to customers within the financial services, healthcare, pharmaceutical and government market segments, industries that are subject to various evolving governmental regulations with respect to data access, reliability and permanence in the U. S. and in the other countries in which we operate. If our products do not meet and continue to comply with these evolving governmental regulations in this regard, customers in these market and geographical segments will not purchase our products, and we may not be able to expand our product offerings in these market and geographical segments at the rates which we have forecasted. Risks Related to Our Securities Our stock price is subject to volatility. Our stock price is subject to changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, changes in our capital structure, including issuance of additional debt, changes in our credit ratings, our ability to pay dividends and to continue to execute our stock repurchase program as planned and market trends unrelated to our performance. Our ability to pay quarterly dividends and to continue to execute our stock repurchase program as planned will be subject to, among other things, our financial condition and operating results, available cash and cash flows in the U. S., capital requirements, and other factors. Future dividends are subject to declaration by our Board of Directors, and our stock repurchase program does not obligate us to acquire any specific number of shares. However, if we fail to meet any investor expectations related to dividends and / or stock repurchases, the market price of our stock could decline significantly, and could have a material adverse impact on investor confidence. Additionally, price volatility of our stock over a given period may cause the average price at which we repurchase our own stock to exceed the stock' s market price at a given point in time. Furthermore, speculation in the press or investment community about our strategic position, financial condition, results of operations or business can cause changes in our stock price. These factors, as well as general economic and political conditions and the timing of announcements in the public market regarding new products or services, product enhancements or technological advances by our competitors or us, and any announcements by us of acquisitions, major transactions, or management changes may adversely affect our stock price. Our quarterly operating results may fluctuate materially, which could harm our common stock price. Our operating results have fluctuated in the past and will continue to do so, sometimes materially. All of the matters discussed in this Risk Factors section could impact our operating results in any fiscal quarter or year. In addition to those matters, we face the following issues, which could impact our quarterly results: • Seasonality, such as our historical seasonal decline in revenues in the first quarter of our fiscal year and seasonal increase in revenues in the fourth quarter of our fiscal year; • Linearity, such as our historical intra- quarter customer orders and revenue pattern in which a disproportionate percentage of each quarter' s total orders and related revenue occur in the last month of the quarter; and • Unpredictability associated with larger scale enterprise software license agreements which generally take longer to negotiate and occur less consistently than other types of contracts, and for which revenue attributable to the software license component is typically recognized in full upon delivery. If our operating results fall below our forecasts and the expectations of public market analysts and investors, the trading price of our common stock may decline. There are risks associated with our outstanding and future indebtedness. As of April ~~29~~ **28** , ~~2022~~ **2023** , we had $ 2. ~~7~~ **4** billion aggregate principal amount of outstanding indebtedness for our senior notes that mature at specific dates in calendar years ~~2022,~~ 2024, 2025, 2027 and 2030. We may incur additional indebtedness in the future under existing credit facilities and / or enter into new financing arrangements. We may fail to pay these or additional future obligations, as and when required. Specifically, if we are unable to generate sufficient cash flows from operations or to borrow sufficient funds in the future to service or refinance our debt, our business, operating results, financial condition and cash flows will be harmed. Any downgrades from credit rating agencies such as Moody' s Investors Service or Standard & Poor' s Rating Services may adversely impact our ability to obtain additional financing or the terms of such financing and reduce the market capacity for our commercial paper. Furthermore, if prevailing interest rates or other factors result in higher interest rates upon any potential future financing, then interest expense related to the refinance indebtedness would increase. In addition, all our debt and credit facility arrangements subject us to continued compliance with restrictive and financial covenants. If we do not comply with these covenants or otherwise default under the arrangements, we may be required to repay any outstanding amounts borrowed under these agreements. Moreover, compliance with these covenants may restrict our strategic or operational flexibility in the future, which could harm our business, operating results, financial condition and cash flows. General Risks ~~We are unable to predict the extent to which the global COVID- 19 pandemic may adversely impact our business, operating results, financial condition, and cash flows. The COVID- 19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all 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 such as India, including office closures and working remotely for the vast majority of employees, all of which could negatively impact our business. The magnitude and duration of the disruption and resulting decline in business activity is uncertain and has limited our ability to forecast future demand for our products and services as well as the timing of future supply of product components. The COVID- 19 pandemic and its uneven recovery have adversely affected, and we expect may continue to adversely affect, our business in a variety of ways, including by negatively impacting the demand for our products and services, and our ability to build and convert our sales pipeline (including delayed and deferred purchases); restricting our sales, marketing and distribution efforts; disrupting our supply chain, including delaying delivery and increasing the cost of critical product components, and our ability to deliver product to customers; and constraining business operations, research and development capabilities, engineering, design and manufacturing processes and other important business activities, including in India. In addition, the COVID- 19 pandemic has disrupted the operations of our suppliers, customers and partners for an indefinite period of time, including as a result of travel restrictions and / or business shutdowns and limited access to capital markets, all of which have and may continue to negatively impact our business and results of operations, including cash flows. Accordingly, we expect the COVID- 19 pandemic to have a negative impact on our future sales and results of operations, the magnitude and duration of which we are unable to predict. Additionally, concerns over the economic impact of COVID- 19 pandemic have caused extreme volatility in financial and other capital markets, which volatility has and may continue to adversely impact our stock price and could impact our ability to access capital markets. More generally, the COVID- 19 pandemic has adversely affected economies and financial markets globally, potentially leading to a prolonged economic downturn, which could decrease technology spending and adversely affect demand for our offerings and harm our business and results of operations for an extended period of time. To the extent that the COVID- 19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this " Risk Factors " section and those incorporated by reference herein, such as those relating to our products and services, financial performance, credit rating and debt obligations.~~ Our business could be materially and adversely affected as a result of natural disasters, terrorist acts or other catastrophic events. We depend on the ability of our personnel, inventories, equipment and products to move reasonably unimpeded around the world. Any political, military, terrorism, global trade, world health or other issue that hinders this movement or restricts the import or export of materials could lead to significant business disruptions. For example, **in recent years,** the ~~ongoing~~ COVID- 19 pandemic **impeded** ~~is impeding~~ the mobility of our personnel, inventories, equipment and products and ~~disrupting~~ **disrupted** our business operations. Furthermore, any economic failure or other material disruption caused by natural disasters, including fires, floods, droughts, hurricanes, earthquakes, and volcanoes; power loss or shortages; environmental disasters; telecommunications or business information systems failures or break- ins and similar events could also adversely affect our ability to conduct business. As a result of climate change, we expect the frequency and impact of such natural disasters or other material disruptions to increase. If such disruptions result in cancellations of customer orders or contribute to a general decrease in economic activity or corporate spending on IT, or directly impact our marketing, manufacturing, financial and logistics functions, or impair our ability to meet our customer demands, our operating results and financial condition could be materially adversely affected. Our headquarters is located in Northern California, an area susceptible to earthquakes and wildfires. If any significant disaster were to occur there, our ability to operate our business and our operating results, financial condition and cash flows could be adversely impacted. 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 ~~in whole or in part~~, could increase our worldwide effective tax rate and harm our operating ~~result~~ **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. ~~Beginning in our fiscal~~ **For example, on August 16,** ~~2023~~ **2022**, the ~~Tax Cuts and Jobs~~ **U. S. enacted the Inflation Reduction** Act ~~of 2017 (TCJA) eliminates the option to deduct research and development expenditures currently and requires taxpayers to amortize them pursuant to IRC Section 174. Although Congress is considering legislation that would defer the amortization requirement to later years~~, **which includes a corporate minimum** ~~we have no assurance that the provision will be repealed or otherwise modified. If the requirement is not modified, it will materially increase our effective~~ tax **and a 1 % excise** ~~rate. Changes in U. S. corporate~~ tax **on net stock repurchases** ~~law are currently being considered by the U~~. **We continue to evaluate** ~~S. Congress and if certain of these proposals are ultimately enacted into legislation, they~~ **the** ~~could materially impact~~ **impacts** ~~our operations~~ **of changes in tax laws** and ~~financial results~~ **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.