

# VMW Q4 & FY21 Earnings Conference Call

February 25, 2021

# Zane Rowe, CFO & Interim CEO

- In Q4, total revenue grew 7% YoY to \$3.3B, with non-GAAP earnings of \$2.21.<sup>(1)</sup>
- FY21 total revenue grew 9% YoY to \$11.8B, with non-GAAP earnings of \$7.20.<sup>(1)</sup>
- Customers continue to choose VMware to help them deliver the digital foundation to power their apps, clouds, security and user experiences.
- In Q4, we closed deals with significant aerospace and telco customers and saw particular strength in the financial sector.
- Expanding the reach of our solutions through key strategic partnerships, from our VCPP partners to hyperscalers to System Integrators.
- Announced an expansion of our partnership with Accenture, resulting in the launch of their dedicated VMware business unit.
- Continuing to further our multi-cloud strategy, seeing traction as customers align app requirements to the cloud of their choice, whether private, hybrid or public.

# Zane Rowe, CFO & Interim CEO

- In Q4, the combination of Subscription & SaaS & license revenue grew 8% YoY to \$1.7B.
- Saw large enterprise demand strength throughout Q4, allowing us to close a record 35 deals over \$10M.
- Q4 Subscription & SaaS revenue increased 27% YoY, with strong growth in VCPP, EUC, Carbon Black and VMC on AWS.
- Workloads on VMC on AWS and revenue nearly doubled YoY in Q4 as we continued to expand functionality and use case adoption.
- At the end of Q4, ARR for Subscription & SaaS was \$2.9B, an increase of 27% YoY.
- For Q4, RPO was \$11.3B, up 10% YoY, and current RPO was \$6.2B, up 12% YoY.

# Zane Rowe, CFO & Interim CEO

- Q4 Core SDDC product bookings increased 12% YoY, highlighted by strength in our vRealize management offerings.
- Compute product bookings grew in the low-single-digits YoY in Q4.
- NSX and vSAN had single-digit YoY declines in Q4, an improvement for both over Q3FY21.
- Three-quarters of our EUC product bookings are now SaaS. EUC's ACV SaaS growth rate was 30% YoY in Q4, driven primarily by Horizon, and initiatives related to Anywhere workspace.
- Carbon Black Cloud bookings grew in the high double-digits YoY in Q4, expanding endpoint and workload protection capabilities and delivering Intrinsic Security value to customers.
- Our Tanzu portfolio exceeded expectations, included in 8 of the top 10 VMware deals in Q4.
- We are committed to executing at scale as we continue to build our Subscription & SaaS business and invest in our future growth.

# Overview of Results: Revenue Highlights

Q4FY21		
	Actual (\$M)	YoY Growth
Total Revenue	3,294	7%
Subscription & SaaS and License Revenue	1,721	8%
Subscription & SaaS Revenue	707	27%
RPO <sup>(1)</sup>	11,304	10%
cRPO <sup>(1)</sup>	6,243	12%

FY21		
	Actual (\$M)	YoY Growth
Total Revenue	11,767	9%
Subscription & SaaS and License Revenue	5,620	11%
Subscription & SaaS Revenue	2,587	38%

(1) See Appendix for more information on RPO (Remaining Performance Obligations) and cRPO (Current Remaining Performance Obligations).

# Subscription & SaaS

Q4FY21

21% of total revenue

## Subscription & SaaS Revenue contains:

VMware Cloud Provider Program, VMware Cloud on AWS

Modern Applications Business including Tanzu, Pivotal, Heptio and Wavefront

EUC: Portion of Workspace One revenue recognized as SaaS, Horizon Cloud

Carbon Black, AppDefense, Cloud Health Technologies, VeloCloud

Cloud Management & other “as a service” offerings

# Income Statement Highlights

	Q4FY20	Q4FY21	FY20	FY21
License Revenue (\$M)	1,034	1,014	3,181	3,033
Subscription & SaaS Revenue (\$M)	556	707	1,877	2,587
Services Revenue (\$M)	1,483	1,573	5,753	6,147
Total Revenue (\$M)	3,073	3,294	10,811	11,767
Non-GAAP Operating Margin <sup>(1)</sup>	34.3%	34.4%	30.2%	32.2%
Non-GAAP Net Income per Diluted Share (\$) <sup>(1)(2)</sup>	2.05	2.21	6.24	7.20

(1) See Appendix for reconciliation to GAAP.

(2) Q4FY20 and FY20 Non-GAAP Net Income per Diluted Share based on net income attributable to VMware.

# Select Financial Measures

	FY21
Headcount	33,972
Cash and Cash Equivalents (\$M)	4,692
Operating Cash Flow (\$M)	4,409
CapEx (\$M)	329
Unearned Revenue Total (\$M)	10,314
Long-Term Unearned Revenue (\$M) <sup>(1)</sup>	4,441

(1) Non-current unearned revenue as reported on VMware's consolidated balance sheets.



# Guidance

FY22

Total Revenue

Approximately \$12.7B

8% YoY

Subscription & SaaS and License Revenue

Approximately \$6.3B\*

12% YoY

\* Approximately 55% from Subscription & SaaS

# Guidance

FY22	
Non-GAAP Operating Margin <sup>(1)</sup>	28%
Diluted Non-GAAP Net Income per Share <sup>(1)</sup>	\$6.68
Other Income & Expense <sup>(2)</sup>	(\$200M)
Diluted Share Count	422M
Non-GAAP Tax Rate <sup>(3)</sup>	16%
GAAP Tax Rate <sup>(3)</sup>	Approximately 1 point higher to 1 point lower than Non-GAAP tax rate

(1) See Appendix for reconciliation to GAAP.

(2) Other income and expense guidance (“OI&E”) includes estimate for the period indicated of “Investment income”, “Interest expense” and “Other income (expense), net” as reported on VMware’s Consolidated Statements of Income and is comprised primarily of expected interest expense on debt. Estimate does not include potential foreign currency gains or losses due to foreign exchange fluctuations, changes in the value of marketable securities and items that appear in OI&E that cannot be currently predicted.

(3) The estimated tax rate on non-GAAP income is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events such as a potential spinoff from our parent corporation, Dell Technologies, Inc. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rate, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

# Guidance

FY22	
Cash Flow From Operations	\$3.8B
CapEx	\$380M
Free Cash Flow <sup>(1)</sup>	\$3.4B

(1) Free Cash Flow is a non-GAAP financial measure calculated by subtracting CapEx from Cash Flow From Operations. See table above

# Guidance

## Q1FY22

Total Revenue	\$2.9B	6% YoY
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Subscription & SaaS and License Revenue	\$1.3B*	7% YoY
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\*Over 55% from Subscription & SaaS

# Guidance

Q1FY22	
Non-GAAP Operating Margin <sup>(1)</sup>	27.5%
Diluted Non-GAAP Net Income per Share <sup>(1)</sup>	\$1.49
Other Income & Expense <sup>(2)</sup>	(\$50M)
Diluted Share Count	422M
Non-GAAP Tax Rate <sup>(3)</sup>	16%
GAAP Tax Rate <sup>(3)</sup>	Approximately 1 point higher to 1 point lower than Non-GAAP tax rate

(1) See Appendix for reconciliation to GAAP.

(2) Other income and expense guidance (“OI&E”) includes estimate for the period indicated of “Investment income”, “Interest expense” and “Other income (expense), net” as reported on VMware’s Consolidated Statements of Income and is comprised primarily of expected interest expense on debt. Estimate does not include potential foreign currency gains or losses due to foreign exchange fluctuations, changes in the value of marketable securities and items that appear in OI&E that cannot be currently predicted.

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# Q&A

# Appendix

VMware, Inc.

**RECONCILIATION OF GAAP TO NON-GAAP DATA**  
**For the Three Months Ended January 29, 2021**  
(amounts in millions, except per share amounts, and shares in thousands)  
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition, Disposition and Other Items	Certain Litigation and Other Contingencies <sup>(5)</sup>	Tax Adjustment <sup>(1)</sup>	Non-GAAP As Adjusted <sup>(2)</sup>
Operating expenses:									
Cost of license revenue	\$ 45	—	—	(11)	—	—	—	—	\$ 33
Cost of subscription and SaaS revenue	\$ 187	(6)	—	(48)	—	—	—	—	\$ 133
Cost of services revenue	\$ 322	(25)	—	—	—	—	—	—	\$ 296
Research and development	\$ 757	(127)	(1)	(1)	—	—	—	—	\$ 628
Sales and marketing	\$ 987	(79)	(2)	(24)	—	—	—	—	\$ 884
General and administrative	\$ (6)	(16)	—	—	—	(27)	237	—	\$ 187
Realignment	\$ (5)	—	—	—	5	—	—	—	\$ —
Operating income	\$ 1,007	253	3	84	(5)	27	(237)	—	\$ 1,133
Operating margin <sup>(2)</sup>	30.6 %	7.7 %	0.1 %	2.5 %	(0.1)%	0.8 %	(7.2)%	—	34.4 %
Other income (expense), net <sup>(3)</sup>	\$ 7	—	—	—	—	25	—	—	\$ 30
Income before income tax	\$ 965	253	3	84	(5)	52	(237)	—	\$ 1,114
Income tax provision	\$ 174	—	—	—	—	—	—	5	\$ 178
Tax rate <sup>(2)</sup>	18.0 %	—	—	—	—	—	—	—	16.0 %
Net income	\$ 791	253	3	84	(5)	52	(237)	(5)	\$ 936
Net income per weighted-average share, diluted for Classes A and B <sup>(2)(4)</sup>	\$ 1.87	\$ 0.60	\$ 0.01	\$ 0.20	\$ (0.01)	\$ 0.12	\$ (0.56)	\$ (0.01)	\$ 2.21

<sup>(1)</sup> Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

<sup>(2)</sup> Totals may not sum, due to rounding. Operating margin, tax rate and net income per weighted average share information are calculated based upon the respective underlying, non-rounded data.

<sup>(3)</sup> Non-GAAP adjustment to other income (expense), net includes gains or losses on investments in equity securities, whether realized or unrealized.

<sup>(4)</sup> Calculated based upon 422,813 diluted weighted-average shares for Classes A and B.

<sup>(5)</sup> Reflects derecognition of a \$237 million previously accrued litigation loss as a result of a jury verdict in January 2020 against VMware in a patent litigation matter brought by plaintiffs Cirba Inc and Cirba, IP. Inc. On December 21, 2020, the United States District Court of the District of Delaware set aside the jury verdict and ordered a new trial.

# Appendix

## VMware, Inc.

### RECONCILIATION OF GAAP TO NON-GAAP DATA

For the Twelve Months Ended January 29, 2021

(amounts in millions, except per share amounts, and shares in thousands)

(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition, Disposition and Other Items	Certain Litigation and Other Contingencies <sup>(5)</sup>	Tax Adjustment <sup>(1)</sup>	Non-GAAP As Adjusted <sup>(2)</sup>
Operating expenses:									
Cost of license revenue	\$ 163	(1)	—	(44)	—	—	—	—	\$ 118
Cost of subscription and SaaS revenue	\$ 588	(19)	—	(186)	—	—	—	—	\$ 383
Cost of services revenue	\$ 1,292	(99)	(1)	(1)	—	—	—	—	\$ 1,190
Research and development	\$ 2,816	(524)	(1)	(3)	—	(1)	—	—	\$ 2,286
Sales and marketing	\$ 3,711	(322)	(8)	(94)	—	(2)	—	—	\$ 3,288
General and administrative	\$ 767	(157)	(1)	—	—	(132)	237	—	\$ 713
Realignment	\$ 42	—	—	—	(42)	—	—	—	\$ —
Operating income	\$ 2,388	1,122	11	328	42	135	(237)	—	\$ 3,789
Operating margin <sup>(2)</sup>	20.3 %	9.5 %	0.1 %	2.8 %	0.4 %	1.1 %	(2.0)%	—	32.2 %
Other income (expense), net <sup>(3)</sup>	\$ 191	—	—	—	—	(157)	—	—	\$ 34
Income before income tax	\$ 2,382	1,122	11	328	42	(22)	(237)	—	\$ 3,626
Income tax provision	\$ 324	—	—	—	—	—	—	256	\$ 580
Tax rate <sup>(2)</sup>	13.6 %	—	—	—	—	—	—	—	16.0 %
Net income	\$ 2,058	1,122	11	328	42	(22)	(237)	(256)	\$ 3,046
Net income per weighted-average share, diluted for Classes A and B <sup>(2)(4)</sup>	\$ 4.86	\$ 2.65	\$ 0.03	\$ 0.77	\$ 0.10	\$ (0.05)	\$ (0.56)	\$ (0.61)	\$ 7.20

<sup>(1)</sup> Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

<sup>(2)</sup> Totals may not sum, due to rounding. Operating margin, tax rate and net income per weighted average share information are calculated based upon the respective underlying, non-rounded data.

<sup>(3)</sup> Non-GAAP adjustment to other income (expense), net includes gains or losses on investments in equity securities, whether realized or unrealized.

<sup>(4)</sup> Calculated based upon 423,240 diluted weighted-average shares for Classes A and B.

<sup>(5)</sup> Reflects derecognition of a \$237 million previously accrued litigation loss as a result of a jury verdict in January 2020 against VMware in a patent litigation matter brought by plaintiffs Cirba Inc and Cirba, IP. Inc. On December 21, 2020, the United States District Court of the District of Delaware set aside the jury verdict and ordered a new trial.



# Appendix

## VMware, Inc.

### RECONCILIATION OF GAAP TO NON-GAAP DATA For the Three Months Ended January 31, 2020 (amounts in millions, except per share amounts, and shares in thousands) (unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition, Disposition and Other Items	Certain Litigation and Other Contingencies	Tax Adjustment <sup>(1)</sup>	Non-GAAP As Adjusted <sup>(2)</sup>
Operating expenses:									
Cost of license revenue	\$ 50	—	—	(27)	—	—	—	—	\$ 23
Cost of subscription and SaaS revenue	\$ 106	(3)	—	(25)	—	—	—	—	\$ 79
Cost of services revenue	\$ 317	(24)	(2)	—	—	—	—	—	\$ 291
Research and development	\$ 676	(130)	(2)	—	—	—	—	—	\$ 543
Sales and marketing	\$ 1,003	(91)	—	(34)	—	—	—	—	\$ 881
General and administrative	\$ 592	(64)	(3)	—	—	(84)	(237)	—	\$ 202
Realignment	\$ 79	—	—	—	(79)	—	—	—	\$ —
Operating income	\$ 250	312	7	86	79	84	237	—	\$ 1,054
Operating margin <sup>(2)</sup>	8.1 %	10.1 %	0.2 %	2.8 %	2.6 %	2.7 %	7.7 %	—	34.3 %
Other income (expense), net <sup>(3)</sup>	\$ 10	—	—	—	—	(1)	—	—	\$ 10
Income before income tax	\$ 239	312	7	86	79	83	237	—	\$ 1,043
Income tax provision (benefit)	\$ (76)	—	—	—	—	—	—	242	\$ 166
Tax rate <sup>(2)</sup>	N/A	—	—	—	—	—	—	—	16.0 %
Net income	\$ 315	312	7	86	79	83	237	(242)	\$ 877
Less: Net income (loss) attributable to non-controlling interests	\$ (6)	23	—	7	—	1	—	(15)	\$ 9
Net income attributable to VMware, Inc.	\$ 321	289	7	79	79	82	237	(227)	\$ 868
Net income per weighted-average share attributable to VMware, Inc. common stockholders, diluted for Classes A and B <sup>(2)(4)</sup>	\$ 0.76	\$ 0.68	\$ 0.02	\$ 0.19	\$ 0.19	\$ 0.19	\$ 0.56	\$ (0.53)	\$ 2.05

N/A - GAAP tax rate was not applicable due to the income tax benefit recorded for the three months ended January 31, 2020.

<sup>(1)</sup> Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

<sup>(2)</sup> Totals may not sum, due to rounding. Operating margin, tax rate and net income per weighted average share information are calculated based upon the respective underlying, non-rounded data.

<sup>(3)</sup> Non-GAAP adjustment to other income (expense), net includes gains or losses on investments in equity securities, whether realized or unrealized.

<sup>(4)</sup> Calculated based upon 424,007 diluted weighted-average shares for Classes A and B.

## Appendix

**RECONCILIATION OF GAAP TO NON-GAAP DATA**  
**For the Twelve Months Ended January 31, 2020**  
(amounts in millions, except per share amounts, and shares in thousands)  
(unaudited)

	GAAP	Stock-Based Compensation	Employer Payroll Taxes on Employee Stock Transactions	Intangible Amortization	Realignment Charges	Acquisition, Disposition and Other Items	Certain Litigation and Other Contingencies	Tax Adjustment <sup>(1)</sup>	Non-GAAP As Adjusted <sup>(2)</sup>
Operating expenses:									
Cost of license revenue	\$ 166	(1)	—	(89)	—	—	—	—	\$ 76
Cost of subscription and SaaS revenue	\$ 400	(13)	—	(103)	—	—	—	—	\$ 285
Cost of services revenue	\$ 1,233	(83)	(2)	(2)	—	—	—	—	\$ 1,147
Research and development	\$ 2,522	(459)	(3)	(1)	—	—	—	—	\$ 2,058
Sales and marketing	\$ 3,677	(293)	(6)	(105)	—	—	—	—	\$ 3,273
General and administrative	\$ 1,293	(168)	(3)	—	—	(173)	(237)	—	\$ 711
Realignment	\$ 79	—	—	—	(79)	—	—	—	\$ —
Operating income	\$ 1,441	1,017	14	300	79	173	237	—	\$ 3,261
Operating margin <sup>(2)</sup>	13.3 %	9.4 %	0.1 %	2.8 %	0.7 %	1.6 %	2.2 %	—	30.2 %
Other income (expense), net <sup>(3)</sup>	\$ 86	—	—	—	—	(35)	—	—	\$ 50
Income before income tax	\$ 1,438	1,017	14	300	79	138	237	—	\$ 3,222
Income tax provision (benefit)	\$ (4,918)							5,432	\$ 514
Tax rate <sup>(2)</sup>	N/M								16.0 %
Net income	\$ 6,356	1,017	14	300	79	138	237	(5,432)	\$ 2,708
Less: Net income (loss) attributable to non-controlling interests	\$ (56)	97	—	33	—	3	—	(24)	\$ 53
Net income attributable to VMware, Inc.	\$ 6,412	920	14	267	79	135	237	(5,408)	\$ 2,655
Net income per weighted-average share attributable to VMware, Inc. common stockholders, diluted for Classes A and B <sup>(2)(5)</sup>	\$ 15.08	\$ 2.16	\$ 0.03	\$ 0.63	\$ 0.19	\$ 0.32	\$ 0.56	\$ (12.72)	\$ 6.24

N/M - Tax rate calculated on a GAAP basis is not considered meaningful.

<sup>(1)</sup> Non-GAAP financial information for the quarter is adjusted for a tax rate equal to our annual estimated tax rate on non-GAAP income. This rate is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

<sup>(2)</sup> Totals may not sum, due to rounding. Operating margin, tax rate and net income per weighted average share information are calculated based upon the respective underlying, non-rounded data.

<sup>(3)</sup> Non-GAAP adjustment to other income (expense), net includes gains or losses on investments in equity securities, whether realized or unrealized.

<sup>(4)</sup> During the second quarter of fiscal 2020, we completed an intra-group transfer of certain of our intellectual property rights to our Irish subsidiary, where our international business is headquartered. A discrete tax benefit of \$4.9 billion was recorded as a deferred tax asset. Due to the impact of the discrete tax benefit of \$4.9 billion, the tax rate calculated on a GAAP basis is not considered meaningful.

<sup>(5)</sup> Calculated based upon 425,235 diluted weighted-average shares for Classes A and B.

## Appendix

**GROWTH IN REVENUE PLUS SEQUENTIAL CHANGE IN UNEARNED REVENUE**  
**(in millions)**  
**(unaudited)**

**Growth in Total Revenue Plus Sequential Change in Unearned Revenue**

	<b>Three Months Ended</b>	
	<b>January 29, 2021</b>	<b>January 31, 2020</b>
Total revenue, as reported	\$ 3,294	\$ 3,073
Sequential change in unearned revenue <sup>(1)</sup>	1,079	1,051
Total revenue plus sequential change in unearned revenue	<u>\$ 4,373</u>	<u>\$ 4,124</u>
Change (%) over prior year, as reported	6 %	

**Growth in License and Subscription and SaaS Revenue Plus Sequential Change in Unearned License and Subscription and SaaS Revenue**

	<b>Three Months Ended</b>	
	<b>January 29, 2021</b>	<b>January 31, 2020</b>
Total license and subscription and SaaS revenue, as reported	\$ 1,721	\$ 1,590
Sequential change in unearned license and subscription and SaaS revenue <sup>(2)</sup>	406	335
Total license and subscription and SaaS revenue plus sequential change in unearned license and subscription and SaaS revenue	<u>\$ 2,127</u>	<u>\$ 1,925</u>
Change (%) over prior year, as reported	10 %	

<sup>(1)</sup> Consists of the change in total unearned revenue from the preceding quarter. Total unearned revenue consists of current and non-current unearned revenue amounts presented in the consolidated balance sheets.

<sup>(2)</sup> Consists of the change in unearned license and subscription and SaaS revenue from the preceding quarter.

# Appendix

## REMAINING PERFORMANCE OBLIGATIONS (in millions) (unaudited)

### Growth in Remaining Performance Obligations

	<b>January 29, 2021</b>	<b>January 31, 2020</b>
Remaining performance obligations <sup>(3)</sup>	\$ 11,304	\$ 10,268
Change (%) over prior year	10 %	
Remaining performance obligations, current <sup>(4)</sup>	\$ 6,243	\$ 5,553
Change (%) over prior year	12 %	

<sup>(3)</sup> Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted customer contracts at the end of any given period.

<sup>(4)</sup> Current remaining performance obligations represent the amount expected to be recognized as revenue over the next twelve months.

# Appendix

## Reconciliation of GAAP to Non-GAAP Operating Margin Guidance

	Q1FY22 (Projected)		FY22 (Projected)	
GAAP Operating Margin	13.6% - 14.9% <sup>(1)</sup>	Projected	14.6% - 15.8% <sup>(2)</sup>	Projected
Stock-based Compensation	9.4%	Estimated	9.5%	Estimated
Employer Payroll Tax on Employee Stock Transactions	0.1%	Estimated	0.1%	Estimated
Intangible Amortization	2.6%	Estimated	2.4%	Estimated
Acquisition, Disposition and Other Related Items	0.7%	Estimated	0.5%	Estimated
Non-GAAP Operating Margin	27.5%	Projected	28.0%	Projected

(1) Values of items excluded from GAAP operating margin are estimates. While the aggregate of estimates may not foot, in total we expect GAAP operating margin to be 13 to 14 percentage points less than non-GAAP operating margin.

(2) Values of items excluded from GAAP operating margin are estimates. While the aggregate of estimates may not foot, in total we estimate GAAP operating margin to be 12 to 13 percentage points less than non-GAAP operating margin.

# Appendix

## Reconciliation of GAAP to Non-GAAP Net Income per Diluted Share Guidance

	Q1FY22 (Projected)		FY22 (Projected)	
GAAP Net Income per Diluted Share	\$0.68 - \$0.76 <sup>(1)</sup>	Projected	\$3.27 - \$3.59 <sup>(2)</sup>	Projected
Stock-based Compensation	0.65	Estimated	2.85	Estimated
Employer Payroll Tax on Employee Stock Transactions	0.01	Estimated	0.03	Estimated
Intangible Amortization	0.18	Estimated	0.71	Estimated
Acquisition, Disposition and Other Related Items	0.05	Estimated	0.16	Estimated
Tax Adjustment <sup>(3)</sup>	(0.14)	Estimated	(0.59)	Estimated
Non-GAAP Net Income per Diluted Share	\$1.49	Projected	\$6.68	Projected

(1) Values of items excluded from GAAP net income per diluted share are estimates. While the aggregate of estimates may not foot, in total we expect GAAP net income per share to be \$0.73 to \$0.81 less than non-GAAP net income per share.

(2) Values of items excluded from GAAP net income per diluted share are estimates. While the aggregate of estimates may not foot, in total we expect GAAP net income per share to be \$3.09 to \$3.41 less than non-GAAP net income per share.

(3) The estimated tax rate on non-GAAP income is based on our estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating the non-GAAP financial measures presented above as well as significant tax adjustments. Our estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that we believe materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events such as a potential spinoff from our parent corporation, Dell Technologies, Inc. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to our estimated annual tax rates as described above, our estimated tax rate on non-GAAP income may differ from our GAAP tax rate and from our actual tax liabilities.

# Forward-Looking Statements

This presentation contains forward-looking statements including, among others, expanding reach of VMware's solutions through partners; furtherance of VMware's multi-cloud strategy and related traction with customers; VMware continuing to invest in, and build and scale its Subscription and SaaS business; and VMware's financial guidance for the first quarter and full year FY22. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors, including but not limited to: (1) the impact of the COVID-19 pandemic on our operations, financial condition, our customers, the business environment and the global and regional economies; (2) adverse changes in general economic or market conditions; (3) delays or reductions in consumer, government and information technology spending; (4) competitive factors, including but not limited to pricing pressures, industry consolidation, entry of new competitors into the virtualization software and cloud, end user and mobile computing, and security industries, as well as new product and marketing initiatives by VMware's competitors; (5) the ability to successfully integrate into VMware acquired companies and assets and smoothly transition services related to divested assets from VMware; (6) rapid technological changes in the virtualization software and cloud, end user, security and mobile computing industries; (7) VMware's customers' ability to transition to new products, platforms, services, solutions and computing strategies in such areas as containerization, modern applications, intrinsic security and networking, cloud, digital workspaces, virtualization and the software defined data center, and the uncertainty of their acceptance of emerging technology; (8) VMware's ability to enter into, maintain and extend strategically effective partnerships and alliances; (9) the continued risk of litigation and regulatory actions; (10) VMware's ability to protect its proprietary technology; (11) changes to product and service development timelines; (12) VMware's relationship with Dell Technologies and Dell's ability to control matters requiring stockholder approval, including the election of VMware's board members and matters relating to Dell's investment in VMware; (13) the potential impact of Dell's investigation of strategic alternatives with respect to its interest in VMware, including a potential spinoff and related special cash dividend; (14) VMware's ability to attract and retain highly qualified employees; (15) the ability of VMware to utilize our relationship with Dell to leverage go-to-market and product development activities; (16) risks associated with cyber-attacks, information security and data privacy; (17) disruptions resulting from key management changes; (18) risks associated with international sales such as fluctuating currency exchange rates and increased trade barriers; (19) changes in VMware's financial condition; (20) geopolitical changes such as Brexit and increased tariffs and trade barriers that could adversely impact our non-U.S. sales; and (21) other business effects, including those related to industry, market, economic, political, regulatory and global health conditions. These forward-looking statements are made as of the date of this presentation, are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including VMware's most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K that we may file from time to time, which could cause actual results to vary from expectations. VMware assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this presentation.