

NetApp, Inc.
Form 10-Q
March 07, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended January 29, 2016

or

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

For the transition period from _____ to _____

Commission File Number 000-27130

NetApp, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0307520
(I.R.S. Employer
Identification No.)

495 East Java Drive,

Sunnyvale, California 94089

(Address of principal executive offices, including zip code)

(408) 822-6000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

As of February 17, 2016, there were 289,082,898 shares of the registrant's common stock, \$0.001 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

NETAPP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value)

(Unaudited)

	January 29, 2016	April 24, 2015		
ASSETS				
Current assets:				
Cash and cash equivalents	\$2,495	\$ 1,922		
Short-term investments	2,528	3,404		
Accounts receivable	585	779		
Inventories	102	146		
Other current assets	354	522		
Total current assets	6,064	6,773		
Property and equipment, net	873	1,030		
Goodwill	1,027	1,027		
Other intangible assets, net	37	90		
Other non-current assets	784	481		
Total assets	\$8,785	\$ 9,401		
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$175	\$ 284		
Accrued expenses	617	701		
Short-term deferred revenue and financed unearned services revenue	1,684	1,724		
Total current liabilities	2,476	2,709		
Long-term debt	1,490	1,487		
Other long-term liabilities	269	318		
Long-term deferred revenue and financed unearned services revenue	1,441		(9,386)	
Total stockholders' equity	212,258		44,271	256,529
Total liabilities and equity	\$ 290,129	\$ 44,000	\$ 33,000	\$ 17,780
				\$ 384,909

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See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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Terreno Realty Corporation

Notes to Pro Forma Condensed Consolidated Balance Sheet

As of March 31, 2012

(Unaudited)

- (1) Represents the unaudited historical consolidated balance sheet of Terreno Realty Corporation (the Company) as of March 31, 2012. See the historical consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.
- (2) Reflects the acquisition of Garfield as if it had occurred on March 31, 2012 for approximately \$52.4 million. The acquisition was funded by cash on hand and borrowings under the Company's credit facility.
- (3) Reflects the acquisition of Caribbean as if it had occurred on March 31, 2012 for approximately \$33.7 million. The acquisition was funded borrowings under the Company's credit facility.
- (4) The pro forma adjustments reflect the following transactions:

The Series A Preferred Stock offering of 1,840,000 shares at a price per share of \$25.00 for estimated net proceeds of approximately \$44.3 million after deducting the underwriting discount and other estimated offering expenses of approximately \$1.7 million. The proceeds were used to pay down the credit facility.

The acquisition of Whittier as if it had occurred on March 31, 2012 for approximately \$16.1 million. The acquisition was funded by borrowings under the Company's credit facility.

The \$39.8 million non-recourse mortgage loan as if the transaction had occurred on March 31, 2012. The mortgage loan has a fixed annual interest rate of 3.65%, matures on March 5, 2020 and is secured by mortgages on three of the Company's properties. The Company paid approximately \$0.4 million in deferred financing costs related to this mortgage loan and approximately \$1.1 million of the loan proceeds were recorded as restricted cash due to holdbacks for leasing reserves. The loan proceeds were used to pay down the credit facility and for general business purposes.

Table of Contents**Terreno Realty Corporation****Pro Forma Condensed Consolidated Statement of Operations****For the Three Months Ended March 31, 2012****(in thousands except share and per share data)****(Unaudited)**

	Terreno Realty Corporation (1)	2012 Acquisitions	Pro Forma Adjustments	Pro Forma Terreno Realty Corporation
REVENUES				
Total revenues	\$ 6,606	\$ 2,071(2)	\$	\$ 8,677
COSTS AND EXPENSES				
Property operating expenses	1,908	418(2)		2,326
Depreciation and amortization	1,825	577(2)		2,402
General and administrative	1,415			1,415
Acquisition costs	714		(714)(3)	
Total costs and expenses	5,862	995	(714)	6,143
OTHER INCOME (EXPENSE)				
Interest and other income	1			1
Interest expense, including amortization	(1,012)		(437)(4)	(1,449)
Total other income and expenses	(1,011)		(437)	(1,448)
Net (loss) income	(267)	1,076	277	1,086
Preferred stock dividends			(891)(5)	(891)
Net (loss) income available to common stockholders	\$ (267)	\$ 1,076	\$ (614)	\$ 195
Net loss available to common stockholders per share	\$ (0.02)			\$ 0.01
Basic and Diluted Weighted Average Common Shares Outstanding				
	12,686,573		562,885(6)	13,249,458

See accompanying notes to unaudited pro forma condensed consolidated statement of operations.

Table of Contents**Terreno Realty Corporation****Notes to Pro Forma Condensed Consolidated Statement of Operations****For the Three Months Ended March 31, 2012****(Unaudited)**

- (1) Represents the unaudited historical consolidated operations of Terreno Realty Corporation (the Company) for the three months ended March 31, 2012. See the historical condensed consolidated financial statements and notes thereto included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.
- (2) The following table sets forth the incremental rental revenues, operating expenses, depreciation and amortization and interest expense of the 2012 Acquisitions for the three months ended March 31, 2012 based on the historical and pro forma operations of such properties for the periods prior to acquisition by the Company as if the properties were acquired on January 1, 2011 (dollars in thousands).

	Acquisition Date	Rental Revenues	Operating Expenses	Depreciation and Amortization	Interest Expense
Global Plaza	March 16, 2012	\$ 162	\$ 20	\$ 20	\$
Garfield	May 30, 2012	742	225	276	
Whittier	June 12, 2012	319	46	137	
Caribbean	July 3, 2012	848	127	144	
2012 Acquisitions		\$ 2,071	\$ 418	\$ 577	\$

- (3) Reflects the adjustment to acquisitions costs as if the 2012 Acquisitions had occurred on January 1, 2011.
- (4) Reflects the adjustment to interest expense as if the \$39.8 million non-recourse mortgage loan at a fixed annual interest rate of 3.65% and draws of approximately \$10.7 million on the Company's credit facility at an interest rate of 2.75% had occurred on January 1, 2011.
- (5) Reflects the adjustment to preferred stock dividends as if the 7.75% Series A Preferred Stock offering of 1,840,000 shares at a price per share of \$25.00 had occurred on January 1, 2011.
- (6) Reflects the adjustment to the basic and diluted weighted average common shares outstanding as if the follow-on offering of 4,061,853 shares of common stock at a price per share of \$14.25 had occurred on January 1, 2011.

Table of Contents**Terreno Realty Corporation****Pro Forma Condensed Consolidated Statement of Operations**

For Year Ended December 31, 2011

(in thousands except share and per share data)

(Unaudited)

	Terreno Realty Corporation (1)	2011 Acquisitions	2012 Acquisitions	Pro Forma Adjustments	Pro Forma Terreno Realty Corporation
REVENUES					
Total revenues	\$ 17,502	\$ 6,050(2)	\$ 8,517(2)	\$	\$ 32,069
COSTS AND EXPENSES					
Property operating expenses	6,330	1,165(2)	1,734(2)		9,229
Depreciation and amortization	4,899	1,558(2)	2,322(2)		8,779
General and administrative	5,407				5,407
Acquisition costs	1,981			(1,981)(3)	
Total costs and expenses	18,617	2,723	4,056	(1,981)	23,415
OTHER INCOME (EXPENSE)					
Interest and other (expense)	(2)				(2)
Interest expense, including amortization	(2,612)	(518)(2)		(1,747)(4)	(4,877)
Total other income and expenses	(2,614)	(518)		(1,747)	(4,879)
Net (loss) income	(3,729)	2,809	4,461	234	3,775
Preferred stock dividends				(3,565)(5)	(3,565)
Net (loss) income available to common stockholders	\$ (3,729)	\$ 2,809	\$ 4,461	\$ (3,331)	\$ 210
Net loss available to common stockholders per share	\$ (0.41)				\$ 0.02
Basic and Diluted Weighted Average Common Shares Outstanding	9,161,805			4,061,853(6)	13,223,658

See accompanying notes to unaudited pro forma condensed consolidated statement of operations.

Table of Contents**Terreno Realty Corporation****Notes to Pro Forma Condensed Consolidated Statement of Operations****For the Year Ended December 31, 2011****(Unaudited)**

- (1) Represents the audited historical consolidated operations of Terreno Realty Corporation (the Company) for the year ended December 31, 2011. See the historical consolidated financial statements and notes thereto included in the Company's 2011 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on February 22, 2012.
- (2) The following table sets forth the incremental rental revenues, operating expenses, depreciation and amortization and interest expense of the 2012 and 2011 Acquisitions for the year ended December 31, 2011 based on the historical and pro forma operations of such properties for the periods prior to acquisition by the Company as if the properties were acquired January 1, 2011 (dollars in thousands).

	Acquisition Date	Rental Revenues	Operating Expenses	Depreciation and Amortization	Interest Expense
Global Plaza	March 16, 2012	\$ 768	\$ 96	\$ 96	\$
Garfield	May 30, 2012	3,337	937	1,102	
Whittier	June 12, 2012	1,276	184	548	
Caribbean	July 3, 2012	3,136	517	576	
Subtotal 2012 Acquisitions		8,517	1,734	2,322	
Dorsey	March 25, 2011	\$ 77	\$ 37	\$ 33	\$
Belleville	May 20, 2011	1,005	257	222	319
630 Glasgow	June 2, 2011	141	22	32	
8730 Bollman	June 24, 2011	324	49	108	
Dell	June 28, 2011	365	81	29	
70th Avenue	June 28, 2011	181	43	51	
19601 Hamilton	July 20, 2011	559	95	184	199
39th Street	August 19, 2011	208	30	75	
620 Division	October 7, 2011	1,104	369	213	
48th Avenue	December 15, 2011	567		129	
Clawiter	December 15, 2011	611		87	
Valley Corporate	December 30, 2011	908	182	395	
Subtotal 2011 Acquisitions		6,050	1,165	1,558	518
Total		\$ 14,567	\$ 2,899	\$ 3,880	\$ 518

- (3) Reflects the adjustment to acquisitions costs as if the 2012 and 2011 Acquisitions had occurred on January 1, 2011.
- (4) Reflects the adjustment to interest expense as if the \$39.8 million non-recourse mortgage loan at a fixed annual interest rate of 3.65% and draws of approximately \$10.7 million on the Company's credit facility at an interest rate of 2.75% had occurred on January 1, 2011.

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- (5) Reflects the adjustment to preferred stock dividends as if the 7.75% Series A Preferred Stock offering of 1,840,000 shares at a price per share of \$25.00 had occurred on January 1, 2011.

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- (6) Reflects the adjustment to the basic and diluted weighted average common shares outstanding as if the follow-on offering of 4,061,853 shares of common stock at a price per share of \$14.25 had occurred on January 1, 2011.

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SIGNATURES

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

Terreno Realty Corporation

Date: July 27, 2012

By: /s/ Michael A. Coke
Michael A. Coke
President and Chief Financial Officer

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Exhibit Index

Exhibit

Number	Title
23.1*	Consent of Independent Auditor

* Filed herewith