

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	October 31, 2021	July 31, 2021	October 31, 2020
Net revenue	\$ 7,354	\$ 6,897	\$ 7,208
Costs and expenses:			
Cost of sales	4,935	4,515	5,002
Research and development	502	506	484
Selling, general and administrative	1,280	1,291	1,166
Amortization of intangible assets	78	82	80
Transformation costs	197	213	304
Disaster charges	10	5	2
Acquisition, disposition and other related charges	2	3	25
Total costs and expenses	<u>7,004</u>	<u>6,615</u>	<u>7,063</u>
Earnings from operations	350	282	145
Interest and other, net	(106)	(50)	(57)
Tax indemnification and related adjustments	5	76	(15)
Non-service net periodic benefit credit	17	19	35
Litigation judgment	2,351	—	—
Earnings from equity interests	71	79	17
Earnings before (provision) benefit for taxes	<u>2,688</u>	<u>406</u>	<u>125</u>
(Provision) benefit for taxes	(135)	(14)	32
Net earnings	<u>\$ 2,553</u>	<u>\$ 392</u>	<u>\$ 157</u>
Net earnings per share:			
Basic	\$ 1.95	\$ 0.30	\$ 0.12
Diluted	\$ 1.91	\$ 0.29	\$ 0.12
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12
Weighted-average shares used to compute net earnings per share:			
Basic	1,312	1,314	1,293
Diluted	1,335	1,338	1,306

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In millions, except per share amounts)

	Twelve months ended October 31,	
	2021	2020
Net revenue	\$ 27,784	\$ 26,982
Costs and expenses:		
Cost of sales	18,408	18,513
Research and development	1,979	1,874
Selling, general and administrative	4,929	4,624
Amortization of intangible assets	354	379
Impairment of goodwill	—	865
Transformation costs	930	950
Disaster charges	16	26
Acquisition, disposition and other related charges	36	80
Total costs and expenses	<u>26,652</u>	<u>27,311</u>
Earnings (loss) from operations	1,132	(329)
Interest and other, net	(211)	(215)
Tax indemnification and related adjustments	65	(101)
Non-service net periodic benefit credit	70	136
Litigation judgment	2,351	—
Earnings from equity interests	180	67
Earnings (loss) before (provision) benefit for taxes	3,587	(442)
(Provision) benefit for taxes	(160)	120
Net earnings (loss)	<u>\$ 3,427</u>	<u>\$ (322)</u>
Net earnings (loss) per share:		
Basic	\$ 2.62	\$ (0.25)
Diluted	\$ 2.58	\$ (0.25)
Cash dividends declared per share	\$ 0.48	\$ 0.36
Weighted-average shares used to compute net earnings (loss) per share:		
Basic	1,309	1,294
Diluted	1,330	1,294

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Three months ended October 31, 2021	Diluted net earnings per share	Three months ended July 31, 2021	Diluted net earnings per share	Three months ended October 31, 2020	Diluted net earnings per share
GAAP net earnings	\$ 2,553	\$ 1.91	\$ 392	\$ 0.29	\$ 157	\$ 0.12
Non-GAAP adjustments:						
Amortization of initial direct costs	2	—	2	—	1	—
Amortization of intangible assets	78	0.06	82	0.06	80	0.06
Transformation costs	197	0.15	213	0.16	304	0.23
Disaster charges	10	0.01	5	—	2	—
Stock-based compensation expense ^(a)	78	0.06	86	0.06	59	0.05
Acquisition, disposition and other related charges	2	—	3	—	25	0.02
Tax indemnification and related adjustments	(5)	—	(76)	(0.05)	15	0.02
Non-service net periodic benefit credit	(17)	(0.01)	(19)	(0.01)	(35)	(0.03)
Litigation judgment	(2,351)	(1.76)	—	—	—	—
Early debt redemption costs	100	0.07	—	—	—	—
Earnings from equity interests ^(b)	18	0.01	23	0.02	35	0.03
Adjustments for taxes	\$ 23	0.02	\$ (88)	(0.06)	\$ (106)	(0.09)
Non-GAAP net earnings	\$ 688	\$ 0.52	\$ 623	\$ 0.47	\$ 537	\$ 0.41
GAAP earnings from operations	\$ 350		\$ 282		\$ 145	
Non-GAAP adjustments:						
Amortization of initial direct costs	2		2		1	
Amortization of intangible assets	78		82		80	
Transformation costs	197		213		304	
Disaster charges	10		5		2	
Stock-based compensation expense ^(a)	78		86		59	
Acquisition, disposition and other related charges	2		3		25	
Non-GAAP earnings from operations	\$ 717		\$ 673		\$ 616	
GAAP operating profit margin	4.8 %		4.1 %		2.0 %	
Non-GAAP adjustments	4.9 %		5.7 %		6.5 %	
Non-GAAP operating profit margin	9.7 %		9.8 %		8.5 %	

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)

(In millions, except percentages and per share amounts)

	Three months ended		
	October 31, 2021	July 31, 2021	October 31, 2020
GAAP net revenue	\$ 7,354	\$ 6,897	\$ 7,208
GAAP cost of sales	4,935	4,515	5,002
GAAP gross profit	\$ 2,419	\$ 2,382	\$ 2,206
Non-GAAP adjustments			
Amortization of initial direct costs	\$ 2	\$ 2	\$ 1
Stock-based compensation expense ^(a)	7	9	7
Non-GAAP gross profit	\$ 2,428	\$ 2,393	\$ 2,214
GAAP gross profit margin	32.9 %	34.5 %	30.6 %
Non-GAAP adjustments	0.1 %	0.2 %	0.1 %
Non-GAAP gross profit margin	33.0 %	34.7 %	30.7 %
Net cash provided by operating activities	\$ 2,956	\$ 1,130	\$ 747
Litigation judgment, net of taxes paid	(2,172)	—	—
Net cash provided by operating activities, excluding litigation judgement, net of taxes paid	784	1,130	747
Investment in property, plant and equipment	(770)	(684)	(604)
Proceeds from sale of property, plant and equipment	80	80	80
Free cash flow	\$ 94	\$ 526	\$ 223

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Twelve months ended October 31, 2021	Diluted net earnings per share	Twelve months ended October 31, 2020	Diluted net earnings per share
GAAP net earnings (loss)	\$ 3,427	\$ 2.58	\$ (322)	\$ (0.25)
Non-GAAP adjustments:				
Amortization of initial direct costs	8	0.01	10	0.01
Amortization of intangible assets	354	0.27	379	0.29
Impairment of goodwill	—	—	865	0.67
Transformation costs	930	0.70	950	0.74
Disaster charges	16	0.01	26	0.02
Stock-based compensation expense ^(a)	372	0.28	274	0.21
Acquisition, disposition and other related charges	36	0.03	107	0.08
Tax indemnification and related adjustments	(65)	(0.05)	101	0.08
Non-service net periodic benefit credit	(70)	(0.05)	(136)	(0.11)
Litigation judgment	(2,351)	(1.78)	—	—
Early debt redemption costs	100	0.08	—	—
Earnings from equity interests ^(b)	109	0.08	145	0.11
Adjustments for taxes	\$ (264)	(0.20)	\$ (394)	(0.31)
Non-GAAP net earnings	\$ 2,602	\$ 1.96	\$ 2,005	\$ 1.54
GAAP earnings (loss) from operations	\$ 1,132		\$ (329)	
Non-GAAP adjustments				
Amortization of initial direct costs	8		10	
Amortization of intangible assets	354		379	
Impairment of goodwill	—		865	
Transformation costs	930		950	
Disaster charges	16		26	
Stock-based compensation expense ^(a)	372		274	
Acquisition, disposition and other related charges	36		107	
Non-GAAP earnings from operations	\$ 2,848		\$ 2,282	
GAAP operating profit margin	4.1 %		(1.2)%	
Non-GAAP adjustments	6.2 %		9.7 %	
Non-GAAP operating profit margin	10.3 %		8.5 %	

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP MEASURES
(Unaudited)
(In millions, except percentages and per share amounts)

	Twelve months ended October 31,	
	2021	2020
GAAP net revenue	\$ 27,784	\$ 26,982
GAAP cost of sales	18,408	18,513
GAAP gross profit	\$ 9,376	\$ 8,469
Non-GAAP adjustments		
Amortization of initial direct costs	\$ 8	\$ 10
Stock-based compensation expense ^(a)	40	37
Acquisition, disposition and other related charges ^(c)	—	27
Non-GAAP gross profit	\$ 9,424	\$ 8,543
GAAP gross profit margin	33.7 %	31.4 %
Non-GAAP adjustments	0.2 %	0.3 %
Non-GAAP gross profit margin	33.9 %	31.7 %
Net cash provided by operating activities	\$ 5,871	\$ 2,240
Litigation judgment, net of taxes paid	(2,172)	—
Net cash provided by operating activities, excluding litigation judgment, net of taxes paid	3,699	2,240
Investment in property, plant and equipment	(2,502)	(2,383)
Proceeds from sale of property, plant and equipment	354	703
Free cash flow	\$ 1,551	\$ 560

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions, except par value)

	As of October 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,996	\$ 4,233
Accounts receivable, net of allowances	3,979	3,386
Financing receivables, net of allowances	3,932	3,794
Inventory	4,511	2,674
Other current assets	2,460	2,469
Total current assets	18,878	16,556
Property, plant and equipment	5,613	5,625
Long-term financing receivables and other assets	11,670	10,544
Investments in equity interests	2,210	2,170
Goodwill and intangible assets	19,328	19,120
Total assets	\$ 57,699	\$ 54,015
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	\$ 3,552	\$ 3,755
Accounts payable	7,004	5,383
Employee compensation and benefits	1,778	1,391
Taxes on earnings	169	148
Deferred revenue	3,408	3,430
Accrued restructuring	290	366
Other accrued liabilities	4,486	4,265
Total current liabilities	20,687	18,738
Long-term debt	9,896	12,186
Other non-current liabilities	7,099	6,995
Stockholders' equity:		
HPE stockholders' equity:		
Common stock, \$0.01 par value (9,600 shares authorized; 1,295 and 1,287 issued and outstanding at October 31, 2021 and October 31, 2020, respectively)	13	13
Additional paid-in capital	28,470	28,350
Accumulated deficit	(5,597)	(8,375)
Accumulated other comprehensive loss	(2,915)	(3,939)
Total HPE stockholders' equity	19,971	16,049
Non-controlling interests	46	47
Total stockholders' equity	20,017	16,096
Total liabilities and stockholders' equity	\$ 57,699	\$ 54,015

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three months ended October 31, 2021	Twelve months ended October 31, 2021
Cash flows from operating activities:		
Net earnings	\$ 2,553	\$ 3,427
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	641	2,597
Stock-based compensation expense	78	382
Provision for doubtful accounts and inventory	27	176
Restructuring charges	128	620
Deferred taxes on earnings	(11)	(167)
Earnings from equity interests	(71)	(180)
Dividends received from equity investees	146	184
Other, net	85	202
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(652)	(591)
Financing receivables	(191)	(165)
Inventory	(607)	(1,959)
Accounts payable	458	1,608
Taxes on earnings	(67)	(73)
Restructuring	(101)	(527)
Other assets and liabilities	540	337
Net cash provided by operating activities	<u>2,956</u>	<u>5,871</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(770)	(2,502)
Proceeds from sale of property, plant and equipment	80	354
Purchases of available-for-sale securities and other investments	(16)	(60)
Maturities and sales of available-for-sale securities and other investments	4	15
Financial collateral posted	(30)	(903)
Financial collateral received	25	805
Payments made in connection with business acquisitions, net of cash acquired	(372)	(505)
Net cash used in investing activities	<u>(1,079)</u>	<u>(2,796)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	(6)	(36)
Proceeds from debt, net of issuance costs	324	3,022
Payment of debt	(3,124)	(5,465)
Net payments related to stock-based award activities	(11)	(29)
Repurchase of common stock	(213)	(213)
Cash dividends paid to non-controlling interests, net of contributions	(10)	(18)
Cash dividends paid	(157)	(625)
Net cash used in financing activities	<u>(3,197)</u>	<u>(3,364)</u>
Decrease in cash, cash equivalents and restricted cash	(1,320)	(289)
Cash, cash equivalents and restricted cash at beginning of period	5,652	4,621
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,332</u>	<u>\$ 4,332</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions)

	Three months ended		
	October 31, 2021	July 31, 2021	October 31, 2020
Net revenue: ^(d)			
Compute	\$ 3,226	\$ 3,104	\$ 3,191
HPC & AI	1,000	741	992
Storage	1,257	1,176	1,215
Intelligent Edge	815	867	786
Financial Services	858	844	849
Corporate Investments and Other	353	332	340
Total segment net revenue	7,509	7,064	7,373
Elimination of intersegment net revenue	(155)	(167)	(165)
Total consolidated net revenue	<u>\$ 7,354</u>	<u>\$ 6,897</u>	<u>\$ 7,208</u>
Earnings before taxes: ^{(a)(d)}			
Compute	\$ 302	\$ 347	\$ 210
HPC & AI	143	29	129
Storage	174	178	221
Intelligent Edge	87	137	97
Financial Services	121	94	66
Corporate Investments and Other	(11)	(28)	(34)
Total segment earnings from operations	816	757	689
Unallocated corporate costs and eliminations	(99)	(84)	(73)
Unallocated stock-based compensation expense	(78)	(86)	(59)
Amortization of initial direct costs	(2)	(2)	(1)
Amortization of intangible assets	(78)	(82)	(80)
Transformation costs	(197)	(213)	(304)
Disaster charges	(10)	(5)	(2)
Acquisition, disposition and other related charges	(2)	(3)	(25)
Interest and other, net	(6)	(50)	(57)
Tax indemnification and related adjustments	5	76	(15)
Non-service net periodic benefit credit	17	19	35
Litigation judgment	2,351	—	—
Early debt redemption costs	(100)	—	—
Earning from equity interests	71	79	17
Total Income before benefit for taxes	<u>\$ 2,688</u>	<u>\$ 406</u>	<u>\$ 125</u>

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions)

	Twelve months ended October 31,	
	2021	2020
Net revenue: ^(d)		
Compute	\$ 12,292	\$ 12,285
HPC & AI	3,188	3,105
Storage	4,763	4,685
Intelligent Edge	3,287	2,855
Financial Services	3,401	3,352
Corporate Investments and Other	1,356	1,298
Total segment net revenue	28,287	27,580
Elimination of intersegment net revenue	(503)	(598)
Total consolidated net revenue	\$ 27,784	\$ 26,982
Earnings before taxes: ^{(a)(d)}		
Compute	\$ 1,326	\$ 1,007
HPC & AI	234	285
Storage	778	813
Intelligent Edge	500	337
Financial Services	390	284
Corporate Investments and Other	(95)	(206)
Total segment earnings from operations	3,133	2,520
Unallocated corporate costs and eliminations	(285)	(238)
Unallocated stock-based compensation expense	(372)	(274)
Amortization of initial direct costs	(8)	(10)
Amortization of intangible assets	(354)	(379)
Impairment of goodwill	—	(865)
Transformation costs	(930)	(950)
Disaster charges	(16)	(26)
Acquisition, disposition and other related charges	(36)	(107)
Interest and other, net	(111)	(215)
Tax indemnification and related adjustments	65	(101)
Non-service net periodic benefit credit	70	136
Litigation judgment	2,351	—
Early debt redemption costs	(100)	—
Earnings from equity interests	180	67
Total earnings (loss) before (provision) benefit for taxes	\$ 3,587	\$ (442)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT INFORMATION
(Unaudited)
(In millions, except percentages)

	Three months ended			Change (%)	
	October 31, 2021	July 31 2021	October 31, 2020	Q/Q	Y/Y
Net revenue: ^(d)					
Compute	\$ 3,226	\$ 3,104	\$ 3,191	4 %	1 %
HPC & AI	1,000	741	992	35 %	1 %
Storage	1,257	1,176	1,215	7 %	3 %
Intelligent Edge	815	867	786	(6 %)	4 %
Financial Services	858	844	849	2 %	1 %
Corporate Investments and Other	353	332	340	6 %	4 %
Total segment net revenue	7,509	7,064	7,373	6 %	2 %
Elimination of intersegment net revenue and other	(155)	(167)	(165)	(7 %)	(6 %)
Total consolidated net revenue	\$ 7,354	\$ 6,897	\$ 7,208	7 %	2 %

	Twelve months ended October 31,		
	2021	2020	Y/Y
Net revenue: ^(d)			
Compute	\$ 12,292	\$ 12,285	— %
HPC & AI	3,188	3,105	3 %
Storage	4,763	4,685	2 %
Intelligent Edge	3,287	2,855	15 %
Financial Services	3,401	3,352	1 %
Corporate Investments and Other	1,356	1,298	4 %
Total segment net revenue	28,287	27,580	3 %
Elimination of intersegment net revenue and other	(503)	(598)	(16 %)
Total consolidated net revenue	\$ 27,784	\$ 26,982	3 %

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
SEGMENT OPERATING MARGIN SUMMARY DATA
(Unaudited)

	Three months ended	Change in Operating Margin (pts)	
	October 31, 2021	Q/Q	Y/Y
Segment operating margin: ^{(a)(d)}			
Compute	9.4 %	-1.8	2.8
HPC & AI	14.3 %	10.4	1.3
Storage	13.8 %	-1.3	-4.4
Intelligent Edge	10.7 %	-5.1	-1.6
Financial Services	14.1 %	3.0	6.3
Corporate Investments and Other	(3.1 %)	5.3	6.9
Total segment operating margin	10.9 %	0.2	1.6

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
CALCULATION OF DILUTED NET EARNINGS (LOSS) PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	October 31, 2021	July 31, 2021	October 31, 2020
Numerator:			
GAAP net earnings	\$ 2,553	\$ 392	\$ 157
Non-GAAP net earnings	\$ 688	\$ 623	\$ 537
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,312	1,314	1,293
Dilutive effect of employee stock plans	23	24	13
Weighted-average shares used to compute diluted net earnings per share	<u>1,335</u>	<u>1,338</u>	<u>1,306</u>
GAAP net earnings per share			
Basic	\$ 1.95	\$ 0.30	\$ 0.12
Diluted	\$ 1.91	\$ 0.29	\$ 0.12
Non-GAAP net earnings per share			
Basic	\$ 0.52	\$ 0.47	\$ 0.42
Diluted	\$ 0.52	\$ 0.47	\$ 0.41
		Twelve months ended October 31,	
		2021	2020
Numerator:			
GAAP net earnings (loss)	\$ 3,427	\$ (322)	
Non-GAAP net earnings	\$ 2,602	\$ 2,005	
Denominator:			
Weighted-average shares used to compute basic net earnings (loss) per share and diluted net loss per share		1,309	1,294
Dilutive effect of employee stock plans		21	11
Weighted-average shares used to compute diluted net earnings per share		<u>1,330</u>	<u>1,305</u>
GAAP net earnings (loss) per share			
Basic	\$ 2.62	\$ (0.25)	
Diluted	\$ 2.58	\$ (0.25)	
Non-GAAP net earnings per share			
Basic	\$ 1.99	\$ 1.55	
Diluted	\$ 1.96	\$ 1.54	

- (a) Effective at the beginning of the first quarter of fiscal 2021, Hewlett Packard Enterprise Company ("the Company") excluded stock-based compensation expense ("Non-GAAP Stock-Based Compensation Adjustment") from its segment earnings from operations and excluded stock-based compensation expense from consolidated non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP earnings from operations, non-GAAP operating profit margin, non-GAAP net earnings and non-GAAP net earnings per share. The Company reflected the Non-GAAP Stock-Based Compensation Adjustment to the earliest period presented. This change had no impact on the Company's previously reported consolidated GAAP results.
- (b) Represents the amortization of basis difference adjustments related to the H3C divestiture.
- (c) Acquisition, disposition and other related charges for the twelve months ended October 31, 2020 are related to a non-cash inventory fair value adjustment in connection with the acquisition of Cray, Inc., which was included in Cost of sales.
- (d) Effective at the beginning of the first quarter of fiscal 2021, the Company implemented certain organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes are:
 - (i) the transfer of the lifecycle event services business, previously reported within the Advisory and Professional Services ("A & PS") reportable segment to Compute, Storage and HPC & AI (previously known as HPC & MCS) reportable segments;
 - (ii) the transfer of certain software and related services business, previously reported within the Compute, Storage and A & PS reportable segments, to the Corporate Investments and Other reportable segment, to form a new Software operating segment; and
 - (iii) the transfer of the remaining A & PS operating segment, previously reported as a separate reportable segment, to the Corporate Investments and Other reportable segment. As a result of these changes, the Corporate Investments and Other Segment now includes the A & PS operating segment, the Communications and Media Solutions operating segment, the Software operating segment, and Hewlett Packard Enterprise Labs which is responsible for research and development.

The Company reflected these changes to its segment information retrospectively to the earliest period presented, which primarily resulted in the transfer of net revenue and operating profit for each of the businesses as described above. These changes had no impact on Hewlett Packard Enterprise's previously reported consolidated net revenue, net earnings or net earnings per share ("EPS").

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