

Q1 FY21 MARKED BY STRONG PROFITABILITY AND CASH FLOW; RAISING FY21 EPS AND FREE CASH FLOW OUTLOOK



Revenue of **\$6.8** billion represented stronger than normal seasonality and non-GAAP diluted net EPS⁽¹⁾ of **\$0.52** exceeded outlook

Growth businesses continue to gain traction and pivot to as-a-service momentum continues with growing recurring revenue

Intelligent Edge revenue of **\$806** million up **11%** y/y⁽²⁾

HPC & MCS down 9% y/y but on track to deliver full-year FY21 growth of **8-12%** with robust pipeline and over **\$2** billion of awarded contracts

Solid growth in as-a-service Annualized Revenue Run-Rate (ARR)⁽³⁾ of **\$649** million up **27%** y/y

HPEFS revenue growth stabilizes with improving bad debt levels to deliver a ROE of **16.5%**

Significant improvements in operating margins that are above pre-pandemic levels, and record Q1 free cash flow

- Gross margins of **33.7%** up 30 bps y/y driven by pricing discipline and continued shift to higher value businesses
- Operating margins of **11.3%** up **1.3** pts y/y benefitting from operating efficiencies while aligning resources to growth areas
- Generated free cash flow⁽¹⁾⁽⁴⁾ of **\$563** million, up approximately **\$750** million y/y



Core businesses deliver strong profitability and cash flow

- **Compute** revenue down 2% y/y⁽²⁾ and **up low single-digits** q/q when normalized for Q4 backlog with operating margins of **11.5%**
- **Storage** revenue down 6% y/y⁽²⁾ with **strong growth in software-rich products** and operating margins of **19.7%**
- **Pointnext OS**⁽⁵⁾ revenue returns to flat y/y⁽²⁾ **driven by growing services intensity** and as-a-service business



Raising FY21 non-GAAP diluted net EPS and Free Cash Flow Outlook

- FY21 Non-GAAP diluted net EPS outlook to **\$1.70** to **\$1.88**
- FY21 Free Cash Flow outlook to **\$1.1** to **\$1.4** billion
- Q2 FY21 non-GAAP diluted net EPS outlook of **\$0.38** to **\$0.44**



1. A reconciliation of non-GAAP measures to the most directly comparable GAAP measure, where available, is in our earnings release which can be found at <https://investors.hpe.com>

2. Adjusted to eliminate the effects of currency

3. Annualized Revenue Run-Rate ("ARR") is a financial metric used to assess the growth of the Consumption Services offerings. ARR represents the annualized value of all [net] GreenLake services revenue, related financial services revenue, and Software-as-a-Service, subscription, and other as-a-Service offerings recognized during a quarter and multiplied by four

4. Free cash flow = cash flow from operations less net capital expenditures; net capital expenditures = investments in property, plant and equipment less proceeds from the sale of property, plant and equipment

5. Includes Nimble Services