Portfolio mix drives net revenue growth, diluted net EPS expansion, and higher ARR

“Building on a great start to the fiscal year, HPE grew revenue, increased the contribution of recurring revenue through the HPE GreenLake edge-to-cloud platform, and delivered exceptional profitability to generate a strong second quarter performance. Our shift to a higher-margin portfolio mix led by the Intelligent Edge segment, and the strong demand for our AI offering, further strengthen the investment opportunity for our shareholders.”

Antonio Neri
President & CEO

Key Points

- Revenue rose 9%\(^{(2)}\) y/y on strong growth in Intelligent Edge and HPC & AI
- Exceptional profitability driven by pivot to higher-margin portfolio and operational discipline
- Non-GAAP gross margin\(^{(3)}\) of 36.2%—an HPE record
- Non-GAAP operating margin\(^{(3)}\) of 11.5%, and non-GAAP diluted net EPS of $0.52\(^{(2}\text{GCID}}\) up 18% y/y and at the high-end of guidance
- Raised full-year non-GAAP diluted net EPS\(^{(2)}\text{GCID}\) guidance, reflecting the expectation for higher profitability resulting from portfolio mix shift

HPE GreenLake Highlights

- ARR\(^{(4)}\) rose 38% y/y\(^{(5)}\), to $1.1 billion
- As-a-service total contract value (TCV)\(^{(6)}\) exceeded $10 billion
- Enhanced HPE GreenLake hybrid cloud platform with acquisition of hybrid digital operations management company OpsRamp
- Introduced HPE GreenLake for Block Storage and HPE GreenLake for File Storage, leveraging HPE Allegra storage to simplify data lifecycle management

Business Segments

Compute: Offers both general purpose servers for multi-workload computing and workload optimized servers to deliver the best performance and value for demanding applications.

HPC & AI: Delivers standard and custom hardware, software, and data-management solutions designed to support supercomputers, high-performance compute, converged edge systems, and data-intensive workloads like data analytics and artificial intelligence applications.

Storage: Transforms the customer experience with storage as-a-service and cloud data services with portfolio offerings like primary storage, hyper-converged infrastructure, disaster and ransomware recovery, big data solutions, management offerings, and storage for unstructured data and analytics workloads, plus traditional tape, storage networking, and disk products.

Intelligent Edge: Operates platforms and services at network edges, connecting devices and applications via Aruba solutions such as wired and wireless local area network, campus and data center switching, software-defined wide area networking, and network security.

HPEFS: Serves as the financial engine behind HPE’s offerings to provide financial solutions including leasing offers, asset management, and asset upcycling.

Outlook

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<th>Q3 FY23 GAAP diluted net EPS</th>
<th>FY23 GAAP diluted net EPS</th>
<th>Q3 FY23 Non-GAAP diluted net EPS(^{(5\text{GCID})})</th>
<th>FY23 Non-GAAP diluted net EPS(^{(5\text{GCID})})</th>
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1- Reconciliation of specific adjustments to GAAP results for the current and prior periods and description of HPE’s use of non-GAAP financial information are included in the earnings presentation at https://investors.hpe.com.
2- Free cash flow represents cash flow from operations, less net capital expenditures (investments in property, plant & equipment ("PP&E")) less proceeds from the sale of PP&E and adjusted for the effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash.
3- In constant currency. A description of HPE’s use of non-GAAP financial information is provided in the earnings presentation at https://investors.hpe.com.
4- For definition of ARR, please refer to the earnings presentation at https://investors.hpe.com.
5- For reconciliation of non-GAAP to GAAP diluted net EPS, please see the earnings presentation at https://investors.hpe.com.
6- Total Contracted Value (TCV) represents the total value of one-time and recurring revenue for the period defined by the contract.