



Accelerating AI demand drives HPE revenue growth; profit increases



"We delivered a strong third quarter, with impressive revenue growth, especially from our AI system conversion, and we improved profitability. These results reflect our momentum in delivering on our edge-to-cloud strategy across networking, hybrid cloud, and AI. We have driven meaningful innovation throughout our portfolio, which increases our relevancy with customers and positions us to continue to deliver profitable growth for shareholders."

Antonio Neri
President & CEO

Net revenue

\$7.7 billion

Non-GAAP operating margin⁽¹⁾

10%

Non-GAAP gross margin⁽¹⁾

31.8%

Non-GAAP diluted net earnings per share⁽¹⁾

\$0.50

Free cash flow⁽¹⁾⁽²⁾

\$669 million

Key Points

- Strong revenue up **10% y/y⁽³⁾** at the high end of guidance
- Demand environment improving with **total company orders growth**, and **sequential increase in revenue** across key segments
- Increased non-GAAP operating margin⁽¹⁾** sequentially through cost discipline
- Converted approximately **\$1.3 billion in AI systems revenue**, a **39% increase** from last quarter
- Non-GAAP diluted net earnings per share⁽¹⁾ exceeded guidance**

HPE GreenLake Cloud Highlights

- ARR⁽⁴⁾ grew **39%⁽³⁾ y/y** to more than **\$1.7 billion**
- HPE GreenLake gained approximately **3,000 new customer organizations** in the last three months, bringing customer base to nearly 37,000
- The **acquisition of Morpheus Data** will complete HPE's hybrid cloud stack and add multicloud automation and orchestration to the HPE GreenLake cloud platform





Business Segments



Server: Offers general purpose computing, workload-optimized servers and supercomputers as well as integrated systems of software and hardware for global customers engaging in artificial intelligence (AI), high performance computing (HPC), data analytics, simulation and transaction processing.



Hybrid Cloud: Provides hybrid cloud infrastructure, software, and management, including storage, private clouds, data protection, AIOps and data analytics for AI. The solutions are offered as a service through HPE GreenLake.



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



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

Outlook



- 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") and software assets 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 - Q424 non-GAAP diluted net EPS excludes net after-tax gain of approximately \$0.24 per diluted share primarily related to H3C income, and adjustments related to the sale of H3C, offset by acquisition, disposition and other related charges, stock-based compensation expense, amortization of intangible assets, and transformation costs. FY24 non-GAAP diluted net EPS estimates exclude net after-tax adjustments of approximately \$0.24 per diluted share, primarily related to stock-based compensation expense, acquisition, disposition and other related charges, amortization of intangible assets, and transformation costs, offset by H3C income, and adjustments related to the sale of H3C.