

**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 April 29, 2022

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 001-33622

**VMWARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**3401 Hillview Avenue**  
**Palo Alto, CA**  
(Address of principal executive offices)

**94-3292913**  
(I.R.S. Employer  
Identification Number)

**94304**  
(Zip Code)

**(650) 427-5000**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	VMW	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of May 27, 2022, the number of shares of Class A common stock, par value \$0.01 per share, of the registrant outstanding was 421,445,382.

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**PART I**  
**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**VMware, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(amounts in millions, except per share amounts, and shares in thousands)**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Revenue <sup>(1)</sup> :		
License	\$ 572	\$ 646
Subscription and SaaS	899	741
Services	1,617	1,607
Total revenue	3,088	2,994
Operating expenses <sup>(2)</sup> :		
Cost of license revenue	35	37
Cost of subscription and SaaS revenue	192	157
Cost of services revenue	375	337
Research and development	774	708
Sales and marketing	1,053	959
General and administrative	251	236
Realignment	—	1
Operating income	408	559
Investment income	1	—
Interest expense	(71)	(50)
Other income (expense), net	(10)	(23)
Income before income tax	328	486
Income tax provision	86	61
Net income	<u>\$ 242</u>	<u>\$ 425</u>
Net income per weighted-average share, basic	\$ 0.58	\$ 1.01
Net income per weighted-average share, diluted	\$ 0.57	\$ 1.01
Weighted-average shares, basic	420,586	419,116
Weighted-average shares, diluted	422,987	422,038

<sup>(1)</sup> Includes related party revenue as follows (refer to Note C):

License	\$ 254	\$ 287
Subscription and SaaS	255	173
Services	641	588

<sup>(2)</sup> Includes stock-based compensation as follows:

Cost of subscription and SaaS revenue	\$ 5	\$ 5
Cost of services revenue	23	25
Research and development	132	127
Sales and marketing	83	75
General and administrative	40	31

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VMware, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in millions)**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Net income	\$ 242	\$ 425
Other comprehensive income (loss):		
Changes in fair value of effective foreign currency forward contracts:		
Unrealized gains (losses), net of tax provision (benefit) of \$— and \$—	(4)	2
Total other comprehensive income (loss)	(4)	2
Comprehensive income, net of taxes	<u>\$ 238</u>	<u>\$ 427</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VMware, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(amounts in millions, except per share amounts, and shares in thousands)  
(unaudited)

	<u>April 29, 2022</u>	<u>January 28, 2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,719	\$ 3,614
Short-term investments	—	19
Accounts receivable, net of allowance of \$11 and \$10	1,620	2,297
Due from related parties	638	1,438
Other current assets	666	598
Total current assets	6,643	7,966
Property and equipment, net	1,492	1,461
Deferred tax assets	5,948	5,906
Intangible assets, net	651	714
Goodwill	9,598	9,598
Due from related parties	197	199
Other assets	2,905	2,832
Total assets	<u>\$ 27,434</u>	<u>\$ 28,676</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 204	\$ 234
Accrued expenses and other	2,276	2,806
Unearned revenue	6,296	6,479
Due to related parties	116	132
Total current liabilities	8,892	9,651
Long-term debt	11,926	12,671
Unearned revenue	4,570	4,743
Income tax payable	241	242
Operating lease liabilities	927	927
Due to related parties	911	909
Other liabilities	378	409
Total liabilities	27,845	29,552
Contingencies (refer to Note D)		
Stockholders' deficit:		
Class A common stock, par value \$0.01; authorized 2,500,000 shares; issued and outstanding 420,517 and 418,808 shares	4	4
Additional paid-in capital	227	—
Accumulated other comprehensive loss	(9)	(5)
Accumulated deficit	(633)	(875)
Total stockholders' deficit	(411)	(876)
Total liabilities and stockholders' deficit	<u>\$ 27,434</u>	<u>\$ 28,676</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VMware, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)  
(unaudited)

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
<b>Operating activities:</b>		
Net income	\$ 242	\$ 425
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	288	269
Stock-based compensation	283	263
Deferred income taxes, net	(43)	(48)
(Gain) loss on equity securities and disposition of assets, net	(9)	36
Other	3	1
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	675	395
Other current assets and other assets	(244)	(161)
Due from related parties	801	685
Accounts payable	(28)	65
Accrued expenses and other liabilities	(665)	(630)
Income taxes payable	74	80
Unearned revenue	(357)	(114)
Due to related parties	(15)	—
Net cash provided by operating activities	<u>1,005</u>	<u>1,266</u>
<b>Investing activities:</b>		
Additions to property and equipment	(106)	(70)
Sales of investments in equity securities	20	8
Purchases of strategic investments	(8)	—
Proceeds from disposition of assets	6	—
Business combinations, net of cash acquired, and purchases of intangible assets	(3)	(10)
Net cash used in investing activities	<u>(91)</u>	<u>(72)</u>
<b>Financing activities:</b>		
Proceeds from issuance of common stock	119	131
Repayment of term loan	(750)	—
Repurchase of common stock	(89)	(371)
Shares repurchased for tax withholdings on vesting of restricted stock	(94)	(56)
Principal payments on finance lease obligations	(1)	(1)
Net cash used in financing activities	<u>(815)</u>	<u>(297)</u>
Net increase in cash, cash equivalents and restricted cash	99	897
Cash, cash equivalents and restricted cash at beginning of the period	3,663	4,770
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 3,762</u>	<u>\$ 5,667</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 80	\$ 46
Cash paid for taxes, net	69	38
<b>Non-cash items:</b>		
Changes in capital additions, accrued but not paid	\$ (7)	\$ 3

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VMware, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(in millions)  
(unaudited)

Three Months Ended April 29, 2022									
	Class A Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficit			
	Shares	Par Value							
Balance, January 28, 2022	419	\$ 4	\$ —	\$ (875)	\$ (5)	\$ (876)			
Proceeds from issuance of common stock	1	—	119	—	—	119			
Repurchase and retirement of common stock	(1)	—	(89)	—	—	(89)			
Issuance of restricted stock	2	—	—	—	—	—			
Shares withheld for tax withholdings on vesting of restricted stock	—	—	(93)	—	—	(93)			
Stock-based compensation	—	—	290	—	—	290			
Total other comprehensive loss	—	—	—	—	(4)	(4)			
Net income	—	—	—	242	—	242			
Balance, April 29, 2022	421	\$ 4	\$ 227	\$ (633)	\$ (9)	\$ (411)			

Three Months Ended April 30, 2021										
	Class A Common Stock		Class B Convertible Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stockholders' Equity		
	Shares	Par Value	Shares	Par Value						
Balance, January 29, 2021	112	\$ 1	307	\$ 3	\$ 1,985	\$ 7,067	\$ (5)	\$ 9,051		
Proceeds from issuance of common stock	1	—	—	—	131	—	—	131		
Repurchase and retirement of common stock	(3)	—	—	—	(371)	—	—	(371)		
Issuance of restricted stock	1	—	—	—	—	—	—	—		
Shares withheld for tax withholdings on vesting of restricted stock	—	—	—	—	(52)	—	—	(52)		
Stock-based compensation	—	—	—	—	267	—	—	267		
Total other comprehensive income	—	—	—	—	—	—	2	2		
Net income	—	—	—	—	—	425	—	425		
Balance, April 30, 2021	111	\$ 1	307	\$ 3	\$ 1,960	\$ 7,492	\$ (3)	\$ 9,453		

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**A. Overview and Basis of Presentation**

***Company and Background***

VMware, Inc. (“VMware”) originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware, and then evolved to become the private cloud and mobility management leader. Building upon that leadership, VMware is focused on becoming the multi-cloud leader. Information technology (“IT”) driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. Organizations’ IT departments and corporate divisions are working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses and their product teams through a digital transformation. To take on these challenges, the Company is helping customers drive their multi-cloud strategy by providing the multi-cloud platform for all applications, enabling digital innovation and enterprise control.

***Basis of Presentation***

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The fiscal year for VMware is the 52 or 53 weeks ending on the Friday nearest to January 31 of each year. Fiscal 2023 is a 53-week fiscal year, in which the fourth quarter has 14 weeks and the remaining quarters have 13 weeks. Fiscal 2022 was a 52-week fiscal year.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments and accruals, for a fair statement of VMware’s condensed consolidated results of operations, financial position and cash flows for the periods presented. Results of operations are not necessarily indicative of the results that may be expected for the full fiscal year 2023. Certain information and footnote disclosures typically included in annual consolidated financial statements have been condensed or omitted. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in VMware’s Annual Report on Form 10-K filed on March 24, 2022.

On November 1, 2021, VMware’s spin-off from Dell Technologies Inc. (“Dell”) was completed (the “Spin-Off”). As a result of the Spin-Off, VMware became a standalone company and entities affiliated with Michael Dell (the “MSD Stockholders”), who serves as VMware’s Chairman of the Board and chairman and chief executive officer of Dell, and entities affiliated with Silver Lake Partners (the “SLP Stockholders”), of which Egon Durban, a VMware director, is a managing partner, became owners of direct interests in VMware representing 40.3% and 10.0%, respectively, of VMware’s outstanding stock, based on the shares outstanding as of April 29, 2022. Due to the MSD Stockholders’ and SLP Stockholders’ direct ownership in both VMware and Dell, as well as Mr. Dell’s executive position with Dell, transactions with Dell continue to be considered related party transactions following the Spin-Off.

Management believes the assumptions underlying the condensed consolidated financial statements are reasonable. However, the amounts recorded for VMware’s related party transactions with Dell and its consolidated subsidiaries may not be considered arm’s length with an unrelated third party. Therefore, the condensed consolidated financial statements included herein may not necessarily reflect the results of operations, financial position and cash flows had VMware engaged in such transactions with an unrelated third party during all periods presented. Accordingly, VMware’s historical financial information is not necessarily indicative of what the Company’s results of operations, financial position and cash flows will be in the future, if and when VMware contracts at arm’s length with unrelated third parties for products and services the Company receives from and provides to Dell.

***Principles of Consolidation***

The unaudited condensed consolidated financial statements include the accounts of VMware and subsidiaries in which VMware has a controlling financial interest. All intercompany transactions and account balances between VMware and its subsidiaries have been eliminated in consolidation. Transactions with Dell and its consolidated subsidiaries are generally settled in cash and are classified on the condensed consolidated statements of cash flows based upon the nature of the underlying



**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

transaction. Amounts included in the current portion of due from related parties on the condensed consolidated balance sheets that are unrelated to Dell Financial Services and tax obligations are generally settled in cash within 60 days of each quarter-end.

#### ***Use of Accounting Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses during the reporting periods, and the disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, trade receivable valuation, marketing development funds, expected period of benefit for deferred commissions, useful lives assigned to fixed assets and intangible assets, valuation of goodwill and definite-lived intangibles, income taxes, stock-based compensation and contingencies. Actual results could differ from those estimates. To the extent the Company's actual results differ materially from those estimates and assumptions, VMware's future financial statements could be affected.

#### ***New Accounting Pronouncement***

In November 2021, the Financial Accounting Standards Board issued an accounting standards update ("ASU") 2021-10, Government Assistance (Topic 832), requiring annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The new standard is effective for annual periods beginning after December 15, 2021, but may be early adopted. The Company does not expect the adoption of the ASU to have a material impact on the Company's condensed consolidated financial statements and plans to adopt the standard during fiscal 2023 on a prospective basis.

### **B. Revenue, Unearned Revenue and Remaining Performance Obligations**

#### ***Revenue***

##### ***Contract Assets***

A contract asset is recognized when a conditional right to consideration exists and transfer of control has occurred. Contract assets include fixed fee professional services where transfer of services has occurred in advance of the Company's right to invoice. Contract assets are classified as accounts receivables upon invoicing. Contract assets are included in other current assets on the condensed consolidated balance sheets. Contract assets were \$41 million and \$36 million as of April 29, 2022 and January 28, 2022, respectively. Contract asset balances will fluctuate based upon the timing of the transfer of services, billings and customers' acceptance of contractual milestones.

##### ***Contract Liabilities***

Contract liabilities consist of unearned revenue, which is generally recorded when VMware has the right to invoice or payments have been received for undelivered products or services.

##### ***Customer Deposits***

Customer deposits include prepayments from customers related to amounts received for contracts that include certain cancellation rights. Purchased credits eligible for redemption of VMware's hosted services ("cloud credits") are included in customer deposits until the cloud credit is consumed or is contractually committed to a specific hosted service. Cloud credits are redeemable by the customer for the gross value of the hosted offering. Upon contractual commitment for a hosted service, the net value of the cloud credits that are expected to be recognized as revenue when the obligation is fulfilled will be classified as unearned revenue.

As of April 29, 2022, customer deposits related to customer prepayments and cloud credits of \$503 million were included in accrued expenses and other, and \$136 million were included in other liabilities on the condensed consolidated balance sheets. As of January 28, 2022, customer deposits related to customer prepayments and cloud credits of \$470 million were included in accrued expenses and other, and \$166 million were included in other liabilities on the condensed consolidated balance sheets.

##### ***Deferred Commissions***

Deferred commissions are classified as current or non-current based on the duration of the expected period of benefit. Deferred commissions, including the employer portion of payroll taxes, included in other current assets as of April 29, 2022 and January 28, 2022 were \$15 million and \$17 million, respectively. Deferred commissions included in other assets were \$1.2 billion as of April 29, 2022 and January 28, 2022.

Amortization expense for deferred commissions was included in sales and marketing on the condensed consolidated statements of income and was \$143 million and \$125 million during the three months ended April 29, 2022 and April 30, 2021, respectively.

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

**Unearned Revenue**

Unearned revenue as of the periods presented consisted of the following (table in millions):

	April 29, 2022	January 28, 2022
Unearned license revenue	\$ 20	\$ 19
Unearned subscription and Software as a Service (“SaaS”) revenue	2,671	2,669
Unearned software maintenance revenue	6,877	7,208
Unearned professional services revenue	1,298	1,326
Total unearned revenue	<u>\$ 10,866</u>	<u>\$ 11,222</u>

Unearned subscription and SaaS revenue is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

Unearned software maintenance revenue is attributable to VMware’s maintenance contracts and is generally recognized ratably over the contract duration. The weighted-average remaining contractual term as of April 29, 2022 was approximately two years. Unearned professional services revenue results primarily from prepaid professional services and is generally recognized as the services are performed.

Total billings and revenue recognized during the three months ended April 29, 2022 were \$1.8 billion and \$2.1 billion, respectively, and did not include amounts for performance obligations that were fully satisfied upon delivery, such as on-premises licenses.

Revenue recognized during the three months ended April 30, 2021 was \$2.0 billion and did not include amounts for performance obligations that were fully satisfied upon delivery, such as on-premises licenses.

**Remaining Performance Obligations**

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted non-cancellable customer contracts at the end of any given period.

As of April 29, 2022, the aggregate transaction price allocated to remaining performance obligations was \$11.6 billion, of which approximately 57% is expected to be recognized as revenue over the next twelve months and the remainder thereafter. As of January 28, 2022, the aggregate transaction price allocated to remaining performance obligations was \$12.0 billion, of which approximately 57% was expected to be recognized as revenue during fiscal 2023, and the remainder thereafter.

**C. Related Parties**

Transactions with Dell continue to be considered related party transactions following the Spin-Off due to the MSD Stockholders’ and SLP Stockholders’ direct ownership in both VMware and Dell, as well as Mr. Dell’s executive position with Dell.

On November 1, 2021, in connection with the Spin-Off, VMware and Dell entered into the Commercial Framework Agreement to provide a framework under which the Company and Dell will continue their strategic commercial relationship, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service, or platform that may provide the parties with a strategic market opportunity. The Commercial Framework Agreement has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions.

The information provided below includes a summary of transactions with Dell.

**Transactions with Dell**

VMware and Dell engaged in the following ongoing related party transactions, which resulted in revenue and receipts, and unearned revenue for VMware:

- Pursuant to original equipment manufacturer (“OEM”) and reseller arrangements, Dell integrates or bundles VMware’s products and services with Dell’s products and sells them to end users. Dell also acts as a distributor, purchasing VMware’s standalone products and services for resale to end-user customers through VMware-authorized resellers. Revenue under these arrangements is presented net of related marketing development funds and rebates paid to Dell. In addition, VMware provides professional services to end users based upon contractual agreements with Dell.

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

- Dell purchases products and services from VMware for its internal use.
- From time to time, VMware and Dell enter into agreements to collaborate on technology projects, and Dell pays VMware for services or reimburses VMware for costs incurred by VMware, in connection with such projects.

During the three months ended April 29, 2022 and April 30, 2021, revenue from Dell accounted for 37% and 35% of VMware's consolidated revenue, respectively. During the three months ended April 29, 2022 and April 30, 2021, revenue recognized on transactions where Dell acted as an OEM accounted for 14% and 13% of total revenue from Dell, respectively, or 5% and 5% of VMware's consolidated revenue, respectively.

Dell purchases VMware products and services directly from VMware, as well as through VMware's channel partners. Information about VMware's revenue and receipts, and unearned revenue from such arrangements, for the periods presented consisted of the following (table in millions):

	Revenue and Receipts		Unearned Revenue	
	Three Months Ended		As of	
	April 29, 2022	April 30, 2021	April 29, 2022	January 28, 2022
Reseller revenue	\$ 1,137	\$ 1,036	\$ 5,309	\$ 5,550
Internal-use revenue	13	12	27	39

Receipts from Dell for collaborative technology projects were not material during the three months ended April 29, 2022 and April 30, 2021.

Customer deposits resulting from transactions with Dell were \$282 million and \$298 million as of April 29, 2022 and January 28, 2022, respectively.

VMware and Dell engaged in the following ongoing related party transactions, which resulted in costs to VMware:

- VMware purchases and leases products and purchases services from Dell.
- From time to time, VMware and Dell enter into agreements to collaborate on technology projects, and VMware pays Dell for services provided to VMware by Dell related to such projects.
- In certain geographic regions where VMware does not have an established legal entity, VMware contracts with Dell subsidiaries for support services and support from Dell personnel who are managed by VMware. The costs incurred by Dell on VMware's behalf related to these employees are charged to VMware with a mark-up intended to approximate costs that would have been incurred had VMware contracted for such services with an unrelated third party. These costs are included as expenses on VMware's condensed consolidated statements of income and primarily include salaries, benefits, travel and occupancy expenses. Dell also incurs certain administrative costs on VMware's behalf in the U.S. that are recorded as expenses on VMware's condensed consolidated statements of income.
- Prior to the Spin-Off, in certain geographic regions, Dell filed a consolidated indirect tax return, which included value added taxes and other indirect taxes collected by VMware from its customers. VMware remitted the indirect taxes to Dell, and Dell remitted the tax payment to the foreign governments on VMware's behalf.
- From time to time, VMware enters into agency arrangements with Dell that enable VMware to sell its subscriptions and services, leveraging the Dell enterprise relationships and end customer contracts.

Information about VMware's payments for such arrangements during the periods presented consisted of the following (table in millions):

	Three Months Ended	
	April 29, 2022	April 30, 2021
Purchases and leases of products and purchases of services <sup>(1)</sup>	\$ 42	\$ 47
Dell subsidiary support and administrative costs	3	13

<sup>(1)</sup> Amount includes indirect taxes that were remitted to Dell during the periods presented.

VMware also purchases Dell products through Dell's channel partners. Purchases of Dell products through Dell's channel partners were not significant during the periods presented.

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

From time to time, VMware and Dell also enter into joint marketing, sales, branding and product development arrangements, for which both parties may incur costs.

***Dell Financial Services (“DFS”)***

DFS provides financing to certain of VMware’s end users at the end users’ discretion. Upon acceptance of the financing arrangement by both VMware’s end users and DFS, amounts classified as trade accounts receivable are reclassified to the current portion of due from related parties on the condensed consolidated balance sheets. Revenue recognized on transactions financed through DFS was recorded net of financing fees. Financing fees on arrangements accepted by both parties were not significant during the three months ended April 29, 2022 and April 30, 2021.

***Tax Agreements with Dell***

Pursuant to the Tax Matters Agreement, effective April 14, 2021 (the “Tax Matters Agreement”), VMware and Dell agreed to terminate the former tax sharing agreement as amended on December 30, 2019 (the “Tax Sharing Agreement”, together with the Tax Matters Agreement and the Letter Agreement (as defined below), the “Tax Agreements”). The Tax Matters Agreement governs the Company’s and Dell’s respective rights and obligations, both for pre-Spin-Off periods and post-Spin-Off periods, regarding income and other taxes, and related matters, including tax liabilities and benefits, attributes and returns.

As a result of the Spin-Off, VMware is no longer a member of the Dell consolidated tax group and the Company’s U.S. federal income tax will be reported separately from that of the Dell consolidated tax group. VMware and Dell have agreed to indemnify one another, pursuant to the Tax Matters Agreement, for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off. Certain adjustments to these amounts that will be recognized in future periods will be recorded with an offset to other income (expense), net on the condensed consolidated statements of income. The actual amount that VMware may receive from or pay to Dell could vary depending on the outcome of tax matters arising from Dell’s future tax audits, which may not be resolved for several years.

As of the periods presented, amounts due to and due from Dell pursuant to the Tax Matters Agreement consisted of the following (table in millions):

	<b>April 29, 2022</b>	<b>January 28, 2022</b>
Due from related parties:		
Current	\$ —	\$ 6
Non-current	197	199
Due to related parties:		
Current	\$ 63	\$ 61
Non-current	911	909

Amounts due to Dell pursuant to the Tax Matters Agreement primarily related to the Transition Tax of \$504 million as of April 29, 2022 and January 28, 2022. The U.S. Tax Cuts and Jobs Act enacted on December 22, 2017 (the “2017 Tax Act”) included a deferral election for an eight-year installment payment method on the Transition Tax. The Company expects to pay the remainder of its Transition Tax as of April 29, 2022 over a period of four years. In addition, amounts due to Dell included uncertain tax positions of \$277 million and \$276 million as of April 29, 2022 and January 28, 2022, respectively.

During the three months ended April 29, 2022, payments received from Dell pursuant to the Tax Agreements were not material, and no payments were made to Dell. Payments received from and made to Dell pursuant to the Tax Agreements were \$45 million and \$12 million, respectively, during the three months ended April 30, 2021.

Payments from VMware to Dell under the Tax Agreements relate to VMware’s portion of federal income taxes on Dell’s consolidated tax return, state tax payments for combined states and estimated tax obligation resulting from the Transition Tax. The timing of the tax payments due to and from Dell is governed by the Tax Agreements. VMware’s portion of the Transition Tax is governed by a letter agreement between Dell, EMC and VMware executed on April 1, 2019 (the “Letter Agreement”).

**D. Commitments and Contingencies**

***Litigation***

On March 5, 2020, two purported Pivotal stockholders filed a petition for appraisal in the Delaware Court of Chancery (the “Court”) seeking a judicial determination of the fair value of an aggregate total of 10,000,100 Pivotal shares (the “Appraisal Action”). Separately, on June 4, 2020, purported Pivotal stockholder Kenia Lopez filed a lawsuit in the Court against Dell,

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VMware, Michael Dell, Robert Mee and Cynthia Gaylor (the “Lopez Action”), which alleges breach of fiduciary duty and aiding and abetting, all tied to VMware’s acquisition of Pivotal. On July 16, 2020, purported Pivotal stockholder Stephanie Howarth filed a similar lawsuit against the same defendants asserting similar claims (the “Howarth Action”). On August 14, 2020, the Court entered an order consolidating the Appraisal Action, the Lopez Action and the Howarth Action into a single action (the “Consolidated Action”) for all purposes including pretrial discovery and trial. On June 23, 2020, the Company made a payment of \$91 million to the petitioners in the Appraisal Action, which reduces the Company’s exposure to accumulating interest. On May 2, 2022, parties in the Lopez Action agreed to a settlement term sheet, which—if ultimately approved by the court—includes a \$43 million settlement payment that will be fully funded by insurance. Accordingly, as of April 29, 2022, an estimated loss accrual of \$43 million was recorded to accrued expenses and other on the condensed consolidated balance sheet, with a corresponding asset recorded to other current assets for the amount to be paid by insurance. The Appraisal Action parties are now in the pretrial preparation stages of the lawsuit, with the trial currently scheduled to begin on July 6, 2022. The Company is unable at this time to assess whether or to what extent it may be found liable in the Appraisal Action and, if found liable, what the damages may be and believes a loss is not probable and reasonably estimable. The Company intends to vigorously defend itself in connection with this matter.

On April 25, 2019, Cirba Inc. and Cirba IP, Inc. (collectively, “Cirba”) sued VMware in the United States District Court for the District of Delaware (the “Delaware Court”) for allegedly infringing two patents and three trademarks. On October 22, 2019, VMware filed a separate lawsuit against Cirba Inc. in the United States District Court for the Eastern District of Virginia for infringing four additional VMware patents, and Cirba filed a counterclaim alleging infringement of an additional Cirba patent. On January 24, 2020, a jury returned a verdict that VMware had willfully infringed Cirba’s two patents and awarded approximately \$237 million in damages. VMware accrued a total of \$237 million as of January 31, 2020, which reflected the estimated losses that were considered both probable and reasonably estimable at that time. The amount accrued for this matter was included in accrued expenses and other on the consolidated balance sheet as of January 31, 2020 and the charge was included in general and administrative expense on the consolidated statements of income during the year ended January 31, 2020. On December 21, 2020, the Delaware Court granted VMware’s request for a new trial and set aside the verdict and damages award (“Post-Trial Order”). Thereafter, all claims and counterclaims were consolidated into a single action for all purposes, including four patents and three trademark claims asserted by Cirba and eight patents asserted by VMware. The parties are currently in the discovery phase of the litigation, with trial currently set for April 2023. Separately, VMware filed challenges with the U.S. Patent and Trademark Office against each of the four patents that are the subject of Cirba’s allegations. All of the challenges were granted and the status of the reviews are as follows: (i) one patent survived the *ex parte* reexam with all challenged claims remaining valid; (ii) one patent remains under *ex parte* reexam review; (iii) one patent was found invalid via an *inter partes* review via a Final Written Decision (which remains subject to appeal) issued by the Patent Trial and Appeal Board; and (iv) one patent is undergoing a post-grant review. As of January 29, 2021, the Company reassessed its estimated loss accrual based on the Post-Trial Order and determined that a loss was no longer probable and reasonably estimable with respect to the consolidated action. Accordingly, the estimated loss accrual of \$237 million recorded on the consolidated balance sheets was derecognized, with the credit included in general and administrative expense on the consolidated statements of income during the year ended January 29, 2021. The Company is unable at this time to assess whether, or to what extent, it may be found liable and, if found liable, what the damages may be. The Company intends to vigorously defend against this matter.

In December 2019, the staff of the Enforcement Division of the SEC requested documents and information related to VMware’s backlog and associated accounting and disclosures. VMware is fully cooperating with the SEC and is engaged in discussions with the SEC about a potential resolution. VMware is unable to predict the outcome of this matter at this time.

While VMware believes that it has valid defenses against each of the above legal matters, given the unpredictable nature of legal proceedings, an unfavorable resolution of one or more legal proceedings, claims, or investigations could have a material adverse effect on VMware’s consolidated financial statements.

VMware accrues for a liability when a determination has been made that a loss is both probable and the amount of the loss can be reasonably estimated. If only a range can be estimated and no amount within the range is a better estimate than any other amount, an accrual is recorded for the minimum amount in the range. Significant judgment is required in both the determination that the occurrence of a loss is probable and is reasonably estimable. In making such judgments, VMware considers the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. Legal costs are generally recognized as expense when incurred.

VMware is also subject to other legal, administrative and regulatory proceedings, claims, demands and investigations in the ordinary course of business or in connection with business mergers and acquisitions, including claims with respect to commercial, contracting and sales practices, product liability, intellectual property, employment, corporate and securities law, class action, whistleblower and other matters. From time to time, VMware also receives inquiries from and has discussions with government entities and stockholders on various matters. As of April 29, 2022, amounts accrued relating to these other matters

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arising as part of the ordinary course of business were considered not material. VMware does not believe that any liability from any reasonably possible disposition of such claims and litigation, individually or in the aggregate, would have a material adverse effect on its consolidated financial statements.

**E. Definite-Lived Intangible Assets, Net**

As of the periods presented, definite-lived intangible assets consisted of the following (amounts in tables in millions):

	<b>April 29, 2022</b>			
	<b>Weighted-Average Useful Lives (in years)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Purchased technology	5.3	\$ 839	\$ (541)	\$ 298
Customer relationships and customer lists	11.9	645	(322)	323
Trademarks and tradenames	7.5	91	(61)	30
Total definite-lived intangible assets		\$ 1,575	\$ (924)	\$ 651

  

	<b>January 28, 2022</b>			
	<b>Weighted-Average Useful Lives (in years)</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Purchased technology	5.3	\$ 836	\$ (501)	\$ 335
Customer relationships and customer lists	11.5	721	(376)	345
Trademarks and tradenames	7.7	131	(97)	34
Total definite-lived intangible assets		\$ 1,688	\$ (974)	\$ 714

Amortization expense on definite-lived intangible assets was \$66 million and \$77 million during the three months ended April 29, 2022 and April 30, 2021, respectively.

Based on intangible assets recorded as of April 29, 2022 and assuming no subsequent additions, dispositions or impairment of underlying assets, the remaining estimated annual amortization expense over the next five fiscal years and thereafter is expected to be as follows (table in millions):

Remainder of 2023	\$ 188
2024	202
2025	109
2026	69
2027	39
Thereafter	44
Total	\$ 651

**F. Net Income Per Share**

Basic net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding and potentially dilutive securities outstanding during the period, as calculated using the treasury stock method. Potentially dilutive securities primarily include unvested restricted stock, which includes restricted stock unit (“RSU”) and performance stock unit (“PSU”) awards, and stock options, including purchase options under VMware’s employee stock purchase plan. Securities are excluded from the computation of diluted net income per share if their effect would be anti-dilutive.

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The following table sets forth the computations of basic and diluted net income per share during the periods presented (table in millions, except per share amounts and shares in thousands):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Net income	\$ 242	\$ 425
Weighted-average shares, basic	420,586	419,116
Effect of other dilutive securities	2,401	2,922
Weighted-average shares, diluted	422,987	422,038
Net income per weighted-average share, basic	\$ 0.58	\$ 1.01
Net income per weighted-average share, diluted	\$ 0.57	\$ 1.01

The following table sets forth the weighted-average common share equivalents of Class A common stock that were excluded from the diluted net income per share calculations during the periods presented because their effect would have been anti-dilutive (shares in thousands):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Anti-dilutive securities:		
Employee stock options	94	40
RSUs	481	513
Total	575	553

#### **G. Cash, Cash Equivalents, Restricted Cash and Short-Term Investments**

##### ***Cash and Cash Equivalents***

Cash and cash equivalents totaled \$3.7 billion and \$3.6 billion as of April 29, 2022 and January 28, 2022, respectively. Cash equivalents were \$3.0 billion as of April 29, 2022 and consisted of money-market funds of \$3.0 billion and time deposits of \$22 million. Cash equivalents were \$3.0 billion as of January 28, 2022 and consisted of money-market funds of \$3.0 billion and time deposits of \$34 million.

##### ***Restricted Cash***

The following table provides a reconciliation of the Company's cash and cash equivalents, and current and non-current portion of restricted cash reported on the condensed consolidated balance sheets that sum to the total cash, cash equivalents and restricted cash as of the periods presented (table in millions):

	<b>April 29, 2022</b>	<b>January 28, 2022</b>
Cash and cash equivalents	\$ 3,719	\$ 3,614
Restricted cash within other current assets	37	43
Restricted cash within other assets	6	6
Total cash, cash equivalents and restricted cash	\$ 3,762	\$ 3,663

Amounts included in restricted cash primarily relate to certain employee-related benefits, as well as amounts related to installment payments to certain employees as part of acquisitions, subject to the achievement of specified future employment conditions.

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**Short-Term Investments**

As of January 28, 2022, short-term investments totaled \$19 million and consisted of marketable equity securities. These short-term investments were sold during the three months ended April 29, 2022. Refer to Note I for more information regarding the Company's marketable equity securities.

**H. Debt****Unsecured Senior Notes**

On August 2, 2021, VMware issued five series of unsecured senior notes pursuant to a public debt offering (the "2021 Senior Notes"). The proceeds from the 2021 Senior Notes were \$5.9 billion, net of debt discount of \$11 million and debt issuance costs of \$47 million.

VMware also has unsecured senior notes issued on April 7, 2020 (the "2020 Senior Notes") and on August 21, 2017 (the "2017 Senior Notes", collectively with the 2020 Senior Notes and 2021 Senior Notes, the "Senior Notes").

The carrying value of the Senior Notes as of the periods presented was as follows (amounts in millions):

	April 29, 2022	January 28, 2022	Effective Interest Rate
<b>2017 Senior Notes:</b>			
3.90% Senior Note Due August 21, 2027	\$ 1,250	\$ 1,250	4.05%
<b>2020 Senior Notes:</b>			
4.50% Senior Note Due May 15, 2025	750	750	4.70%
4.65% Senior Note Due May 15, 2027	500	500	4.80%
4.70% Senior Note Due May 15, 2030	750	750	4.86%
<b>2021 Senior Notes:</b>			
0.60% Senior Note Due August 15, 2023	1,000	1,000	0.95%
1.00% Senior Note Due August 15, 2024	1,250	1,250	1.23%
1.40% Senior Note Due August 15, 2026	1,500	1,500	1.61%
1.80% Senior Note Due August 15, 2028	750	750	2.01%
2.20% Senior Note Due August 15, 2031	1,500	1,500	2.32%
<b>Total principal amount</b>	<b>9,250</b>	<b>9,250</b>	
Less: unamortized discount	(14)	(15)	
Less: unamortized debt issuance costs	(57)	(61)	
<b>Long-term debt</b>	<b>\$ 9,179</b>	<b>\$ 9,174</b>	

Interest on the 2021 Senior Notes is payable semiannually in arrears, on February 15 and August 15 of each year, commencing on February 15, 2022. Interest on the 2020 Senior Notes is payable semiannually in arrears, on May 15 and November 15 of each year, commencing on November 15, 2020. The interest rate on the 2020 Senior Notes is subject to adjustment based on certain rating events. Interest on the 2017 Senior Notes is payable semiannually in arrears, on February 21 and August 21 of each year, commencing on February 21, 2018. Interest expense was \$62 million and \$48 million during the three months ended April 29, 2022 and April 30, 2021, respectively. Interest expense, which included amortization of discount and issuance costs, was recognized on the condensed consolidated statements of income. The discount and issuance costs are amortized over the term of the Senior Notes on a straight-line basis, which approximates the effective interest method.

The Senior Notes are redeemable in whole at any time or in part from time to time at VMware's option and may be subject to a make-whole premium. In addition, upon the occurrence of certain change-of-control triggering events and certain downgrades of the ratings on the Senior Notes, VMware may be required to repurchase the notes at a repurchase price equal to 101% of the aggregate principal plus any accrued and unpaid interest on the date of repurchase. The Senior Notes rank equally in right of payment with VMware's other unsecured and unsubordinated indebtedness and contain restrictive covenants that, in certain circumstances, limit VMware's ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate, merge, sell or otherwise dispose of all or substantially all of VMware's assets.



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The future principal payments for the Senior Notes as of April 29, 2022 were as follows (amounts in millions):

Remainder of 2023	\$	—
2024		1,000
2025		1,250
2026		750
2027		1,500
Thereafter		4,750
Total	\$	<u>9,250</u>

### ***Senior Unsecured Term Loan Facility***

On September 2, 2021, VMware received commitments from financial institutions for a three-year senior unsecured term loan facility and a five-year senior unsecured term loan facility that provided the Company with a one-time aggregate borrowing capacity of up to \$4.0 billion (the “2021 Term Loan”). On November 1, 2021, the Company drew down an aggregate of \$4 billion and repaid \$750 million and \$500 million on April 4, 2022 and January 25, 2022, respectively. As of April 29, 2022 and January 28, 2022, the outstanding balance on the 2021 Term Loan of \$2.7 billion and \$3.5 billion, net of unamortized debt issuance costs, was included in long-term debt on the condensed consolidated balance sheets. As of April 29, 2022, the weighted-average interest rate on the outstanding 2021 Term Loan was 1.30%.

The 2021 Term Loan contains certain representations, warranties and covenants. Interest expense for the 2021 Term Loan, including amortization of issuance costs, was not significant during the three months ended April 29, 2022.

### ***Revolving Credit Facility***

On September 2, 2021, VMware entered into an unsecured credit agreement establishing a revolving credit facility with a syndicate of lenders that provides the Company with a borrowing capacity of up to \$1.5 billion for general corporate purposes (the “2021 Revolving Credit Facility”). Commitments under the 2021 Revolving Credit Facility are available for a period of five years, which may be extended, subject to the satisfaction of certain conditions, by up to two one-year periods. As of April 29, 2022, there was no outstanding borrowing under the 2021 Revolving Credit Facility. The credit agreement contains certain representations, warranties and covenants. Commitment fees, interest rates and other terms of borrowing under the 2021 Revolving Credit Facility may vary based on VMware’s external credit ratings. The amount incurred in connection with the ongoing commitment fee, which is payable quarterly in arrears, was not significant during the three months ended April 29, 2022.

## **I. Fair Value Measurements**

### ***Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis***

Certain financial assets and liabilities are measured at fair value on a recurring basis. VMware determines fair value using the following hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

VMware did not have any significant assets or liabilities that were classified as Level 3 of the fair value hierarchy for the periods presented, and there have been no transfers between fair value measurement levels during the periods presented.

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The following tables set forth the fair value hierarchy of VMware's cash equivalents and short-term investments that were required to be measured at fair value as of the periods presented (tables in millions):

	<b>April 29, 2022</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Cash equivalents:</b>			
Money-market funds	\$ 2,998	\$ —	\$ 2,998
Time deposits <sup>(1)</sup>	—	22	22
Total cash equivalents	\$ 2,998	\$ 22	\$ 3,020
<b>January 28, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Cash equivalents:</b>			
Money-market funds	\$ 2,998	\$ —	\$ 2,998
Time deposits <sup>(1)</sup>	—	34	34
Total cash equivalents	\$ 2,998	\$ 34	\$ 3,032
<b>Short-term investments:</b>			
Marketable equity securities	\$ 19	\$ —	\$ 19
Total short-term investments	\$ 19	\$ —	\$ 19

<sup>(1)</sup> Time deposits were valued at amortized cost, which approximated fair value.

The Senior Notes and the 2021 Term Loan were not recorded at fair value. The fair value of the Senior Notes was approximately \$8.6 billion and \$9.3 billion as of April 29, 2022 and January 28, 2022, respectively. The fair value of the 2021 Term Loan approximated its carrying value as of April 29, 2022 and January 28, 2022. Fair value for the Senior Notes and the 2021 Term Loan was estimated primarily based on observable market interest rates (Level 2 inputs).

VMware offers a deferred compensation plan for eligible employees, which allows participants to defer payment for part or all of their compensation. There is no net impact to the condensed consolidated statements of income since changes in the fair value of the assets offset changes in the fair value of the liabilities. As such, assets and liabilities associated with this plan have not been included in the above tables. Assets associated with this plan were the same as the liabilities at \$166 million and \$162 million as of April 29, 2022 and January 28, 2022, respectively, and were included in other assets on the condensed consolidated balance sheets. Liabilities associated with this plan were included in accrued expenses and other of \$15 million and in other liabilities of \$151 million on the condensed consolidated balance sheets as of April 29, 2022. Liabilities associated with this plan were included in accrued expenses and other of \$16 million and in other liabilities of \$146 million on the condensed consolidated balance sheets as of January 28, 2022.

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***Equity Securities With a Readily Determinable Fair Value***

VMware's equity securities included an investment in a company that completed its initial public offering during the third quarter of fiscal 2021. The fair value of the investment was based on quoted prices for identical assets in an active market (Level 1). As of January 28, 2022, the fair value of the investment was \$19 million and was included in short-term investments on the condensed consolidated balance sheets. During the three months ended April 29, 2022, VMware sold the entire investment which had a carrying value of \$19 million at the time of sale.

The gain or loss recognized on the sale of the investment during the three months ended April 29, 2022 and April 30, 2021 was not significant. An unrealized loss of \$33 million was recognized during the three months ended April 30, 2021 on investment still held as of April 30, 2021. All gains and losses on these securities, whether realized or unrealized, are recognized in other income (expense), net on the condensed consolidated statements of income.

***Equity Securities Without a Readily Determinable Fair Value***

VMware's equity securities also include investments in privately held companies, which do not have a readily determinable fair value. As of April 29, 2022 and January 28, 2022, investments in privately held companies, which consisted primarily of equity securities, had a carrying value of \$173 million and \$163 million, respectively, and were included in other assets on the condensed consolidated balance sheets.

All gains and losses on these securities, whether realized or unrealized, were not significant for the periods presented and were recognized in other income (expense), net on the condensed consolidated statements of income.

**J. Derivatives and Hedging Activities**

VMware conducts business on a global basis in multiple foreign currencies, subjecting the Company to foreign currency risk. To mitigate a portion of this risk, VMware utilizes hedging contracts as described below, which potentially expose the Company to credit risk to the extent that the counterparties may be unable to meet the terms of the agreements. VMware manages counterparty risk by seeking counterparties of high credit quality and by monitoring credit ratings, credit spreads and other relevant public information about its counterparties. VMware does not, and does not intend to, use derivative instruments for trading or speculative purposes.

***Cash Flow Hedges***

To mitigate its exposure to foreign currency fluctuations resulting from certain operating expenses denominated in certain foreign currencies, VMware enters into forward contracts that are designated as cash flow hedging instruments as the accounting criteria for such designation are met. Therefore, the effective portion of gains or losses resulting from changes in the fair value of these instruments is initially reported in accumulated other comprehensive loss on the condensed consolidated balance sheets and is subsequently reclassified to the related operating expense line item on the condensed consolidated statements of income in the same period that the underlying expenses are incurred. During the three months ended April 29, 2022 and April 30, 2021, the effective portion of gains or losses reclassified to the condensed consolidated statements of income was not significant to each of the individual functional line items, as well as in aggregate. Interest charges or forward points on VMware's forward contracts were excluded from the assessment of hedge effectiveness and were recorded to the related operating expense line item on the condensed consolidated statements of income in the same period that the interest charges are incurred.

These forward contracts have maturities of fourteen months or less, and as of April 29, 2022 and January 28, 2022, outstanding forward contracts had a total notional value of \$501 million and \$642 million, respectively. The notional value represents the gross amount of foreign currency that will be bought or sold upon maturity of the forward contract. The fair value of these forward contracts was not significant as of April 29, 2022 and January 28, 2022.

During the three months ended April 29, 2022 and April 30, 2021, all cash flow hedges were considered effective.

***Forward Contracts Not Designated as Hedges***

VMware has established a program that utilizes forward contracts to offset the foreign currency risk associated with net outstanding monetary asset and liability positions. These forward contracts are not designated as hedging instruments under applicable accounting guidance, and therefore all changes in the fair value of the forward contracts are reported in other income (expense), net on the condensed consolidated statements of income.

These forward contracts generally have a maturity of one month, and as of April 29, 2022 and January 28, 2022, outstanding forward contracts had a total notional value of \$809 million and \$1.5 billion, respectively. The notional value

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represents the gross amount of foreign currency that will be bought or sold upon maturity of the forward contract. The fair value of these forward contracts was not significant as of April 29, 2022 and January 28, 2022.

Gains related to the settlement of forward contracts were \$44 million and not significant during the three months ended April 29, 2022 and April 30, 2021, respectively. Gains and losses are recorded in other income (expense), net on the condensed consolidated statements of income.

The combined gains and losses related to the settlement of forward contracts and the underlying foreign currency denominated assets and liabilities were not significant during each of the three months ended April 29, 2022 and April 30, 2021. Net gains and losses are recorded in other income (expense), net on the condensed consolidated statements of income.

**K. Leases**

VMware has operating and finance leases primarily related to office facilities and equipment, which have remaining lease terms of one month to 24 years.

The components of lease expense during the periods presented were as follows (table in millions):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Operating lease expense	\$ 50	\$ 49
Finance lease expense:		
Amortization of right-of-use ("ROU") assets	2	2
Variable lease expense	8	7
<b>Total lease expense</b>	<b>\$ 60</b>	<b>\$ 58</b>

From time to time, VMware enters into lease arrangements with Dell. Lease expense incurred for arrangements with Dell was not significant during the periods presented.

The Company subleases certain leased office space to third parties when it determines there is excess leased capacity. Sublease income was not significant during each of the three months ended April 29, 2022 and April 30, 2021.

Supplemental cash flow information related to operating and finance leases during the periods presented was as follows (table in millions):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 43	\$ 44
Financing cash flows from finance leases	1	1
ROU assets obtained in exchange for lease liabilities:		
Operating leases	\$ 51	\$ 44

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Supplemental balance sheet information related to operating and finance leases as of the periods presented was as follows (table in millions):

	<b>April 29, 2022</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>
ROU assets, non-current <sup>(1)</sup>	\$ 1,071	\$ 45
Lease liabilities, current <sup>(2)</sup>	\$ 147	\$ 6
Lease liabilities, non-current <sup>(3)</sup>	927	40
Total lease liabilities	<u>\$ 1,074</u>	<u>\$ 46</u>
	<b>January 28, 2022</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>
ROU assets, non-current <sup>(1)</sup>	\$ 1,062	\$ 46
Lease liabilities, current <sup>(2)</sup>	\$ 145	\$ 5
Lease liabilities, non-current <sup>(3)</sup>	927	43
Total lease liabilities	<u>\$ 1,072</u>	<u>\$ 48</u>

<sup>(1)</sup> ROU assets for operating leases are included in other assets and ROU assets for finance leases are included in property and equipment, net on the condensed consolidated balance sheets.

<sup>(2)</sup> Current lease liabilities are included primarily in accrued expenses and other on the condensed consolidated balance sheets.

<sup>(3)</sup> Non-current operating lease liabilities are presented as operating lease liabilities on the condensed consolidated balance sheets. Non-current finance lease liabilities are included in other liabilities on the condensed consolidated balance sheets.

Lease term and discount rate related to operating and finance leases as of the periods presented were as follows:

	<b>April 29, 2022</b>	<b>January 28, 2022</b>
Weighted-average remaining lease term (in years)		
Operating leases	11.9	11.9
Finance leases	7.0	7.3
Weighted-average discount rate		
Operating leases	3.2 %	3.2 %
Finance leases	2.9 %	2.9 %

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following represents VMware's future minimum lease payments under non-cancellable operating and finance leases as of April 29, 2022 (table in millions):

	<b>Operating Leases</b>	<b>Finance Leases</b>
Remainder of 2023	\$ 135	\$ 5
2024	167	7
2025	124	6
2026	122	7
2027	105	8
Thereafter	689	18
Total future minimum lease payments	1,342	51
Less: Imputed interest	(268)	(5)
Total lease liabilities <sup>(1)</sup>	<u>\$ 1,074</u>	<u>\$ 46</u>

<sup>(1)</sup> Total lease liabilities as of April 29, 2022 excluded legally binding lease payments for leases signed but not yet commenced of \$54 million.

The amount of the future operating lease commitments after fiscal 2027 is primarily for the ground leases on VMware's Palo Alto, California headquarter facilities, which expire in 2047. As several of VMware's operating leases are payable in foreign currencies, the operating lease payments may fluctuate in response to changes in exchange rate between the U.S. dollar and the foreign currencies in which the commitments are payable.

## L. Stockholders' Equity

### *VMware Stock Repurchases*

VMware purchases stock from time to time in open market transactions, subject to market conditions. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including VMware's stock price, cash requirements for operations and business combinations, corporate, legal and regulatory requirements and other market and economic conditions. VMware is not obligated to purchase any shares under its stock repurchase programs. Purchases may be discontinued at any time VMware believes additional purchases are not warranted. All shares repurchased under VMware's stock repurchase programs are retired.

On October 7, 2021, VMware authorized a new repurchase program of up to \$2.0 billion of Class A common stock through the end of fiscal 2024, effective on November 1, 2021. As of April 29, 2022, the cumulative authorized amount remaining for stock repurchases was \$1.6 billion.

The following table summarizes stock repurchase activity during the periods presented (aggregate purchase price in millions, shares in thousands):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Aggregate purchase price	\$ 89	\$ 371
Class A common stock repurchased	803	2,500
Weighted-average price per share	\$ 111.33	\$ 148.42

### *VMware Restricted Stock*

VMware's restricted stock primarily consists of RSU awards granted to employees. The value of an RSU grant is based on VMware's stock price on the date of the grant. The shares underlying the RSU awards are not issued until the RSUs vest. Upon vesting, each RSU converts into one share of VMware's Class A common stock.

VMware's restricted stock also includes PSU awards granted to certain VMware executives and employees. PSU awards have performance conditions and, in certain cases, a time-based or market-based vesting component. Upon vesting, PSU awards convert into VMware's Class A common stock at various ratios ranging from 0.1 to 2.0 shares per PSU, depending upon the degree of achievement of the performance or market-based target designated by each award. If minimum performance thresholds are not achieved, then no shares are issued.

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following table summarizes restricted stock activity since January 28, 2022 (units in thousands):

	<b>Number of Units</b>	<b>Weighted-Average Grant Date Fair Value (per unit)</b>
Outstanding, January 28, 2022	23,002	\$ 123.06
Granted	1,451	113.84
Vested	(2,033)	124.57
Forfeited	(903)	124.72
Outstanding, April 29, 2022	<u>21,517</u>	<u>122.23</u>

The aggregate vesting date fair value of VMware’s restricted stock that vested during the three months ended April 29, 2022 was \$252 million. As of April 29, 2022, restricted stock representing 21.5 million shares of VMware’s Class A common stock were outstanding, with an aggregate intrinsic value of \$2.3 billion based on VMware’s closing stock price as of April 29, 2022.

***Net Excess Tax Benefits***

Net excess tax benefits recognized in connection with stock-based awards are included in income tax provision on the condensed consolidated statements of income. Net excess tax benefits recognized during the three months ended April 29, 2022 and April 30, 2021 was not material.

**M. Segment Information**

VMware operates in one reportable operating segment; thus, all required financial segment information is included in the condensed consolidated financial statements. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in order to allocate resources and assess performance. VMware’s chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by type during the periods presented was as follows (table in millions):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Revenue:		
License	\$ 572	\$ 646
Subscription and SaaS	899	741
Total license and subscription and SaaS	<u>1,471</u>	<u>1,387</u>
Services:		
Software maintenance	1,310	1,321
Professional services	307	286
Total services	<u>1,617</u>	<u>1,607</u>
Total revenue	<u>\$ 3,088</u>	<u>\$ 2,994</u>

**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

Revenue by geographic area during the periods presented was as follows (table in millions):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
United States	\$ 1,518	\$ 1,466
International	1,570	1,528
<b>Total</b>	<b>\$ 3,088</b>	<b>\$ 2,994</b>

Revenue by geographic area is based on the ship-to addresses of VMware's customers. No individual country other than the U.S. accounted for 10% or more of revenue during each of the three months ended April 29, 2022 and April 30, 2021.

Long-lived assets by geographic area, which primarily include property and equipment, net, as of the periods presented were as follows (table in millions):

	<b>April 29, 2022</b>	<b>January 28, 2022</b>
	United States	\$ 869
International	241	241
<b>Total</b>	<b>\$ 1,110</b>	<b>\$ 1,123</b>

No individual country other than the U.S. accounted for 10% or more of these assets as of April 29, 2022 and January 28, 2022.

#### **N. Subsequent Event**

On May 26, 2022, VMware entered into an Agreement and Plan of Merger (the "Merger Agreement") with Broadcom Inc. ("Broadcom"). Under the terms of the Merger Agreement, each share of Class A common stock, par value \$0.01 per share, of the Company ("Company Common Stock") issued and outstanding immediately prior to the effective time of the transaction will be indirectly converted into the right to receive, at the election of the holder of such share of Company Common Stock, and subject to proration in accordance with the Merger Agreement as described below: (i) \$142.50 per share in cash, without interest (the "Cash Consideration"), or (ii) 0.25200 (the "Exchange Ratio") shares of common stock, par value \$0.001 per share, of Broadcom ("Broadcom Common Stock", and such consideration, the "Stock Consideration"). The stockholder election will be subject to a proration mechanism, such that the total number of shares of Company Common Stock entitled to receive the Cash Consideration, and the total number of shares of Company Common Stock entitled to receive the Stock Consideration, will, in each case, be equal to 50% of the aggregate number of shares of Company Common Stock issued and outstanding immediately prior to the consummation of the transaction. Holders of Company Common Stock that do not make an election will be treated as having elected to receive the Cash Consideration or the Stock Consideration in accordance with the proration methodology in the Merger Agreement.

The Merger Agreement contains customary representations, warranties and covenants. The Merger Agreement also contains termination rights for either or each of Broadcom and the Company. If the consummation of the transaction does not occur on or before February 26, 2023 by either party, subject to three extensions of three months each (at either Broadcom or the Company's election) if on such date all of the closing conditions except those relating to regulatory approvals have been satisfied or waived, Broadcom would be required to pay the Company a termination fee of \$1.5 billion. Upon termination of the Merger Agreement under certain specified circumstances, including by the Company to enter into a definitive agreement with respect to a superior proposal in accordance with the terms of the Merger Agreement, the Company will be required to pay Broadcom a termination fee in the amount of \$1.5 billion, unless the Company terminates the Merger Agreement in order to enter into a definitive agreement with respect to a superior proposal prior to 11:59 p.m. Pacific time on July 5, 2022, in which case the Company will be required to pay Broadcom a lower termination fee in the amount of \$750 million.

The MSD Stockholders and the SLP Stockholders, which own 40.2% and 10.0%, as of May 27, 2022, of VMware shares outstanding, respectively, have signed support agreements to vote in favor of the transaction, so long as the VMware Board continues to recommend the proposed transaction with Broadcom. Each voting agreement will also terminate upon the termination of the Merger Agreement in accordance with its terms.



**VMware, Inc.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The transaction, which is expected to occur in Broadcom's fiscal year 2023, is subject to the receipt of regulatory approvals and other customary closing conditions, including approval by VMware shareholders. If the transaction is consummated, the Company Common Stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934, as amended.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis is provided in addition to the accompanying condensed consolidated financial statements and notes to assist in understanding our results of operations and financial condition. Financial information as of April 29, 2022 should be read in conjunction with our consolidated financial statements for the year ended January 28, 2022 contained in our Annual Report on Form 10-K filed on March 24, 2022.

Our fiscal year is the 52 or 53 weeks ending on the Friday nearest to January 31 of each year. We refer to our fiscal years ending February 3, 2023 and fiscal year ended January 28, 2022 as "fiscal 2023" and "fiscal 2022," respectively. The first quarter of fiscal 2023 and fiscal 2022 were each 13-week fiscal quarters.

Period-over-period changes are calculated based upon the respective underlying non-rounded data. Unless the context requires otherwise, we are referring to VMware, Inc. and its consolidated subsidiaries when we use the terms "VMware," the "Company," "we," "our" or "us."

### Overview

We originally pioneered the development and application of virtualization technologies with x86 server-based computing, separating application software from the underlying hardware, and then evolved to become the private cloud and mobility management leader. Building upon that leadership, we are focused on becoming the multi-cloud leader. Information technology ("IT") driven innovation continues to disrupt markets and industries. Technologies emerge faster than organizations can absorb, creating increasingly complex environments. Organizations' IT departments and corporate divisions are working at an accelerated pace to harness new technologies, platforms and cloud models, ultimately guiding businesses and their product teams through a digital transformation. To take on these challenges, we are helping customers drive their multi-cloud strategy by providing the multi-cloud platform for all applications, enabling digital innovation and enterprise control.

Our portfolio supports and addresses our customers' key priorities, including modernizing their applications, managing multi-cloud environments, accelerating their cloud journey, modernizing the network using commodity hardware, embracing zero-trust security and empowering anywhere workspaces. We enable digital transformations of customers' applications, infrastructure and operations for their constantly evolving business and employee needs.

End users can purchase the full breadth of our subscription, SaaS, license and services portfolio through discrete purchases or through enterprise agreements ("EAs"). EAs are sold to our direct customers and through channel partners and can include our license, multi-year maintenance and support, subscription and SaaS offerings.

During the three months ended April 29, 2022, we continued to see an increase in the portion of our sales occurring through our subscription and SaaS offerings compared to the portion of our on-premises solutions sold as perpetual licenses. We expect this trend to continue and as a result, a greater portion of our revenue will be recognized over time as subscription and SaaS revenue rather than license revenue, which is typically recognized in the fiscal period in which sales occur. As this trend continues, the rate of growth in our license revenue, which has historically been viewed as a leading indicator of our business performance, has and will likely continue to be less relevant on a standalone basis, and we believe that the overall growth rate of our combined license and subscription and SaaS revenue and annual recurring revenue for subscription and SaaS, as well as the growth in the current portion of our remaining performance obligations, will become better indicators of our future growth prospects. In addition, we expect our operating margin to be negatively impacted in fiscal 2023 as a result of our incremental investment in our subscription and SaaS portfolio.

### *Proposed Merger with Broadcom, Inc.*

On May 26, 2022, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Broadcom Inc. ("Broadcom"). Under the terms of the Merger Agreement, each share of our Class A common stock ("Company Common Stock"), par value \$0.01 per share, issued and outstanding immediately prior to the effective time of the transaction will be indirectly converted into the right to receive, at the election of the holder of such share of Company Common Stock, and subject to proration in accordance with the Merger Agreement as described below: (i) \$142.50 per share in cash, without interest (the "Cash Consideration"), or (ii) 0.25200 (the "Exchange Ratio") shares of common stock, par value \$0.001 per share, of Broadcom ("Broadcom Common Stock", and such consideration, the "Stock Consideration"). The stockholder election will be subject to a proration mechanism, such that the total number of shares of Company Common Stock entitled to receive the Cash Consideration, and the total number of shares of Company Common Stock entitled to receive the Stock Consideration, will, in each case, be equal to 50% of the aggregate number of shares of Company Common Stock issued and outstanding immediately prior to the consummation of the transaction. Holders of Company Common Stock that do not make an election will be treated as having elected to receive the Cash Consideration or the Stock Consideration in accordance with the proration methodology in the Merger Agreement.

Entities affiliated with Michael Dell (the “MSD Stockholders”) and entities affiliated with Silver Lake Partners (the “SLP Stockholders”), which own 40.2% and 10.0%, as of May 27, 2022, of our shares outstanding, respectively, have signed support agreements to vote in favor of the transaction, so long as our Board continues to recommend the proposed transaction with Broadcom. Each voting agreement will also terminate upon the termination of the Merger Agreement in accordance with its terms.

The transaction, which is expected to occur in Broadcom’s fiscal year 2023, is subject to the receipt of regulatory approvals and other customary closing conditions, including approval by our shareholders. If the transaction is consummated, the Company Common Stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934, as amended.

### ***Suspension of Business Operations in Russia***

In response to Russian military actions in Ukraine occurring during the first quarter of fiscal 2023, we suspended business operations in Russia and Belarus, including suspension of sales, support on existing contracts and professional services in both countries. Furthermore, the U.S. and other countries have imposed sanctions on Russia that have impacted the delivery of our services and our future revenue streams from impacted customers. The impact to our first quarter of fiscal 2023 financial statements was not material as a percentage of total consolidated revenue, and we do not expect the impact of these events on our consolidated financial statements in future periods to be material. We will closely monitor the impact of these events on all aspects of our business.

### **Results of Operations**

Approximately 70% of our sales are denominated in the United States (“U.S.”) dollar. In certain countries, however, we also invoice and collect in various foreign currencies, principally euro, British pound, Japanese yen, Australian dollar and Chinese renminbi. In addition, we incur and pay operating expenses in currencies other than the U.S. dollar. As a result, our financial statements, including our revenue, operating expenses, unearned revenue and the resulting cash flows derived from the U.S. dollar equivalent of foreign currency transactions, are affected by foreign exchange fluctuations.

#### **Revenue**

Our revenue during the periods presented was as follows (dollars in millions):

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>April 29, 2022</b>	<b>April 30, 2021</b>		
<b>Revenue:</b>				
License	\$ 572	\$ 646	\$ (73)	(11)%
Subscription and SaaS	899	741	159	21
Total license and subscription and SaaS	1,471	1,387	85	6
<b>Services:</b>				
Software maintenance	1,310	1,321	(11)	(1)
Professional services	307	286	20	7
Total services	1,617	1,607	9	1
<b>Total revenue</b>	<b>\$ 3,088</b>	<b>\$ 2,994</b>	<b>\$ 95</b>	<b>3</b>
<b>Revenue:</b>				
United States	\$ 1,518	\$ 1,466	\$ 52	4%
International	1,570	1,528	43	3
<b>Total revenue</b>	<b>\$ 3,088</b>	<b>\$ 2,994</b>	<b>\$ 95</b>	<b>3</b>

Revenue from our subscription offerings consisted primarily of our VCPP cloud-based offerings that are billed to customers on a consumption basis and revenue from VMware Tanzu and other offerings that are billed on a subscription basis. Revenue from our SaaS offerings consisted primarily of our Workspace ONE Unified Endpoint Management, VMware Carbon Black Cloud, VMware Cloud on AWS, CloudHealth by VMware and VMware SD-WAN by VeloCloud.

License revenue relating to the sale of on-premises licenses that are part of a multi-year contract is generally recognized upon delivery of the underlying license, whereas revenue derived from our subscription and SaaS offerings is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

As customers adopt our subscription and SaaS offerings, license and software maintenance revenue has and may continue to be lower and subject to greater fluctuation in the future, driven by a higher proportion of our sales occurring through our subscription and SaaS offerings as well as the variability of large deals between fiscal quarters, which deals historically have had a large license revenue impact.

#### ***License Revenue***

License revenue decreased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, largely due to a shift in demand from our on-premises solutions sold with perpetual licenses to cloud-based solutions.

#### ***Subscription and SaaS Revenue***

Subscription and SaaS revenue increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily due to increased sales of our Workspace ONE, vRealize Cloud Management, VMware Cloud on AWS and VMware Tanzu offerings.

Annual recurring revenue (“ARR”) represents the annualized value of our committed customer subscription and SaaS contracts as of the end of the reporting period, assuming any contract that expires during the next 12 months is renewed on its existing terms, except that, for consumption-based subscription and SaaS offerings, ARR represents the annualized quarterly revenue based on revenue recognized for the current reporting period. ARR is an operating measure we use to assess the strength of our subscription and SaaS offerings. ARR is a performance metric and should be viewed independently of, and not as a substitute for or combined with, revenue and unearned revenue. ARR was \$3.7 billion as of April 29, 2022 and \$3.0 billion as of April 30, 2021.

#### ***Services Revenue***

Software maintenance revenue decreased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, largely due to a shift in demand from our on-premises solutions sold with perpetual licenses and the associated software maintenance to cloud-based solutions. In each period presented, customers purchased, on a weighted-average basis, greater than three years of support and maintenance with each new license purchased.

Professional services revenue increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021. Services we provide through our consultants and technical account managers and our continued focus on solution deployments, including our networking, security, cloud management and digital workspace offerings, contributed to the increase in professional services revenue. We continue to also focus on enabling our partners to deliver professional services for our solutions, and as such, our professional services revenue may vary as we continue to leverage our partners. The timing of services rendered will also impact the amount of professional services revenue we recognize during a period.

#### ***Unearned Revenue***

Unearned revenue as of the periods presented consisted of the following (table in millions):

	April 29, 2022	January 28, 2022
Unearned license revenue	\$ 20	\$ 19
Unearned subscription and SaaS revenue	2,671	2,669
Unearned software maintenance revenue	6,877	7,208
Unearned professional services revenue	1,298	1,326
Total unearned revenue	<u>\$ 10,866</u>	<u>\$ 11,222</u>

Unearned subscription and SaaS revenue is generally recognized over time as customers consume the services or ratably over the term of the subscription, commencing upon provisioning of the service.

Unearned software maintenance revenue is attributable to our maintenance contracts and is generally recognized ratably over the contract duration. The weighted-average remaining contractual term as of April 29, 2022 was approximately two years. Unearned professional services revenue results primarily from prepaid professional services and is generally recognized as the services are performed.

#### ***Remaining Performance Obligations and Backlog***

##### ***Remaining Performance Obligations***

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance

obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted non-cancellable customer contracts at the end of any given period.

As of April 29, 2022, the aggregate transaction price allocated to remaining performance obligations was \$11.6 billion, of which approximately 57% is expected to be recognized as revenue over the next twelve months and the remainder thereafter. As of January 28, 2022, the aggregate transaction price allocated to remaining performance obligations was \$12.0 billion, of which approximately 57% was expected to be recognized as revenue during fiscal 2023 and the remainder thereafter.

### **Backlog**

Backlog is comprised of unfulfilled purchase orders or unfulfilled executed agreements at the end of a given period and is net of related estimated rebates and marketing development funds. Backlog consists of licenses, subscription and SaaS and services. As of April 29, 2022, our total backlog was \$25 million and our backlog related to licenses was \$7 million. For our backlog related to licenses, we generally expect to deliver and recognize revenue during the following quarter. Backlog totaling \$11 million as of April 29, 2022 was excluded from the remaining performance obligations because such contracts are subject to cancellation until the performance obligation is fulfilled.

As of January 28, 2022, our total backlog was \$88 million and our backlog related to licenses was \$14 million. Backlog totaling \$36 million as of January 28, 2022 was excluded from the remaining performance obligations because such contracts are subject to cancellation until the performance obligation is fulfilled.

The amount and composition of backlog will fluctuate period to period, and backlog is managed based upon multiple considerations, including product and geography. We do not believe the amount of backlog is indicative of future sales or revenue or that the mix of backlog at the end of any given period correlates with actual sales performance of a particular geography or particular products and services.

### **Cost of License Revenue, Cost of Subscription and SaaS Revenue, Cost of Services Revenue and Operating Expenses**

Collectively, our cost of license revenue, cost of subscription and SaaS revenue, cost of services revenue and operating expenses primarily reflected increasing cash-based employee-related expenses, driven by an increase in headcount and salaries across most of our income statement expense categories during the three months ended April 29, 2022.

#### **Cost of License Revenue**

Cost of license revenue primarily consists of the cost of fulfillment of our SD-WAN offerings, royalty costs in connection with technology licensed from third-party providers and amortization of intangible assets. The cost of fulfillment of our software and hardware SD-WAN offerings includes personnel costs and related overhead associated with delivery of our products.

Cost of license revenue during the periods presented was as follows (dollars in millions):

	<b>Three Months Ended</b>			
	<b>April 29, 2022</b>	<b>April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Cost of license revenue	\$ 35	\$ 37	\$ (3)	(7)%
% of License revenue	6 %	6 %		

Cost of license revenue decreased slightly during the three months ended April 29, 2022 compared to the three months ended April 30, 2021.

#### **Cost of Subscription and SaaS Revenue**

Cost of subscription and SaaS revenue primarily includes personnel costs and related overhead associated with hosted services supporting our SaaS offerings. Additionally, cost of subscription and SaaS revenue also includes depreciation of equipment supporting our subscription and SaaS offerings.

Cost of subscription and SaaS revenue during the periods presented was as follows (dollars in millions):

	<b>Three Months Ended</b>			
	<b>April 29, 2022</b>	<b>April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Cost of subscription and SaaS revenue	\$ 187	\$ 152	\$ 35	23 %
Stock-based compensation	5	5	—	(4)
Total expenses	\$ 192	\$ 157	\$ 34	22
% of Subscription and SaaS revenue	21 %	21 %		

Cost of subscription and SaaS revenue increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily driven by an increase of \$24 million in costs associated with hosted services that support our SaaS offerings.

### **Cost of Services Revenue**

Cost of services revenue primarily includes the costs of personnel and related overhead to deliver technical support for our products and costs to deliver professional services. Additionally, cost of services revenue includes depreciation of equipment supporting our service offerings.

Cost of services revenue during the periods presented was as follows (dollars in millions):

	<b>Three Months Ended</b>			
	<b>April 29, 2022</b>	<b>April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Cost of services revenue	\$ 352	\$ 312	\$ 39	13 %
Stock-based compensation	23	25	(2)	(7)
Total expenses	<u>\$ 375</u>	<u>\$ 337</u>	<u>\$ 38</u>	<u>11</u>
<i>% of Services revenue</i>	<i>23 %</i>	<i>21 %</i>		

Cost of services revenue increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$27 million, primarily driven by an increase in headcount.

### **Research and Development Expenses**

Research and development expenses include the personnel and related overhead associated with the development of our products and services offerings. We continue to invest in and focus on expanding our subscription and SaaS offerings.

Research and development expenses during the periods presented were as follows (dollars in millions):

	<b>Three Months Ended</b>			
	<b>April 29, 2022</b>	<b>April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Research and development	\$ 642	\$ 581	\$ 62	11 %
Stock-based compensation	132	127	5	4
Total expenses	<u>\$ 774</u>	<u>\$ 708</u>	<u>\$ 67</u>	<u>9</u>
<i>% of Total revenue</i>	<i>25 %</i>	<i>24 %</i>		

Research and development expenses increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$53 million, primarily driven by an increase in headcount and salaries, as well as increased equipment and depreciation and facilities-related costs. These increases were partially offset by increased capitalized internal-use software development costs of \$17 million.

### **Sales and Marketing Expenses**

Sales and marketing expenses include personnel costs, sales commissions and related overhead associated with the sale and marketing of our license, subscription and SaaS and services offerings, as well as the cost of product launches and marketing initiatives. A significant portion of our sales commissions are deferred and recognized over the expected period of benefit.

Sales and marketing expenses during the periods presented were as follows (dollars in millions):

	<b>Three Months Ended</b>			
	<b>April 29, 2022</b>	<b>April 30, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Sales and marketing	\$ 970	\$ 884	\$ 88	10 %
Stock-based compensation	83	75	9	12
Total expenses	<u>\$ 1,053</u>	<u>\$ 959</u>	<u>\$ 97</u>	<u>10</u>
<i>% of Total revenue</i>	<i>34 %</i>	<i>32 %</i>		

Sales and marketing expenses increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021. The increase was primarily due to growth in cash-based employee-related expenses of \$46 million, primarily

driven by an increase in headcount and salaries, as well as increased travel-related expenses of \$16 million, primarily resulting from travel restrictions imposed in response to the COVID-19 pandemic being lifted. The increase was also driven by increased costs incurred for sales enablement-based initiatives.

### General and Administrative Expenses

General and administrative expenses include personnel and related overhead costs to support the business. These expenses include the costs associated with finance, human resources, IT infrastructure and legal, as well as expenses related to corporate costs and initiatives.

General and administrative expenses during the periods presented were as follows (dollars in millions):

	Three Months Ended			
	April 29, 2022	April 30, 2021	\$ Change	% Change
General and administrative	\$ 211	\$ 205	\$ 6	3 %
Stock-based compensation	40	31	9	28
Total expenses	<u>\$ 251</u>	<u>\$ 236</u>	<u>\$ 15</u>	<u>6</u>
<i>% of Total revenue</i>	<i>8 %</i>	<i>8 %</i>		

General and administrative expenses increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021. The increase was primarily driven by increased equipment and depreciation of \$16 million, as well as increased cash-based employee-related expenses, primarily driven by an increase in headcount. These increases were partially offset by a decrease in IT-related costs of \$15 million.

### Interest Expense

Interest expense during the periods presented was as follows (dollars in millions):

	Three Months Ended			
	April 29, 2022	April 30, 2021	\$ Change	% Change
Interest expense	\$ 71	\$ 50	\$ 21	43 %
<i>% of Total revenue</i>	<i>2 %</i>	<i>2 %</i>		

Interest expense increased during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily driven by the five series of unsecured senior notes issued during the third quarter of fiscal 2022 in the aggregate principal amount of \$6.0 billion. We expect the annual interest expense associated with these senior notes to be approximately \$100 million.

### Other Income (Expense), net

Other income (expense), net during the periods presented was as follows (dollars in millions):

	Three Months Ended			
	April 29, 2022	April 30, 2021	\$ Change	% Change
Other income (expense), net	\$ (10)	\$ (23)	\$ 14	56 %
<i>% of Total revenue</i>	<i>— %</i>	<i>(1)%</i>		

The change in other income (expense), net during the three months ended April 29, 2022 compared to the three months ended April 30, 2021 was primarily driven by gains and losses, whether realized or unrealized, on our investments in equity securities.

Pursuant to a tax matters agreement entered into with Dell effective April 14, 2021 (the "Tax Matters Agreement"), we have agreed to indemnify one another for certain tax liabilities or tax benefits relating to periods prior to VMware's spin-off from Dell on November 1, 2021 (the "Spin-Off") and certain adjustments to these amounts that will be recognized in future periods will be recorded in other income (expense), net on the consolidated statements of income. We cannot reasonably predict the amount that we may receive or pay in future periods and it could introduce significant risk of variability to our consolidated statements of income.

**Income Tax Provision**

The following table summarizes our income tax provision during the periods presented (dollars in millions):

	<b>Three Months Ended</b>	
	<b>April 29, 2022</b>	<b>April 30, 2021</b>
Income tax provision	\$ 86	\$ 61
Effective income tax rate	26.1 %	12.6 %

Our quarterly effective income tax rate is based on our estimated annual income tax rate forecast and discrete tax items recognized in the period. The change in our effective income tax rate for the three months ended April 29, 2022 compared to the three months ended April 30, 2021 was primarily driven by a higher estimated annual income tax rate for fiscal 2023 due to the increase in global intangible low-taxed income (“GILTI”) from the impacts of Internal Revenue Code Section 174 research and development expense capitalization, which was enacted as part of the Tax Cuts and Jobs Act of 2017 and became effective beginning in fiscal 2023. As we record impacts of GILTI as a period cost, the capitalization of foreign research and experimental costs in GILTI increases our provision for income taxes. The increase in our effective income tax rate was also driven by a decrease in foreign tax credit (“FTC”) benefit due to disallowance of credit for certain foreign tax expenses as a result of the final FTC regulations effective beginning in fiscal 2023.

Prior to the Spin-Off, our financial results were included in the Dell consolidated tax return for U.S. federal income tax purposes, but our income tax provision or benefit was calculated primarily as though we were a separate taxpayer, with certain transactions between us and Dell being assessed using consolidated tax return rules. As a result of the Spin-Off, we are no longer a member of the Dell consolidated tax group and our U.S. federal income tax will be reported separately from that of the Dell consolidated tax group.

Our effective tax rate in the future will depend upon the proportion of our income before provision for income taxes earned in the U.S. and in jurisdictions with a tax rate lower than the U.S. statutory rate. Our non-U.S. earnings are primarily earned by our subsidiary organized in Ireland, where the rate of taxation is lower than our U.S. tax rate and, as such, our annual effective tax rate can be significantly affected by the composition of our earnings in U.S. and non-U.S. jurisdictions. Our future effective tax rate may be affected by such factors as: changes in our business; changes in tax laws or statutory rates; changing interpretation of existing laws or regulations; the impact of accounting for stock-based compensation; the recognition of excess tax benefits or tax deficiencies within the income tax provision or benefit in the period in which they occur; the impact of accounting for business combinations; shifts in the amount of earnings in the U.S. compared with other regions in the world; overall levels of income before tax; changes in our international organization; as well as the expiration of statute of limitations and settlements of audits.

**Our Relationship with Dell**

Transactions with Dell continue to be considered related party transactions following the Spin-Off due to the MSD Stockholders’ and SLP Stockholders’ direct ownership in both VMware and Dell, as well as Mr. Dell’s executive position with Dell.

On November 1, 2021, in connection with the Spin-Off, we and Dell entered into the Commercial Framework Agreement to provide a framework under which we and Dell will continue our strategic commercial relationship, particularly with respect to projects mutually agreed by the parties as having the potential to accelerate the growth of an industry, product, service, or platform that may provide the parties with a strategic market opportunity. The Commercial Framework Agreement has an initial term of five years, with automatic one-year renewals occurring annually thereafter, subject to certain terms and conditions.

The information provided below includes a summary of transactions with Dell.

**Transactions with Dell**

We engaged with Dell in the following ongoing related party transactions, which resulted in revenue and receipts, and unearned revenue for us:

- Pursuant to OEM and reseller arrangements, Dell integrates or bundles our products and services with Dell’s products and sells them to end users. Dell also acts as a distributor, purchasing our standalone products and services for resale to end-user customers through VMware-authorized resellers. Revenue under these arrangements is presented net of related marketing development funds and rebates paid to Dell. In addition, we provide professional services to end users based upon contractual agreements with Dell.
- Dell purchases products and services from us for its internal use.



- From time to time, we and Dell enter into agreements to collaborate on technology projects, and Dell pays us for services or reimburses us for costs incurred by us, in connection with such projects.

During the three months ended April 29, 2022 and April 30, 2021, revenue from Dell accounted for 37% and 35% of our consolidated revenue, respectively. During the three months ended April 29, 2022 and April 30, 2021, revenue recognized on transactions where Dell acted as an OEM accounted for 14% and 13% of total revenue from Dell, respectively, or 5% and 5% of our consolidated revenue, respectively.

Dell purchases our products and services directly from us, as well as through our channel partners. Information about our revenue and receipts, and unearned revenue from such arrangements, for the periods presented consisted of the following (table in millions):

	Revenue and Receipts		Unearned Revenue	
	Three Months Ended		As of	
	April 29, 2022	April 30, 2021	April 29, 2022	January 28, 2022
Reseller revenue	\$ 1,137	\$ 1,036	\$ 5,309	\$ 5,550
Internal-use revenue	13	12	27	39

Sales through Dell as a distributor, which is included in reseller revenue, comprise the largest route-to-market for our sales.

Receipts from Dell for collaborative technology projects were not material during the three months ended April 29, 2022 and April 30, 2021.

Customer deposits resulting from transactions with Dell were \$282 million and \$298 million as of April 29, 2022 and January 28, 2022, respectively.

We engaged with Dell in the following ongoing related party transactions, which resulted in costs to us:

- We purchase and lease products and purchase services from Dell.
- From time to time, we and Dell enter into agreements to collaborate on technology projects, and we pay Dell for services provided to us by Dell related to such projects.
- In certain geographic regions where we do not have an established legal entity, we contract with Dell subsidiaries for support services and support from Dell personnel who are managed by us. The costs incurred by Dell on our behalf related to these employees are charged to us with a mark-up intended to approximate costs that would have been incurred had we contracted for such services with an unrelated third party. These costs are included as expenses on our condensed consolidated statements of income and primarily include salaries, benefits, travel and occupancy expenses. Dell also incurs certain administrative costs on our behalf in the U.S. that are recorded as expenses on our condensed consolidated statements of income.
- Prior to the Spin-Off, in certain geographic regions, Dell filed a consolidated indirect tax return, which included value added taxes and other indirect taxes collected by us from our customers. We remitted the indirect taxes to Dell, and Dell remitted the tax payment to the foreign governments on our behalf.
- From time to time, we enter into agency arrangements with Dell that enable us to sell our subscriptions and services, leveraging the Dell enterprise relationships and end customer contracts.

Information about our payments for such arrangements during the periods presented consisted of the following (table in millions):

	Three Months Ended	
	April 29, 2022	April 30, 2021
Purchases and leases of products and purchases of services <sup>(1)</sup>	\$ 42	\$ 47
Dell subsidiary support and administrative costs	3	13

<sup>(1)</sup> Amount includes indirect taxes that were remitted to Dell during the periods presented.

We also purchase Dell products through Dell's channel partners. Purchases of Dell products through Dell's channel partners were not significant during the periods presented.

From time to time, we and Dell also enter into joint marketing, sales, branding and product development arrangements, for which both parties may incur costs.

### **Dell Financial Services**

DFS provides financing to certain of our end users at our end users' discretion. Upon acceptance of the financing arrangement by both our end users and DFS, amounts classified as trade accounts receivable are reclassified to the current portion of due from related parties on the condensed consolidated balance sheets. Revenue recognized on transactions financed through DFS was recorded net of financing fees. Financing fees on arrangements accepted by both parties were not significant during the three months ended April 29, 2022 and April 30, 2021.

### **Liquidity and Capital Resources**

As of the periods presented, we held cash, cash equivalents and short-term investments as follows (table in millions):

	<b>April 29, 2022</b>	<b>January 28, 2022</b>
Cash and cash equivalents	\$ 3,719	\$ 3,614
Short-term investments	—	19
Total cash, cash equivalents and short-term investments	<u>\$ 3,719</u>	<u>\$ 3,633</u>

Cash equivalents primarily consisted of amounts invested in money market funds.

We continue to expect that cash generated by operations will be our primary source of liquidity. We also continue to believe that existing cash, cash equivalents and our borrowing capacity, together with any cash generated from operations, will be sufficient to fund our operations for at least the next twelve months. While we believe these cash sources will be sufficient to fund our operations, our overall level of cash needs may be affected by capital allocation decisions that may include the number and size of acquisitions and stock repurchases, among other things. We expect to use free cash flow primarily to repay our outstanding indebtedness through the end of fiscal 2023. In addition, we plan to continue with our balanced capital allocation policy through investing in our product and solution offerings, acquisitions and returning capital to stockholders through share repurchases. Additionally, given the unpredictable nature of our outstanding legal proceedings, an unfavorable resolution of one or more legal proceedings, claims, or investigations could have a negative impact on our overall liquidity.

On May 26, 2022, we entered into the Merger Agreement with Broadcom. The Merger Agreement contains customary representations, warranties and covenants. The Merger Agreement also contains termination rights for either or each of Broadcom and us. If the consummation of the transaction does not occur on or before February 26, 2023 by either party, subject to three extensions of three months each (at either Broadcom or our election) if on such date all of the closing conditions except those relating to regulatory approvals have been satisfied or waived, Broadcom would be required to pay us a termination fee of \$1.5 billion. Upon termination of the Merger Agreement under certain specified circumstances, including by us to enter into a definitive agreement with respect to a superior proposal in accordance with the terms of the Merger Agreement, we will be required to pay Broadcom a termination fee in the amount of \$1.5 billion, unless we terminate the Merger Agreement in order to enter into a definitive agreement with respect to a superior proposal prior to 11:59 p.m. Pacific time on July 5, 2022, in which case we will be required to pay Broadcom a lower termination fee in the amount of \$750 million.

The 2017 Tax Act imposed a Transition Tax and eliminated U.S. Federal taxes on foreign subsidiary distributions. The Transition Tax was calculated on a separate tax return basis. Our liability related to the Transition Tax as of April 29, 2022 was \$504 million, which we expect to pay over the next four years pursuant to a letter agreement between Dell, EMC and us executed during the first quarter of fiscal 2020. Actual tax payments made to Dell pursuant to the tax sharing agreement may differ materially from our total estimated tax liability calculated on a separate tax return basis. Pursuant to the Tax Matters Agreement with Dell, we have agreed to indemnify one another for certain tax liabilities or tax benefits relating to periods prior to the Spin-Off and certain adjustments to these amounts that will be recognized in future periods will be recorded in other income (expense), net on the consolidated statements of income.

Our cash flows summarized for the periods presented were as follows (table in millions):

	Three Months Ended	
	April 29, 2022	April 30, 2021
Net cash provided by (used in):		
Operating activities	\$ 1,005	\$ 1,266
Investing activities	(91)	(72)
Financing activities	(815)	(297)
Net increase in cash, cash equivalents and restricted cash	\$ 99	\$ 897

### ***Operating Activities***

Cash provided by operating activities decreased by \$261 million during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily due to increased cash payments for employee-related expenses, including salaries, bonuses and commissions, resulting primarily from growth in headcount and salaries, as well as higher cash outflows related to operating expenses. These activities were partially offset by increased cash collections due to increased sales compared to the three months ended April 30, 2021.

### ***Investing Activities***

Cash used in investing activities increased by \$18 million during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily driven by an increase in additions to property and equipment.

### ***Financing Activities***

Cash used in financing activities increased by \$518 million during the three months ended April 29, 2022 compared to the three months ended April 30, 2021, primarily driven by the repayment of \$750 million towards our three-year senior unsecured term loan facility, offset in part by a decrease of \$282 million in cash used for repurchases of shares of our common stock.

### ***Debt***

#### ***Unsecured Senior Notes***

We have unsecured senior notes (“Senior Notes”) outstanding with an aggregated carrying value of \$9.2 billion as of April 29, 2022. The Senior Notes mature between August 2023 and August 2031 and contain restrictive covenants that, in certain circumstances, limit our ability to create certain liens, to enter into certain sale and leaseback transactions and to consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. During the three months ended April 29, 2022 and April 30, 2021, interest paid for the Senior Notes was \$70 million and \$47 million, respectively.

#### ***Senior Unsecured Term Loan Facility***

We have a three-year and five-year senior unsecured term loan facility with an aggregate outstanding balance of \$2.7 billion as of April 29, 2022. During the three months ended April 29, 2022, interest paid for the term loan facilities was not significant.

Refer to Note H to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding the Company’s outstanding indebtedness.

### ***Stock Repurchase Program***

From time to time, we repurchase stock pursuant to authorized stock repurchase programs in open market transactions as permitted by securities laws and other legal requirements. We are not obligated to purchase any shares under our stock repurchase programs. The timing of any repurchases and the actual number of shares repurchased depends on a variety of factors, including our stock price, cash requirements for operations and business combinations, corporate and regulatory requirements and other market and economic conditions. Purchases may be discontinued at any time we believe additional purchases are not warranted. All shares repurchased under our stock repurchase programs are retired.

Refer to Note L to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for stock repurchase authorizations approved by our board of directors during the periods presented.

### ***Critical Accounting Policies and Estimates***

In preparing our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), we are required to make estimates, assumptions and judgments that affect the

amounts reported on our financial statements and the accompanying disclosures. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. We base our estimates, assumptions and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. These estimates may change in future periods and will be recognized in the condensed consolidated financial statements as new events occur and additional information becomes known. Actual results could differ from those estimates and any such differences may be material to our financial statements. We believe that the critical accounting policies and estimates set forth within Part II, Item 7, “Critical Accounting Policies and Estimates” of our Annual Report on Form 10-K filed on March 24, 2022 involve a higher degree of judgment and complexity in their application than our other significant accounting policies. Our senior management has reviewed our critical accounting policies and related disclosures with the Audit Committee of the Board of Directors. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical fact could be deemed forward-looking statements and words such as “expect,” “anticipate,” “target,” “goal,” “project,” “intent,” “plan,” “believe,” “momentum,” “seek,” “estimate,” “continue,” “potential,” “future,” “endeavor,” “will,” “may,” “should,” “could,” “depend,” “predict,” and variations or the negative expression of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this report include, but are not limited to, statements relating to expected industry trends and conditions; the expected timing of the completion of the proposed transaction with Broadcom; future financial performance, trends or plans; anticipated impacts of developments in accounting rules and tax laws and rates; our expectations regarding the timing of tax payments and the impacts of changes in our corporate structure and alignment; plans for and anticipated benefits of VMware products, services and solutions and partner and alliance relationships; plans for, timing of and anticipated impacts and benefits of corporate transactions, capital-raising activities, acquisitions, stock repurchases and investment activities; the outcome or impact of pending litigation, claims or disputes; our ESG-related programs including the objectives of our 2030 Agenda and our programs to further diversity, equity and inclusion; the continuing impact of the COVID-19 pandemic on the global economy as well as any related effects on our business operations, financial performance, results of operations and stock price; our commercial relationship with Dell following completion of the Spin-Off and the related payment of the Special Dividend; our plans to repay our outstanding indebtedness, including the indebtedness incurred to pay a portion of the Special Dividend; our commitment and ability to maintain an investment-grade credit rating; the sufficiency of our cash sources to fund our operations; and any statements of assumptions underlying any of the foregoing. These statements are based on current expectations about the industries in which VMware operates and the beliefs and assumptions of management. These forward-looking statements involve risks and uncertainties and the cautionary statements set forth above and those contained in the section of this report entitled “Risk Factors” identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof. We assume no obligation to and do not currently intend to, update these forward-looking statements.

### **Available Information**

Our website is located at [vmware.com](http://vmware.com) and our investor relations website is located at [ir.vmware.com](http://ir.vmware.com). Our goal is to maintain the investor relations website as a portal through which investors can easily find or navigate to pertinent information about us, all of which is made available free of charge, including:

- our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the Securities and Exchange Commission (“SEC”);
- announcements of investor conferences, speeches and events at which our executives discuss our products, services and competitive strategies;
- webcasts of our quarterly earnings calls and links to webcasts of investor conferences at which our executives appear (archives of these events are also available for a limited time);
- additional information on financial metrics, including reconciliations of non-GAAP financial measures discussed in our presentations to the nearest comparable GAAP measure;
- press releases on quarterly earnings, product and service announcements, legal developments and international news;
- corporate governance information including our certificate of incorporation, bylaws, corporate governance guidelines, board committee charters, business conduct guidelines (which constitutes our code of business conduct and ethics) and other governance-related policies;

- ESG (environmental, social and governance) information;
- other news, blogs and announcements that we may post from time to time that investors might find useful or interesting; and
- opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

The information found on our website is not part of, and is not incorporated by reference into, this or any other report we file with, or furnish to, the SEC. The SEC also maintains a website at [sec.gov](http://sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes to our market risk exposures during the three months ended April 29, 2022. See Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K filed on March 24, 2022 for a detailed discussion of our market risk exposures.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation required by the Securities Exchange Act of 1934, amended (the “Exchange Act”), under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the most recent fiscal quarter ended April 29, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on Controls**

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Refer to Note D to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of legal proceedings. See also the risk factor entitled “We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us” in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of potential risks to our results of operations and financial condition that may arise from legal proceedings.

### ITEM 1A. RISK FACTORS

The risk factors that appear below could materially affect our business, financial condition and operating results. The risks and uncertainties described below are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies.

#### *Risks Related to the Pending Acquisition by Broadcom*

#### **The announcement and pendency of our agreement to be acquired by Broadcom may have an adverse effect on our business results.**

On May 26, 2022, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Broadcom Inc. (“Broadcom”), pursuant to which Broadcom agreed to acquire us subject to the terms and conditions set forth therein. Our pending acquisition by Broadcom may have an adverse effect on our operating results in the near term if our customers delay, defer, or cancel purchases pending completion of the transaction. In addition, the announcement and pendency of the transaction may cause reluctance by customers to begin or continue to do business with us due to potential uncertainty about the direction of our products and solutions following consummation of the transaction. We are subject to additional risks in connection with the announcement and pendency of the proposed transaction, including:

- Channel partners, suppliers and other business partners may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us;
- The restrictions imposed on our business and operations pursuant to certain covenants set forth in the Merger Agreement may prevent us from pursuing certain opportunities, entering into certain contracts with customers, resellers and suppliers, or taking certain other actions without Broadcom’s approval;
- We may be unable to attract, recruit, retain and motivate current and prospective employees who may be uncertain about their future roles following completion of the proposed transaction, and our employees could lose productivity as a result of uncertainty regarding their employment following the proposed transaction;
- The pendency and outcome of legal proceedings that may be instituted against us, our directors, executive officers and others relating to the proposed transaction; and
- The pursuit of the transaction and planning for the integration may place a significant burden on management and other internal resources, and the diversion of management’s attention away from day-to-day business concerns and other opportunities that may have been beneficial to us could adversely affect our business, financial condition and operating results.

In addition, since the merger consideration our stockholders will receive in the transaction will be in the form of both cash and common stock of Broadcom, our stock price will be impacted by changes in Broadcom’s stock price. Changes to Broadcom’s stock price may result from a variety of factors, such as changes in its business operations and outlook, changes in general market and economic conditions and regulatory considerations. These factors are beyond our control.

#### **The failure to complete the transaction could have a material and adverse effect on our business, results of operations, financial condition, cash flows, and stock price.**

The transaction, which is expected to close in Broadcom’s fiscal year 2023, is subject to the satisfaction or waiver of customary closing conditions, including, among others, adoption of the Merger Agreement by our stockholders, the expiration or termination of the waiting period under the HSR Act, and clearance under the antitrust laws of the European Union and certain other jurisdictions. There is no assurance that all of the various conditions will be satisfied, or that the transaction will be completed on the proposed terms, within the expected timeframe or at all. The closing of the transaction may be delayed, and the transaction may ultimately not be completed, due to a number of factors, including:

- the failure to satisfy the closing conditions set forth above;

- potential future stockholder litigation and other legal and regulatory proceedings, which could delay or prevent the transaction; and
- the failure to satisfy the other conditions to the completion of the transaction.

If the transaction does not close, we may suffer other consequences that could adversely affect our business, financial condition, operating results, cash flows and stock price, and our stockholders would be exposed to additional risks, including:

- To the extent that the current market price of our stock reflects an assumption that the transaction will be completed, the price of our common stock could decrease if the transaction is not completed;
- Investor confidence in us could decline, stockholder litigation could be brought against us, relationships with existing and prospective customers and other business partners may be adversely impacted, we may be unable to hire or retain key personnel, and our operating results and cash flows may be adversely impacted due to costs incurred in connection with the transaction;
- Any disruptions to our business resulting from the announcement and pendency of the transaction, including adverse changes in our relationships with employees, customers and other business partners, may continue or intensify in the event the transaction is not consummated or is significantly delayed;
- We would have incurred significant costs, including professional services fees and other transaction costs, in connection with the proposed transaction that we would be unable to recover; and
- We may have to pay Broadcom a termination fee of \$1.5 billion or \$750 million under certain circumstances that give rise to a termination of the Merger Agreement.

There can be no assurance that our business, relationships with other parties, liquidity or financial condition will not be adversely affected, as compared to the condition prior to the announcement of the transaction, if the transaction is not consummated.

**Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that cannot be met.**

Before the transaction may be completed, various approvals, authorizations and declarations of non-objection, or expiration of waiting periods must be obtained from certain regulatory and governmental authorities. Subject to the terms and conditions of the Merger Agreement, each party has agreed to use their reasonable best efforts to take all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate the transactions as promptly as practicable, including taking all necessary steps to obtain any requisite approvals, subject to certain specified limitations under the Merger Agreement. These approvals include approval under the HSR Act, and the Council Regulation 139/2004 of the European Union.

Regulatory and governmental entities may impose conditions on the granting of such approvals, and if such regulatory and governmental entities seek to impose such conditions, lengthy negotiations may ensue among such regulatory or governmental entities, Broadcom and us. Such conditions and the process of obtaining regulatory approvals could have the effect of delaying completion of the transaction and such conditions may not be satisfied for an extended period of time.

We cannot assure you that these regulatory clearances and approvals will be obtained in a timely manner or obtained at all, or that the granting of these regulatory clearances and approvals will not involve the imposition of regulatory remedies on the completion of the transaction, including requiring changes to the terms of the Merger Agreement. These conditions or changes could result in the conditions to the closing of the transaction not being satisfied. The special meeting of our stockholders at which the adoption of the Merger Agreement will be considered may take place before all of the required regulatory approvals have been obtained and before regulatory remedies, if any, are known. In this event, if the stockholder approval is obtained, we and Broadcom may subsequently agree to regulatory remedies without further seeking stockholder approval, except as required by applicable law, even if such regulatory remedies could have an adverse effect on us, Broadcom or the combined company.

#### ***Operation of Business and Strategic Risks***

**A significant decrease in demand for our data center virtualization products would adversely affect our operating results.**

A significant portion of our revenue is derived, and will for the foreseeable future continue to be derived, from our data center virtualization products. As more businesses achieve high levels of virtualization in their data centers, the market for our vSphere product continues to mature. Additionally, as businesses increasingly utilize public cloud and SaaS-based offerings, they are building more of their new compute workloads off-premises and are increasingly shifting some of their existing and many of their new workloads to public cloud providers, thereby limiting growth and potentially reducing the market for on-premises deployments of vSphere. Although sales of vSphere have declined as a portion of our overall business and we expect

this trend to continue, vSphere remains key to our future growth as it serves as the foundation for our newer SDDC, network virtualization and our newer subscription and SaaS offerings. Although we have launched, and are continuing to develop, products to extend our vSphere-based SDDC offerings to the public cloud, due to our product concentration, a significant decrease in demand for our server virtualization products would adversely affect our operating results.

**Our subscription and SaaS offerings, which constitute a growing portion of our business, and our initiatives to extend our data center virtualization and container platforms into the public cloud involve various risks, including, among others, reliance on third-party providers for data center space and colocation services and on public cloud providers to prevent service disruptions.**

As we continue to develop and offer subscription and SaaS versions of our products, we must continue to evolve our processes to meet various intellectual property, regulatory, contractual and service compliance challenges, including compliance with licenses for open source and third-party software embedded in our offerings, compliance with export control and privacy regulations, protecting our services from external threats or inappropriate use, maintaining the continuous service levels and data security expected by our customers and adapting our go-to-market efforts. The expansion of our subscription and SaaS offerings also requires significant investments, and our operating margins, results of operations and operating cash flows may be adversely affected if our new offerings are not widely adopted by customers.

Additionally, our subscription and SaaS offerings rely upon third-party providers to supply data center space, equipment maintenance and other colocation services and our initiatives to extend our virtualization and container platforms into the public cloud rely upon the ability of our public cloud and VCPP partners to maintain continuous service availability and protect customer data on their services. Although we have entered into various agreements for the lease of data center space, equipment maintenance and other services, third parties could fail to live up to their contractual obligations. The failure of a third-party provider to prevent service disruptions (including as a result of climate change), data losses or security breaches may require us to issue credits or refunds or indemnify or otherwise be liable to customers or third parties for damages that may occur, and contractual provisions with our third-party providers and public cloud partners may limit our recourse against the third-party provider or public cloud partner responsible for such failure. Additionally, if these third-party providers fail to deliver on their obligations, our reputation could be damaged, our customers could lose confidence in us, and our ability to maintain and expand our subscription and SaaS offerings would be impaired.

**Our success depends upon our ability to adapt our business and pricing models to a subscription and SaaS model appropriately.**

We continue to transition our portfolio from a perpetual license model to subscription and SaaS offerings. During this transition, we will recognize less revenue up front than we would otherwise recognize as part of the multi-year license contracts through which we typically sell our established offerings. Additionally, in order to provide customers flexibility, we offer one- and three-year term licenses for certain portions of our perpetual portfolio, which have certain characteristics that are similar to subscription products but are accounted for as License and Services revenue. Our transition to these term licenses and subscription and SaaS offerings involve various risks that may negatively affect our operating results, including:

- We may fail to set pricing for subscription and SaaS offerings at levels appropriate to maintain our revenue streams or our customers may choose to deploy products from our competitors that they believe are priced more favorably.
- We may fail to accurately predict subscription renewal rates or their impact on operating results, and because revenue from subscriptions is recognized for our services over the term of the subscription, downturns or upturns in sales may not be immediately reflected in our results.
- As customers transition to our subscription and SaaS products and services, our revenue and license revenue growth rate may be adversely impacted during the period of transition when we recognize less revenue up front than we would otherwise recognize as part of the multi-year license contracts. For example, effective with the fourth quarter of fiscal 2020, we commenced reporting revenue from our subscription and SaaS as a separate revenue line item, breaking out components that had previously been included in our license revenue and services revenue and prior period amounts were reclassified to conform with this presentation. As a result, the rate of growth in our license revenue, which was previously viewed as a leading indicator of our business performance, as well as our software maintenance revenue and deferred revenue were negatively impacted. At the same time, growth in subscription and SaaS revenue may not appear as robust because such revenue is recognized ratably over time as customers consume our subscription-based products.
- The transition from selling support and maintenance with perpetual licenses to selling subscription and SaaS offerings may negatively affect our profitability, as the cost associated with software maintenance renewals is generally lower than the cost associated with selling new subscription and SaaS offerings.



- Term licenses are sold with shorter support and maintenance terms than perpetual licenses are, and customers may not renew such licenses at the end of their term or transition to subscription and SaaS offerings.
- As we offer more services that depend on converting users of free services to users of premium services and purchasers of our on-premises products to our SaaS offerings, our ability to maintain or improve and to predict conversion rates will become more important.

**We face intense competition that could adversely affect our operating results.**

The application platform, multi-cloud, digital workspace, networking and security product areas are interrelated and rapidly evolving, and we face intense competition across all the markets for our products and services. Many of our current or potential competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do. Additionally, the adoption of public and distributed cloud, micro-services, containers, and open source technologies has the potential to erode our profitability.

We face competition from, among others:

*Providers of public cloud infrastructure and SaaS-based multi-cloud offerings.* As businesses increasingly utilize public cloud and SaaS-based offerings, they are building more of their new compute workloads, and may also shift some of their existing workloads, off-premises. A significant percentage of new application development is happening in the public cloud, with providers such as Amazon Web Services (“AWS”), Microsoft Azure (“Azure”) or Google Cloud, or in a distributed fashion, and these new applications are often deployed on public cloud or multi-cloud infrastructure. As a result, the demand for on-premises information technology (“IT”) resources is expected to slow, and our products and services will need to increasingly compete for customers’ IT workloads with off-premises public cloud and SaaS-based multi-cloud offerings, such as those offered by Datadog in monitoring and IT telemetry and ServiceNow in the automation space. If we fail to address evolving customer priorities or requirements, the demand for VMware’s products and services may decline, and we could experience slower than expected or no growth. Additionally, VMware Cloud Provider Program (“VCP”) offerings from our partners may compete directly with infrastructure-as-a-service (“IaaS”) offerings from various public cloud providers, which are increasingly integrated with on-premises solutions. In fiscal 2018, we entered into a strategic alliance with AWS to deliver a vSphere-based cloud service, VMware Cloud on AWS, running in AWS data centers available in certain geographies, and, in fiscal 2019, we extended our collaboration with AWS to include AWS Outposts. In fiscal 2020, we also announced partnerships with Microsoft (Azure VMware Solution by CloudSimple), Google (Google Cloud VMware Solution by CloudSimple), and Oracle (Oracle Cloud VMware Solution) under the framework of our VCP that enable customers to run native VMware-based workloads on each of Azure, Google Cloud, and Oracle Cloud. Our partnerships with AWS and other public cloud providers may be seen as competitive with each other and with other VCP partners, while some partners may elect to include solutions such as VMware Cloud on AWS as part of their managed services provider offerings. In addition, many of these public cloud providers are delivering hybrid cloud hardware solutions with their distributed cloud management. For example, many public cloud infrastructure providers have also entered into strategic partnerships with mobile telecommunications network providers to jointly embed distributed cloud infrastructure and management tools into 5G mobile networks. To the extent customers and partners, including service providers, choose to operate native cloud environments (or similar non-VMware environments, such as Azure Stack or AWS Wavelength) in their data centers in lieu of purchasing VMware’s on-premises and hybrid and multi-cloud products, our operating results could be materially adversely affected.

*Providers of application modernization and open source developer platform services.* Many public cloud infrastructure and multi-cloud SaaS competitors also offer standalone or embedded application development, or Platform-as-a-Service (“PaaS”), services. In the case of AWS, Azure and Google Cloud, these PaaS services are often bundled with consumption-based IaaS offerings. These IaaS providers and other developer solution partners, such as Red Hat, a subsidiary of IBM, and HashiCorp, offer tools and services based on containers and DevSecOps (or development security and operations) practices. Open source technologies for containerization and cloud platforms, such as Xen, KVM, Docker, rkt, OpenShift, Mesos, Kubernetes and OpenStack, and other open source software-based products, solutions and services may reduce the demand for our solutions, put pricing pressure on our offerings and enable competing vendors to leverage open source technologies to compete directly with us. New platform technologies and standards based on open source software are consistently being developed and can gain popularity quickly. Improvements in open source software could cause customers to replace software purchased from us with open source software. In step with these trends, we deliver a comprehensive container, Kubernetes and Cloud Native Application technologies portfolio with VMware Tanzu and have increased our level of commitment to open source projects and communities, such as the Cloud Native Computing Foundation, that are designed to increase the rate at which customers adopt micro-services architectures. The adoption of distributed micro-service application architectures, and their alignment with container technologies, represents an emerging area of competition. As we continue to invest in these areas, we will experience increasing competitive overlap with other cloud native vendors, such as Red Hat, and the large providers of public cloud infrastructure. Such competitive pressure or the availability of new open source software may cause us to experience reduced

sales, increased pricing pressure, increased sales and marketing expenses and reduced operating margins, any one of which may adversely affect our operating results.

*Providers of enterprise security offerings.* With our acquisition of Carbon Black Inc. (“Carbon Black”) in 2019, we launched a new set of enterprise security solutions that includes the Carbon Black endpoint security platform and the intrinsic security elements of our existing NSX virtual networking, Workspace ONE end user and our compute offerings. The cybersecurity market is large, highly competitive, fragmented and subject to rapidly evolving technology, shifting customer needs and frequent introductions of new solutions. Competitors in the end point security space range from established solution providers such as Microsoft and Trend Micro to next-generation endpoint security providers such as CrowdStrike and SentinelOne. While we believe that the intrinsic security elements in our existing offerings coupled with our Carbon Black endpoint security offerings and new combined offerings we expect to develop and introduce in the future will enable us to provide an integrated security offering with significant advantages over our competitors’ current offerings, our ability to gain traction and market share as a new entrant into this well-established market segment is uncertain. Additionally, new trends, such as Extended Threat Detection (XDR), Secure Access Service Edge (SASE) and Zero Trust Network Access, represent the coalescence of formerly distinct markets, such as identity management, secure web gateway, SD-WAN, network firewall and cloud access security brokers. These new trends may bring existing partners, such as Fortinet, Zscaler and Okta into a more competitive position with our Carbon Black, VeloCloud and other distributed network security offerings. If we are unable to successfully adapt our product and service offerings to meet these opportunities and rapidly evolving trends our operating results could be adversely affected.

*Large, diversified enterprise software and hardware companies.* These competitors supply a wide variety of products and services to, and have well-established relationships with, our current and prospective end users. For example, small- to medium-sized businesses and companies in emerging markets that are evaluating the adoption of virtualization-based technologies and solutions may be inclined to consider Microsoft solutions because of their existing use of Windows and Office products. Some of these competitors have in the past and may in the future take advantage of their existing relationships to engage in business practices that make our products and services less attractive or more expensive to our end users. For example, in 2019, Microsoft modified its on-premises licensing terms to require end users who wish to deploy Microsoft software on certain dedicated hosted cloud services other than Microsoft’s Azure cloud service, including VMware Cloud on AWS, to purchase additional rights from Microsoft. Other competitors have limited or denied support for their applications running in VMware virtualization environments. In addition, these competitors could integrate competitive capabilities into their existing products and services and make them available without additional charge. For example, Oracle provides free server virtualization software intended to support Oracle and non-Oracle applications, Microsoft offers its own server, network and storage virtualization software packaged with its Windows Server product as well as built-in virtualization in the client version of Windows and Cisco includes network virtualization technology in many of its data center networking platforms. As a result, existing and prospective VMware customers may elect to use products that are perceived to be “free” or “very low cost” instead of purchasing VMware products and services for certain applications where they do not believe that more advanced and robust capabilities are required.

*Other industry alliances.* Many of our competitors have entered into or extended partnerships or other strategic relationships to offer more comprehensive virtualization and cloud computing solutions than they individually had offered. We expect these trends to continue as companies attempt to strengthen or maintain their positions in the evolving virtualization infrastructure and enterprise IT solutions industry. For example, CrowdStrike has formed the CrowdXDR Alliance, an initiative competitive with VMware security offerings that includes VMware partners such as Zscaler and Google Cloud. These alliances may result in more compelling product and service offerings than those we offer.

*Our partners and members of our developer and technology partner ecosystem.* We face competition from our partners. For example, third parties currently selling our products and services could build and market their own competing products and services or market competing products and services of other vendors. Additionally, as formerly distinct sectors of enterprise IT such as software-based virtualization and hardware-based server, networking and storage solutions converge, we also increasingly compete with companies who are members of our developer and technology partner ecosystem. For example, in 2019, one of our important partners and customers, IBM, acquired Red Hat, one of our competitors in the cloud native applications space. Consequently, when such convergences occur, we may find it more difficult to continue to collaborate productively on other projects with these partners, and the advantages we derive from our ecosystem could diminish.

These various forms of competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our operating margins, and could also prevent our new products and services from gaining market acceptance, thereby harming our ability to increase, or causing us to lose, market share.

**Our commercial relationship with Dell could adversely impact our business, stock price, market share and ability to build and maintain other strategic relationships.**

Our commercial relationship with Dell is significant and complex. During the time in which we were a majority-owned subsidiary of Dell, the portion of our sales that were realized through the Dell sales channel grew more rapidly than our sales through non-Dell resellers and distributors. As a standalone company following the Spin-Off, we continue to transact a significant amount of business with Dell pursuant to the commercial framework agreement between us and Dell that became effective upon the Spin-Off, which involves various risks such as:

*Reliance on our relationship with Dell.* During the three months ended April 29, 2022, revenue from Dell, including purchases of products and services directly from us, as well as through our channel partners, accounted for 37% of our consolidated revenue, which included revenue from Dell selling joint solutions as an OEM, acting as a distributor to other non-Dell resellers, reselling products and services as a reseller and purchasing products and services for its own internal use. On certain transactions, Dell Financial Services also provides financing to our end users and channel partners at our end users' and channel partners' discretion. Our reliance on the Dell sales channel could negatively impact our ability to negotiate favorable go-to-market arrangements with Dell and our relationships with other channel partners.

*Dell's arrangements with our competitors.* Dell maintains significant partnerships with certain of our competitors, including Microsoft, and may enter into more such partnerships in the future. Further, Dell may choose to partner with our competitors instead of with us. These partnerships may adversely impact our relationship with Dell, impede our standalone competitive success and result in declines in our stock price or market share. Additionally, our potential strategic relationships may be negatively affected by our relationship with Dell, as companies may favor or choose to partner with our competitors because of those competitors' relationship with Dell or due to our relationship with Dell.

*Overlaps in areas in which we and Dell compete.* We and Dell compete across the IT infrastructure industry providing products and services that overlap in various areas, including software-based storage, management, hyperconverged infrastructure and cloud computing. Dell competes with us in these areas now and may compete with us in new areas and engage in increased competition with us in the future. Some of our products compete directly with products sold or distributed by Dell, which could result in declines in VMware sales. Additionally, this competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our operating margins, and could also prevent our new products and services from gaining market acceptance, thereby harming our ability to increase, or causing us to lose, market share.

*Our arrangements with Dell's competitors.* We partner and have arrangements with a number of companies that compete with Dell, including certain of our significant channel, technology and other marketing partners, such as IBM and Hewlett-Packard. Our relationship with Dell could adversely affect our relationships with these companies or other customers, suppliers and partners. Further, our relationships with these companies could adversely impact our relationship with Dell.

We believe that our commercial relationship with Dell provides us a unique opportunity to leverage the respective technical expertise, product strengths and market presence of Dell for the benefit of our customers and stockholders while enabling us to compete more effectively with our larger competitors. However, such transactions may prove not to be successful and may divert our resources or the attention of our management from other opportunities. Negotiating and implementing these arrangements can be time consuming and cause delays in the introduction of joint product and service offerings and disruptions to VMware's business. Additionally, cloud and on-premises infrastructure companies may choose not to partner with us to the full extent or at all due to our historical and on-going commercial relationship with Dell. As a result, we may be unable to capitalize, either strategically or commercially, on our new flexibility, and our business, stock price, market share and relationships may suffer.

**Our success depends increasingly on customer acceptance of our newer products and services.**

Our products and services are primarily based on data center virtualization, application modernization and related multi-cloud technologies used to manage distributed computing architectures, which form the foundation for multi-cloud computing. As the market for server virtualization continues to mature, the rate of growth in license sales of VMware vSphere ("vSphere") has declined. We are increasingly directing our product development and marketing and sales efforts toward products and services that enable businesses to modernize applications and efficiently implement their multi-cloud services. We have also been introducing SaaS versions of our on-premises products, including vRealize Cloud Universal, and investing in a range of SaaS and cloud-native technologies and products, including through acquisitions such as CloudHealth Technologies, Inc., Carbon Black and Pivotal Software, Inc. ("Pivotal"). These cloud and SaaS initiatives present new and difficult technological, operational and compliance challenges, and significant investments continue to be required to develop or acquire solutions to address those challenges. Our success depends on our current and future customers perceiving technological and operational benefits and cost savings associated with adopting our multi-cloud and application platform solutions. As the market for our data center virtualization products continues to mature, and the scale of our business continues to increase, our rate of revenue growth increasingly depends upon the success of our newer product and service offerings. To the extent that adoption rates for our newer products and services are not sufficient to offset declines in revenue growth for our established server virtualization

offerings, our overall revenue growth rates may slow materially or our revenue may decline substantially. Additionally, we may fail to realize returns on our investments in new initiatives and our operating results could be materially adversely affected.

**Competition for our highly skilled employees is intense and costly, and our business and growth prospects may suffer if we cannot attract and retain them.**

We must continue to attract and retain highly qualified personnel, particularly software and cloud engineers and sales and customer experience personnel, for which competition, particularly against companies with greater resources, startups and emerging growth companies is intense. Research and development personnel are also aggressively recruited by startup and emerging growth companies, which are especially active in many of the technical areas and geographic regions in which we conduct product and service development. This competitive situation has become exacerbated by the increase in employee resignations currently taking place throughout the U.S., in part as a result of the COVID-19 pandemic, which is commonly referred to as the “great resignation.” This competition results in increased costs in the form of cash and stock-based compensation and can have a dilutive impact on our stock. We have experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications, and, if we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could suffer.

**The loss of key management personnel could harm our business.**

We depend on the continued services of key management personnel. We generally do not have employment or non-compete agreements with our employees, and, therefore, they could terminate their employment with us at any time without penalty and could pursue employment opportunities with any of our competitors. In addition, we do not maintain any key-person life insurance policies. The loss of key management personnel could harm our business.

**Our current research and development efforts may not produce significant revenue for several years, if at all.**

Developing our products and services is expensive, and developing and launching disruptive technologies requires significant investment often entailing greater risk than incremental investments in existing products and services. Our research and development expenses were approximately 25% of our total revenue during the three months ended April 29, 2022. We plan to continue to significantly invest in our research and development efforts to maintain our competitive position. Our investments in research and development may result in products or services that generate less revenue than we anticipate or may not result in marketable products and services for several years or at all.

**Acquisitions and divestitures could materially harm our business and operating results.**

We have acquired in the past, and plan to acquire in the future, other businesses, products or technologies. We also sell or divest businesses, products and technologies from time-to-time. Acquisitions and divestitures involve significant risks and uncertainties, including:

- disruptions to our ongoing operations and diverting management from day-to-day responsibilities due to, for example, the need to provide transition services in connection with a disposition or difficulty integrating the operations, technologies, products, customers and personnel of acquired businesses effectively;
- adverse impacts to our business and financial results resulting from increases to our expenses due to, among other things, integrating business operations and on-boarding personnel and the incurrence of amortization expense related to identifiable intangible assets acquired and other accounting consequences of acquisitions;
- reductions to our cash available for operations, stock repurchase programs and other uses, potentially dilutive issuances of equity securities or the incurrence of additional debt;
- uncertainties in achieving the expected benefits of an acquisition or disposition, including with respect to our business strategy, revenue, technology, human resources, cost and operating efficiencies and other synergies, due to, among other things, a lack of experience in new markets, products or technologies; or an initial dependence on unfamiliar distribution partners or vendors;
- unidentified issues that were not discovered during the diligence process, including issues with the acquired or divested business’s intellectual property, product quality, security, privacy and accounting practices, regulatory compliance or legal contingencies;
- lawsuits resulting from an acquisition or disposition;
- maintenance or establishment of acceptable standards, controls, procedures or policies with respect to an acquired business; and
- the need to later divest acquired assets at a loss if an acquisition does not meet our expectations.

**Disruptions to our distribution channels, including our various routes to market through Dell, could harm our business.**

Our future success is highly dependent on our relationships with channel partners, including distributors, resellers, system vendors and systems integrators, which contribute to a significant portion of our revenue. Recruiting and retaining qualified channel partners and training them in the use of our technology and product offerings requires significant time and resources. Our failure to maintain good relationships with channel partners would likely lead to a loss of end users of our products and services, which would adversely affect our revenue. We generally do not have long-term contracts or minimum purchase commitments with our channel partners, and the contracts that we do have with these channel partners do not prohibit them from offering products or services that compete with ours.

Sales via our various route-to-market relationships with Dell accounted for 37% of our consolidated revenue during the three months ended April 29, 2022, and transactions where Dell acted as an OEM accounted for 14% of the revenue from Dell, or 5% of our consolidated revenue. Such routes to market include Dell selling joint solutions as an OEM, acting as a distributor to other non-Dell resellers, reselling products and services as a reseller or purchasing products and services for its own internal use. Although we and Dell entered into a commercial agreement effective upon the Spin-Off that is intended to preserve and enhance our strategic partnership, as a standalone company, our relationship with Dell is fundamentally different from the relationship that we had with Dell when we were its majority-owned subsidiary. Following the Spin-Off, Dell no longer consolidates VMware's revenues, and Dell may not be sufficiently incentivized to drive VMware business through our various route-to-market relationships. If sales through Dell decline and VMware is unable to shift business to suitable alternative channel partners, our business and operating results will be negatively affected. Additionally, any disruption or significant change to our relationship with Dell or the terms upon which they sell and distribute our products and services could have a negative impact on our operating results until such time as we arrange to replace these distribution services with the services of existing or new distributors.

Other than Dell, none of our distributors accounted for 10% or more of our consolidated revenue during the three months ended April 29, 2022. Although we believe that we have, or would have in place by the date of any such termination, agreements with replacement distributors sufficient to maintain our revenue from distribution, if we were to lose the distribution services of a significant distributor, such loss could have a negative impact on our operating results until such time as we arrange to replace these distribution services with the services of existing or new distributors.

**The evolution of our business requires more complex go-to-market strategies, which involve significant risk.**

Our increasing focus on developing and marketing IT management and automation and IaaS offerings (including software-defined networking, VCPP-integrated virtual desktop and mobile device, cloud and SaaS) that enable customers to transform their IT systems requires a greater focus on marketing and selling product suites and more holistic solutions, rather than selling on a product-by-product basis. Consequently, we have developed, and must continue to develop, new strategies for marketing and selling our offerings. In addition, marketing and selling new technologies to enterprises requires us to invest significant time and resources to educate customers on the benefits of our offerings. These investments can be costly and educating our sales force can distract from their efforts to sell existing products and services. Additionally, from time to time, we reorganize our go-to-market teams to increase efficiencies and improve customer coverage, but these reorganizations can cause short-term disruptions that may negatively impact sales over one or more fiscal periods. Further, upon entering into new industry segments, we may choose to go to market with third-party manufactured hardware appliances that are integrated with our software—as we did when we entered into the SD-WAN space through our acquisitions of VeloCloud Networks, Inc. and Nyansa, Inc.—which requires us to rapidly develop, deploy and scale new hardware procurement, supply chain and inventory management processes and product support services and integrate them into our ongoing business systems and controls. Similarly, our launches of managed subscription services, such as VMware Cloud on AWS and VMware Cloud on Dell EMC, require us to implement new methods to deliver and monitor end user services and adjust our model for releasing product upgrades. As our customers increasingly shift from one-time purchases of perpetual software licenses to purchasing our software via more subscription and SaaS-based programs, our go-to-market teams will need to alter their outreach to customers to support ongoing consumption of our offerings, and we will need to appropriately adjust the variable compensation programs we use to incentivize our sales teams. If we fail to successfully adjust, develop and implement effective go-to-market strategies, our financial results may be materially adversely impacted.

**We may not be able to respond to rapid technological changes with new solutions and services offerings.**

The industries in which we compete are characterized by rapid, complex and disruptive changes in technology, customer demands and industry standards that could make it difficult for us to effectively compete and cause our existing and future software solutions to become obsolete and unmarketable. Our ability to react quickly to new technology trends—such as cloud computing, which is disrupting the ways businesses consume, manage and provide physical IT resources, applications, data and IT services—and customer requirements is negatively impacted by the length of our development cycle for new and enhanced products and services, which has frequently been longer than we originally anticipated. This is due in part to the increasing complexity of our product offerings as we increase their interoperability and maintain their compatibility with IT resources,

such as public clouds, utilized by our customers while sustaining and enhancing product quality. When we release significant new versions of our existing offerings, the complexity of our products may require existing customers to remove and replace prior versions to take full advantage of substantial new capabilities, which may subdue initial demand for the new versions or depress demand for existing versions until the customer is ready to purchase and install the newest release. If we are unable to evolve our solutions and offerings in time to respond to and remain ahead of new technological developments—in applications, networking or security, for example—or in ways that are compelling to customers, our ability to retain or increase market share and revenue could be materially adversely affected. We may also fail to adequately anticipate the commercialization of emerging technologies, such as blockchain, and the development of new markets and applications for our technology, such as edge computing, and thereby fail to take advantage of new market opportunities or fall behind early movers in those markets.

**We operate a global business that exposes us to additional risks.**

A significant portion of our employees, customers, channel partners and third-party providers whom we rely upon to help deliver our subscription and SaaS services are located outside the U.S. Our international activities account for a substantial portion of our revenue and profits, and our investment portfolio includes investments in non-U.S. financial instruments and holdings in non-U.S. financial institutions. In addition to the risks described elsewhere in these risk factors, our international operations subject us to a variety of risks, including:

- difficulties in delivering support, training and documentation; enforcing contracts; collecting accounts receivable; transferring funds; maintaining appropriate controls relating to revenue recognition practices; and longer payment cycles in certain countries and especially in emerging markets;
- network security and privacy concerns, which could make foreign customers reluctant to purchase products and services from U.S.-based technology companies;
- tariffs and trade barriers, and other regulatory or contractual limitations on our ability to sell or develop our products and services in certain foreign markets, such as in China, whose government has adopted a range of laws and regulations relating to the procurement of key network equipment and security products and the storage and processing of data that might cause our business in China to suffer and expose us to civil and criminal penalties;
- localized impacts of the COVID-19 pandemic that persist or flare up in particular regions, such as in India where several of our global support services as well as research and development personnel are located, have in the past and in the future could cause delays or disruptions in certain of our business operations and product development;
- regional impacts of climate change which increase the risk of extreme weather events, wildfire and drought that can impact local infrastructure such as the reliability of local electrical grids and telecommunications;
- economic or political instability, military actions or armed conflict, such as the Russian invasion of Ukraine, both of which are locations where we have employees, partners and customers, and uncertainty about or changes in government and trade relationships, policies, and treaties that could adversely affect the ability of U.S.-based companies to conduct business in non-U.S. markets, such as in the U.K. where considerable regulatory uncertainty remains regarding compliance post-Brexit; and
- legal risks, particularly in emerging markets, relating to compliance with U.S. exchange control requirements and international and U.S. anti-corruption laws and associated exposure to significant fines, penalties and reputational harm.

Our failure to manage any of these risks successfully could negatively affect our reputation and materially adversely affect our operating results.

**Russia's military actions in Ukraine have affected and may continue to affect our business.**

In response to Russian military actions in Ukraine, we have suspended business operations in Russia and Belarus, including suspension of sales, support on existing contracts and professional services in both countries. Furthermore, the sanctions imposed by the U.S. and other countries in connection with the Russian invasion of Ukraine include restrictions on selling or importing goods, services or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia. Sanctions imposed on Russia and our suspension of business operations could impact the fulfillment of existing orders, future revenue streams from impacted customers and the recoverability of certain financial assets. It is not possible to predict the broader consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on the global economy.

**Our success depends on the interoperability of our products and services with those of other companies.**

The success of our products depends upon the cooperation of hardware and software vendors to ensure interoperability with our products and offer compatible products and services to end users. In addition, we extend the functionality of various products to work with native public cloud applications, which in some cases requires the cooperation of public cloud vendors. To the extent that hardware, software and public cloud vendors perceive that their products and services compete with ours, they may have an incentive to withhold their cooperation, decline to share access or sell to us their proprietary APIs, protocols or formats, or engage in practices to actively limit the functionality, compatibility and certification of our products. In addition, vendors may fail to certify or support or continue to certify or support our products for their systems. If any of the foregoing occurs, our product development efforts may be delayed or foreclosed and it may be difficult and more costly for us to achieve functionality and service levels that would make our services attractive to end users, any of which could negatively impact our business and operating results.

**Failure to effectively manage our product and service lifecycles could harm our business.**

As part of the natural lifecycle of our products and services, we periodically inform customers that products or services will be reaching their end of life or end of availability and will no longer be supported or receive updates and security patches. To the extent these products or services remain subject to a service contract with the customer, we offer to transition the customer to alternative products or services. Failure to effectively manage our product and service lifecycles could lead to customer dissatisfaction and contractual liabilities, which could adversely affect our business and operating results.

***Financial Risks***

**Our operating results may fluctuate significantly.**

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance. In addition, a significant portion of our quarterly sales typically occurs during the last two weeks of the quarter, which generally reflects customer buying patterns for enterprise technology. As a result, our quarterly operating results are difficult to predict even in the near term. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, the price of our Class A common stock would likely decline substantially.

Factors that may cause fluctuations in our operating results include, among others, the factors described elsewhere in this risk factors section and the following:

- fluctuations in demand, adoption and renewal rates, sales cycles and pricing levels for our products and services;
- variations in customer choices among our on-premises and subscription and SaaS offerings, which can impact our rates of total revenue and license revenue growth;
- the timing of announcements or releases of new or upgraded products and services by us, our partners or competitors;
- the timing of sales orders processing, which can cause fluctuations in our backlog and impact our bookings and timing of revenue recognition;
- our ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- our ability to control costs, including our operating expenses, and the timing and amount of internal use software development costs that may be capitalized;
- the credit risks associated with our distributors, who account for a significant portion of our product revenue and accounts receivable, and our customers;
- the timing and size of realignment plans and restructuring charges;
- seasonal factors such as end of fiscal period expenditures by our customers and the timing of holiday and vacation periods;
- unplanned events that could affect market perception of the quality or cost-effectiveness of our products and solutions; and
- fluctuations in the severity and duration of the COVID-19 pandemic and resulting restrictions on business activity which may vary significantly by region.

**Adverse economic conditions may harm our business.**

Our business success depends in part on worldwide economic conditions. The overall demand for and spend on IT may be viewed by our current and prospective customers as discretionary and, in times of economic uncertainty, customers may delay, decrease, reduce the value and duration, or cancel purchases and upgrades of our products and services. Weak economic conditions or significant uncertainty regarding the stability of financial markets related to stock market volatility, inflation, recession, changes in tariffs, trade agreements or governmental fiscal, monetary and tax policies, among others, could adversely impact our business, financial condition and operating results. General and ongoing tightening in the credit market, lower levels of liquidity, increases in rates of default and bankruptcy and significant volatility in equity and fixed-income markets could all negatively impact our customers' purchasing decisions. Increases in interest rates on credit and debt that would increase the cost of our borrowing could impact our ability to access the capital markets and adversely affect our ability to repay or refinance our outstanding indebtedness, fund future product development and acquisitions or conduct stock buybacks.

For example, the COVID-19 pandemic has depressed economic activity worldwide, and the timing and strength of an economic recovery is highly uncertain and likely to vary significantly by region. While the COVID-19 pandemic, including the dangers posed by COVID-19 variants, has not had a material adverse financial impact on our operations to date, we have observed negative impacts on our sales and our financial results from, and there continues to be significant uncertainty regarding, the economic effects of the COVID-19 pandemic. For example, during much of fiscal 2021, we saw delays in customers' large transformative on-premises projects that we believe were largely due to COVID-19, which negatively impacted our product sales. Accordingly, should the pandemic continue to persist for an extended period of time, economic conditions globally or in particular regions may fail to recover or even worsen, which could cause material adverse impacts to our earnings and other results of operations. More recently, inflation rates in the U.S. have increased to levels not seen in several years, which may result in decreased demand for our products and services, increases in our operating costs, constrained credit and liquidity, reduced government spending and volatility in financial markets.

Additionally, trade tensions between the U.S. and its trading partners, like China, have caused and may continue to cause significant volatility in global financial markets. Amidst sustained economic uncertainty, many national and local governments that are current or prospective customers, including the U.S. federal government, may need to make significant changes in their spending priorities, which could reduce the amount of government spending on IT and the potential demand for our products and services from the government sector.

These adverse economic conditions can arise suddenly, have unpredictable impacts and materially adversely affect our future sales and operating results. Further, volatility due to these types of adverse economic conditions in financial and other capital markets, has and may continue to adversely impact our stock price and may in the future impact our ability to access the equity or debt capital markets on attractive terms or at all for a period of time, which could have an adverse effect on our liquidity position.

**We have substantial indebtedness, and we may incur other debt in the future, which may adversely affect our financial condition and future financial results.**

As of April 29, 2022, we had an aggregate of \$11.9 billion of outstanding indebtedness. Additionally, we have entered into a \$1.5 billion unsecured revolving credit facility, which is undrawn.

The terms of our indebtedness and revolving credit facility impose restrictions on us, including in specified and customary covenants, our compliance with which may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we fail to satisfy any of the terms or breach any of the covenants and do not obtain a waiver from the lenders or note holders, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable or, with respect to the unsecured notes, we may be required to repurchase our unsecured notes at a price equal to 101% of the aggregate principal plus any accrued and unpaid interest.

We intend to reduce our indebtedness during the next fiscal years. While we believe our remaining cash balances and cash generated by our business operations will be sufficient to fund our operations and pursue our existing stock repurchase program and strategic plans, if our business operations do not generate the cash flows we expect, then our ability to fund future stock repurchases, invest in our business and pursue strategic alternatives, including business acquisitions, will be reduced, which could reduce our ability to manage dilution of our stock and limit our future growth. If in the future we are unable to generate sufficient operating cash flows to service our debt, we may be required to, among other things, seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets or reduce or delay planned expenditures. Even so, such measures may not be sufficient to enable us to service our debt.

Our current and any future debt may adversely affect our financial condition and future financial results by, among other things, increasing our vulnerability to adverse changes in general economic and industry conditions, necessitating use or dedication of our expected cash flow from operations to service our indebtedness instead of for other purposes, such as capital



expenditures and acquisitions, impairing our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes, and limiting our flexibility in planning for, or reacting to, business changes.

In addition, any actual or anticipated changes to our credit ratings, including any announcement that our credit ratings are under review by any rating agency, may:

- negatively impact the value and liquidity of our debt and equity securities;
- result in an increase in the interest rate payable by us and the cost of borrowing under our revolving credit facility and senior unsecured term loan facility;
- negatively affect the terms of and restrict our ability to obtain financing in the future; and
- upon the occurrence of certain downgrades of the ratings of our unsecured notes, require us to repurchase our unsecured notes at a price equal to 101% of the aggregate principal plus any accrued and unpaid interest.

Refer to “Liquidity and Capital Resources” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2 of this Quarterly Report on Form 10-Q for more information on our outstanding indebtedness.

**We have potential tax liabilities as a result of our former controlling ownership by Dell, which could have an adverse effect on our operating results and financial condition.**

*Membership in a consolidated tax group.* We were included in EMC’s consolidated group for U.S. federal income tax purposes, as well as in certain consolidated, combined or unitary groups that include EMC or certain of its subsidiaries for state and local income tax purposes, from the time of our acquisition by EMC in 2004 through the acquisition of EMC by Dell effective September 7, 2016 (the “Dell Acquisition”), when we became included in Dell’s consolidated tax group. Each member of a consolidated group during any part of a consolidated return year is jointly and severally liable for tax on the consolidated return of such year and for any subsequently determined deficiency thereon. Similarly, in some jurisdictions, each member of a consolidated, combined or unitary group for state, local or foreign income tax purposes is jointly and severally liable for the state, local or foreign income tax liability of each other member of such group. Accordingly, for any period in which we were included in the Dell consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of Dell and its subsidiaries, we could be liable in the event that any income tax liability was incurred, but not discharged, by any other member of any such group. Additionally, the impact of the 2017 Tax Cuts and Jobs Act (the “2017 Tax Act”) upon consolidated groups is highly complex and uncertain and its impact must be further interpreted in the context of various tax-related agreements we have agreed to with EMC and Dell (the “Tax Agreements”) to determine VMware’s related payment. As a result of the Spin-Off, we are no longer a member of Dell’s consolidated tax group, however, we are still subject to potential tax liabilities for the periods prior to the Spin-Off.

*Tax Agreements.* We have agreed to Tax Agreements that govern, among other things, our potential liabilities for other members of the consolidated tax groups of which we are considered members. Pursuant to the Tax Agreements, we and Dell generally will make payments to each other such that, with respect to tax returns for any taxable period in which we or any of our subsidiaries are included in Dell’s consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of Dell or its subsidiaries, the amount of taxes to be paid by us will be determined, subject to certain consolidated return adjustments, as if we and each of our subsidiaries included in such consolidated, combined or unitary group filed our own consolidated, combined or unitary tax return. Although the Tax Agreements provide that our tax liability is calculated primarily as though VMware were a separate taxpayer, certain tax attributes and transactions are assessed using consolidated tax return rules as applied to the Dell consolidated tax group and are subject to other specialized terms under the Tax Agreements. In April 2019, we expanded the Tax Agreements by entering into a letter agreement with Dell and EMC that governs our portion of the one-time transition tax imposed by the 2017 Tax Act on accumulated earnings of foreign subsidiaries. Additionally, in December 2019, we amended the Tax Agreements to, subject to certain exceptions, generally limit VMware’s maximum annual tax liability to Dell to the amount VMware would owe on a separate tax return basis. Concurrent with the signing of the Separation and Distribution Agreement in April 2021, we and Dell entered into a new tax matters agreement and terminated a preceding tax sharing agreement. A substantial lack of alignment or disagreement between us and Dell regarding the applicability or interpretation of the Tax Agreements, or any unanticipated material tax liability arising pursuant to the Tax Agreements, could adversely impact our financial condition and operating results.

*Pivotal.* Prior to the Spin-Off, Pivotal filed a separate tax return for U.S. federal income tax purposes as it left the Dell consolidated tax group at the time of Pivotal’s initial public offering in April 2018. Pivotal continued to be included on Dell’s unitary state tax returns until the Spin-Off. Pursuant to a tax agreement between Pivotal and Dell, Pivotal may receive or owe payments from or to Dell for tax benefits or expenses that Dell realized due to Pivotal’s inclusion on such returns.

*Tracking Stock.* Pursuant to the Tax Agreements, if it is subsequently determined that the tracking stock issued in connection with the Dell Acquisition and which Dell subsequently eliminated through a share exchange constitutes a taxable

distribution, we could be liable for all or a portion of the tax liability, which could have a material adverse effect on our operating results and financial condition.

*Spin-Off.* If the Spin-Off is later determined to not be tax-free for any reason, we could be liable for all or a portion of the tax liability. Additionally, under the Tax Agreements, we are prohibited from taking or failing to take any action that prevents the Spin-Off from being tax-free for U.S. federal income tax purposes. We would be responsible for any taxes imposed on Dell or any of its affiliates as a result of the failure of the Spin-Off to qualify for favorable treatment under the Internal Revenue Code if such failure is attributable to certain actions taken after the Spin-Off by or in respect of us, which could have a material adverse effect on our operating results and financial condition. Further, during the two-year period following the Spin-Off, without obtaining the consent of Dell, a private letter ruling from the Internal Revenue Service (“IRS”) or an unqualified opinion of a nationally recognized law firm, we may be prohibited from taking certain specified actions that could impact the treatment of the Spin-Off, such as significant equity transactions that shift more than a significant portion of the value or total combined voting power of all outstanding shares of our stock. These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. These obligations may also discourage, delay or prevent a change of control of our company.

**Our operating results may be adversely impacted by exposure to additional tax liabilities and higher than expected tax rates.**

We are subject to income taxes as well as non-income-based taxes, such as payroll, sales and property taxes, in many of the jurisdictions in which we operate. Our tax liabilities are dependent on the allocation of revenue and expenses in different jurisdictions and the timing of recognizing revenue and expenses. Significant judgment is required to determine our worldwide provision for income taxes and other tax liabilities. For example, in the ordinary course of our global business, we execute intercompany transactions, including intellectual property transfers, that require us to make tax estimates because the ultimate tax determination is uncertain.

We are subject to income and indirect tax examinations and are undergoing audits in various jurisdictions. For instance, the IRS has started its examination of fiscal years 2015 through 2019 for the Dell consolidated group, of which VMware was a member beginning in Dell’s fiscal year 2017. As a result of the Spin-Off, VMware is no longer a member of the Dell consolidated group. However, we are still subject to examination by the IRS for the periods in which we were a member of the Dell consolidated group. While we believe we have complied with all applicable income tax laws and made reasonable tax estimates, a governing tax authority could have a different legal interpretation and a final determination of tax audits or disputes may differ from what is reflected in our historical income tax provisions or benefits and accruals and we may be assessed with additional taxes. Further, the Tax Agreements between us and Dell provide that, when we become subject to federal income tax audits as a member of Dell’s consolidated group, Dell has authority to control the audit and represent Dell and our interests to the IRS. Accordingly, if we and Dell differ on appropriate responses and positions to take with respect to tax questions that may arise in the course of an audit, our ability to affect the outcome of such audits may be impaired.

In addition, regulatory guidance is still forthcoming with respect to the 2017 Tax Act and such guidance may adversely impact our tax provision. Any assessment of additional taxes could materially affect our financial condition and operating results. Further, beginning in fiscal 2023, the 2017 Tax Act eliminates the option to deduct research and development expenditures immediately in the year incurred and requires taxpayers to amortize such expenditures over five years for domestic expenses and fifteen years for certain foreign expenses. Although the U.S. Congress is considering various legislative options that would defer the amortization requirement to later years, we have no assurance that the provision will be repealed or otherwise modified. If these provisions are not deferred, modified, or repealed by Congress with retroactive effect to January 1, 2022, they will materially decrease our cash from operations beginning in fiscal 2023. The actual impact on fiscal 2023 cash from operations will depend on if and when these provisions are deferred, modified, or repealed by Congress, including if retroactively, and the amount of research and development expenses paid or incurred in fiscal 2023, among other factors.

Our future effective tax rate may also be affected by such factors as:

- the expiration of legal statutes of limitation and settlements of audits;
- the impact of accounting for stock-based compensation and for business combinations;
- the recognition of excess tax benefits or deficiencies within the income tax provision or benefit in the period in which they occur;
- the overall levels and proportion of our income before provision for income taxes earned in the U.S. and in jurisdictions with a tax rate lower than the U.S. statutory rate; and
- other developments related to tax laws or their interpretations, in our business or statutory rates, and in our corporate structure.

For example, numerous other countries have also recently enacted or are considering enacting changes to tax laws, administrative interpretations, decisions, policies and positions. In addition, the Organization for Economic, Co-operation and Development (“OECD”), an international association of countries, including the U.S., has made changes and is contemplating additional changes to numerous long-standing tax principles.

These and any other significant developments related to U.S. or international tax laws could materially adversely affect our effective tax rate, the timing and amount of our tax liabilities and payments, our financial condition and operating results.

### ***Security Risks***

#### **Cybersecurity breaches of our systems or the systems of our vendors, partners and suppliers could materially harm our business.**

Cyber risks represent a large and growing risk to our business, as we depend upon our IT systems, internally developed and proprietary software and services, as well as the software and systems of SaaS providers, to conduct virtually all of our business operations. Some of the factors that contribute to significant cyber risks include:

- We increasingly develop and maintain large data sets and rely on machine learning, artificial intelligence and analytics to provide services to our customers and partners.
- Customers conduct purchase and service transactions online, and we store increasing amounts of customer data and host or manage parts of customers’ businesses in cloud-based IT environments.
- We rely on third parties and their systems for a number of our business functions and to sell our products and services as distributors, resellers, system vendors and systems integrators.
- Hardware, software and applications that we produce or procure from third parties can contain defects or vulnerabilities, such as the Log4J vulnerability reported in December 2021, that have in the past and could in the future interfere with our systems and processes and introduce defects and vulnerabilities into our products and services.
- Our leadership position in the enterprise security industry makes us, our employees and contractors and our products a target of hackers or other threat actors seeking to compromise product security.
- Our large and globally distributed workforce may increase our exposure to internal threats and cyber-attacks.
- Our products, to function as intended, often require heightened permissions within customer environments, and also serve as underlying technology infrastructure for customers’ other systems, making our products more attractive targets for threat actors.
- We are considered an essential supplier in the digital supply chain for the United States government and others, including entities operating critical infrastructure, which makes us and our products a target for those seeking to threaten the confidentiality, availability and integrity of critical infrastructure globally.

Cyber-attacks, which are increasing in number and technical sophistication, threaten to misappropriate our proprietary information, cause interruptions of our IT services, introduce vulnerabilities or malicious files into our IT systems and our products and services, extract financial gain and commit fraud. Hackers and other threat actors often target company employees and contractors in an effort to compromise our IT systems and products using techniques such as email phishing and social engineering, which risk is heightened due to greater numbers of employees and contractors working remotely as a result of the “work from anywhere” movement. Furthermore, geopolitical tensions, such as the current conflict between Russia and Ukraine, could increase the risk of retaliatory state-sponsored cyber-attacks to exploit vulnerabilities in VMware systems. We may not be able to anticipate the techniques used in such attacks, as they change frequently and may not be recognized until launched or at all. If unauthorized access or sabotage remains undetected for an extended period of time, or if the source of an incident cannot be determined for an extended period of time, the effects of any such breach, incident or exploit could be exacerbated.

Unauthorized parties (which may have included nation states and individuals sponsored by them, as well as internal actors exceeding access permissions and policies) have penetrated our network security and our website in the past and may do so in the future. We are increasingly targeted for financial gain and fraud by criminal persons and groups that seek to extort or steal funds from companies and employees. Significant and increasing investments of time, resources and management and Board attention have been, and will continue to be, required to anticipate and address cyber-related risks, incidents and challenges. Accordingly, if our cybersecurity risk management program and those of our contractors, partners and vendors fail to protect against, contain or recover from breaches, internal threats or other incidents, our ability to conduct our business could be damaged in a number of ways, including:

- sensitive data regarding our business, including intellectual property and other proprietary data, could be stolen;

- our IT systems could be disrupted, and our ability to conduct our business operations could be seriously damaged until they are restored and secured;
- our supply chain may become compromised, resulting in impact to confidentiality, availability and integrity of our internal or customer-facing systems;
- our ability to process and electronically deliver customer orders could be degraded, and our distribution channels could be disrupted, resulting in delays in revenue recognition; and
- personally identifiable information or confidential data of our customers, employees and business partners could be stolen or lost.

Should any of the above events occur, or are perceived to have occurred, we could be subject to significant claims for liability from our customers, partners, vendors, or employees (among others); we could face regulatory actions and sanctions from governmental agencies under privacy, data protection, cybersecurity or other laws; our ability to protect our intellectual property rights could be compromised; our ability to attract and retain customers could be negatively impacted; our reputation and competitive position could be materially harmed; we could face material losses as the result of successful financial cyber-fraud schemes; and we could incur significant costs in order to upgrade our cybersecurity systems, remediate damages and defend the Company in any legal, regulatory or legislative proceedings. Consequently, our business, financial condition and operating results could be materially adversely affected.

**Our products and services are highly technical and may contain, or be subject to our own or suppliers', errors, defects or security vulnerabilities.**

Our products and services are highly technical and complex and, when deployed, contain errors, defects or security vulnerabilities, some of which may not be discovered before or after a product or service has been released, installed and used by customers. The complexity and breadth of our technical and production environment, which involves multiple and dispersed product and engineering teams in different countries, including China, working on different product initiatives, increases the risk that vulnerabilities or defects are introduced into our products and services and may delay our ability to detect, mitigate or remediate such vulnerabilities. The need to coordinate with multiple parties in the supply chain when vulnerabilities are detected can also delay mitigation or remediation, thereby increasing risks to customers. Our internal logging, alerting, and cyber incident detection mechanisms may not cover every system potentially targeted by threat actors, may not have the capability to detect certain types of unauthorized activities, and may not capture and surface information sufficient to enable us to detect and take responsive action. In addition, employees or contractors have bypassed our access control mechanisms and introduced vulnerabilities in, and enabled the exploitation of, our IT environments, our software products (and correspondingly our customers' environments), and our subscription and SaaS offerings in the past and may do so in the future.

Security vulnerabilities in our IT environments, software products or customer environments, installation errors or misuse can also lead to increased cybersecurity risks for customers and partners, including unintended access to or exploitation of our products, which risks are exacerbated if customers fail to implement security recommendations and software updates that we and other IT vendors issue from time to time when significant issues have been identified. Undiscovered or unresolved vulnerabilities in our products or services could expose our customers to hackers, threat actors or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack customers using our products or services. Further, our use of open-source software in our offerings can make our products and services vulnerable to additional security risks not posed by proprietary products.

In the past, VMware has been made aware of public postings by hackers of portions of our proprietary source code. It is possible that the released source code could expose unknown security vulnerabilities in our products and services that could be exploited by hackers or others. In addition, public exposure, or exploitation of vulnerabilities in our products by threat actors, could result in reputational damage and lost customers and could negatively affect our operating results and those of our customers.

VMware products and services are also subject to known and unknown security vulnerabilities resulting from integration with products or services of other companies (such as applications, operating systems or semiconductors).

Actual or perceived errors, defects or security vulnerabilities in our products or services could harm our reputation, result in litigation or regulatory actions or lead some customers to return products or services or cancel subscriptions, reduce or delay future purchases or use competitive products or services, any of which could materially negatively impact our business, operating results and stock price.

**Problems with our information systems could interfere with our business and could adversely impact our operations.**

We rely on our information systems and those of third parties for fulfilling contractual obligations, including processing customer orders, delivering products and providing services, performing accounting operations, supporting our employees,

managing employee data and otherwise running our business. If our systems fail, our disaster and data recovery planning and capacity may prove insufficient to enable timely recovery of important functions and business records. Additionally, our information systems may not efficiently support new business models and initiatives, and significant investments could be required in order to upgrade existing or implement new systems. Business requirements may require additional capabilities including implementation of a new information system. In particular, our systems and operations were built to support a perpetual software licensing model, and significant enhancements are required to support our transition to subscription and SaaS products and services. Further, we continuously work to enhance our information systems, such as our enterprise resource planning software, and the implementation of such enhancements is frequently disruptive to the underlying enterprise, which may especially be the case for us due to the size and complexity of our business, and may disrupt internal controls and business processes that could introduce unintended vulnerability to error. Any such disruption to our information systems and those of the third parties upon whom we rely could have a material impact on our business.

### ***Legal and Compliance Risks***

#### **We are involved in litigation, investigations and regulatory inquiries and proceedings that could negatively affect us.**

As described in Note D (Litigation) to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, we are, and may become, involved in various legal and regulatory proceedings, and investigations relating to our business, including with respect to antitrust and competition, breach of contract, class action, commercial, corporate governance, cybersecurity, employment, intellectual property, privacy, securities, and whistleblower matters. Matters such as these may impact our business in different ways. Intellectual property infringement claims, for example, may seek injunctive relief or other court orders that could prevent us from offering our products. As a result, we might be required to seek a license for the use of such intellectual property, which may not be available on commercially reasonable terms or at all, or we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Because we generally indemnify our customers and partners from intellectual property infringement claims in connection with the use of our products, we may be called on to defend these customers and partners in litigation. From time to time, we also receive inquiries from and have discussions with government entities regarding our compliance with laws and regulations. Such litigation, investigations, regulatory inquiries, and proceedings can be unpredictable and time-consuming, divert management's attention and resources, and cause us to incur significant expenses. Allegations made in connection with these matters may harm our reputation, regardless of their merit and could have a material adverse impact on our business, financial condition, cash flows or results of operations if decided adversely to or settled by us.

#### **We may not be able to adequately protect our intellectual property rights.**

We depend on our ability to protect our proprietary technology. We rely on trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. As such, despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to prevent misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the U.S. In addition, we rely on confidentiality and license agreements with third parties in connection with their use of our products and technology. There is no guarantee that such parties will abide by the terms of such agreements or that we will be able to adequately enforce our rights, in part because we rely on "click-wrap" and "shrink-wrap" licenses in some instances.

Detecting and protecting against the unauthorized use of our products, technology proprietary rights and intellectual property rights is expensive, difficult, uncertain and, in some cases, impossible. Litigation is necessary from time to time to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property, which could result in a substantial loss of our market share.

#### **Actual or perceived non-compliance with privacy and data protection laws, regulations and standards could adversely impact our business.**

Our business is subject to laws and regulations by various federal, state and international legislative and governmental agencies responsible for legislating, monitoring and enforcing privacy and data protection laws ("Data Privacy Laws"). The regulatory framework regarding the collection, protection, use, transfer and disclosure of personal information is rapidly evolving, and Data Privacy Laws are subject to new and changing interpretations and amendments, creating uncertainty and additional legal obligations for ourselves, our partners, vendors and customers. We expect that there will continue to be newly proposed or changes to interpretations of existing Data Privacy Laws and industry standards, including self-regulatory standards advocated by industry groups, in various jurisdictions globally, and we may not be able to appropriately anticipate or timely respond to the impacts such and similar developments may have on our business or the businesses of our partners, vendors and customers.

We continue to regularly enhance our policies and controls across our business relating to how we and our business partners collect, protect and use customer and employee personal information. Ongoing changes to the regulatory landscape will likely increase the cost and complexity of our business relationships, internal operations and the delivery of our products and services. In addition, this may affect our ability to run promotions and effectively market our offerings and could subsequently impact the demand for our products and services.

Any actual or perceived failure by us or our business partners to comply with Data Privacy Laws, the privacy commitments contained in our contracts, or the privacy notices we have posted on our website could subject us to investigations, sanctions, enforcement actions, negative financial consequences, civil and criminal liability or injunctions. For example, failure to comply with the EU's General Data Protection Regulation requirements may lead to fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater. Additionally, as a technology provider, our customers expect us to demonstrate compliance with current Data Privacy Laws and further make contractual commitments and implement processes to enable the customer to comply with their own obligations under Data Protection Laws, and our actual or perceived inability to do so may adversely impact sales of our products and services, particularly to customers in highly regulated industries. As a result, our reputation and brand may be harmed, we could incur significant costs, and our financial and operating results could be materially adversely affected.

**Our use of “open source” software in our products could negatively affect our ability to sell our products and subject us to litigation.**

Many of our products and services incorporate so-called “open source” software, and we may incorporate open source software into other products and services in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. Open source licensors generally do not provide warranties or assurance of title or controls on origin of the software, which exposes us to potential liability if the software fails to work or infringes the intellectual property of a third party.

We monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend and avoid exposing us to unacceptable financial risk. However, the processes we follow to monitor our use of open source software could fail to achieve their intended result. In addition, although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use, there is little or no legal precedent governing the interpretation of terms in most of these licenses, which increases the risk that a court could interpret the licenses differently than we do.

From time to time, we receive inquiries or claims from authors or distributors of open source software included in our products regarding our compliance with the conditions of one or more open source licenses. An adverse outcome to a claim could require us to:

- pay significant damages;
- stop distributing our products that contain the open source software;
- revise or modify our product code to remove alleged infringing code;
- release the source code of our proprietary software; or
- take other steps to avoid or remedy an alleged infringement.

We have faced and successfully defended against allegations of copyright infringement and failing to comply with the terms of an open source license, but we can provide no assurances that we will not face similar lawsuits with respect to our use of open source software in the future, nor what the outcome of any such lawsuits may be.

**If we fail to comply with government contracting regulations, our business could be adversely affected.**

Our contracts with federal, state, local and non-U.S. governmental customers and our arrangements with distributors and resellers who may sell directly to governmental customers are subject to various procurement regulations, contract provisions and other requirements relating to their formation, administration and performance. Any failure by us to comply with government contracting regulations (such as cybersecurity- and COVID-19-related requirements) could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspension from future government contracting, any of which could adversely affect our business, operating results or financial condition. Further, any negative publicity related to our government contracts or any proceedings surrounding them, regardless of accuracy, may damage our business and affect our ability to compete for new contracts.

**Some of our directors have potential conflicts of interest with Dell.**

The Chairman of our Board of Directors, Michael Dell, is also chairman and chief executive officer of Dell and is a significant stockholder of Dell, and one of our directors, Egon Durban, serves on the Dell board of directors and as managing

partner of Silver Lake Partners, a significant stockholder of Dell. Ownership of Dell common stock by our directors and the presence of executive officers or directors of Dell on our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and Dell that could have different implications for Dell than they do for us. Our Board has approved resolutions that address corporate opportunities that are presented to Messrs. Dell and Durban. These provisions may not adequately address potential conflicts of interest or ensure that potential conflicts of interest will be resolved in our favor. As a result, we may not be able to take advantage of corporate opportunities presented to individuals who are directors of both us and Dell and we may be precluded from pursuing certain growth initiatives.

***Risks Related to Owning Our Class A Common Stock***

**The MSD Stockholders and the SLP Stockholders have significant influence over us, and their interests may conflict with our interests and the interests of our other stockholders.**

As a result of the Spin-Off, the MSD Stockholders and SLP Stockholders became direct beneficial holders of VMware with interests representing 40.2% and 10.0%, respectively, of our outstanding stock, based on the number of shares outstanding as of May 27, 2022. As a result, the MSD Stockholders and the SLP Stockholders have significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets. The interests of the MSD Stockholders or the SLP Stockholders could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of voting power held by the MSD Stockholders and SLP Stockholders could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination which we or others of our stockholders may view favorably. Effective upon the consummation of the Spin-Off, we entered into a stockholders agreement pursuant to which the MSD Stockholders have the right to nominate up to two members of our Board and the SLP Stockholders have the right to nominate one member of our Board, subject to maintaining certain ownership thresholds. Michael Dell, the Chairman of our Board, is the first MSD Stockholders nominee; the MSD Stockholders have the right to nominate a second member of the Board. Egon Durban is the SLP Stockholders' nominee. This concentrated control may negatively impact other stockholders' ability to influence corporate matters and may also adversely affect our stock price. The MSD Stockholders and SLP Stockholders collectively beneficially own 64.9% of Dell's outstanding stock as of May 27, 2022. Accordingly, their interests may not be aligned with other VMware stockholders with respect to actions involving or impacting Dell.

**The price of our Class A common stock has fluctuated significantly in recent years and may fluctuate significantly in the future.**

The trading price of our Class A common stock has fluctuated significantly in the past and could fluctuate substantially in the future, and stockholders' investments in our stock could lose some or all of their value. The stock market in general and technology companies in particular have often experienced extreme price and volume fluctuations. Neither the MSD Stockholders nor the SLP Stockholders are restricted from selling their respective shares, and each is entitled to certain registration rights. If a significant number of these shares enters the public trading markets in a short period of time, the market price of our Class A common stock may decline. Broad market and industry factors may also decrease the market price of our Class A common stock, regardless of our actual operating performance. Additionally, fluctuations and declines in our stock price have been, and in the future may be, due to, among other reasons, the factors discussed in this Risk Factors section and elsewhere in this report, as well as:

- our ability to meet or exceed the forward-looking guidance we have given, to give forward-looking guidance consistent with past practice and any changes to or withdrawal of previous guidance or long-range targets;
- trading activity by directors, executive officers, significant stockholders or a limited number of stockholders who together beneficially own a significant portion of our outstanding common stock, or the market's perception that such holders intend to sell;
- the inclusion or exclusion of our stock from any trading indices, such as the S&P 500 Index;
- speculation in the press and on social media; and
- changes in recommendations regarding our stock or more favorable relative recommendations about our competitors by the industry or securities analysts who cover and publish about us, our business, our competitors, or the markets in which we compete.

In addition, to direct value lost, volatility or declines in our stock price may adversely affect our ability to retain key employees, most of whom are compensated, in part, based on the performance of our stock price. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted, including against us, and, if not resolved swiftly, can result in substantial costs and a diversion of management's attention and resources.

**Anti-takeover provisions in Delaware law and our charter documents could discourage takeover attempts.**

Certain provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the division of our board of directors into three classes, with each class serving for a staggered three-year term, which prevents stockholders from electing an entirely new board of directors at any annual meeting;
- that any director may only be removed for cause and only by the affirmative vote of holders of at least a majority of the votes entitled to be cast to elect any such director;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- the prohibition of cumulative voting in the election of directors or any other matters, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders' meeting;
- the ability of the board of directors to issue, without stockholder approval, up to 100,000,000 shares of preferred stock with terms set by the board of directors, which rights could be senior to those of common stock; and
- stockholders may not act by written consent and may not call special meetings of the stockholders.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change in control of our company and could reduce the price that investors may be willing to pay for shares of our common stock. Section 203 imposes certain restrictions on merger, business combinations and other transactions between us and large stockholders, in particular those owning 15% or more of our outstanding voting stock.

**Our bylaws provide for an exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.**

Our bylaws include a provision providing that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any of our directors, officers, employees or stockholders to us or to our stockholders;
- any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; or
- any action asserting a claim governed by the internal affairs doctrine.

This provision would not apply to suits brought to enforce any duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act of 1933 (the "Securities Act") creates concurrent jurisdiction for federal and state courts over all such Securities Act actions.

While the Delaware courts have determined that exclusive forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than the one we have designated. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provision of our bylaws, which may require significant expenditures of resources, and, ultimately, there can be no assurance that the provisions would be enforced by a court in those other jurisdictions. This exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees and may discourage these types of lawsuits. If a court were to find the exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs to resolve such action in other jurisdictions.

**General Risks**

**We are exposed to foreign exchange risks.**

We conduct a meaningful portion of our business in currencies other than the U.S. dollar, but report our operating results in U.S. dollars. Accordingly, our operating results are subject to fluctuations in currency exchange rates. The realized gain or loss on foreign currency transactions is dependent upon the types of foreign currency transactions into which we enter, the exchange rates associated with these transactions and changes in those rates, the net realized gain or loss on our foreign currency forward contracts, among other factors. Although we hedge a portion of our foreign currency exposure, significant fluctuations in



exchange rates between the U.S. dollar and foreign currencies have adversely affected, and may adversely affect in the future, our operating results. For example, the economic uncertainty introduced by Brexit resulted in significant volatility in the value of the British pound and other currencies, and the COVID-19 pandemic may make it more difficult for us to accurately forecast future transactions in foreign currencies and cause us to have to modify hedging positions, thereby adversely impacting the efficacy of our foreign currency hedging strategy and our operating results. Any future weakening of foreign currency exchange rates against the U.S. dollar would likely result in additional adverse impacts on our revenue.

**If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.**

We may not realize all the economic benefit from our business acquisitions, which could result in an impairment of goodwill or intangibles. As of April 29, 2022, goodwill and amortizable intangible assets were \$9.6 billion and \$651 million, respectively. We review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually. Factors that may lead to impairment include a substantial decline in stock price and market capitalization or cash flows, reduced future cash flow estimates related to the assets and slower growth rates in our industry. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which would negatively impact our operating results.

**Changes in accounting principles and guidance could result in unfavorable accounting charges or effects.**

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. These principles are subject to interpretation by the SEC and various bodies formed to create and interpret appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a material effect on our reported results, as well as our processes and related controls, and may retroactively affect previously reported results.

**Natural disasters, catastrophic events or geo-political conditions could disrupt our business.**

A significant natural disaster, such as an earthquake, fire, flood or other act of God, catastrophic event or pandemic, abrupt political change, terrorist activity and armed conflict, and any similar disruption, as well as any derivative disruption, such as those to services provided through localized physical infrastructure, including utility or telecommunication outages, or any to the continuity of our, our partners' and our customers' workforce, could have a material adverse impact on our business and operating results. Our worldwide operations are dependent on our network infrastructure, internal technology systems and website, as well as our intellectual property and personnel, significant portions of which, including our corporate headquarters, are located in California, a region known for seismic activity, fires and floods. Disruption to these dependencies may negatively impact our ability to respond to customer requests, process orders, provide services and maintain local and global business continuity. Delays or cancellations of customer orders or the deployment or availability of our products and services, for example, could materially impact our revenue. Furthermore, some of our newer product initiatives, offerings and business functions are hosted or carried out by third parties that may be vulnerable to these same types of disruptions, the response to or resolution of which may be beyond our control. Additionally, any such disruption could cause us to incur significant costs to repair damages to our facilities, equipment, infrastructure and business relationships.

**Climate change may have a long-term negative impact on our business.**

Risks related to rapid climate change, such as extreme weather conditions, sea-level rise, drought, flooding and wildfires, may have an increasingly adverse impact on our business and those of our customers, partners and vendors in the longer term. While we seek to mitigate the business risks associated with climate change for our operations, there are inherent climate-related risks wherever business is conducted. Access to clean water and reliable energy in the communities where we conduct our business, whether for our offices, data centers, vendors, customers or other stakeholders, is a priority. Any of our primary locations may be vulnerable to the adverse effects of climate change and the impacts of extreme weather events, which have caused regional short-term systemic failures in the U.S. and elsewhere. For example, our California headquarters are projected to be vulnerable to future water scarcity due to climate change, and unanticipated extreme cold weather has resulted in electrical grid outages in Texas where many of our U.S. employees are located. While this danger currently has a low-assessed risk of disrupting normal business operations in the near term, it has the potential to impact employees' abilities to commute to work or to work from home and stay connected effectively. Climate-related events, including the increasing frequency of extreme weather events, their impact on critical infrastructure in the U.S. and internationally and their potential to increase political instability in regions where we, our customers, partners and our vendors do business, have the potential to disrupt our business, our third-party suppliers, or the business of our customers and partners, and may cause us to experience higher attrition and additional costs to maintain or resume operations. Climate change and environmental regulations may result in changes in the supply, demand or available sources of energy or other resources that could adversely impact the availability or cost of goods and services, including natural resources necessary to run our business. Additionally, changes in climate in the locations where

we operate may increase the costs of powering and cooling the computer hardware we use to develop software and deliver our subscription and SaaS-based offerings as well as the costs of carbon offsets that we may procure from time to time as we pursue our carbon-neutral objectives.

**Social and ethical issues, including our ability to make progress on our ESG goals and commitments, may result in reputational harm and liability.**

In December 2020, we announced our 2030 Agenda, which represents our ESG strategy focused on sustainability, equity and trust. Our public commitments include promoting environmental sustainability and decarbonization; human capital development and diversity, equity and inclusion; and cybersecurity, privacy, digital ethics and transparent business practices. Each of these are areas of increasing scrutiny from the investment community, customers, employees, partners, suppliers and communities who expect us to report transparently on our progress. In order to meet expectations from our stakeholders, we are working to align our reporting with emerging disclosure and accounting standards such as the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (“TCFD”), the Sustainability Accounting Standards Board (“SASB”) and the Global Reporting Initiative as well as potential new disclosure requirements from regulators such as the SEC while we also seek to report timely on progress toward our 2030 Agenda objectives. In order to do so, we are working to develop internal operational, information and data assurance systems that will enable us to accurately report on these matters on a timely basis. If we fail to report accurately or on a timely basis or fail to anticipate reporting requirements and expectations in this emerging area, our reputation may be adversely affected, and we could be exposed to increased risk of litigation. Additionally, if we are perceived as failing to make or accurately report on our progress on our ESG goals or to follow through on our commitments, our brand and our reputation may be harmed, we may be exposed to increased risk of litigation, our ability to attract and retain employees may be damaged and our financial performance and stock price may be adversely affected.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchaser

From time to time, we repurchase stock pursuant to authorized stock repurchase programs in open market transactions as permitted by securities laws and other legal requirements. We are not obligated to purchase any shares under our stock repurchase programs. The timing of any repurchases and the actual number of shares repurchased depends on a variety of factors, including our stock price, cash requirements for operations and business combinations, corporate and regulatory requirements and other market and economic conditions. Purchases may be discontinued at any time we believe additional purchases are not warranted. All shares repurchased under our stock repurchase programs are retired.

Purchases of Class A common stock during the three months ended April 29, 2022 were as follows:

	Total Number of Shares Purchased	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs <sup>(2)</sup>
January 29, 2022 - February 25, 2022	—	\$ —	—	\$ 1,703,415,827
February 26 - March 25, 2022	—	—	—	1,703,415,827
March 26 - April 29, 2022	802,935	111.31	802,935	1,614,040,002
	<u>802,935</u>	<u>\$ 111.31</u>	<u>802,935</u>	<u>1,614,040,002</u>

<sup>(1)</sup> The average price paid per share excludes commissions.

<sup>(2)</sup> Represents the cumulative amount remaining for stock repurchases under the October 2021 authorization, which was effective November 1, 2021 and expires at the end of fiscal 2024. Refer to Note L to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

## ITEM 5. OTHER INFORMATION

### *Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934*

VMware's affiliate, Dell Technologies Inc. and its subsidiaries, included the following disclosure in their quarterly report for the period ended April 29, 2022:

“Set forth below is a description of matters reported by us pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with the filing of this quarterly report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that such matters have been disclosed in this quarterly report.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury's Office of Foreign Assets Control issued General License No. 1B (the “OFAC General License”), which generally authorizes U.S. companies to engage in certain licensing, permitting, certification, notification and related transactions with the FSB to the extent such activities are required for the importation, distribution or use of information technology products in the Russian Federation.

As permitted under the OFAC General License, our subsidiary Dell LLC and other subsidiaries periodically file notifications with the FSB in connection with the importation and distribution of our products in the Russian Federation. During our fiscal quarter ended April 29, 2022, Dell LLC filed notifications with the FSB. No payments were issued or received, and no gross revenue or net profits were generated, in connection with these filing activities. Dell Technologies and its subsidiaries do not sell products or provide services to the FSB. To the extent permitted by applicable law, including by the OFAC General License, we expect to continue to file notifications with the FSB to qualify our products for importation and distribution in the Russian Federation.”

**ITEM 6. EXHIBITS**

The Company hereby files, furnishes or incorporates by reference the exhibits listed below:

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	<a href="#">Agreement and Plan of Merger, dated as of May 26, 2022, by and among VMware, Inc., Broadcom Inc, Verona Holdco, Inc., Verona Merger Sub, Inc., Barcelona Merger Sub 2, Inc. and Barcelona Merger Sub 3, LLC</a>	8-K	001-33622	2.1	5/26/22
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	001-33622	3.1	11/1/21
3.2	<a href="#">Amended and Restated Bylaws</a>	8-K	001-33622	3.2	11/1/21
10.1*+	<a href="#">Executive Bonus Program, as amended April 21, 2022</a>				
10.2*+	<a href="#">Change in Control Retention Plan, as amended and restated April 21, 2022</a>				
10.3*+	<a href="#">Form of Indemnification Agreement for VMware, Inc. Directors and Executive Officers, as amended and restated April 29, 2022</a>				
31.1*	<a href="#">Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
31.2*	<a href="#">Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
32.1‡	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
32.2‡	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase				
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)				

+ Indicates management contract or compensatory plan or arrangement

\* Filed herewith

‡ Furnished herewith

**SIGNATURE**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 3, 2022

**VMWARE, INC.**

By: \_\_\_\_\_ /s/ Pebbie Verdecanna

**Pebbie Verdecanna  
Interim Chief Accounting Officer  
(Principal Accounting Officer)**

**VMware, Inc.**  
**Executive Bonus Program**

**Executive Bonus Program Objectives**

Among the objectives of the VMware Bonus Program are to:

- motivate our executives to achieve our strategic, operational and financial goals
- reward superior performance
- attract and retain exceptional executives; and
- reward behaviors that result in long term increased stockholder value

**Overview**

The Compensation Committee of the Board of Directors (“**Compensation Committee**” or “**Administrator**”) has adopted a cash bonus program relating to performance (the “**Executive Bonus Program**”) under the 2007 Equity and Incentive Plan (the “**Plan**”) providing for possible cash bonuses to specified senior executives of VMware, Inc. and its consolidated subsidiaries (the “**Company**”). Unless otherwise indicated herein, provisions of the Plan apply to the Executive Bonus Program.

In keeping with VMware’s philosophy of tying a substantial portion of our executive compensation to the achievement of measurable achievements, a goals-based cash bonus program has been developed and implemented. The determination of bonus payouts will be made after the conclusion of the measurement periods ending on the last day of the performance period established by the Compensation Committee based on results achieved by the Company, as reported to the Compensation Committee by the Chief Financial Officer, Chief Accounting Officer or Corporate Controller. Bonuses will be determined by the Compensation Committee. Bonus payments will only occur if certain predetermined Company and individual objectives (“**MBOs**”) are successfully achieved. Bonus amounts will be calculated (“**Calculated Bonus Amounts**”) based upon the degree of achievement of the predetermined objectives. The Compensation Committee shall determine final bonus payouts and, in its discretion, taking into account review and discussion of recommendations made by the Chief Executive Officer, may reduce, but not increase, final bonus payouts from the Calculated Bonus Amounts.

Bonus awards represent an unfunded, unsecured promise by the Company to pay a bonus amount determined by the Compensation Committee to each individual subject to the Executive Bonus Program (“**Participant**”), but only upon satisfaction of the performance criteria determined by the Compensation Committee in accordance with the provisions set forth below.

**Eligibility**

All senior executives are eligible to be considered for participation. However, no person is automatically entitled to participate in the Executive Bonus Program. Participants will be approved solely at the discretion of and may be amended at any time by the Compensation Committee.

Participants may include executive officers of the Company as defined under Rule 3b-7 of the 1934 Securities Exchange Act (“**Executive Officers**”) and other senior executives who are not Executive Officers. At its discretion, the Compensation Committee may delegate authority to the Chief Executive Officer to add senior executives who are not Executive Officers to the Executive Bonus Program.

**Administration**

As Administrator, the Compensation Committee is ultimately responsible for administering the Executive Bonus Program. The Administrator has all powers and discretion necessary or appropriate to review and approve the Executive Bonus Program and its operation, including, but not limited to, the power to (a) determine Participants, (b) interpret the provisions of the Executive Bonus Program, (c) adopt rules for the administration, interpretation and application of the Executive Bonus Program consistent with the Plan, and (d) interpret, amend or revoke any such rules. All determinations and decisions made by the Administrator or its delegee will be final, conclusive and binding on all persons and will be given the maximum deference permitted by law. The Administrator, in its sole discretion, may amend or terminate the Executive Bonus Program, or any part thereof, at any time and for any reason, subject to the limitations set forth in Sections 3, 6(b)(iv) and 7 of the Plan.

The Administrator has full, non-delegable authority to make final determinations with respect to bonuses granted under the Executive Bonus Program to Executive Officers. The Administrator may, in its discretion, delegate authority over bonuses to Participants who are not Executive Officers to the Chief Executive Officer of the Company.

### **Target Bonus Formulas**

The Administrator shall establish target bonuses and bonus formulas for the Executive Bonus Program. Target bonus amounts will be a designated percentage (the “**Target Bonus Percentage**”) of a Participant’s actual annual base salary earned for the Performance Period (the “**Annual Base Salary**”). The Target Bonus Percentage will be determined by the Compensation Committee at a time when the actual results of the performance criteria established by the Committee for a performance period are substantially uncertain.

The Calculated Bonus Amount, if any, may range 0% to 225% of the Target Bonus Percentage multiplied by the Participant’s Annual Base Salary depending upon performance achievement. Minimum bonus thresholds are described below. For purposes of this calculation, a Participant’s Annual Base Salary may not exceed 200% of the Participant’s base salary rate as of the date that annual performance targets are approved.

### **Performance Period**

Unless otherwise determined by the Compensation Committee, the performance periods for bonuses granted under the Executive Bonus Program will run for the duration of the Company’s fiscal year (each, a “**Performance Period**”).

Participants are not eligible to participate in any other Company bonus or incentive plan during a Performance Period. This exclusion does not apply, however, to applicable employee referral bonuses, spot bonuses, equity awards, employee stock purchase plan or Company contributions to qualified retirement or savings plans.

**New Hires:** Calculated Bonus Amounts will be prorated for newly hired Participants based on the number of days they are employed during the Performance Period.

**Leaves of Absence:** Calculated Bonus Amounts will be prorated for any time during the Performance Period that a Participant is on an unpaid leave of absence status. Unpaid leaves of absence exclude those absences for which vacation, sick leave or other compensation is paid directly by the Company. Unpaid absences include those absences for which compensation is received from any source other than directly from the Company.

**Changes in Position:** Participants who move from one bonus-eligible position to a different bonus-eligible position with a different target bonus percentage may earn a target bonus prorated based on base pay and bonus at the start of each period.

**Termination:** In order to vest in the right to receive a bonus under the Executive Bonus Program, a Participant must be in an active employment status or on approved leave at the day the bonus is paid out. A Participant whose employment ends for any reason prior to that date will not earn and will not be paid any bonus under this Executive Bonus Program.

The Compensation Committee has exclusive discretion to determine when a Participant is no longer actively employed for purposes of the Executive Bonus Program. Participants have no right or interest in any bonus and such bonus is not earned unless the Administrator determines a bonus payout is due.

### **Performance Metrics**

The Calculated Bonus Amount will depend on both a company (“**Corporate Financial Metric**”) component and an MBO component selected from the performance goals from the Plan. The Company must meet a minimum performance threshold established within the Corporate Financial Metric in order for any bonus payouts to be made. If the minimum threshold is not achieved, the Executive Bonus Program will not be funded and no bonus payouts will be made. The Corporate Financial Metrics, the MBOs and the relative weighting of the Corporate Financial Metrics and the MBOs will be determined by the Committee at a time when the actual results of the performance criteria established by the Committee for a performance period are substantially uncertain.

**Corporate Financial Metric Component:** The Corporate Financial Metric will be determined by calculating success against Company-wide financial metrics and, as applicable, business unit performance metrics, as determined by the Compensation Committee.

**MBO Component:** Each Participant will be assigned MBOs by the Compensation Committee that are appropriate to the Participant’s role at the Company. If the threshold achievement under the

Corporate Financial Metric is met, then the MBO component is funded at a multiple of the Corporate Financial Metric percentage to be set by the Compensation Committee. The Compensation Committee can exercise negative discretion to reduce the bonus for the MBO component. In making its determination whether to reduce the bonus for the MBO component, the Compensation Committee shall review and discuss the Chief Executive Officer's assessment of each Participant's MBO achievement.

**Bonus Determination and Payment**

The Compensation Committee shall determine bonus payouts to Participants based upon achievement of the foregoing metrics and goals. The Committee reserves the right to reduce bonus payouts below Calculated Bonus Amounts or not make any bonus payouts in its sole discretion.

**Cancellation, Rescission and Recoupment of Awards**

Any bonus granted under this Executive Bonus Program to a Participant will be subject to cancellation, rescission, repayment, recoupment or other action at the discretion of the Compensation Committee as set forth in Section 7(d) of the Plan in the event of a restatement of incorrect financial results, the Participant's termination for "Cause" (as such term is defined in the Plan unless the Participant is a participant or party to a separate Company plan or agreement deemed by the Committee to be applicable to Participant's termination of employment, in which case the definition of "Cause" will be as defined in such other applicable plan or agreement) and any other clawback policy that the Compensation Committee may adopt or impose.

**At-Will Employment (U.S. Only)**

This Executive Bonus Program does not affect the terminable-at-will status of the employment relationship. Neither the attainment of goals nor the continuous service requirement necessary to earn a bonus alters the ability of a Participant or the Company to terminate employment at any time, with or without reason and with or without advance notice.



Amended and Restated on April 21, 2022

**VMware, Inc.****Change in Control Retention Plan**

The Company considers it essential to the best interests of its stockholders to attract senior-level executives and to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "**Board**"), recognizes that from time to time the possibility of a Change in Control may exist and that such possibility, and the uncertainty such circumstances can raise among members of management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined that appropriate steps should be taken to ensure the continuity of management and to foster objectivity in the face of such potentially disruptive circumstances. In order to induce the Company officers and other key personnel described on **Schedule A**, which list may be amended from time to time (each, a "**Participant**"), to remain in the employ of the Company and in consideration of a Participant's further services to the Company, the Company agrees that effective as of the date on which a Participant signs the attached **Schedule B ("Consent to Accept Plan Benefits")**, such Participant will receive the severance benefits from the Company set forth in this Change in Control Retention Plan ("**CIC Plan**") in the event any such Participant Separates from Service with the Company or a subsidiary of the Company who is the Participant's direct employer (the Company and any such employing subsidiary, "**VMware**") in connection with a Change in Control of the Company under the circumstances described below.

The Compensation Committee of the Board (the "**Committee**") is responsible for selecting and designating eligible individuals employed by VMware as Participants.

It is a condition for eligibility to receive benefits under this CIC Plan that each Participant waive any and all severance benefits conditioned on a Change in Control to which such Participant might otherwise have been entitled under any prior agreement, arrangement or policy should the Participant Separate from Service to VMware (as each term is defined below), and this CIC Plan supersedes and replaces in all respects any rights a Participant had to such benefits other than as set forth herein.

1. **Term of CIC Plan.** This CIC Plan continues in effect with respect to a Participant until the earliest of (i) any termination of such Participant's employment that occurs outside of the Change in Control Period; (ii) any termination of such Participant's employment that occurs during the Change in Control Period that is not an Involuntary Termination; (iii) the Company's satisfaction of all of its obligations to the Participant under this CIC Plan; (iv) the execution of a written agreement between the Company and the Participant terminating the Participant's rights under this CIC Plan; (v) immediately following the end of the Change in Control Period if such Participant has not experienced an Involuntary Termination; or (vi) the Release Deadline Date (as defined in Section 3(c) below) if the Release described in Section 3 has not then become effective with respect to the Participant.

2. **Definitions.** As used in this CIC Plan:

(a) "**Base Salary**" means the highest annualized base salary rate that a Participant was paid by the Company at any point during the Protected Period.

(b) "**Beneficial Owner**" has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

(c) "**Cause**" for termination of a Participant's employment during the Protected Period will exist in the event of any one or more of the following:

(i) willful and continued failure by the Participant to perform substantially the duties and responsibilities of the Participant's employment position with the Company after a written demand for substantial performance is delivered to the Participant by the Board, which demand specifically identifies the manner in which the Board believes that the Participant has not substantially performed such duties or responsibilities; *provided, however*; that the following will not constitute Cause: (A) the Participant's incapacity due to physical or mental illness; (B) any such actual or anticipated failure after the issuance of a Notice of Termination by the Participant for Good Reason; or (C) the Company's active or passive obstruction of the performance of the Participant's duties and responsibilities;

(ii) the conviction of the Participant by a court of competent jurisdiction for felony criminal misconduct; or

(iii) the willful engaging by the Participant in fraud or dishonesty, which is demonstrably and materially injurious to the Company or its reputation, monetarily or otherwise, including but not limited to an act constituting misappropriation or embezzlement of property.

No act or failure to act on the Participant's part will be deemed "willful" for purposes of this Cause definition unless committed or omitted by the Participant in bad faith and without reasonable belief that the Participant's act or failure to act was in, or not opposed to, the best interests of the Company. In order to terminate a Participant for Cause during the Protected Period, the Company is required to deliver a Notice of Termination to the Participant in accordance with the procedure set forth in Section 7 below.

Solely for the avoidance of doubt, during the Protected Period, this definition of "Cause" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Cause set forth in agreements between the Participant and the Company and any Plans in which the Participant participates.

(d) "**Change in Control**" of the Company means and includes any of the following occurrences:

(i) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding (A) any Person who becomes a Beneficial Owner in connection with subsection (ii) below and (B) subject to subsection (v) below, the MSD Stockholders so long as the MSD Stockholders Beneficially Own, continuously as of and following November 1, 2021, 35% or more of the combined voting power of the Company's then outstanding securities;

(ii) There is consummated a merger or consolidation of the Company with any other corporation or similar entity, *other than* (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities;

(iii) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

(iv) The individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board; *or*

(v) The MSD Stockholders acquire, whether by purchase, tender or exchange offer, by joining a partnership, limited partnership, syndicate or other group, through swap or hedging transactions or otherwise, Beneficial Ownership of any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company or Synthetic Equity Interests other than (A) acquisitions of up to 2% in the aggregate of the of the Company's Class A common stock (the "**Common Stock**") outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that do not result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the outstanding Common Stock that is greater than the percentage of the outstanding Common Stock represented by the MSD Stockholders' Initial Stake; (B) acquisitions of up to 1% in the aggregate of the Common Stock outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that would not be excepted under the preceding clause (A) (whether because such acquisitions would result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the outstanding Common Stock that is greater than that permitted thereby or because the MSD Stockholders have already acquired the maximum aggregate amount permitted thereby); or (C) acquisitions that are otherwise approved by the Board. For the avoidance of doubt, except for acquisitions that are otherwise approved by the Board, it shall be deemed a Change in Control if the MSD Stockholders purchase securities that would result in the MSD Stockholders Beneficially Owning, in the aggregate, a percentage of the then outstanding Common Stock that is greater than one percentage point more than the percentage of the outstanding Common Stock

represented by the MSD Stockholders' Initial Stake. Immediately following the time that the MSD Stockholders Beneficially Own less than 35% of the combined voting power of the Company's then outstanding securities this clause (v) will terminate.

Any other provision of this definition notwithstanding, the term Change in Control will not be deemed to have occurred with respect to a Participant for purposes of this CIC Plan by virtue of: any transaction that results in such Participant, or a group of Persons in which such Participant has a substantial interest, acquiring, directly or indirectly, 35% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding securities.

(e) **"Change in Control Period"** means the period beginning on the effective date of a Change in Control and ending on the first anniversary of such effective date. With respect to Participants who experience a Good Reason to resign prior to or on the first anniversary of such effective date, the Change in Control Period will be extended to end on the last date that such Participant is still eligible to resign for Good Reason in accordance with the procedure set forth in Section 7(b) below.

(f) **"Code"** means the Internal Revenue Code of 1986, as amended.

(g) **"Company"** means VMware, Inc., a Delaware corporation, and any successor as provided in Section 10 below.

(h) **"Disability"** means that, at the time a Participant Separates from Service, the Participant has been unable to perform the duties of the Participant's position for a period of 180 consecutive days as the result of the Participant's incapacity due to physical or mental illness. Any question as to the existence of the Participant's Disability upon which the Participant and the Company cannot agree will be determined by a qualified independent physician who will have been jointly selected by (i) a physician selected by the Participant (or, if the Participant is unable to make such selection, by any adult member of the Participant's immediate family), and (ii) a physician selected by the Company. The determination of such physician made in writing to the Company and to the Participant will be final and conclusive for all purposes of this CIC Plan, absent fraud.

Solely for the avoidance of doubt, during the Protected Period, this definition of "Disability" with respect to termination of employment of the Participant will supersede any and all similar definitions of termination for Disability set forth in agreements between the Participant and the Company under the Company's equity plans.

(i) **"Good Reason"** for a Participant to resign the Participant's employment means that one or more of the following has occurred during the Protected Period without Participant's express written consent:

(i) any materially adverse alteration in the Participant's role or to the nature or status of the Participant's responsibilities relative to the Participant's role or responsibilities; *provided, however*, that neither a mere change in title nor in the fact that the Participant no longer holds following a Change in Control the same position in a public company as the Participant held before the transaction will alone constitute Good Reason, except that, with respect to the Chief Executive Officer, Chief Financial Officer and the most senior legal officer (whether the officer holds the title of General Counsel, Chief Legal Officer or another title) of the Company, no longer holding the position of Chief Executive Officer, Chief Financial Officer or most senior legal officer, respectively, in a public company following a Change in Control will itself be a materially adverse alteration in the Participant's responsibility, role and status constituting Good Reason;

(ii) a material diminution by the Company in the Participant's base salary, or a material diminution by the Company in the Participant's target level of annual incentive bonus relative to the Participant's highest base salary and highest target level of annual incentive bonus, respectively, or, if applicable a material diminution by the Company in the Participant's On-Target Earnings, during the Protected Period;

(iii) relocation of the Participant's principal place of employment to a location more than 50 miles from the Participant's principal place of employment, except for required travel on the Company's business to an extent substantially consistent with the business travel obligations that the Participant undertook on behalf of the Company prior to the Change in Control;

(iv) any purported termination of the Participant's employment by the Company during the Change in Control Period that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 2(q) below; or

(v) a material breach of the Company's obligations under this CIC Plan (including without limitation the failure of the Company to obtain the assumption of this CIC Plan pursuant to Section 10).

The Participant's right to terminate the Participant's employment for Good Reason will not be affected by the Participant's incapacity due to physical or mental illness. In order for a Participant to invoke a termination due to Good Reason in a manner that would entitle the Participant to benefits under Section 3 below, the Participant must provide a Notice of Termination to the Company and Separate from Service in accordance with the procedure set forth in Section 7(b) below.

(j) **"Historic Bonus Percentage"** means, with respect to each Participant, the Participant's highest target bonus percentage applicable during the Protected Period.

(k) **"Historic Bonus Target"** means a Participant's Historic Bonus Percentage multiplied by the Participant's Base Salary.

(l) **"Immediate Family Member"** means, with respect to any natural person, such natural person's parent, spouse, children (whether natural or adopted), grandchildren or more remote descendants, siblings and spouse's parents and siblings.

(m) **"Incumbent Board"** means the members of the Board as of the date this CIC Plan is finally approved by the Board or Committee, as the case may be. Notwithstanding the preceding sentence, any individual who becomes a member of the Board after such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such member were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(n) **"Insurance Premiums"** means 150% of the amount of the aggregate monthly insurance premium payments necessary to procure coverage for Participant and Participant's covered dependents of health and dental insurance benefits substantially similar to those provided to the Participant and Participant's covered dependents under the Company's Plans immediately prior to the Termination Date. To the extent that health or dental insurance continuation coverage is made available to Participant and Participant's covered dependents under the Consolidated Omnibus Budget Reconciliation Act of 1985 (**"COBRA"**), the monthly amount of the insurance premium payments necessary to procure such coverage for Participant and Participant's covered dependents will equal the monthly cost required to obtain such COBRA continuation coverage for the first month following the Termination Date under the health and dental insurance programs in which Participant and Participant's covered dependents were participating on the Termination Date.

(o) **"Involuntary Termination"** of a Participant's employment with the Company will occur only upon a Separation from Service due to termination of Participant's employment by the Company without Cause or resignation by Participant due to Good Reason. A termination of employment as a result of the Participant's death or Disability is not considered an Involuntary Termination.

(p) **"Key Employee"** means an employee who is determined by the Company to be a "specified employee" in accordance with Section 409A of the Code.

(q) **"MSD Charitable Entity"** means the Michael & Susan Dell Foundation and any other private foundation or supporting organization (as defined in Section 509(a) of the Code) established and principally funded directly or indirectly by Michael S. Dell or his spouse or by Michael S. Dell and his spouse together.

(r) **"MSD Stockholders"** means Michael S. Dell, Susan Lieberman Dell Separate Property Trust, and their respective Permitted Assignees (as defined herein) that hold any equity securities of the Company, including any common stock, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company

(s) **"MSD Stockholders' Initial Stake"** means 169,278,015 shares of Common Stock Beneficially Owned by the MSD Stockholders in the aggregate as of the close of business on November 1, 2021 (equitably adjusted for any stock splits, reverse stock splits, recapitalizations or similar transactions that may occur following such date) representing 40.3% of the combined voting power of the securities of the Company on such date.

(t) **“Notice of Termination”** means a notice that indicates whether a proposed termination is, if provided by the Company, (A) for Cause or (B) without Cause; and if provided by the Participant, (C) for Good Reason. Additionally, Notice of Termination refers to a notice that indicates whether a proposed termination is due to Disability, which notice may be provided by the Company or the Participant.

(u) **“On-Target Earnings”** means, with respect to a Participant compensated via the Company’s on-target earnings or other sales commission-based programs, the Participant’s highest annualized compensation rate for on-target performance during the Protected Period.

(v) **“Permitted Assignee”** means (A) Michael S. Dell, Susan Lieberman Dell Separate Property Trust or any Immediate Family Member of Michael S. Dell; (B) any MSD Charitable Entity; (C) one or more trusts whose current beneficiaries are and will remain for so long as such trust holds any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company, any of (or any combination of) Michael S. Dell, one or more Immediate Family Members of Michael S. Dell or MSD Charitable Entities; (D) any corporation, limited liability company, partnership or other entity wholly-owned by any one or more persons or entities described in clause (A), (B) or (C) of this definition of “Permitted Assignee”; or (E) from and after Michael S. Dell’s death, any recipient of equity securities of the Company, debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company under Michael S. Dell’s will, any revocable trust established by Michael S. Dell that becomes irrevocable upon Michael S. Dell’s death, or by the laws of descent and distribution; provided, that in each of clauses (A) through (E) above, such person or entity executes and delivers to the Company a joinder or counterpart to the Company’s Stockholders Agreement dated November 1, 2021, by and among the Company, the MSD Stockholders and the other stockholders signatory thereto.

(w) **“Person”** has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) of the Exchange Act but excluding (i) the Company or any of its subsidiaries or any employee benefit plan sponsored or maintained by the Company or any of its subsidiaries (including any trustee or other fiduciary of any such plan), (ii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(x) **“Plan”** means any compensation plan such as an incentive plan, or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan or a relocation or vacation plan or policy or any other plan, program or policy of the Company or its subsidiaries intended to benefit employees and any agreement providing similar benefits between the Company or its subsidiaries and a Participant.

(y) **“Potential Change in Control”** means the occurrence of any one of the following: (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) the Company or any Person publicly announces an intention to take or to consider taking actions that, if consummated, would constitute a Change in Control; (iii) an event that constitutes a Change in Control; or (iv) the Board adopts a resolution that for purposes of this CIC Plan a Potential Change in Control has occurred.

(z) **“Protected Period”** means the period commencing upon the earlier of an event constituting (i) a Potential Change in Control, or (ii) a Change in Control, and concluding upon the earlier of (A) termination of the CIC Plan with respect to a Participant as set forth in Section 1 above, or (B) termination of the agreement or event that triggered a Potential Change in Control prior to consummation of the Change in Control contemplated by such agreement or event.

(aa) **“Section 409A”** means Code Section 409A together with final regulations promulgated thereunder and any other written interpretive guidance issued by the Department of Treasury or the Internal Revenue Service.

(bb) **“Separation from Service”** or **“Separates from Service”** means a termination of employment with the Company that the Company determines is a “separation from service” in accordance with Section 409A of the Code.

(cc) **“Synthetic Equity Interests”** means any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such person, the purpose or effect of which is to give such person economic risk similar to ownership of equity securities of any class or series of the Company, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or

volatility of any shares of any class or series of the Company's equity securities, or which derivative, swap or other transactions provide the opportunity to profit from any increase in the price or value of shares of any class or series of the Company's equity securities, without regard to whether (A) the derivative, swap or other transactions convey any voting rights in such equity securities to such person; (B) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such equity securities; or (C) such person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions.

(dd) **"Termination Date"** means the date of Participant's Separation from Service with the Company due to an Involuntary Termination.

3. **Compensation Upon Involuntary Termination in Connection with a Change in Control.** Subject to Sections 4, 5 and 6 below, if a Participant (a) experiences an Involuntary Termination during the Change in Control Period, or (b) experiences a Good Reason to resign during the Protected Period and resigns for Good Reason during the Change in Control Period following the procedures prescribed in Section 7(b), then subject the Participant signing and not revoking a separation agreement and general release of all claims such Participant may have against VMware and its officers, directors, agents and affiliates arising out of or relating to the Participant's employment with VMware and the termination of the Participant's employment with VMware (the **"Release"**) in a form reasonably satisfactory to the Company, which form will include a customary non-solicit provision:

(a) The Participant will be entitled to receive a lump sum severance payment in cash consisting of:

(i) the applicable multiple determined in accordance with **Schedule A** times the sum of (i) the Participant's Base Salary plus (ii) the Participant's Historic Bonus Target, or, if a Participant is compensated via the Company's on-target earnings or other sales commission-based programs, the applicable multiple of such Participant's On-Target Earnings;

(ii) the aggregate amount of Insurance Premiums determined in accordance with **Schedule A**.

The foregoing severance payment (the **"Severance Payment"**) is payable in lump sum, except as provided in the following sentence. To the extent any cash severance payments to which a Participant would otherwise be entitled under a Plan, the benefits of which the Participant is waiving in connection with participation in this CIC Plan, are not exempt from the definition of "nonqualified deferred compensation" under Section 409A, then the Severance Payment up to the amount otherwise payable under such Plan will be payable in the form provided under the applicable Plan and the excess, if any, will be payable in lump sum. Notwithstanding the foregoing, the Participant's receipt of benefits under this subsection (a) is subject to subsection (c) and to Sections 5 and 6 below.

(b) The Participant will be entitled to the following treatment of the Participant's Equity Awards:

(i) All outstanding unvested Company stock options and stock appreciation rights (collectively, the **"Option Rights"**), restricted stock, performance shares, restricted stock units, performance stock units and other equity-based awards held by the Participant as of the Termination Date (collectively, the **"Equity Awards"**) (including any Equity Awards assumed by the Company in connection with its acquisition of another entity) will immediately be 100% vested and, to the extent subject to an exercise feature, exercisable as of the Termination Date. The Participant will be entitled to exercise any Option Rights until the expiration of 90 days following the Payment Date (or until such later date as may be applicable under the terms of the award agreement governing the Option Right upon termination of employment), subject to the maximum full term of the Option Right. To the extent an Equity Award is subject to a Section 409A payment restriction, vesting of such Equity Award will be accelerated as specified above but settlement shall be made in accordance with the terms of the applicable Plan and the requirements of Section 409A; and

(ii) With respect to any performance-based Equity Award whose vesting is accelerated pursuant to subsection (i) above, it is the intent of this Section 3 that the vesting of such award be accelerated so that the Participant becomes vested in connection with the Participant's Involuntary Termination in the number of shares subject to the award in which such Participant would have been vested had the target level of performance specified under the original terms of the award been achieved (and to the extent any time-based vesting provisions apply in addition to the performance vesting conditions, as if the Participant satisfied all such time-based vesting provisions).

(iii) Notwithstanding anything to the contrary above, to the extent that the Board or Committee has provided or will provide for different treatment of performance-based Equity Awards in the event of Change in Control, such different treatment set forth in the grant agreements governing such performance-based awards will supersede the terms of this CIC Plan with respect to the effect of a Change in Control on such awards; *provided, however*, that during the Protected Period, the definitions of Cause, Change in Control, Disability, Good

Reason, Involuntary Termination, Separation from Service and Termination Date set forth in this CIC Plan will supersede the definition of such term or similar terms set forth in any such grant agreements to the extent permitted in accordance with Section 409A.

(c) Subject to Section 6 below, all payments and benefits under subsection (a) above and the effective date of any acceleration of vesting under subsection (b) above as to any Equity Awards held by the Participant will be made, commence or will become effective on the 30<sup>th</sup> day following the Termination Date or on the next business day if such 30<sup>th</sup> day is not a business day, with such date referred to as the **“Payment Date”**; *provided, however*, that if Participant’s Involuntary Termination occurs in a manner that requires a release consideration period of more than 21 days under applicable statutes and regulations, then the Payment Date will be the 55<sup>th</sup> day following the Termination Date or on the next business day if such 55<sup>th</sup> day is not a business day. The Company will provide the Release to the Participant no later than five business days following the Participant’s Termination Date. A Participant will not be entitled to any payment or acceleration under subsection (a) or (b) above if the Participant’s Release has not become effective as of the third business day preceding the Payment Date (the **“Release Deadline Date”**) or the Participant revokes the Release. If the amounts of all such payments cannot be finally determined on or before the Payment Date, the Company will pay to the Participant on the Payment Date an estimate, as determined in good faith by the Company, of the minimum amount of such payments to which the Participant is clearly entitled and will pay the remainder of such payments (together with interest on the unpaid remainder (or on all such payments to the extent the Company fails to make such payments when due) at 120% of the rate provided in Section 1274(b)(2)(B) of the Code) on the 30th day after the Payment Date (also subject to Section 6). In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess will constitute a loan by the Company to the Participant, payable on the fifth business day after demand by the Company together with interest at 120% of the rate.

(d) The Company will have no obligation hereunder to make any payment or offer any benefits to a Participant under this Section 3 if the Participant Separates from Service under any circumstances outside the Change in Control Period, or under any circumstances that do not constitute an Involuntary Termination, whenever occurring.

4. **Merger or Consolidation.** Subject to any required action by the stockholders, in the event of a dissolution, liquidation, merger or consolidation in which the Company is not the surviving corporation or in which a majority of the outstanding shares are converted into securities of another corporation or are exchanged for other consideration, the Company will either (a) arrange for any entity succeeding to the business and assets of the Company to assume such awards of Participants or issue to the Participants replacement awards (which, in the case of ISOs, satisfy, in the determination of the Committee, the requirements of Section 424 of the Code) on such entity’s equity, which will to the extent possible preserve the value of the outstanding awards or (b) will make the outstanding awards of Participants fully exercisable or cause all of the applicable restrictions to which outstanding awards are subject to lapse, in each case, on a basis that gives the holder of the award a reasonable opportunity, as determined by the Committee, following the exercise of the award or the issuance of shares of common stock, as the case may be, to participate as a stockholder in any such dissolution, liquidation, merger or consolidation, and the award will terminate upon consummation of any such transaction. The existence of the CIC Plan will not prevent any such transaction and no Participant will have any right except as herein expressly set forth. Notwithstanding the foregoing provisions of this Section 4, awards subject to and intended to satisfy the requirements of Section 409A of the Code will be construed and administered consistent with such intent.

5. **Parachute Payments.** In the event that any payment or benefit received or to be received by a Participant in connection with the Participant’s Involuntary Termination (collectively, the **“Severance Parachute Payments”**) would (a) constitute a parachute payment within the meaning of Section 280G of the Code or any similar or successor provision to 280G and (b) but for this Section 5, be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision to Section 4999 (the **“Excise Tax”**), then such Severance Parachute Payments will be either:

- (i) delivered in full, or
- (ii) delivered as to such lesser extent that would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income and payroll taxes and the Excise Tax, results in the receipt by the Participant on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax. Unless the Company and the Participant otherwise agree in writing, any determination required under this Section 5 will be made in writing in good faith by a “Big Four” national accounting firm selected by the Company (the **“Accountants”**). If a reduction in the payments or benefits is required under this Section 5, and if none of the

payments or benefits is subject to Code Section 409A, then the reduction will occur in the manner a Participant elects in writing prior to the date of payment; provided however that if the manner elected by the Participant pursuant to this sentence could in the opinion of the Company result in any of the payments or benefits becoming subject to Code Section 409A, then the following sentence will instead apply. If any payment or benefit is subject to Code Section 409A or a Participant fails to elect an order under the preceding sentence, then the reduction will occur in the following order: (i) cancellation of acceleration of vesting on any Option Rights for which the exercise price exceeds the then fair market value of the underlying equity; (ii) reduction in the cash payments provided for under Section 3(a); and (iii) cancellation of acceleration of vesting of Equity Awards not covered under (i) above; *provided, however*, that in the event that acceleration of vesting of Equity Awards is to be cancelled, such acceleration of vesting will be cancelled in the reverse order of the date of grant of such Equity Awards, that is, later Equity Awards will be canceled before earlier equity awards. For purposes of making the calculations required by this Section 5, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code. Any good faith determination of the Accountants made hereunder will be final, binding and conclusive upon the Company and the Participant. The Company and the Participant must furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 5. The Company will bear all costs related to the Accountants' services may incur in connection with any calculations contemplated.

6. **Section 409A.** To the fullest extent applicable, amounts and other benefits payable under this CIC Plan are intended to be exempt from the definition of "nonqualified deferred compensation" under Section 409A. To the extent that any amount or benefit provided under this CIC Plan is or becomes subject to Section 409A due to a failure to qualify for an exemption from the definition of nonqualified deferred compensation under Section 409A, this CIC Plan is intended to comply with the applicable requirements of Section 409A with respect to such amounts or benefits so as to avoid the application of Section 409A(a)(1) to any amount or benefit provided for in this CIC Plan. To the extent possible, this CIC Plan will be interpreted and administered in a manner consistent with the foregoing statement of intent. For purposes of Section 409A and to the extent applicable, each payment and benefit under Sections 3(a), 3(b) and Section 4 is designated as a separate payment. If the Company determines that a Participant is a Key Employee at the time of the Participant's Involuntary Termination, then (i) to the extent such payments or benefits are subject to Section 409A, (ii) to the extent necessary to avoid any portion of such payments and benefits being subject to Code Section 409A(a)(1), and (iii) notwithstanding anything to the contrary in Section 3(c) above, such amounts and benefits provided for will be paid, commence or be distributed, as applicable, in lump sum on or as of the first business day of the seventh month after a Participant's Involuntary Termination. Notwithstanding anything to the contrary in Section 3(c) above, if distribution as required under Section 3(c) or Section 4 of shares or other property with respect to Equity Awards the vesting of which has been accelerated under Section 3(b)(ii) or Section 4 would subject such awards to adverse tax consequences under Section 409A, then the shares or property will be distributed only at the time(s) and according to the schedule on which such distributions were scheduled to be made under the original terms of the award agreement(s) governing the Equity Awards. To the extent required to avoid accelerated recognition of taxable income or imposition of additional tax under Section 409A, the amount of any in-kind benefits provided during a taxable year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided in any other taxable year. Any required reimbursement of an amount under the CIC Plan will be made on or before the last day of the Participant's taxable year following the taxable year in which the expense was incurred. Any right to reimbursement or to in-kind benefits is not subject to liquidation or exchange for another benefit.

7. **Termination of Employment.** During the Protected Period, any termination of the Participant's employment (other than by reason of death) will be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with this Section 7, and no purported termination by the Company effected other than pursuant to a Notice of Termination satisfying the requirements of this Section 7 will be effective.

(a) *Termination by the Company.* If the Company terminates the Participant's employment for Cause, without Cause or due to Disability, the Company will provide a Notice of Termination that specifies the specific termination provision in this CIC Plan relied upon and set forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for the purpose of considering such termination (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board). The resolutions must include a finding that, in the good faith opinion of the Board, the Participant was guilty of conduct set forth in the definition of Cause in Section 2(c) of this CIC Plan, and must specify the particulars thereof in detail. The Notice of Termination must provide the Participant 30 days to remedy the event or condition giving rise to Cause (if such event or condition is capable of remedy) in order to terminate the Participant's employment for Cause.



(b) *Resignation of Participant.* If the Participant resigns from the Participant's employment with the Company for Good Reason or due to Disability, the Participant will provide a Notice of Termination that specifies the specific termination provision in this CIC Plan relied upon and set forth in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. In the case of a resignation due to Disability, the Notice of Termination may be provided by a person authorized to act on Participant's behalf. Further, in the case of a termination for Good Reason, the following steps must be followed in order to entitle Participant to benefits under Section 3 above:

(i) The Participant must provide a Notice of Termination to the senior officer of the Company's Human Resources group of the Participant's intention to terminate due to an event or condition set forth in the definition of Good Reason set forth in Section 2(j) of this CIC Plan that specifies the particulars thereof in detail. The Participant must provide the Notice of Termination within 90 days of the initial occurrence or existence of such event or condition and provide the Company with 30 days from receipt of the notice to remedy the event or condition;

(ii) The Company must fail to effect such remedy within the 30-day cure period; and

(iii) The effective date of the resignation must occur within 90 days after the end of the 30-day cure period.

In order for a Participant's resignation to be deemed to be for Good Reason pursuant to this CIC Plan, the initial occurrence or existence of the event or condition constituting Good Reason must take place during the Protected Period and the Participant's Termination Date must occur during the Change in Control Period.

(c) *Disputes Concerning Termination*

(i) If within 10 days after any Notice of Termination is given, or, if later, prior to the Termination Date, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Termination Date will be extended until the earlier of (i) the date on which the Change in Control Period ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); *provided, however*, that the Termination Date will be extended by a notice of dispute given by the Participant only if such notice is given in good faith and the Participant pursues the resolution of such dispute with reasonable diligence.

(ii) If the Termination Date is extended in accordance with subsection (i) above, the Company will continue to pay the Participant the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, the Base Salary) and continue the Participant as a participant in all Plans in which the Participant was participating when the notice giving rise to the dispute was given, until the Termination Date, as determined in accordance with subsection (i) above. Amounts paid under this Section 7(c) are in addition to all other amounts due under this CIC Plan and will not be offset against or reduce any other amounts due under this CIC Plan.

8. **No Mitigation.** No Participant will be required to mitigate the amount of any payment provided for in Section 3 hereof by seeking other employment or otherwise, nor will the amount of such payment be reduced by reason of compensation or other income a Participant receives for services rendered after the Participant's Involuntary Termination from the Company.

9. **Exclusive Remedy.** In the event of a Participant's Involuntary Termination during a Change in Control Period, the provisions of Section 3 are intended to be and are exclusive and in lieu of any other rights or remedies to which the Participant or the Company may otherwise be entitled (including any contrary provisions in any employment agreement between the Participant and VMware), whether at law, tort or contract, in equity, or under this CIC Plan.

10. **Company's Successors.** The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, to expressly assume and agree to perform the obligations under this CIC Plan in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. As used in this Section 10, the "Company" includes any successor to its business or assets as aforesaid that executes and delivers this CIC Plan or that otherwise becomes bound by all the terms and provisions of this CIC Plan by operation of contract or law.

11. **Notice.** All notices, deliveries and other communications provided for in this CIC Plan must be in writing and will be deemed given if sent via email or delivered by globally recognized express delivery service (with a required email copy, receipt of which need not be acknowledged) to the parties at the addresses listed after their signature. Any such notice, delivery or communication will be deemed to have been delivered and received (a) in the case of email, on the date that the recipient acknowledges having received the email, with an automatic “read receipt” not constituting acknowledgment of an email for purposes of this section, and (b) in the case of a globally recognized express delivery service, on the business day that receipt by the addressee is confirmed pursuant to the service’s systems. The Company and any Participant may update this address for notice by giving the other party written notice of the new address.

*If notice is given to the Company or the Board:*

VMware, Inc.  
3401 Hillview Ave.  
Palo Alto, CA 94304  
Attn: General Counsel, email: GeneralCounsel@vmware.com

And,

*If a Notice of Termination is given to the Company, it must also be delivered in accordance with Section 7(b) hereto*

*If notice is given to the Participant:*

To the Participant’s home address on file with the Company, with a copy to Participant’s home email address on file with the Company.

12. **CIC Plan Modification and Termination.** Except as set forth below, no provision of this CIC Plan may be modified or terminated, unless as to a Participant such modification or termination is agreed to in writing and signed by such affected Participant and by an authorized member of the Committee or its designee, or by the respective parties’ legal representatives and successors. The consent requirement of the preceding sentence will not apply to the extent that (a) amendments provide additional benefits to Participants or are required so that the CIC Plan complies with applicable law (including Section 409A) or (b) the amendment or termination is not effective until one year after it is communicated to all affected Participants and the amendment or termination is not adopted during a Protected Period. Notwithstanding anything to the contrary, no amendment will be made if it would result in a delay or acceleration in payment, receipt of benefits or distribution of shares that causes Code Section 409A(a)(1) to apply to payments or benefits hereunder.

13. **Detrimental Activity.** During the Protected Period, the “detrimental activity” provisions in the Company’s equity and incentive plans will no longer apply to any award issued to the Participant under such plans; *provided, however,* that such “detrimental activity” provisions will once more become effective if, and at such time that, the Protected Period terminates.

14. **Entire Agreement.** This CIC Plan represents the entire agreement between each Participant and the Company with respect to the matters set forth herein and supersedes and replaces any prior agreements in their entirety. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this CIC Plan have been or will be made by either party except to the extent they are expressly set forth herein. No future agreement between a Participant and the Company may supersede this CIC Plan as it applies to the Participant, unless it is in writing and specifically makes reference to this CIC Plan. Nothing in this CIC Plan is intended to change any benefits to which a Participant is entitled under any written agreement with the Company in the event the Participant’s employment is terminated under circumstances other than a Separation from Service in connection with a Change in Control.

15. **Participant’s Successors.** Benefits and rights provided under this CIC Plan will inure to the benefit of and be enforceable by a Participant’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amounts are still payable to the Participant hereunder, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this CIC Plan to the Participant’s devisee, legatee, or other designee or, if there be no such designee, to the Participant’s estate.

16. **Funding.** This CIC Plan will be unfunded. Any payment made under the CIC Plan will be made from the Company’s general assets.

17. **Waiver.** No waiver by either party of any breach of, or of compliance with, any condition or provision of this CIC Plan by the other party will be considered a waiver of any other condition or provision or of the same condition or provision at another time.
18. **Headings.** All captions and section headings used in this CIC Plan are for convenient reference only and do not form a part of this CIC Plan.
19. **Validity.** The invalidity or unenforceability of any provision of this CIC Plan will not affect the validity or enforceability of any other provisions of this CIC Plan, which will remain in full force and effect.
20. **Withholding.** All payments made pursuant to this CIC Plan will be subject to withholding of applicable income and employment taxes, and each Participant is responsible for all taxes of any nature whatsoever that are required by law to be paid in connection with the benefits offered hereunder.
21. **Applicable Law.** This CIC Plan will be interpreted and enforced in accordance with the laws of the State of California (with the exception of its conflict of laws provisions).
22. **Settlement of Disputes.** In the event of a dispute between the Participant and the Company for benefits under this CIC Plan, Participant will provide notice of the dispute to the Board in writing with a written claim for benefits that the Participant believes to be due. The Board will determine the disposition of such disputed claim. Any denial by the Board of a claim for benefits under the CIC Plan will be delivered to the Participant in writing and will set forth the specific reasons for the denial and the specific provisions of this CIC Plan relied upon. The Board will afford a reasonable opportunity to the Participant for a review of the decision denying a claim and will further allow the Participant to appeal to the Board a decision within 60 days after notifications by the Board that the Participant's claim has been denied. Any further dispute or controversy arising under or in connection with this CIC Plan will be settled exclusively by arbitration in San Jose, California in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company will pay to the Participant all legal fees and expenses incurred by the Participant in disputing in good faith any issue hereunder relating to the termination of the Participant's employment, in seeking in good faith to obtain or enforce any benefit or right provided by this CIC Plan or in connection with any tax audit or proceeding to the extent attributable to the application of Section 162(m) of the Code to any payment or benefit provided hereunder. Such payments will be made within 15 business days after delivery of the Participant's written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require. The Participant's reimbursement rights described in this Section 22 will remain in effect for the life of the Participant; *provided, however*, that, in order for the Participant to be entitled to reimbursement hereunder, the Participant must submit the written reimbursement request described above within 180 days following the date upon which the applicable fee or expense is incurred.
23. **Specific Performance.** Notwithstanding any provision of this CIC Plan to the contrary, the Participant will be entitled to seek specific performance of the Participant's right to be paid until the Involuntary Termination date during the pendency of any dispute or controversy arising under or in connection with this CIC Plan.

## INDEMNIFICATION AGREEMENT

This Indemnification Agreement (“**Agreement**”) is entered into effective as of [DATE], between VMware, Inc., a Delaware corporation (the “**Company**”), and [NAME] (the “**Indemnitee**”). [This Agreement amends, restates and supersedes that certain Indemnification Agreement, dated as of [DATE], by and between the Indemnitee and the Company (the “**Original Agreement**”).]

[WHEREAS, pursuant to Section 10 of the Original Agreement, the Company and the Indemnitee wish to amend and restate in its entirety the Original Agreement to read as set forth herein; and]

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available; and

WHEREAS, the Indemnitee is a director or officer of the Company; and

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies; and

WHEREAS, the current Amended and Restated Bylaws and Amended and Restated Certificate of Incorporation of the Company (collectively, the “**Charter Documents**”) require the Company to indemnify and advance expenses to its directors and officers to the fullest extent permitted by law, and the Indemnitee will serve, has been serving and continues to serve as a director or officer of the Company in part in reliance on such Charter Documents; and

WHEREAS, the Board of Directors (the “**Board**”) of the Company has determined that the inability of the Company to retain and attract as directors and officers the most capable persons would be detrimental to the interests of the Company and that the Company therefore should seek to assure such persons that indemnification and liability insurance coverage will be available in the future; and

WHEREAS, in recognition of (i) the Indemnitee’s need for substantial protection against personal liability in order to enhance the Indemnitee’s continued service to the Company in an effective manner, and (ii) the Indemnitee’s reliance on the Company’s Charter Documents, and to provide the Indemnitee with specific contractual assurance that the protection promised by such Charter Documents will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of such Charter Documents or any change in the composition of the Board or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for indemnification of and the advancing of expenses to the Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained by the Company, for the continued coverage of the Indemnitee under the Company’s directors’ and officers’ liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of the Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

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## 1. Basic Indemnification Arrangement.

(a) In accordance with the provisions of the DGCL (as defined below), the Company will, to the extent legally permissible, indemnify the Indemnitee against any and all Expenses (as defined below) actually and reasonably incurred by the Indemnitee and any and all judgments, fines and amounts paid or to be paid in settlement, excise taxes or penalties, any interest, assessment or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of payment under this Agreement (collectively, “**Liabilities**”) in connection with a Proceeding (as defined below) where the Indemnitee was or is a party to or is involved (as a party, witness or otherwise) by reason of (or arising in part out of) an Indemnifiable Event (as defined below).

(b) If so requested by the Indemnitee, the Company will advance (within five business days of such request) any and all Expenses in connection with such a Proceeding (an “**Expense Advance**”) to the fullest extent permitted by the DGCL. The Company will advance to the Indemnitee Expenses in accordance with such request (but without duplication) by either (i) paying such Expenses on behalf of the Indemnitee, or (ii) if requested by the Indemnitee, reimbursing the Indemnitee for such Expenses. The Indemnitee’s right to an Expense Advance is absolute and is not subject to any prior determination by the Company or any Reviewing Party (as defined below) that the Indemnitee has satisfied any applicable standard of conduct for indemnification.

(c) Notwithstanding anything in this Agreement to the contrary, the Indemnitee is not entitled to indemnification or Expense Advance pursuant to this Agreement in connection with any Proceeding initiated by the Indemnitee unless (i) the Company has joined in or the Company’s Board has authorized or consented in advance to the initiation of such Proceeding, or (ii) the Proceeding is one to enforce the Indemnitee’s rights under this Agreement.

(d) Notwithstanding the foregoing, the Indemnitee is not entitled to indemnification under Section 1(a) if the Reviewing Party has determined that the Indemnitee is not permitted to be indemnified under applicable law unless a court of competent jurisdiction otherwise determines.

(e) If, when and to the extent that the Reviewing Party determines that the Indemnitee would not be permitted to be indemnified under applicable law, Indemnitee agrees to repay any related Expense Advance; *provided, however*, that if the Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that the Indemnitee would not be permitted to be indemnified under applicable law is not binding and the Indemnitee is not required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). The Indemnitee’s undertaking to repay such Expense Advances is unsecured and interest-free.

(f) If there has been no determination by the Reviewing Party within thirty days after written demand is presented to the Company, or if the Reviewing Party determines that the Indemnitee would not be permitted to be indemnified in whole or in part under applicable law, or if the Indemnitee has not been timely paid pursuant to Section 1(b) after a written demand has been received by the Company, the Indemnitee will have the right to commence litigation in the Delaware Court of Chancery to seek an initial determination by the court or challenge any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases

therefor, and to recover the unpaid amount of demand, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise is conclusive and binding on the Company and the Indemnitee.

(g) If a determination has been made by the Reviewing Party that Indemnitee is entitled to indemnification, the Company will be bound by such determination in any judicial proceeding commenced pursuant to Section 1(f), absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(h) The Company agrees that if there is a Change in Control (as defined below) of the Company, other than a Change in Control which has been approved by a majority of the Company's Board who were directors immediately prior to such Change in Control, then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or under applicable law or the Company's Charter Documents now or hereafter in effect relating to indemnification for Indemnifiable Events, the Company will seek legal advice only from special independent counsel selected by the Indemnitee and approved by the Company, which approval will not be unreasonably withheld (the "**Special Independent Counsel**"). The Special Independent Counsel will not have otherwise performed services for the Company or the Indemnitee, or their respective affiliates, other than in connection with such matters, within the last five years. The Special Independent Counsel will not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. The Special Independent Counsel, among other things, will render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Special Independent Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Special Independent Counsel pursuant to this Agreement.

(i) The Company will pay all costs associated with its determination of Indemnitee's eligibility for indemnification.

(j) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement is required to be made prior to the final disposition of the Proceeding as to which indemnity is sought. In connection with any request for indemnification related to a threatened proceeding or investigation that does not lead to a Proceeding, the Reviewing Party will have the discretion to determine whether there has been a final disposition of the threatened proceeding or investigation.

2. **Other Expenses.** The Company is liable to and will pay the Indemnitee for any and all expenses (including attorneys' fees) that are incurred by the Indemnitee in connection with any action brought by the Indemnitee for (i) indemnification or Expense Advance by the Company under this Agreement or any other agreement or Charter Documents now or hereafter in effect relating to indemnification, or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, to the extent that Indemnitee ultimately is determined to be entitled to such indemnification, Expense Advance or insurance recovery, as the case may be. If requested by the Indemnitee, the Company will promptly advance (but in no

event more than five business days after receiving such request) any such expenses to the Indemnitee, subject to repayment thereof to the extent Indemnitee is not successful in any action referred to in clause (i) above.

3. **Partial Indemnity, Etc.** If the Indemnitee is entitled under any provision of this Agreement to indemnification or payment by the Company for some or a portion of the Expenses or Liabilities, but not, however, for all of the total amount thereof, the Company will nevertheless indemnify or pay the Indemnitee for the portion thereof to which the Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Proceedings relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee will be indemnified against all Expenses incurred in connection with such successful defense.

4. **Burden of Proof.** In connection with any determination by the Reviewing Party or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the Reviewing Party or court will presume that the Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification, and the burden of proof will be on the Company to establish, by clear and convincing evidence, that Indemnitee is not so entitled.

5. **No Other Presumptions.** For purposes of this Agreement, the termination of any Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, will not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by the Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law, will be a defense to the Indemnitee's claim or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief.

6. **Non-exclusivity, Etc.** The rights of the Indemnitee hereunder are in addition to any other rights the Indemnitee may have under the Company's Charter Documents or the DGCL or otherwise. To the extent that a change in applicable law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's Charter Documents or this Agreement, it is the intent of the parties hereto that the Indemnitee will enjoy by this Agreement the greater benefits so afforded by such change.

7. **Liability Insurance.** To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee will be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer. The Company will promptly notify Indemnitee of any good faith determination not to provide such coverage or of any lapse or termination of any such policy.

#### 8. **Defense of Claims, Settlement of Claims.**

(a) Except as otherwise provided in this Section 8, to the extent that it may wish, the Company may, separately or jointly with any other indemnifying party, assume the defense of

the Proceeding. After notice from the Company to Indemnitee of its election to assume the defense of the Proceeding, the Company will not be liable to Indemnitee under this Agreement for any Expenses subsequently incurred by Indemnitee except as otherwise provided below. Indemnitee will have the right to employ Indemnitee's own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof will be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee and his or her counsel has reasonably determined that there is a conflict of interest between the Company and Indemnitee in the conduct of the defense of the Proceeding or that there may be one or more legal defenses available to the Indemnitee that are different or in addition to those available to the Company, or (iii) the Company has not in fact employed counsel to assume the defense of the Proceeding within 60 days of receipt of notice from Indemnitee. The Company will not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company, or as to which Indemnitee has made the determination provided for in (ii) above.

(b) Regardless of whether the Company has assumed the defense of a Proceeding, the Company will not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Company's written consent, and the Company will not settle any Proceeding in any manner that would impose any penalty or limitation on, or require any payment from, Indemnitee, or which does not provide a complete and unconditional release of Indemnitee, in each case without Indemnitee's written consent. Neither the Company nor the Indemnitee will unreasonably withhold the consents discussed in this subparagraph.

## 9. Certain Definitions.

(a) A "**Change in Control**" is deemed to have occurred if:

(i) Any Person is or becomes the "Beneficial Owner" (as defined in Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**")), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, excluding (A) any Person who becomes a Beneficial Owner in connection with subsection (ii) below and (B) subject to subsection (v) below, the MSD Stockholders so long as the MSD Stockholders Beneficially Own, continuously as of and following the date hereof, 35% or more of the combined voting power of the Company's then-outstanding securities;

(ii) There is consummated a merger or consolidation of the Company with any other corporation or similar entity, other than (A) a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its affiliates) representing 35% or more of the combined voting power of the Company's then outstanding securities;



(iii) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company, or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale;

(iv) The individuals who constitute the Incumbent Board cease for any reason to constitute at least a majority of the Board; or

(v) The MSD Stockholders acquire, whether by purchase, tender or exchange offer, by joining a partnership, limited partnership, syndicate or other group, through swap or hedging transactions or otherwise, Beneficial Ownership of any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company or Synthetic Equity Interests other than (A) acquisitions of up to 2% in the aggregate of the Company's Class A common stock (the "**Common Stock**") outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that do not result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the outstanding Common Stock that is greater than the percentage of the outstanding Common Stock represented by the MSD Stockholders' Initial Stake; (B) acquisitions of up to 1% in the aggregate of the Common Stock outstanding as of the date of any such acquisition (measured immediately prior to such acquisition) that would not be excepted under the preceding clause (A) (whether because such acquisitions would result in the MSD Stockholders Beneficially Owning in the aggregate a percentage of the outstanding Common Stock that is greater than that permitted thereby or because the MSD Stockholders have already acquired the maximum aggregate amount permitted thereby); or (C) acquisitions that are otherwise approved by the Board. For the avoidance of doubt, except for acquisitions that are otherwise approved by the Board, it shall be deemed a Change in Control if the MSD Stockholders purchase securities that would result in the MSD Stockholders Beneficially Owning, in the aggregate, a percentage of the then outstanding Common Stock that is greater than one percentage point more than the percentage of the outstanding Common Stock represented by the MSD Stockholders' Initial Stake. Immediately following the time that the MSD Stockholders Beneficially Own less than 35% of the combined voting power of the Company's then outstanding securities this clause (v) will terminate.

Any other provision of this definition notwithstanding, the term Change in Control will not be deemed to have occurred by virtue of any transaction which results in such Indemnitee, or a group of Persons in which such Indemnitee has a substantial interest, acquiring, directly or indirectly, 35% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding securities.

(b) "**DGCL**" means the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended or interpreted.

(c) "**Expense**" means attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending (including any counterclaims), being a witness in or participating in (including on appeal), or preparing for any of the foregoing, any Proceeding.

(d) **“Immediate Family Member”** means, with respect to any natural person, such natural person’s parent, spouse, children (whether natural or adopted), grandchildren or more remote descendants, siblings and spouse’s parents and siblings.

(e) **“Incumbent Board”** means the members of the Board as of the date this Agreement. Notwithstanding the preceding sentence, any individual who becomes a member of the Board after the date hereof whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such member were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(f) **“Indemnifiable Event”** means any event or occurrence that takes place either prior to or after the Effective Date (as defined below), related to the fact that the Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, or by reason of anything done or not done by the Indemnitee in any such capacity, whether or not the Indemnitee continues to serve in such capacity(ies).

(g) **“Indemnitee-Related Entity”** means an entity (other than the Company or its subsidiaries or the insurer under and pursuant to an insurance policy of the Company or its subsidiaries) from whom the Indemnitee may be entitled to indemnification or advancement of Expenses with respect to which the Company may also have an indemnification or advancement obligation.

(h) **“MSD Charitable Entity”** means the Michael & Susan Dell Foundation and any other private foundation or supporting organization (as defined in Section 509(a) of the Code) established and principally funded directly or indirectly by Michael S. Dell or his spouse or by Michael S. Dell and his spouse together.

(i) **“MSD Stockholders”** means Michael S. Dell, Susan Lieberman Dell Separate Property Trust, and their respective Permitted Assignees (as defined herein) that hold any equity securities of the Company, including any Common Stock, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company

(j) **“MSD Stockholders’ Initial Stake”** means 169,278,015 shares of Common Stock Beneficially Owned by the MSD Stockholders in the aggregate as of the close of business on November 1, 2021 (equitably adjusted for any stock splits, reverse stock splits, recapitalizations or similar transactions that may occur following such date) representing 40.3% of the combined voting power of the securities of the Company.

(k) **“Permitted Assignee”** means (A) Michael S. Dell, Susan Lieberman Dell Separate Property Trust or any Immediate Family Member of Michael S. Dell; (B) any MSD Charitable Entity; (C) one or more trusts whose current beneficiaries are and will remain for so long as such trust holds any equity securities of the Company, any debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company,

or any option, warrant or other right to acquire any such equity securities or debt securities of the Company, any of (or any combination of) Michael S. Dell, one or more Immediate Family Members of Michael S. Dell or MSD Charitable Entities; (D) any corporation, limited liability company, partnership or other entity wholly-owned by any one or more persons or entities described in clause (A), (B) or (C) of this definition of “Permitted Assignee”; or (E) from and after Michael S. Dell’s death, any recipient of equity securities of the Company, debt securities of the Company exercisable or exchangeable for, or convertible into, equity securities of the Company, or any option, warrant or other right to acquire any such equity securities or debt securities of the Company under Michael S. Dell’s will, any revocable trust established by Michael S. Dell that becomes irrevocable upon Michael S. Dell’s death, or by the laws of descent and distribution; provided, that in each of clauses (A) through (E) above, such person or entity executes and delivers to the Company a joinder or counterpart to the Company’s Stockholders Agreement dated November 1, 2021, by and among the Company, the MSD Stockholders and the other stockholders signatory thereto.

(l) **“Person”** has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) of the Exchange Act but excluding (i) the Company or any of its subsidiaries or any employee benefit plan sponsored or maintained by the Company or any of its subsidiaries (including any trustee or other fiduciary of any such plan), (ii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(m) **“Proceeding”** means any threatened, pending or completed action, suit, investigation, arbitration or proceeding, and any appeal thereof, whether civil, criminal, administrative or investigative or any inquiry or investigation, whether conducted by the Company or any other party, that the Indemnitee in good faith believes might lead to the institution of any such action, whether or not instituted prior to the Effective Date.

(n) **“Reviewing Party”** means any appropriate person or body consisting of a member or members of the Company’s Board or any other person or body appointed by the Board who is not a party to the particular Proceeding with respect to which the Indemnitee is seeking indemnification. But if there has been a Change in Control (other than a Change in Control which has been approved by a majority of the Board who were directors prior to such a Change in Control), the Reviewing Party will be the Special Independent Counsel.

(o) **“Synthetic Equity Interests”** means any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such person, the purpose or effect of which is to give such person economic risk similar to ownership of equity securities of any class or series of the Company, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the Company’s equity securities, or which derivative, swap or other transactions provide the opportunity to profit from any increase in the price or value of shares of any class or series of the Company’s equity securities, without regard to whether (A) the derivative, swap or other transactions convey any voting rights in such equity securities to such person; (B) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such equity securities; or (C) such person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions.



may be subject to any possible Proceeding by reason of (or arising in part out of) an Indemnifiable Event.

16. **Binding Effect, Etc.** This Agreement is effective as of the Effective Date and is binding upon and inures to the benefit of and will be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company, spouses, heirs, executors and personal and legal representatives, but is not otherwise assignable or delegable by the Company. The Company will require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business or assets of the Company, by agreement in form and substance satisfactory to the Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

17. **Severability.** The provisions of this Agreement will be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof will not be in any way impaired and will remain enforceable to the fullest extent permitted by law.

18. **Governing Law.** This Agreement is governed by and will be construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

19. **Indemnitor of First Resort.** The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of expenses or insurance provided by an Indemnitee-Related Entity. The Company hereby agrees that (i) it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Indemnitee-Related Entity to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) it is required to advance the full amount of Expenses incurred by Indemnitee and will be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the Charter Documents (or any agreement between the Company and Indemnitee), without regard to any rights such Indemnitee may have against the Indemnitee-Related Entity, and (iii) it irrevocably waives, relinquishes and releases the Indemnitee-Related Entity from any and all claims against the Indemnitee-Related Entity for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Indemnitee-Related Entity on behalf of Indemnitee with respect to any claim for which such Indemnitee has sought indemnification from the Company will affect the foregoing, and the Indemnitee-Related Entity will have a right of contribution or be subrogated (or both) to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date and year first above written.

VMWARE, INC.

By:

Name:

Title:

Date:

[NAME]

\_\_\_\_\_  
*Signature*

Date: \_\_\_\_\_

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rangarajan (Raghu) Raghuram, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VMware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - i. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - ii. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - iii. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - iv. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2022

By: /s/ Rangarajan (Raghu) Raghuram

**Rangarajan (Raghu) Raghuram**  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zane Rowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of VMware, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - i. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - ii. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - iii. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - iv. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - i. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - ii. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2022

By: /s/ Zane Rowe

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**Zane Rowe**  
**Chief Financial Officer and Executive Vice President**  
**(Principal Financial Officer)**



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rangarajan (Raghu) Raghuram, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report of VMware, Inc. on Form 10-Q for the fiscal quarter ended April 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of VMware, Inc.

Date: June 3, 2022

By: /s/ Rangarajan (Raghu) Raghuram

**Rangarajan (Raghu) Raghuram**  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Zane Rowe, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Quarterly Report of VMware, Inc. on Form 10-Q for the fiscal quarter ended April 29, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of VMware, Inc.

Date: June 3, 2022

By: /s/ Zane Rowe

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**Zane Rowe**  
**Chief Financial Officer and Executive Vice President**  
**(Principal Financial Officer)**