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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (Date of earliest event reported): May 9, 2021**

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**VMWARE, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-33622**  
(Commission  
File Number)

**94-3292913**  
(IRS Employer  
Identification Number)

**3401 Hillview Avenue, Palo Alto, CA**  
(Address of Principal Executive Offices)

**94304**  
(Zip code)

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

**N/A**

(Former Name or Former Address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

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**Item 2.02. Results of Operations and Financial Condition.**

On May 12, 2021, VMware, Inc. (“**VMware**” or the “**Company**”) issued a press release announcing preliminary financial results for the quarter ended April 30, 2021. The press release, including information regarding VMware’s use of non-GAAP financial measures, is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

(b), (c), (d) and (e)

On May 9, 2021, the VMware Board of Directors (the “**Board**”) elected Rangarajan (Raghu) Raghuram, age 58, the Company’s current Chief Operating Officer (“**COO**”), Products and Cloud Services, as Chief Executive Officer (“**CEO**”) and Sumit Dhawan, age 46, the Company’s current Chief Customer Experience Officer, as President, both effective as of June 1, 2021. Zane Rowe, who has been serving as interim CEO, will return to his role as Chief Financial Officer and Executive Vice President.

On May 9, 2021, in connection with his election as CEO, the VMware Board also elected Mr. Raghuram as a Class II, Group I member of the Board and appointed him to serve as a member of its Mergers and Acquisitions Committee effective as of June 1, 2021.

Mr. Raghuram has served as VMware’s COO, Products and Cloud Services since October 2016 and has been guiding VMware’s cloud and SaaS transformation efforts. Prior to that he served as Executive Vice President, Software-Defined Data Center division from April 2012 to October 2016. Mr. Raghuram joined VMware in 2003 and has held multiple product management and marketing roles. Mr. Raghuram served as Senior Vice President and General Manager, Cloud Infrastructure and Management, Virtualization and Cloud Platforms, and Enterprise Products, from December 2009 through March 2012. Mr. Raghuram previously served as Vice President of VMware’s Server business unit and of Product and Solutions Marketing through December 2009. Prior to VMware, Mr. Raghuram held product management and marketing roles at Netscape Communications Corporation and Bang Networks, Inc. Mr. Raghuram holds an MBA from the Wharton School of Business, University of Pennsylvania and a master’s degree in electrical engineering from the Indian Institute of Technology, Mumbai.

Mr. Dhawan has served as VMware’s Senior Vice President and Chief Customer Experience Officer since February 2020. Prior to that, Mr. Dhawan served as CEO of Instart (formerly Instart Logic), a multinational cloud company focused on web and mobile application delivery, customer experience and security for enterprise customers, from May 2018 until February 2020. Previously, Mr. Dhawan joined VMware in September 2013 and served in various roles in VMware’s End User Computing group, including as Senior Vice President, Desktop Products from July 2014 to November 2016 and as Senior Vice President and General Manager of VMware’s End User Computing group from November 2016 through May 2018.

In connection with their appointments as CEO and President, respectively, VMware entered into offer letters with each of Messrs. Raghuram and Dhawan (the “**Offer Letters**”) setting forth the terms of their employment and compensation. Pursuant to the Offer Letters, Messrs. Raghuram and Dhawan will receive base salaries of \$1,000,000 and \$850,000, respectively, and be eligible for annual incentive cash bonuses with target payouts of 150% and 125% of base salary, respectively, under VMware’s Executive Bonus Plan.

The Offer Letters also provide that Messrs. Raghuram and Dhawan will be granted equity awards that will commence vesting on the start date of their new positions, as described below.

- Messrs. Raghuram and Dhawan will be granted performance stock units based on absolute and relative total shareholder return metrics (“**TSR PSUs**”) with a target number of TSR PSUs subject to the grants having grant date values of \$12 million and \$10 million respectively, as determined by VMware using a fair value methodology that utilizes the 15-day trailing average stock price of VMware Class A common stock as of June 1, 2021 (the “**Base Date**”) as the base price (the “**Base Price**”) for measuring VMware’s total stockholder return (“**TSR**”) over a five-year performance period running through June 1, 2026. The TSR PSUs will fund progressively with respect to one-eighth of the total number of TSR PSUs as VMware’s 90-day trailing average stock price appreciation exceeds performance tranches set at 50%, 75%, 100%, 125%, 150%, 200%, 250% and 300% above the Base Price. Vesting will occur on the third-, fourth- and fifth-year anniversaries of the Base Date. On each vesting date, VMware’s TSR performance to date will be measured against the performance goals in the TSR PSUs to determine achievement, and VMware’s TSR relative to the TSR of the S&P 500 IT Index (the “**Index**”) will also be measured, with potential payouts subject to cutback if VMware does not equal or exceed the median TSR performance of the Index.

Fifty percent of vested TSR PSUs net of tax withholdings that vest on the third- and fourth-year anniversary vesting dates are subject to a holding period requirement that runs through the fifth-year anniversary vesting date.

- Messrs. Raghuram and Dhawan will be granted restricted stock unit awards (“RSUs”) with target values of \$2.5 million and \$5 million respectively. The \$2.5 million RSU award granted to Mr. Raghuram is in addition to the \$4 million RSU grant he received in April 2021 as part of VMware’s annual executive equity refresh program. The new \$5 million RSU grant to Mr. Dhawan includes his annual FY22 refresh grant amount. The number of RSUs in each award will be determined based upon VMware’s 45-day trailing average stock price as of April 30, 2021. The RSUs will vest ratably over a four-year period with a one-year vesting cliff and semi-annual vesting thereafter.
- Messrs. Raghuram and Dhawan will be granted additional performance stock unit awards valued at \$2.5 million and \$5 million respectively, based on the Company’s annual executive operating performance stock unit plan for FY22 (“**FY22 Operating PSUs**”), which consists of three annual performance periods corresponding to fiscal years 2022, 2023 and 2024, respectively, subject to modification based upon VMware’s relative TSR performance in comparison to the Index as measured at the end of fiscal year 2024. The new \$2.5 million FY22 Operating PSU award granted to Mr. Raghuram is in addition to the \$4 million FY22 Operating PSU award he received in April 2021 as part of VMware’s annual executive equity refresh program. Mr. Dhawan had not previously received a grant under the FY22 Operating PSU program. Achievement under the annual tranches of the FY22 Operating PSU program is measured by performance against corporate financial targets established each year by the Compensation and Corporate Governance Committee of the Board.

Both Mr. Raghuram and Mr. Dhawan will participate in VMware’s Executive Severance Plan, which provides cash severance benefits consisting of one year of their annual base salary and target bonus amounts and 150% of the cost of their annual health and dental insurance premiums upon an “involuntary termination” as defined in the Executive Severance Plan. Participants in the plan also receive one year of vesting acceleration measured from their termination date in outstanding RSU awards. Unvested PSU awards are also accelerated based upon actual performance for performance periods that have been completed prior to the participant’s termination date, and performance periods that are incomplete will be accelerated at target on a pro rata basis for PSU awards that will vest within one year of termination. The TSR PSU awards are not eligible for acceleration under the Executive Severance Plan. Mr. Raghuram is currently a participant in the Executive Severance Plan, and Mr. Dhawan will become eligible on June 1, 2021.

Mr. Raghuram and Mr. Dhawan will also participate in VMware’s Change-in-Control Retention Plan, which provides cash severance benefits consisting of two years and one and a half years, respectively, of their annual base salary and target bonus amounts and 150% of the monthly cost of their annual health and dental insurance premiums for two years for Mr. Raghuram and one and a half years for Mr. Dhawan upon an “involuntary termination” following a “change-in-control,” each as defined in the Change-in-Control Retention Plan. Participants in the plan also receive full vesting acceleration in their outstanding RSU and PSU awards, unless otherwise indicated, with PSU awards accelerating at the level of actual performance for completed performance periods and at target for performance periods that are not completed prior to the change-in-control. In the event of a change-in-control, performance under the TSR PSU awards would be determined based on the per share consideration received by VMware stockholders in the change-in-control transaction and the awards would otherwise continue to vest in accordance with their vesting schedules, except that the post-vesting holding period requirement would not apply. In the event of involuntary termination following a change-in-control, the TSR PSUs would accelerate based upon actual performance based on the change-in-control consideration price per share. Under the Change-in-Control Retention Plan, the planned spin-off of VMware from Dell Technologies Inc. disclosed by VMware in a Form 8-K filed April 14, 2021 is excluded from the definition of a “change-in-control.”

The foregoing description of Messrs. Raghuram and Dhawan’s Offer Letters and compensation arrangements does not purport to be complete and is qualified in its entirety by reference to the Offer Letters, which are attached as Exhibits 10.1 and 10.2 to this report and incorporated by reference herein.

Mr. Raghuram is currently a party to VMware’s standard form of indemnification agreement and VMware will enter into its standard form of indemnification agreement with Mr. Dhawan, the form of which is filed as Exhibit 10.7 to VMware’s Form 10-Q filed June 9, 2017.

Sanjay Poonen resigned his position as COO, Customer Operations of VMware effective May 11, 2021. Following his resignation, Mr. Poonen will remain employed by VMware for a transitional period.

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**Item 7.01. Regulation FD Disclosure**

On May 12, 2021, VMware issued a press release to announce the election of Mr. Raghuram as VMware's CEO and to the Board and Mr. Dhawan as President, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in Item 2.02, Item 7.01 and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "**Exchange Act**") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

**Item 9.01. Financial Statements and Exhibits.****(d) Exhibits**

- 10.1 [Letter Agreement between VMware, Inc. and Rangarajan \(Raghu\) Raghuram dated May 11, 2021](#)
- 10.2 [Letter Agreement between VMware, Inc. and Sumit Dhawan dated May 11, 2021](#)
- 99.1 [Press Release of VMware, Inc. dated May 12, 2021](#)
- 104 Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**VMware, Inc.**

Date: May 12, 2021

By: /s/ Craig Norris  
Craig Norris  
Vice President, Deputy General Counsel and Assistant Secretary



VMware, Inc  
3401 Hillview Avenue  
Palo Alto, CA 94304

May 11, 2021

Raghu Raghuram

Dear Raghu,

We are pleased to offer you a position with VMware, Inc. (the “**Company**”) as Chief Executive Officer, commencing on June 1, 2021 (the “**Effective Date**”). You will report directly to the VMware Board of Directors (the “**Board**”), and in connection with your new position you will be nominated for election to the Board.

#### **Salary**

Your annual salary starting on the Effective Date, \$1,000,000, will be paid semi-monthly in accordance with the Company’s normal payroll procedures. You will continue to be eligible to participate in the Company’s benefit plans and programs in accordance with their terms, which may be amended from time to time.

#### **Bonus**

You will be eligible to participate in VMware’s Executive Bonus Plan starting on the Effective Date, pursuant to the terms and conditions of the Executive Bonus Plan, as it may be amended from time to time by the Compensation and Corporate Governance Committee of the VMware Board of Directors (the “**Committee**”). You will be eligible for an annual target bonus opportunity of 150% of your base pay starting on the Effective Date. Pursuant to the terms and conditions set forth in VMware’s Executive Bonus Program, any bonus for which you become eligible will be measured and funded on an annual basis, with the actual payout based on achievement of VMware financial goals and your individual performance, as approved by the Committee. VMware reserves the right to modify or discontinue either or both the Executive Bonus Program or your bonus opportunity at any time. Your bonus opportunity for the portion of Fiscal Year 2022 (“**FY22**”) prior to the Effective Date will be measured based on your previous bonus target and base salary and will continue to be under and calculated pursuant to the Executive Bonus Plan.

#### **Outstanding Equity Awards**

Your existing equity awards will remain in effect in accordance with their terms. You will be eligible for future equity award grants by the Committee in accordance with VMware’s ongoing compensation programs for its executive officers.

#### **FY22 Equity Awards**

In April 2021, you were granted Restricted Stock Unit (“**RSU**”) and Performance Stock Unit (“**PSU**”) awards with a total target value of \$8,000,000. In connection with your new position, a recommendation will be made to the Committee that you be granted additional equity awards with a total target value of \$5,000,000. The total value of the additional awards will be split



equally between a RSU and a PSU award. The number of RSUs and PSUs in each award will be determined by dividing the average of the closing sale price per share of VMware Class A Common Stock (the “**Shares**”) for the 45 trading days ending on (and inclusive of) April 30, 2021 (\$152.128). These equity awards will be subject to the approval of the Committee and will be governed by the terms and conditions of the applicable grant agreement and the VMware Amended and Restated 2007 Equity and Incentive Plan (the “**Plan**”). The details of the grant recommendation are as follows:

- An RSU award for 16,433 RSUs. Subject to continued employment, the RSU award will vest over four years from the vesting base date, with 25% of the RSUs vesting after 12 months, and the remaining shares vesting 12.5% semi-annually thereafter. The vesting base date will be June 1, 2021.
- A PSU award for 16,433 PSUs. Each PSU may convert into a number of Shares based on achievement against performance metrics previously established by the Committee for the Company’s FY22 Operating PSU Plan. Subject to continued employment, the PSU award will vest on April 1, 2024.

#### **FY22 TSR PSU Equity Award**

In addition to the above-referenced equity award, a recommendation will be made to the Committee that you be granted a promotional PSU award (“**TSR PSU**”) determined with a value of \$12,000,000 based on a Monte-Carlo simulation-based probability model based on the TSR values specified in the award terms attached as Schedule A. The number of PSUs and the baseline stock price used for measuring TSR appreciation will be determined as of the close of trading on the Effective Date. Subject to continuing employment, the TSR PSU award will vest and may convert into Shares based on achievement against performance metrics as set forth in the attached Schedule A.

#### **Board Service**

During your term of service as CEO, you will continue to be nominated for service on the Board. Effective upon termination of your service as CEO, you shall immediately resign from the Board and the board of directors or comparable body of every subsidiary, parent or other affiliated corporation of the Company, and every committee thereof.

#### **Obligations to the Company**

During your employment, you shall devote your full business efforts and time to the Company, except as provided herein. Except as set forth on Attachment A, without express written consent of the Board, you shall not render services in any capacity to any other person or entity and shall not act as a sole proprietor or partner of any other person or entity and own more than five percent (5%) of the stock of any other corporation. Notwithstanding the foregoing, you may (i) serve on corporate, civic, or charitable boards or committees, including the corporate boards on which you currently serve as set forth on Attachment A; (ii) continue to provide advisory services to the entities set forth on Attachment A; or (iii) deliver lectures, fulfill speaking engagements, teach at educational institutions, or manage personal investments, in the case of each of clauses (i), (ii), and (iii) of this sentence, without such advance written consent; provided that such activities do not individually or in the aggregate interfere with the performance of your duties hereunder.

**Change in Control**

You are eligible to continue to participate in the Company's Change in Control Program, as it may be amended from time to time subject to your previously-executed consent. For more details on the CIC Program, please refer to the enclosed VMware Change in Control Retention Plan.

**Executive Severance Plan**

You are eligible to continue to participate in the Company's Executive Severance Plan, as it may be amended from time to time, subject to your previously-executed consent. For more details on the Executive Severance Plan, please refer to the enclosed VMware Executive Severance Plan.

**Section 409A Exemption**

It is intended that the payments and other compensation contemplated by this agreement satisfy, to the greatest extent possible, the exemption from the application of Section 409A of the Code, provided under Treasury Regulation Section 1.409A-1(b)(4) or to comply with Code Section 409A, and this agreement will be so interpreted and administered. Notwithstanding the foregoing, if the Company determines that payments and other compensation pursuant to this agreement may not either be exempt from or compliant with Code Section 409A, the Company may, with your prior written consent, adopt such amendments to this agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to (i) exempt such payments and other compensation from Code Section 409A and/or preserve the intended tax treatment of such payments and other compensation, or (ii) comply with the requirements of Code Section 409A; provided, however, that there is no obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, and in any event, no such action will reduce the amount of payments or other compensation that is owed to you under this agreement without your prior written consent.

**Immigration**

The Company agrees to provide assistance to you in securing and maintaining authorization for employment in the U.S. The Company retains sole discretion to determine what efforts, if any, it will take in the future to secure or maintain your continuing authorization to work in the U.S., should your authorization to work in the U.S. end or otherwise lapse during the period of your employment with the Company.

**At-Will Employment**

Your employment with the Company is for no specified period and constitutes at will employment. As a result, you are free to resign at any time, for any reason. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without advance notice.

**Conflict of Interest**

You agree not to bring any third-party confidential information to the Company, including that of your former employers, and that in performing your duties for the Company you will not in any way utilize any such information. Further, during your employment with the Company, you agree not to engage in any other employment, consulting, or other business activity directly related to





the business in which the Company is now involved or becomes involved during your employment, and neither will you engage in any other activities that conflict with your obligations to the Company. If you want to become involved in activity which might present a conflict of interest, you will immediately disclose it and seek approval through the VMware conflict of interest vetting process.

**Policy Compliance**

This offer letter, along with the enclosed policies, contain all of the terms, representations, and understandings between the parties, and supersedes all other oral or written agreements or understandings between the parties regarding these matters prior to the date hereof. By accepting this offer, you agree that you have received, read, understand and agree to comply with the enclosed VMware Employment Agreement, VMware Business Conduct Guidelines, VMware Acceptable Use Policy, Equal Employment Opportunity Policy, VMware's Global Travel and Expense Reimbursement Policy and VMware Respectful Workplace Policy as a condition of your employment. In addition, after your start date, you are expected to familiarize yourself with and comply with the Company's additional policies available on the Company's internal website.

**Background Check**

This offer is contingent upon you successfully passing the Company's background check. As a US technology company, VMware is subject to certain restrictions with respect to nationals of the following countries: North Korea, Syria, Libya, Iran, Sudan, and Cuba. If you are a national of one of these countries, please contact the Global HR Services Team at [offers@vmware.com](mailto:offers@vmware.com).

**No Modification**

Any modification or amendment of this offer must be in writing and signed by an authorized representative of the Company and you.

Sincerely,

Paul Sagan  
Lead Independent Director, VMware Board of Directors

By providing my electronic signature below, I accept this offer of employment. I have read, understand and agree to the terms and conditions set forth within as a condition of my employment.

Signature: /s/ Rangarajan (Raghu) Raghuram

Date: May 11, 2021

Email:

**Enclosures:**

VMware Employment Agreement Rev. July, 2019



VMware Business Conduct Guidelines Rev. May, 2021  
VMware U.S. Respectful Workplace Policy Rev. Oct. 30, 2018  
VMware U.S. Equal Employment Opportunity and Pay Transparency Policy Rev. Oct 1, 2019  
VMware Acceptable Use Policy Rev. Sep 30, 2019  
VMware Global Travel and Expense Reimbursement Policy Rev. February 15, 2021  
VMware Change in Control Plan  
VMware Executive Severance Plan

Terms of FY22 TSR PSU Award

<b>Performance Period:</b>	June 1, 2021 (“ <b>Effective Date</b> ”) – June 1, 2026
<b>Award Value:</b>	\$12 million
<b>Number of PSUs:</b>	Determined on the Effective Date using a Monte-Carlo simulation-based probability model of the potential appreciated value upon vesting as set forth in Table I below based on the 15-trailing trading day VWAP of VMware Class A common stock (“ <b>VMW</b> ”) on the Effective Date.
<b>Vesting Schedule:</b>	<p>50% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2024 (“<b>First Vesting Date</b>”)  75% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2025 (“<b>Second Vesting Date</b>”)  100% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2026 (“<b>Third Vesting Date</b>”)</p> <p>On each vesting date, the number of PSUs eligible to vest on that date will be calculated pursuant to the Stock Price Appreciation Goals Table (Table I) and the Relative TSR Modifier Table (Table II). The number of PSUs that actually vest will be the percentages set forth above of each Tranche that has Funded. To the extent that the amount of PSUs calculated as eligible to vest on a subsequent vesting date is less than the total that has previously vested, the amount that will vest on the subsequent vesting date will equal zero. To the extent that the amount of PSUs calculated as eligible to vest on a subsequent vesting date exceeds the total that has previously vested, the excess amount will vest on the subsequent vesting date.</p> <p>See Examples 1 and 2 in the Appendix.</p>
<b>Holding Period Requirement:</b>	To the extent that PSUs vest on either or both of the First Vesting Date and the Second Vesting Date, 50% of the net shares of VMware Class A common stock (the “ <b>Shares</b> ”) issued after tax withholdings must be held and may not be sold, pledged or used as the basis of any swap or other derivative instrument until June 1, 2026, regardless of any earlier termination of employment.
<b>Conversion Ratio:</b>	Each PSU that vests on a vesting date will convert to one Share.
<b>Base Price:</b>	The VMW Base Price (“ <b>Base Price</b> ”) will be measured based on a 15-trailing trading day VWAP of VMW ending on and including the Effective Date.

**Table I: Stock Price Appreciation Goals**

	<b>Stock Price Appreciation Hurdle</b>	<b>Total Funded PSUs</b>
Tranche 1	+50% above Base Price	12.5% of total PSUs
Tranche 2	+75% above Base Price	25.0% of total PSUs
Tranche 3	+100% above Base Price	37.5% of total PSUs
Tranche 4	+125% above Base Price	50.0% of total PSUs
Tranche 5	+150% above Base Price	62.5% of total PSUs
Tranche 6	+200% above Base Price	75.0% of total PSUs
Tranche 7	+250% above Base Price	87.5% of total PSUs
Tranche 8	+300% above Base Price	100.0% of total PSUs

**Stock Price Appreciation Measurement:**

Stock price appreciation will be measured based on 90-trailing trading day VWAP of VMW (“**90-day VWAP**”). The VMW 90-day VWAP will be measured on each day of the performance period. When the VMW 90-day VWAP equals or exceeds a stock price appreciation hurdle set forth in the above table (a “**Stock Price Appreciation Hurdle**”) during the performance period, that hurdle is considered achieved.

PSUs become “**Funded**” once a Stock Price Appreciation Hurdle is achieved. Additional PSUs are not Funded until the next higher Stock Price Appreciation Hurdle is achieved. PSUs remain Funded with respect to a Stock Price Appreciation Hurdle even if the VWAP subsequently drops below that hurdle.

**Relative TSR Modifier:**

VMware’s relative total stockholder return (“**TSR**”) will be measured on each vesting date. The number of PSUs eligible to vest on a vesting date will equal the percentage of Funded shares as set forth in the following table, based on VMW’s TSR since the start of the Performance Period relative to companies in the S&P 500 Information Technology Industry Index (“**Index**”). With respect to calculating the Index TSR on a vesting date, any company that has ceased to be publicly traded due to M&A or being taken private since the Effective Date is excluded from the calculation, and the TSR for any company that has become insolvent is treated as -100%.

**Table II: Relative TSR Modifier:**

<u>VMW Relative TSR Percentile Rank</u>	<u>% of Funded Shares That Are Eligible to Vest</u>
<u>&gt;=P50</u>	100%
<u>P25</u>	50%
<u>&lt;P25</u>	0%

The Relative TSR Modifier is applied to the number of Funded PSUs on each vesting date to determine the total number of PSUs eligible to vest on such vesting date. Next, the percentage of PSUs eligible to vest on that date is applied to the result of the Relative TSR Modifier calculation. The result is then compared to the total number of PSUs previously vested to determine if any additional shares will vest.

Example 1 in the Appendix illustrates that zero shares are issued on the Second Vesting Date because the total number of PSUs eligible to vest on such date is less than the amount that vested on the First Vesting Date; and that on the Third Vesting Date additional shares are issued because the total number of PSUs eligible to vest on such date is greater than the total amount that vested on the previous vesting dates.

Example 2 in the Appendix illustrates that more shares are issued at each of the Second and Third Vesting Dates because the shares eligible to vest on each vesting date exceeds the total amount previously vested.

#### **Relative TSR Modifier Measurement:**

The performance of the VMW 90-day VWAP during the performance period will be compared to the 90-day VWAP of each company that remains in the Index throughout the performance period to determine VMware's percentile ranking. To make the determination, the 90-day VWAP for each company measured at the end of the trading day preceding the first day of the performance period will be compared to the respective 90-day VWAP measured at the end of the last day prior to or on the vesting date upon which the TSR Modifier is being determined.

To the extent that VMware's percentile ranking falls in between the 25<sup>th</sup> and 50<sup>th</sup> percentiles, the number of PSUs that are eligible to vest will be scaled in proportion to VMware's percentile ranking.

#### **Dividends:**

Any dividends paid by VMware or by any company in the Index during the Performance Period will be included in the calculation of the VMW 90-day VWAP and the 90-day VWAP of the companies in the Index.

**Vesting Conditions:** Participant must remain employed by VMware on a vesting date in order to receive shares that are eligible to vest on such date.

**Change in Control:** In the event of a “change-in-control” of VMware as such term is defined in VMware’s Change in Control Retention Plan in effect at the start of the performance period (“**CIC Plan**”), the consideration paid for each share of VMW will be utilized in place of the VMW 90-day VWAP for determining the Stock Price Appreciation Measurement and the Relative TSR Modifier. Additionally, the Holding Period Requirement shall terminate on the effective date of a Change in Control.

**Termination of Employment:**

1. If Participant’s employment terminates due to death or disability, this award will continue to vest on each vesting date in accordance with the terms set forth above (other than the continued employment condition set forth in “Vesting Conditions”), except that such payout will be pro-rated based on the proportion of the Performance Period that has elapsed as of the date of Participant’s termination of employment. In such event, any Shares paid out on the First Vesting Date and Second Vesting Date will not be subject to the Holding Period Requirement.
2. If Participant becomes eligible for benefits under the CIC Plan due to involuntary termination following a Change in Control of VMware (as defined in the CIC Plan), this PSU award will be eligible to vest in accordance with the terms of the CIC Plan to the extent that PSUs have become eligible to vest by applying the Stock Price Appreciation Hurdle and Relative TSR Modifier calculations as of the effective date of the Change in Control, and the Shares will not be subject to the Holding Period Requirement. Any PSUs that are not eligible to vest as of the effective date of the Change in Control will be forfeited.
3. If Participant’s employment terminates for any other reason, this award will terminate as of the termination date and no further PSUs will vest. Any Shares previously issued will remain subject to the Holding Period Requirement. This award is not eligible for acceleration under VMware’s Executive Severance Plan.

**Appendix****Example 1 (presumes no additional Stock Price Appreciation Hurdles are met after First Vesting Date)**

- (1) On Second Vesting Date less shares are eligible to vest than previously vested on the First Vesting Date so zero shares vest on the Second Vesting Date.
- (2) On Third Vesting Date, more shares are eligible to vest than the total previously vested on the First and Second Vesting Dates, so the excess number of shares vest on the Third Vesting Date.

		<b>First Vesting Date</b>	<b>Second Vesting Date</b>	<b>Third Vesting Date</b>
Shares Funded Based on Stock Price Appreciation Hurdle Achievement	a	1,000	1,000 (assumes no additional Hurdles achieved)	1,000 (assumes no additional Hurdles achieved)
Relative TSR vs. S&P 500 IT Index	b	>50%ile	25%ile	>50%ile
Relative TSR Modifier	c	100%	50%	100%
Application of Relative TSR Modifier to Funded PSUs	$d = a * (1 + c)$	1,000	500	1,000
Applicable Vesting Percentage	e	50%	75%	100%
Total Shares Eligible to Vest	$f = d * e$	500	375	1000
Already Vested Shares	g	n/a	500	500
<b># Shares Vesting (Minimum 0)</b>	<b><math>h = \max(f - g, 0)</math></b>	<b>500</b>	<b>0</b>	<b>500</b>
Explanation:		Hurdle and relative TSR achievement results in 1,000 shares, but only 50% of achieved shares may vest on First Vesting Date.	Although only 375 shares are eligible to vest at Second Vesting Date and 500 shares previously vested, no shares are required to be returned.	Hurdle and relative TSR achievement results in 1,000 shares to vest at Third Vesting Date, of which 500 already vested, so remaining 500 vest on Third Vesting Date.

**Example 2 (presumes no additional Stock Price Appreciation Hurdles are met after First Vesting Date)**

- (1) On Second Vesting Date more shares are eligible to vest than previously vested on the First Vesting Date so the excess shares vest on the Second Vesting Date.
- (2) On Third Vesting Date, more shares are eligible to vest than the total previously vested on the First and Second Vesting Dates, so the excess number of shares vest on the Third Vesting Date.

		First Vesting Date	Second Vesting Date	Third Vesting Date
Shares Funded Based on Stock Price Appreciation Hurdle Achievement	a	1,000	1,000 (assumes no additional Hurdles achieved)	1,000 (assumes no additional Hurdles achieved)
Relative TSR vs. S&P 500 IT Index	b	>50%ile	37.5%ile	>50%ile
Relative TSR Modifier	c	100%	75%	100%
Application of Relative TSR Modifier to Funded PSUs	$d = a * (1 + c)$	1,000	750	1,000
Applicable Vesting Percentage	e	50%	75%	100%
Total Shares Eligible to Vest	$f = d * e$	500	562.5	1000
Already Vested Shares	g	n/a	500	562
<b># Shares Vesting (Minimum 0)</b>	<b><math>h = \max(f - g, 0)</math></b>	<b>500</b>	<b>62</b>	<b>438</b>
Explanation:		Hurdle and relative TSR achievement results in 1,000 shares, but only 50% of achieved shares may vest on First Vesting Date.	562.5 shares are eligible to vest at Second Vesting Date and 500 shares previously vested, so 62 shares are eligible to vest on the Second Vesting Date.	Hurdle and relative TSR achievement results in 1,000 shares to vest at Third Vesting Date, of which 562 already vested, so remaining 438 vest on Third Vesting Date.





VMware, Inc  
3401 Hillview Avenue  
Palo Alto, CA 94304

May 11, 2021

Sumit Dhawan

Dear Sumit,

We are pleased to offer you a position with VMware, Inc. (the “**Company**”) as President, commencing on June 1, 2021 (the “**Effective Date**”). You will report to Raghu Raghuram, Chief Executive Officer. The Company, in its sole discretion, may modify job titles and managers from time to time as it deems necessary.

### **Salary**

Your annual salary starting on the Effective Date, \$850,000, will be paid semi-monthly in accordance with the Company’s normal payroll procedures. You will continue to be eligible to participate in the Company’s benefit plans and programs in accordance with their terms, which may be amended from time to time.

### **Bonus**

You will be eligible to participate in VMware’s Executive Bonus Plan starting on the Effective Date, pursuant to the terms and conditions of the Executive Bonus Plan, as it may be amended from time to time by the Compensation and Corporate Governance Committee of the VMware Board of Directors (the “**Committee**”). You will be eligible for an annual target bonus opportunity of 125% of your base pay starting on the Effective Date. Pursuant to the terms and conditions set forth in VMware’s Executive Bonus Program, any bonus for which you become eligible will be measured and funded on an annual basis, with the actual payout based on achievement of VMware financial goals and your individual performance, as approved by the Committee. VMware reserves the right to modify or discontinue either or both the Executive Bonus Program or your bonus opportunity at any time. Your bonus opportunity for the portion of Fiscal Year 2022 (“**FY22**”) prior to the Effective Date will be measured based on your previous bonus target and base salary and will be calculated pursuant to the Company Bonus Plan for non-executives.

### **Outstanding Equity Awards**

Your existing equity awards will remain in effect in accordance with their terms. You will be eligible for future equity award grants by the Committee in accordance with VMware’s ongoing compensation programs for its executive officers.

### **FY22 Equity Awards**

A recommendation will be made to the Committee that you be granted target equity awards with a total value of \$10,000,000. The total value will be split equally between a Restricted Stock Unit (“**RSU**”) award and a Performance Stock Unit (“**PSU**”) award. The number of RSUs and PSUs in each award will be determined by dividing the average of the closing sale price per share of VMware Class A Common Stock (the “**Shares**”) for the 45 trading days ending on (and inclusive of) April 30, 2021 (\$152.128). These equity awards will be subject to the approval of the Committee and will be governed by the terms and conditions of the applicable grant agreement and the VMware Amended and Restated 2007 Equity and Incentive Plan (the “**Plan**”). The details of the grant recommendation are as follows:



- An RSU award for 32,867 RSUs. Subject to continued employment, the RSU award will vest over four years from the vesting base date, with 25% of the RSUs vesting after 12 months, and the remaining shares vesting 12.5% semi-annually thereafter. The vesting base date will be June 1, 2021.
- A PSU award for 32,867 PSUs. Each PSU may convert into a number of Shares based on achievement against performance metrics previously established by the Committee for the Company's FY22 Operating PSU Plan. Subject to continued employment, the PSU award will vest on April 1, 2024.

#### **FY22 TSR PSU Equity Award**

In addition to the above-referenced equity award, a recommendation will be made to the Committee that you be granted a promotional PSU award ("TSR PSU") determined with a value of \$10,000,000 based on a Monte-Carlo simulation-based probability model based on the TSR values specified in the award terms attached as Schedule A. The number of PSUs and the baseline stock price used for measuring TSR appreciation will be determined as of the close of trading on the Effective Date. Subject to continuing employment, the TSR PSU award will vest and may convert into Shares based on achievement against performance metrics as set forth in the attached Schedule A.

#### **Change in Control**

You are eligible to participate in the Company's Change in Control Program, as it may be amended from time to time subject to your execution of the enclosed consent. For more details on the CIC Program, please refer to the enclosed VMware Change in Control Retention Plan.

#### **Executive Severance Plan**

You are eligible to participate in the Company's Executive Severance Plan, as it may be amended from time to time, subject to your execution of the enclosed consent. For the avoidance of doubt, no longer holding or sharing the position of President (or a more senior position) in a public company would qualify as "Good Reason" as defined under the Executive Severance Plan. For more details on the Executive Severance Plan, please refer to the enclosed VMware Executive Severance Plan.

#### **Section 409A Exemption**

It is intended that the payments and other compensation contemplated by this agreement satisfy, to the greatest extent possible, the exemption from the application of Section 409A of the Code, provided under Treasury Regulation Section 1.409A-1(b)(4) or to comply with Code Section 409A, and this agreement will be so interpreted and administered. Notwithstanding the foregoing, if the Company determines that payments and other compensation pursuant to this agreement may not either be exempt from or compliant with Code Section 409A, the Company may, with your prior written consent, adopt such amendments to this agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to (i) exempt such payments and other compensation from Code Section 409A and/or preserve



the intended tax treatment of such payments and other compensation, or (ii) comply with the requirements of Code Section 409A; provided, however, that there is no obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, and in any event, no such action will reduce the amount of payments or other compensation that is owed to you under this agreement without your prior written consent.

**Immigration**

The Company agrees to provide assistance to you in securing and maintaining authorization for employment in the U.S. The Company retains sole discretion to determine what efforts, if any, it will take in the future to secure or maintain your continuing authorization to work in the U.S., should your authorization to work in the U.S. end or otherwise lapse during the period of your employment with the Company.

**At-Will Employment**

Your employment with the Company is for no specified period and constitutes at will employment. As a result, you are free to resign at any time, for any reason. Similarly, the Company is free to conclude its employment relationship with you at any time, with or without cause, and with or without advance notice.

**Conflict of Interest**

You agree not to bring any third-party confidential information to the Company, including that of your former employers, and that in performing your duties for the Company you will not in any way utilize any such information. Further, during your employment with the Company, you agree not to engage in any other employment, consulting, or other business activity directly related to the business in which the Company is now involved or becomes involved during your employment, and neither will you engage in any other activities that conflict with your obligations to the Company. If you want to become involved in activity which might present a conflict of interest, you will immediately disclose it and seek approval through the VMware conflict of interest vetting process.

**Policy Compliance**

This offer letter, along with the enclosed policies, contain all of the terms, representations, and understandings between the parties, and supersedes all other oral or written agreements or understandings between the parties regarding these matters prior to the date hereof. By accepting this offer, you agree that you have received, read, understand and agree to comply with the enclosed VMware Employment Agreement, VMware Business Conduct Guidelines, VMware Acceptable Use Policy, Equal Employment Opportunity Policy, VMware's Global Travel and Expense Reimbursement Policy and VMware Respectful Workplace Policy as a condition of your employment. In addition, after your start date, you are expected to familiarize yourself with and comply with the Company's additional policies available on the Company's internal website.

**Background Check**

This offer is contingent upon you successfully passing the Company's background check.

As a US technology company, VMware is subject to certain restrictions with respect to nationals of the following countries: North Korea, Syria, Libya, Iran, Sudan, and Cuba. If you are a national of one of these countries, please contact the Global HR Services Team at [offers@vmware.com](mailto:offers@vmware.com).



**No Modification**

Any modification or amendment of this offer must be in writing and signed by an authorized representative of the Company and you.

Sincerely,

Paul Sagan  
Lead Independent Director, VMware Board of Directors

By providing my electronic signature below, I accept this offer of employment. I have read, understand and agree to the terms and conditions set forth within as a condition of my employment.

Signature: /s/ Sumit Dhawan

Date: May 11, 2021

Email:

**Enclosures:**

VMware Employment Agreement Rev. July, 2019  
VMware Business Conduct Guidelines Rev. May, 2021  
VMware U.S. Respectful Workplace Policy Rev. Oct. 30, 2018  
VMware U.S. Equal Employment Opportunity and Pay Transparency Policy Rev. Oct 1, 2019  
VMware Acceptable Use Policy Rev. Sep 30, 2019  
VMware Global Travel and Expense Reimbursement Policy Rev. February 15, 2021  
VMware Change in Control Plan  
VMware Executive Severance Plan

**Terms of FY22 TSR PSU Award**

<b>Performance Period:</b>	June 1, 2021 (“ <b>Effective Date</b> ”) – June 1, 2026
<b>Award Value:</b>	\$10 million
<b>Number of PSUs:</b>	Determined on the Effective Date using a Monte-Carlo simulation-based probability model of the potential appreciated value upon vesting as set forth in Table I below based on the 15-trailing trading day VWAP of VMware Class A common stock (“ <b>VMW</b> ”) on the Effective Date.
<b>Vesting Schedule:</b>	<p>50% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2024 (“<b>First Vesting Date</b>”)</p> <p>75% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2025 (“<b>Second Vesting Date</b>”)</p> <p>100% of eligible PSUs, calculated based on performance from Effective Date through June 1, 2026 (“<b>Third Vesting Date</b>”)</p> <p>On each vesting date, the number of PSUs eligible to vest on that date will be calculated pursuant to the Stock Price Appreciation Goals Table (Table I) and the Relative TSR Modifier Table (Table II). The number of PSUs that actually vest will be the percentages set forth above of each Tranche that has Funded. To the extent that the amount of PSUs calculated as eligible to vest on a subsequent vesting date is less than the total that has previously vested, the amount that will vest on the subsequent vesting date will equal zero. To the extent that the amount of PSUs calculated as eligible to vest on a subsequent vesting date exceeds the total that has previously vested, the excess amount will vest on the subsequent vesting date.</p> <p>See Examples 1 and 2 in the Appendix.</p>
<b>Holding Period Requirement:</b>	To the extent that PSUs vest on either or both of the First Vesting Date and the Second Vesting Date, 50% of the net shares of VMware Class A common stock (the “ <b>Shares</b> ”) issued after tax withholdings must be held and may not be sold, pledged or used as the basis of any swap or other derivative instrument until June 1, 2026, regardless of any earlier termination of employment.
<b>Conversion Ratio:</b>	Each PSU that vests on a vesting date will convert to one Share.
<b>Base Price:</b>	The VMW Base Price (“ <b>Base Price</b> ”) will be measured based on a 15-trailing trading day VWAP of VMW ending on and including the Effective Date.

**Table I: Stock Price Appreciation Goals**

	<b>Stock Price Appreciation Hurdle</b>	<b>Total Funded PSUs</b>
Tranche 1	+50% above Base Price	12.5% of total PSUs
Tranche 2	+75% above Base Price	25.0% of total PSUs
Tranche 3	+100% above Base Price	37.5% of total PSUs
Tranche 4	+125% above Base Price	50.0% of total PSUs
Tranche 5	+150% above Base Price	62.5% of total PSUs
Tranche 6	+200% above Base Price	75.0% of total PSUs
Tranche 7	+250% above Base Price	87.5% of total PSUs
Tranche 8	+300% above Base Price	100.0% of total PSUs

**Stock Price Appreciation Measurement:**

Stock price appreciation will be measured based on 90-trailing trading day VWAP of VMW (“**90-day VWAP**”). The VMW 90-day VWAP will be measured on each day of the performance period. When the VMW 90-day VWAP equals or exceeds a stock price appreciation hurdle set forth in the above table (a “**Stock Price Appreciation Hurdle**”) during the performance period, that hurdle is considered achieved.

PSUs become “**Funded**” once a Stock Price Appreciation Hurdle is achieved. Additional PSUs are not Funded until the next higher Stock Price Appreciation Hurdle is achieved. PSUs remain Funded with respect to a Stock Price Appreciation Hurdle even if the VWAP subsequently drops below that hurdle.

**Relative TSR Modifier:**

VMware’s relative total stockholder return (“**TSR**”) will be measured on each vesting date. The number of PSUs eligible to vest on a vesting date will equal the percentage of Funded shares as set forth in the following table, based on VMW’s TSR since the start of the Performance Period relative to companies in the S&P 500 Information Technology Industry Index (“**Index**”). With respect to calculating the Index TSR on a vesting date, any company that has ceased to be publicly traded due to M&A or being taken private since the Effective Date is excluded from the calculation, and the TSR for any company that has become insolvent is treated as -100%.

**Table II: Relative TSR Modifier:**

<b>VMW Relative TSR Percentile Rank</b>	<b>% of Funded Shares That Are Eligible to Vest</b>
<b>&gt;=P50</b>	<b>100%</b>
<b>P25</b>	<b>50%</b>
<b>&lt;P25</b>	<b>0%</b>

The Relative TSR Modifier is applied to the number of Funded PSUs on each vesting date to determine the total number of PSUs eligible to vest on such vesting date. Next, the percentage of PSUs eligible to vest on that date is applied to the result of the Relative TSR Modifier calculation. The result is then compared to the total number of PSUs previously vested to determine if any additional shares will vest.

Example 1 in the Appendix illustrates that zero shares are issued on the Second Vesting Date because the total number of PSUs eligible to vest on such date is less than the amount that vested on the First Vesting Date; and that on the Third Vesting Date additional shares are issued because the total number of PSUs eligible to vest on such date is greater than the total amount that vested on the previous vesting dates.

Example 2 in the Appendix illustrates that more shares are issued at each of the Second and Third Vesting Dates because the shares eligible to vest on each vesting date exceeds the total amount previously vested.

#### **Relative TSR Modifier Measurement:**

The performance of the VMW 90-day VWAP during the performance period will be compared to the 90-day VWAP of each company that remains in the Index throughout the performance period to determine VMware's percentile ranking. To make the determination, the 90-day VWAP for each company measured at the end of the trading day preceding the first day of the performance period will be compared to the respective 90-day VWAP measured at the end of the last day prior to or on the vesting date upon which the TSR Modifier is being determined.

To the extent that VMware's percentile ranking falls in between the 25<sup>th</sup> and 50<sup>th</sup> percentiles, the number of PSUs that are eligible to vest will be scaled in proportion to VMware's percentile ranking.

#### **Dividends:**

Any dividends paid by VMware or by any company in the Index during the Performance Period will be included in the calculation of the VMW 90-day VWAP and the 90-day VWAP of the companies in the Index.

**Vesting Conditions:** Participant must remain employed by VMware on a vesting date in order to receive shares that are eligible to vest on such date.

**Change in Control:** In the event of a “change-in-control” of VMware as such term is defined in VMware’s Change in Control Retention Plan in effect at the start of the performance period (“**CIC Plan**”), the consideration paid for each share of VMW will be utilized in place of the VMW 90-day VWAP for determining the Stock Price Appreciation Measurement and the Relative TSR Modifier. Additionally, the Holding Period Requirement shall terminate on the effective date of a Change in Control.

**Termination of Employment:**

1. If Participant’s employment terminates due to death or disability, this award will continue to vest on each vesting date in accordance with the terms set forth above (other than the continued employment condition set forth in “Vesting Conditions”), except that such payout will be pro-rated based on the proportion of the Performance Period that has elapsed as of the date of Participant’s termination of employment. In such event, any Shares paid out on the First Vesting Date and Second Vesting Date will not be subject to the Holding Period Requirement.
2. If Participant becomes eligible for benefits under the CIC Plan due to involuntary termination following a Change in Control of VMware (as defined in the CIC Plan), this PSU award will be eligible to vest in accordance with the terms of the CIC Plan to the extent that PSUs have become eligible to vest by applying the Stock Price Appreciation Hurdle and Relative TSR Modifier calculations as of the effective date of the Change in Control, and the Shares will not be subject to the Holding Period Requirement. Any PSUs that are not eligible to vest as of the effective date of the Change in Control will be forfeited.
3. If Participant’s employment terminates for any other reason, this award will terminate as of the termination date and no further PSUs will vest. Any Shares previously issued will remain subject to the Holding Period Requirement. This award is not eligible for acceleration under VMware’s Executive Severance Plan.



**Appendix****Example 1 (presumes no additional Stock Price Appreciation Hurdles are met after First Vesting Date)**

- (1) On Second Vesting Date less shares are eligible to vest than previously vested on the First Vesting Date so zero shares vest on the Second Vesting Date.
- (2) On Third Vesting Date, more shares are eligible to vest than the total previously vested on the First and Second Vesting Dates, so the excess number of shares vest on the Third Vesting Date.

		First Vesting Date	Second Vesting Date	Third Vesting Date
Shares Funded Based on Stock Price Appreciation Hurdle Achievement	a	1,000	1,000 (assumes no additional Hurdles achieved)	1,000 (assumes no additional Hurdles achieved)
Relative TSR vs. S&P 500 IT Index	b	>50%ile	25%ile	>50%ile
Relative TSR Modifier	c	100%	50%	100%
Application of Relative TSR Modifier to Funded PSUs	$d = a * (1 + c)$	1,000	500	1,000
Applicable Vesting Percentage	e	50%	75%	100%
Total Shares Eligible to Vest	$f = d * e$	500	375	1000
Already Vested Shares	g	n/a	500	500
<b># Shares Vesting (Minimum 0)</b>	<b><math>h = \max(f - g, 0)</math></b>	<b>500</b>	<b>0</b>	<b>500</b>
Explanation:		Hurdle and relative TSR achievement results in 1,000 shares, but only 50% of achieved shares may vest on First Vesting Date.	Although only 375 shares are eligible to vest at Second Vesting Date and 500 shares previously vested, no shares are required to be returned.	Hurdle and relative TSR achievement results in 1,000 shares to vest at Third Vesting Date, of which 500 already vested, so remaining 500 vest on Third Vesting Date.

**Example 2 (presumes no additional Stock Price Appreciation Hurdles are met after First Vesting Date)**

- (1) On Second Vesting Date more shares are eligible to vest than previously vested on the First Vesting Date so the excess shares vest on the Second Vesting Date.
- (2) On Third Vesting Date, more shares are eligible to vest than the total previously vested on the First and Second Vesting Dates, so the excess number of shares vest on the Third Vesting Date.

		First Vesting Date	Second Vesting Date	Third Vesting Date
Shares Funded Based on Stock Price Appreciation Hurdle Achievement	a	1,000	1,000 (assumes no additional Hurdles achieved)	1,000 (assumes no additional Hurdles achieved)
Relative TSR vs. S&P 500 IT Index	b	>50%ile	37.5%ile	>50%ile
Relative TSR Modifier	c	100%	75%	100%
Application of Relative TSR Modifier to Funded PSUs	$d = a * (1 + c)$	1,000	750	1,000
Applicable Vesting Percentage	e	50%	75%	100%
Total Shares Eligible to Vest	$f = d * e$	500	562.5	1000
Already Vested Shares	g	n/a	500	562
<b># Shares Vesting (Minimum 0)</b>	<b><math>h = \max(f - g, 0)</math></b>	<b>500</b>	<b>62</b>	<b>438</b>
Explanation:		Hurdle and relative TSR achievement results in 1,000 shares, but only 50% of achieved shares may vest on First Vesting Date.	562.5 shares are eligible to vest at Second Vesting Date and 500 shares previously vested, so 62 shares are eligible to vest on the Second Vesting Date.	Hurdle and relative TSR achievement results in 1,000 shares to vest at Third Vesting Date, of which 562 already vested, so remaining 438 vest on Third Vesting Date.

## VMware Board Names Raghu Raghuram as CEO

*Sumit Dhawan Appointed President, Zane Rowe to Continue as CFO*

*Announces Preliminary Q1 FY22 Results*

PALO ALTO, Calif.—May 12, 2021— VMware (NYSE: VMW) today announced that its Board of Directors has appointed Rangarajan (Raghu) Raghuram as Chief Executive Officer and member of the Board of Directors, effective June 1, 2021. An industry veteran, Raghuram is a strategic business leader who currently holds the position of Executive Vice President and Chief Operating Officer, Products and Cloud Services at VMware.

“I am thrilled to have Raghu step into the role of CEO at VMware. Throughout his career, he has led with integrity and conviction, playing an instrumental role in the success of VMware,” commented Michael Dell, chairman of the VMware Board of Directors. “Raghu is now in position to architect VMware’s future, helping customers and partners accelerate their digital businesses in this multi-cloud world.”

Since joining VMware in 2003, Raghuram has helped steer the company’s strategic direction and its technology evolution throughout VMware’s rich history. He helped grow the core virtualization business, drove VMware’s software defined data center strategy, constructed and guided VMware’s cloud computing business and SaaS transformation efforts, played a pivotal role in the company’s M&A strategy, and has been key in driving partnerships with Dell Technologies, hyper-scalers and other strategic partners.

“VMware is uniquely poised to lead the multi-cloud computing era with an end-to-end software platform spanning clouds, the data center and the edge, helping to accelerate our customers’ digital transformations,” said Raghu Raghuram. “I am honored, humbled and excited to have been chosen to lead this company to a new phase of growth. We have enormous opportunity, we have the right solutions, the right team, and we will continue to execute with focus, passion, and agility.”

“After a thorough and thoughtful search, the Board concluded that Raghu is the best person to lead the company as CEO, because he embodies our innovative culture, represents our values, and has a clear vision for VMware’s future,” said Paul Sagan, VMware’s lead independent director. “We also want to thank Zane Rowe for his leadership as Interim CEO and the crucial role he plays continuing as CFO.”

VMware also announced that Sumit Dhawan has been named President, leading all go-to-market functions including Worldwide Sales, Worldwide Partner and Commercial Organization, Customer Experience and Success (CXs), Marketing, and Communications. With his broad experience building and scaling subscription businesses and his customer-centric orientation, Dhawan is ideally suited to take on leadership of these teams. Dhawan currently serves as Senior Vice President and Chief Customer Officer at VMware where he has helped design the business strategy for emerging multi-cloud and subscriptions offerings, transforming how VMware’s customers can consume VMware services.

Sanjay Poonen, currently Chief Operating Officer, Customer Operations, has made the personal decision to leave VMware after his 7 years at the company, most recently leading Customer Operations and prior to that leading End-User Computing. “On behalf of the Board and the company, we thank Sanjay for his many contributions to VMware and wish him well in his future endeavors,” commented Sagan.

“I extend my warm congratulations to Raghu on his promotion to CEO and know he will take the company to new heights,” commented Sanjay Poonen, Chief Operating Officer, Customer Operations, VMware. “I will be cheering on the company’s success, as I embark on my next adventure.”

### **Preliminary Results for Q1, Fiscal Year 2022**

Revenue for the first quarter of fiscal 2022 is expected to be \$2.994 billion, an increase of 9.5% from the first quarter of fiscal 2021.

The combination of Subscription and SaaS and license revenue is expected to be \$1.387 billion, an increase of 12.5% from the first quarter of fiscal 2021.

GAAP operating margin for the first quarter is expected to be 18.7%, and non-GAAP operating margin is expected to be 30.8%.

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GAAP net income per diluted share is expected to be \$1.01 per diluted share, and non-GAAP net income per diluted share is expected to be \$1.76 per diluted share.

Additional details regarding VMware's first quarter financial results will be announced after market close on Thursday, May 27, 2021. The company will host a conference call at 1:30 p.m. PT/ 4:30 p.m. ET that day to review financial results and business outlook. A live web broadcast of the event will be available on the VMware Investor Relations website at <http://ir.vmware.com>. The replay of the webcast will be available for two months.

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## **About VMware**

VMware software powers the world's complex digital infrastructure. The company's cloud, app modernization, networking, security, and digital workspace offerings help customers deliver any application on any cloud across any device. Headquartered in Palo Alto, California, VMware is committed to being a force for good, from its breakthrough technology innovations to its global impact. For more information, please visit <https://www.vmware.com/company.html>.

## **Additional Information**

VMware's website is located at [www.vmware.com](http://www.vmware.com), and its investor relations website is located at <http://ir.vmware.com>. VMware's goal is to maintain the investor relations website as a portal through which investors can easily find or navigate to pertinent information about VMware, all of which is made available free of charge. The additional information includes: materials that VMware files with the SEC; announcements of investor conferences, speeches and events at which its executives talk about its products, services and competitive strategies; webcasts of its quarterly earnings calls, investor conferences and events (archives of which are also available for a limited time); additional information on its financial metrics, including reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures; press releases on quarterly earnings, product and service announcements, legal developments and international news; corporate governance information; other news, blogs and announcements that VMware may post from time to time that investors may find useful or interesting; and opportunities to sign up for email alerts and RSS feeds to have information pushed in real time.

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## **Use of Non-GAAP Financial Measures**

Reconciliations of non-GAAP financial measures to VMware's financial results as determined in accordance with GAAP are included at the end of this press release following the accompanying financial data. For a description of these non-GAAP financial measures, including the reasons management uses each measure, please see "About Non-GAAP Financial Measures."

## **Forward-Looking Statements**

This press release contains forward-looking statements including, among other things, statements regarding preliminary financial results for the first quarter of VMware's fiscal year 2022 ("FY22 Q1"), including with respect to expectations for revenue, combined subscription and SaaS and license revenue, GAAP and non-GAAP operating margin and GAAP and non-GAAP net income per diluted share. These forward-looking statements are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward-looking statements as a result of certain risk factors. VMware's expectations about its quarterly results are based on preliminary information about FY22 Q1 and are subject to revision. Although the quarter is now completed, VMware is still completing its standard financial reporting closing procedures. Accordingly, as VMware completes its normal quarter-end closing and review processes, actual results could differ materially from its preliminary estimates. Factors that could cause VMware's actual results for the FY22 Q1 to differ materially from those contemplated by these forward-looking statements include, but are not limited to: (1) quarter-end closing and review processes developments, such as changes in preliminary results due to inaccurate data or assumptions, unforeseen expenses, changes in estimates or judgments related to tax liabilities, potential goodwill impairments, potential litigation, bad debts or other contingencies, and facts or circumstances affecting the application of VMware's critical accounting policies, including revenue recognition; (2) disruptions resulting from personnel changes; (3) the impact of the COVID-19 pandemic on our operations; (4) the continued risk of litigation and regulatory actions; (5) VMware's relationship with Dell Technologies and Dell's ability to control matters requiring stockholder approval, including the election of VMware's board members and matters relating to Dell's investment in VMware; and (6) risks associated with cyber-attacks, information security and data privacy. These forward-looking statements are made as of the

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date of this press release, are based on current expectations and are subject to uncertainties and changes in condition, significance, value and effect as well as other risks detailed in documents filed with the Securities and Exchange Commission, including VMware's most recent reports on Form 10-K and Form 10-Q and current reports on Form 8-K that we may file from time to time, which could cause actual results to vary from expectations. VMware assumes no obligation to, and does not currently intend to, update any such forward-looking statements after the date of this release.

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**VMware, Inc.**  
**PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP OPERATING MARGIN**  
**(unaudited)**

	<b>Three Months Ended April 30, 2021</b>
GAAP operating margin	18.7%
Stock-based compensation	8.8
Intangible amortization	2.6
Acquisition, disposition and other items	0.7
Non-GAAP operating margin	<u>30.8%</u>

**VMware, Inc.**  
**PRELIMINARY RECONCILIATION OF GAAP TO NON-GAAP NET INCOME PER DILUTED SHARE**  
**(unaudited)**

	<b>Three Months Ended April 30, 2021</b>
GAAP net income per diluted share	\$ 1.01
Stock-based compensation	0.62
Intangible amortization	0.18
Acquisition, disposition and other items	0.14
Tax adjustment	(0.19)
Non-GAAP net income per diluted share	<u>\$ 1.76</u>

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## About Non-GAAP Financial Measures

To provide investors and others with additional information regarding VMware's results, VMware has disclosed in this preliminary earnings release the following non-GAAP financial measures: non-GAAP operating margin and non-GAAP net income per diluted share. VMware has provided a reconciliation of each non-GAAP financial measure used in this preliminary earnings release to the most directly comparable GAAP financial measure. These non-GAAP financial measures differ from GAAP in that they exclude stock-based compensation, employer payroll taxes on employee stock transactions, amortization of acquired intangible assets, realignment charges, acquisition, disposition and other items, and discrete items that impacted our GAAP tax rate, each as discussed below. Our non-GAAP financial measures also reflect the application of our non-GAAP tax rate.

VMware's management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, to calculate bonus payments and to evaluate VMware's financial performance, the performance of its individual functional groups and the ability of operations to generate cash. Management believes these non-GAAP financial measures reflect VMware's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in VMware's business, as they exclude charges and gains that are not reflective of ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating VMware's operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies. Additionally, management believes information regarding free cash flow provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to repurchase shares, to fund ongoing operations and to fund other capital expenditures.

Management believes these non-GAAP financial measures are useful to investors and others in assessing VMware's operating performance due to the following factors:

- *Stock-based compensation.* Stock-based compensation is generally fixed at the time the stock-based instrument is granted and amortized over a period of several years. Although stock-based compensation is an important aspect of the compensation of VMware's employees and executives, the expense for the fair value of the stock-based instruments VMware utilizes may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of VMware's core business.
- *Employer payroll taxes on employee stock transactions.* The amount of employer payroll taxes on stock-based compensation is dependent on VMware's stock price and other factors that are beyond VMware's control and do not correlate to the operation of the business.
- *Amortization of acquired intangible assets.* A portion of the purchase price of VMware's acquisitions is generally allocated to intangible assets, such as intellectual property, and is subject to amortization. However, VMware does not acquire businesses on a predictable cycle. Additionally, the amount of an acquisition's purchase price allocated to intangible assets and the term of its related amortization can vary significantly and are unique to each acquisition. Therefore, VMware believes that the presentation of non-GAAP financial measures that adjust for the amortization of intangible assets provides investors and others with a consistent basis for comparison across accounting periods.
- *Realignment charges.* Realignment charges include workforce reductions, asset impairments, losses on asset disposals and costs to exit facilities. VMware's management believes it is useful to exclude these items, when significant, as they are not reflective of VMware's core business and operating results.
- *Acquisition, disposition and other items.* As VMware does not acquire or dispose of businesses on a predictable cycle and the terms of each transaction can vary significantly and are unique to each transaction, VMware believes it is useful to exclude acquisition, disposition and other items when looking for a consistent basis for comparison across accounting periods. These items include:
  - Direct costs of acquisitions and dispositions, such as transaction and advisory fees.
  - Costs associated with integrating acquired businesses.
  - Accruals for the portion of merger consideration payable in installments that may be paid in cash or VMware stock, at the option of VMware.
  - Gains or losses on investments in equity securities, whether realized or unrealized.
  - Charges recognized for non-recoverable strategic investments or gains recognized on the disposition of strategic investments.

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- Gains or losses on sale or disposal of distinct lines of business or product offerings, or transactions with features similar to discontinued operations, including recoveries or charges recognized to adjust the fair value of assets that qualify as “held for sale.”
  - *Certain litigation and other contingencies.* VMware, from time to time, may incur charges or benefits that are outside of the ordinary course of VMware’s business related to litigation and other contingencies. VMware believes it is useful to exclude such charges or benefits because it does not consider such amounts to be part of the ongoing operation of VMware’s business and because of the singular nature of the claims underlying such matters.
  - *Tax adjustment.* Non-GAAP financial information for the quarter is adjusted for a tax rate equal to VMware’s annual estimated tax rate on non-GAAP income. This rate is based on VMware’s estimated annual GAAP income tax rate forecast, adjusted to account for items excluded from GAAP income in calculating VMware’s non-GAAP income as well as significant tax adjustments. VMware’s estimated tax rate on non-GAAP income is determined annually and may be adjusted during the year to take into account events or trends that VMware management believes materially impact the estimated annual rate including, but not limited to, significant changes resulting from tax legislation, material changes in the geographic mix of revenue and expenses, changes to our corporate structure and other significant events. Due to the differences in the tax treatment of items excluded from non-GAAP earnings, as well as the methodology applied to VMware’s estimated annual tax rates as described above, the estimated tax rate on non-GAAP income may differ from the GAAP tax rate and from VMware’s actual tax liabilities.

The use of non-GAAP financial measures has certain limitations because they do not reflect all items of income and expense that affect VMware’s operations. Specifically, in the case of stock-based compensation, if VMware did not pay out a portion of its compensation in the form of stock-based compensation and related employer payroll taxes, the cash salary expense included in operating expenses would be higher, which would affect VMware’s cash position. VMware compensates for these limitations by reconciling the non-GAAP financial measures to the most comparable GAAP financial measures. These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP and should not be considered measures of VMware’s liquidity. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited.

Management encourages investors and others to review VMware’s financial information in its entirety and not rely on a single financial measure.