NetApp, Inc.
Form 10-Q
December 02, 2016

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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 October 28, 2016

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 000-27130

NetApp, Inc.

(Exact name of registrant as specified in its charter)

Delaware	77-0307520
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

495 East Java Drive,

Sunnyvale, California 94089

(Address of principal executive offices, including zip code)

(408) 822-6000

(Registrant’s telephone number, including area code)

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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 18, 2016, there were 275,377,627 shares of the registrant's common stock, $0.001 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

NETAPP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value)

(Unaudited)

	October 28, 2016	April 29, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,113	$ 2,868
Short-term investments	2,244	2,435
Accounts receivable	547	813
Inventories	97	98
Other current assets	219	234
Total current assets	5,220	6,448
Property and equipment, net	949	937
Goodwill	1,676	1,676
Other intangible assets, net	158	180
Other non-current assets	759	796
Total assets	$ 8,762	$ 10,037
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 253	$ 254
Accrued expenses	620	765
Short-term loan	—	849
Short-term deferred revenue and financed unearned services revenue	1,655	1,794
Total current liabilities	2,528	3,662
Long-term debt	1,492	1,490
Other long-term liabilities	407	413
Long-term deferred revenue and financed unearned services revenue	1,546	1,591
Total liabilities	5,973	7,156
Commitments and contingencies (Note 15)		

Stockholders' equity:		
Common stock and additional paid-in capital, $0.001 par value, (276 and 281 shares issued and outstanding as of October 28, 2016 and April 29, 2016, respectively)	2,830	2,912
Retained earnings	—	—
Accumulated other comprehensive loss	(41)	(31)
Total stockholders' equity	2,789	2,881
Total liabilities and stockholders' equity	$ 8,762	$ 10,037

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Revenues:				
Product	$710	$ 815	$1,370	$ 1,479
Software maintenance	242	233	483	481
Hardware maintenance and other services	388	397	781	820
Net revenues	1,340	1,445	2,634	2,780
Cost of revenues:				
Cost of product	376	408	735	753
Cost of software maintenance	7	9	15	19
Cost of hardware maintenance and other services	128	144	258	308
Total cost of revenues	511	561	1,008	1,080
Gross profit	829	884	1,626	1,700
Operating expenses:				
Sales and marketing	418	448	847	940
Research and development	200	216	407	460
General and administrative	69	74	137	153
Restructuring and other charges	—	1	—	28
Total operating expenses	687	739	1,391	1,581
Income from operations	142	145	235	119
Other income (expense), net	—	(1)	(1)	3
Income before income taxes	142	144	234	122
Provision for income taxes	33	30	61	38
Net income	$109	$ 114	$173	$ 84
Net income per share:				
Basic	$0.39	$ 0.39	$0.62	$ 0.28
Diluted	$0.38	$ 0.39	$0.61	$ 0.28
Shares used in net income per share calculations:				
Basic	278	294	278	299
Diluted	284	296	283	302
Cash dividends declared per share	$0.190	$ 0.180	$0.380	$ 0.360

See accompanying notes to condensed consolidated financial statements.

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NETAPP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

.	Three Months Ended		Six Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net income	$109	$ 114	$173	$ 84
Other comprehensive income (loss):				
Foreign currency translation adjustments	(5)	(1)	(11)	(2)
Defined benefit obligations:				
Reclassification adjustments related to defined benefit obligations	1	1	1	2
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding losses arising during the period	(5)	—	(2)	(9)
Reclassification adjustments for gains included in net income	—	(1)	—	(1)
Unrealized gains (losses) on cash flow hedges:				
Unrealized holding gains (losses) arising during the period	—	(1)	3	(3)
Reclassification adjustments for (gains) losses included in net income	(1)	1	(1)	2
Other comprehensive loss	(10)	(1)	(10)	(11)
Comprehensive income	$99	$ 113	$163	$ 73

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Six Months Ended	
	October 28, 2016	October 30, 2015
Cash flows from operating activities:		
Net income	$173	$ 84
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117	136
Stock-based compensation	103	136
Deferred income taxes	28	(79)
Other non-cash items, net	(15)	27
Changes in assets and liabilities:		
Accounts receivable	264	189
Inventories	1	21
Other operating assets	49	59
Accounts payable	(13)	(60)
Accrued expenses	(138)	(88)
Deferred revenue and financed unearned services revenue	(179)	(137)
Other operating liabilities	(4)	(14)
Net cash provided by operating activities	386	274
Cash flows from investing activities:		
Purchases of investments	(795)	(886)
Maturities, sales and collections of investments	985	1,674
Purchases of property and equipment	(92)	(84)
Other investing activities, net	(1)	—
Net cash provided by investing activities	97	704
Cash flows from financing activities:		
Issuance of common stock under employee stock award plans	25	25
Repurchase of common stock	(292)	(613)
Repayment of short-term loan	(850)	—
Dividends paid	(105)	(107)
Other financing activities, net	(3)	1
Net cash used in financing activities	(1,225)	(694)
Effect of exchange rate changes on cash and cash equivalents	(13)	(8)
Net increase (decrease) in cash and cash equivalents	(755)	276
Cash and cash equivalents:		
Beginning of period	2,868	1,922

End of period	$2,113	$ 2,198

See accompanying notes to condensed consolidated financial statements.

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NETAPP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Significant Accounting Policies

NetApp, Inc. (we, us, or the Company) provides software, systems and services to manage and store computer data. We enable enterprises, service providers, governmental organizations, and partners to envision, deploy and evolve their information technology environments and to reduce costs and risk while driving growth and success for their organizations.

Basis of Presentation and Preparation

Our fiscal year is reported on a 52- or 53-week year ending on the last Friday in April. An additional week is included in the first fiscal quarter approximately every six years to realign fiscal months with calendar months. Fiscal year 2017, ending on April 28, 2017, is a 52-week year, with 13 weeks in each of its quarters. Fiscal year 2016, which ended on April 29, 2016, was a 53-week year, with 14 weeks in its first quarter and 13 weeks in each subsequent quarter.

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, and reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows for the interim periods presented. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these statements do not include all information and footnotes required by GAAP for annual consolidated financial statements, and should be read in conjunction with our audited consolidated financial statements as of and for the fiscal year ended April 29, 2016 contained in our Annual Report on Form 10-K. The results of operations for the three and six months ended October 28, 2016 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods.

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include, but are not limited to, revenue recognition, reserves and allowances; inventory valuation and purchase order accruals; valuation of goodwill and intangibles; restructuring reserves; product warranties; employee benefit accruals; stock-based compensation; loss contingencies; investment impairments; income taxes and fair value measurements. Actual results could differ materially from those estimates.

Accounting Change – In the first quarter of fiscal 2017, we early adopted a new accounting standards update that the Financial Accounting Standards Board (FASB) issued in March 2016 that simplifies the accounting for certain aspects of stock-based payments to employees. The new standard requires that certain amendments relevant to us be applied using a modified-retrospective transition method by means of a cumulative-effect adjustment to retained earnings as of the beginning of the period in which the guidance is adopted.

In connection with the adoption, we elected to account for forfeitures as they occur and the cumulative-effect impact of that change in accounting policy was a $7 million increase in retained earnings and a corresponding decrease in additional paid-in capital as of April 30, 2016. We also recorded a $3 million cumulative-effect adjustment decrease to retained earnings and a related decrease in deferred tax assets related to the forfeiture rate policy change on outstanding stock-based awards as of April 30, 2016. The standard also eliminates the requirement that excess tax benefits be realized before companies can recognize them. Accordingly, we recorded a $17 million cumulative-effect adjustment increase in retained earnings and an offsetting increase in deferred tax assets for previously unrecognized excess tax benefits as of April 30, 2016.

The new standard eliminated the requirement to report excess tax benefits and certain tax deficiencies related to share-based payment transactions as additional paid-in capital. As a result, we recognized $17 million of tax deficiencies in our provision for income taxes, rather than additional paid–in capital, for the six months ended October 28, 2016.

We elected to report cash flows related to excess tax benefits on a prospective basis. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to our statements of cash flows since such cash flows have historically been presented as a financing activity.

There have been no other significant changes in our significant accounting policies as of and for the six months ended October 28, 2016, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 29, 2016.

2. Recent Accounting Standards Not Yet Effective

In May 2014, the FASB issued an accounting standards update related to the recognition and reporting of revenue that establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The guidance allows for the use of either the full or modified retrospective transition method. This new standard, as amended, will be effective for us in our first quarter of fiscal 2019, although adoption in our first quarter of fiscal 2018 is permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as which transition method we intend to use and our planned adoption date.

In February 2016, the FASB issued an accounting standards update on financial reporting for leasing arrangements, including requiring lessees to recognize an operating lease with a term greater than one year on their balance sheets as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. This new standard will be effective for us in our first quarter of fiscal 2020, although early adoption is permitted. Upon adoption, lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as our planned adoption date.

In June 2016, the FASB issued an accounting standards update on the measurement of credit losses on financial instruments. The standard introduces a new model for measuring and recognizing credit losses on financial instruments, requiring financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. It also requires that credit losses be recorded through an allowance for credit losses. This new standard will be effective for us in our first quarter of fiscal 2021, although early adoption in our first quarter of fiscal 2020 is permitted. Upon adoption, companies must apply a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings, though a prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as our planned adoption date.

In October 2016, the FASB issued an accounting standards update that requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This amends current GAAP which prohibits recognition of current and deferred income taxes for all types of intra-entity asset transfers until the asset has been sold to an outside party. This new standard will be effective for us in our first fiscal quarter of fiscal 2019, although early adoption in our first quarter of fiscal 2018 is permitted. Upon adoption, companies must apply a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as our planned adoption date.

3. Statements of Cash Flows Additional Information

Non-cash investing activities and supplemental cash flow information are as follows (in millions):

	Six Months Ended	
	October 28,	October 30,

	2016	2015
Non-cash Investing Activities:		
Capital expenditures incurred but not paid	$ 35	$ 15
Supplemental Cash Flow Information:		
Income taxes paid, net of refunds	$ 70	$ 94
Interest paid	$ 23	$ 20

4. Purchased Intangible Assets, Net

Purchased intangible assets, net are summarized below (in millions):

	October 28, 2016			April 29, 2016		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Developed technology	$ 148	$ (28)	$ 120	$ 403	$ (289)	$ 114
Customer contracts/relationships	43	(11)	32	46	(7)	39
Other purchased intangibles	9	(3)	6	10	(2)	8
Total intangible assets subject to amortization	200	(42)	158	459	(298)	161
In-process research and development	—	—	—	19	—	19
Total purchased intangible assets	$ 200	$ (42)	$ 158	$ 478	$ (298)	$ 180

As of October 28, 2016, the in-process research and development project related to the SolidFire acquisition had been completed, and the associated intangible asset was included in developed technology.

Amortization expense for purchased intangible assets is summarized below (in millions):

	Three Months Ended October 28, 2016	Three Months Ended October 30, 2015	Six Months Ended October 28, 2016	Six Months Ended October 30, 2015	Statement of Operations Classifications
Developed technology	$ 7	$ 14	$ 13	$ 28	Cost of revenues
Customer contracts/relationships	3	—	7	—	Operating expenses
Other purchased intangibles	1	—	2	—	Operating expenses
Total	$ 11	$ 14	$ 22	$ 28	

As of October 28, 2016, future amortization expense related to purchased intangible assets subject to amortization is as follows (in millions):

Fiscal Year	Amount
Remainder of 2017	$ 26
2018	49
2019	42
2020	26
2021	15
Total	$ 158

5. Balance Sheet Details

Cash and cash equivalents (in millions):

	October 28, 2016	April 29, 2016
Cash	$ 1,876	$ 2,714
Cash equivalents	237	154
Cash and cash equivalents	$ 2,113	$ 2,868

Inventories (in millions):

	October 28, 2016	April 29, 2016
Purchased components	$ 10	$ 10
Finished goods	87	88
Inventories	$ 97	$ 98

Property and equipment, net (in millions):

	October 28, 2016	April 29, 2016
Land	$215	$215
Buildings and improvements	605	605
Leasehold improvements	107	106
Computer, production, engineering and other equipment	749	751
Computer software	352	352
Furniture and fixtures	88	88
Construction-in-progress	135	74
	2,251	2,191
Accumulated depreciation and amortization	(1,302)	(1,254)
Property and equipment, net	$949	$937

Other non-current assets (in millions):

	October 28, 2016	April 29, 2016
Deferred tax assets	$ 590	$ 621
Other assets	169	175
Other non-current assets	$ 759	$ 796

Accrued expenses (in millions):

	October 28, 2016	April 29, 2016
Accrued compensation and benefits	$ 288	$ 371
Product warranty liability	36	48
Other current liabilities	296	346
Accrued expenses	$ 620	$ 765

Product warranty liabilities:

Equipment and software systems sales include a standard product warranty. The following tables summarize the activity related to product warranty liabilities and their balances as reported in our condensed consolidated balance sheets (in millions):

	Three Months Ended		Six Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Balance at beginning of period	$ 61	$ 81	$ 70	$ 86
Expense accrued during the period	1	13	5	22
Warranty costs incurred	(8)	(14)	(21)	(28)
Balance at end of period	$ 54	$ 80	$ 54	$ 80

	October 28,	April 29,

	2016	2016
Accrued expenses	$ 36	$ 48
Other long-term liabilities	18	22
Total warranty liabilities	$ 54	$ 70

Warranty expense accrued during the period includes amounts accrued for systems at the time of shipment, adjustments for changes in estimated costs for warranties on systems shipped in the period and changes in estimated costs for warranties on systems shipped in prior periods.

Deferred revenue and financed unearned services revenue (in millions):

	October 28, 2016	April 29, 2016
Deferred product revenue	$ 64	$ 68
Deferred services revenue	2,928	3,100
Financed unearned services revenue	209	217
Total	$ 3,201	$ 3,385
Reported as:		
Short-term	$ 1,655	$ 1,794
Long-term	1,546	1,591
Total	$ 3,201	$ 3,385

Deferred product revenue represents unrecognized revenue related to undelivered product commitments and other product deliveries that have not met all revenue recognition criteria. Deferred services revenue represents customer payments made in advance for services, which include software and hardware maintenance contracts and other services. Financed unearned services revenue represents undelivered services for which cash has been received under certain third-party financing arrangements. See Note 15 for additional information related to these arrangements.

6. Other income (expense), net

Other income (expense), net consists of the following (in millions):

	Three Months Ended		Six Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Interest income	$10	$ 11	$21	$ 24
Interest expense	(12)	(12)	(27)	(23)
Other income, net	2	—	5	2
Total other income (expense), net	$—	$ (1)	$(1)	$ 3

7. Financial Instruments and Fair Value Measurements

The accounting guidance for fair value measurements provides a framework for measuring fair value on either a recurring or nonrecurring basis, whereby the inputs used in valuation techniques are assigned a hierarchical level. The following are the three levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs that reflect quoted prices for identical assets or liabilities in less active markets; quoted prices for similar assets or liabilities in active markets; benchmark yields, reported trades, broker/dealer quotes, inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that reflect our own assumptions incorporated in valuation techniques used to measure fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our own or the counterparty’s non-performance risk is considered in measuring the fair values of liabilities and assets, respectively.

Investments

The following is a summary of our investments (in millions):

	October 28, 2016				April 29, 2016			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$1,234	$ 4	$ (1)	$ 1,237	$1,370	$ 5	$ (1)	$ 1,374
U.S. Treasury and government debt securities	669	1	(1)	669	878	2	—	880
Foreign government debt securities	27	—	—	27	35	—	—	35
Commercial paper	476	—	—	476	202	—	—	202
Certificates of deposit	72	—	—	72	98	—	—	98
Mutual funds	32	—	—	32	30	—	—	30
Total debt and equity securities	$2,510	$ 5	$ (2)	$ 2,513	$2,613	$ 7	$ (1)	$ 2,619

As of October 28, 2016, gross unrealized losses related to individual securities were not significant.

The following table presents the contractual maturities of our debt investments as of October 28, 2016 (in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 1,149	$1,150
Due after one year through five years	1,329	1,331
	$ 2,478	$2,481

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

Fair Value of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis (in millions):

	October 28, 2016		
		Fair Value Measurements at Reporting Date Using	
	Total	Level 1	Level 2
Cash	$1,876	$1,876	$—
Corporate bonds	1,237	—	1,237
U.S. Treasury and government debt securities	669	215	454
Foreign government debt securities	27	—	27
Commercial paper	476	—	476
Certificates of deposit	72	—	72
Total cash, cash equivalents and short-term investments	$4,357	$2,091	$2,266
Other items:			
Mutual funds [1]	$6	$6	$—
Mutual funds [2]	$26	$26	$—
Foreign currency exchange contracts assets [1]	$7	$—	$7
Foreign currency exchange contracts liabilities [3]	$(2)	$—	$(2)

[1] Reported as other current assets in the condensed consolidated balance sheets
[2] Reported as other non-current assets in the condensed consolidated balance sheets
[3] Reported as accrued expenses in the condensed consolidated balance sheets

Our Level 2 debt instruments are held by a custodian who prices some of the investments using standard inputs in various asset price models or obtains investment prices from third-party pricing providers that incorporate standard inputs in various asset price models. These pricing providers utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. We review Level 2 inputs and fair value for reasonableness and the values may be further validated by comparison to multiple independent pricing sources. In addition, we review third-party pricing provider models, key inputs and assumptions and understand the pricing processes at our third-party providers in determining the overall reasonableness of the fair value of our Level 2 debt instruments. As of October 28, 2016 and April 29, 2016, we have not made any adjustments to the prices obtained from our third-party pricing providers.

Fair Value of Long-Term Debt

As of October 28, 2016 and April 29, 2016, the fair value of our long-term debt was approximately $1,533 million and $1,519 million, respectively. The fair value of our long-term debt was based on observable market prices in a less active market. All of our debt obligations are categorized as Level 2 instruments.

8. Financing Arrangements

Long-Term Debt

The following table summarizes information relating to our long-term debt (in millions, except interest rates):

	October 28, 2016		April 29, 2016	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
2.00% Senior Notes Due December 2017	$750	2.25 %	$750	2.25 %
3.375% Senior Notes Due June 2021	500	3.54 %	500	3.54 %
3.25% Senior Notes Due December 2022	250	3.43 %	250	3.43 %
Total principal amount	1,500		1,500	
Unamortized discount and issuance costs	(8)		(10)	
Total long-term debt	$1,492		$1,490	

Senior Notes

Our 3.375% Senior Notes, 2.00% Senior Notes and 3.25% Senior Notes, with a par value of $500 million, $750 million and $250 million, respectively, were issued in June 2014, December 2012 and December 2012, respectively. We collectively refer to such long-term debt as our Senior Notes. Interest on our Senior Notes is paid semi-annually on June 15 and December 15. Our Senior Notes, which are unsecured, unsubordinated obligations, rank equally in right of payment with any future senior unsecured indebtedness.

We may redeem the Senior Notes in whole or in part, at any time at our option at specified redemption prices. In addition, upon the occurrence of certain change of control triggering events, we may be required to repurchase the Senior Notes under specified terms. The Senior Notes also include covenants that limit our ability to incur debt secured by liens on assets or on shares of stock or indebtedness of our subsidiaries; to engage in certain sale and lease-back transactions; and to consolidate, merge or sell all or substantially all of our assets. As of October 28, 2016, we were in compliance with all covenants associated with the Senior Notes.

As of October 28, 2016, our aggregate future principal debt maturities are as follows (in millions):

Fiscal Year	Amount
2018	$ 750
Thereafter	750
Total	$ 1,500

Credit Facility

In December 2012, as amended in February 2016, we entered into a credit agreement with a syndicated group of lenders that is scheduled to expire on December 21, 2017 and provides for an unsecured $300 million revolving credit facility that is comprised of revolving loans, Eurocurrency loans and/or swingline loans. The credit facility includes a $100 million foreign currency sub-facility, a $50 million letter of credit sub-facility and a $10 million swingline sub-facility available on same-day notice. Available borrowings under the credit facility are reduced by the amount of any outstanding borrowings on the sub-facilities. We may also, subject to certain requirements, request an increase in the facility up to an additional $50 million and request two additional one-year extensions, subject to certain conditions. The proceeds from the facility may be used by us for general corporate purposes.

Borrowings under the facility, except for swingline loans, accrue interest i