

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Compute experienced product revenue growth in the rack and synergy server categories moderated by a revenue decline due to certain products approaching their end-of-life. Services net revenue declined primarily due to lower revenue from Russia and the impact of delayed hardware shipments on services contracts.

Compute earnings from operations as a percentage of net revenue increased 3.2 percentage points due to decreases in costs of products and services as a percentage of net revenue and operating expenses as a percentage of net revenue. The decrease in costs of products and services as a percentage of net revenue was primarily due to pricing discipline and strong cost management partially offset by unfavorable currency fluctuations and the impact of supply chain constraints and related costs.

The decrease in operating expenses as a percentage of net revenue was primarily due to cost reduction measures and lower variable compensation expense.

HPC & AI

	For the fiscal years ended October 31,			2022 vs 2021 % Change	2021 vs 2020 % Change
	2022	2021	2020		
	Dollars in millions				
Net revenue	\$3,192	\$3,184	\$3,102	0.3%	2.6%
Earnings from operations	\$ 11	\$ 231	\$ 282	(95.2)%	(18.1)%
Earnings from operations as a % of net revenue . .	0.3%	7.3%	9.1%		

Fiscal 2022 compared with fiscal 2021

HPC & AI net revenue increased by \$8 million or 0.3% (increased 1.9% on a constant currency basis) as a result of growth in HPC led by Converged Edge Systems (formerly known as Edge Compute) and in Data Solutions. The increase was moderated by a decline in net revenue from HPE Cray products as a result of supply chain constraints and other operational challenges impacting the achievement of certain customer acceptance milestones required for revenue recognition. The increase in net revenue was also moderated by lower services revenue due primarily to an unfavorable portfolio mix of service offerings and unfavorable currency fluctuations.

HPC & AI earnings from operations as a percentage of net revenue decreased 7.0 percentage points primarily due to increases in cost of products and services as a percentage of net revenue and operating expenses as a percentage of net revenue. The increase in cost of products and services as a percentage of net revenue was due primarily to higher operational costs, supply chain constraints and related cost increases, and lower revenue from higher-margin services. The increase in operating expenses as a percentage of net revenue was primarily due to higher investments in research and development which focus on high-performance computing and AI solutions, including integrating such solutions into our HPE GreenLake edge-to-cloud platform, partially offset by lower variable compensation expense.

Storage

	For the fiscal years ended October 31,			2022 vs 2021 % Change	2021 vs 2020 % Change
	2022	2021	2020		
	Dollars in millions				
Net revenue	\$4,711	\$4,760	\$4,682	(1.0)%	1.7%
Earnings from operations	\$ 682	\$ 775	\$ 810	(12.0)%	(4.3)%
Earnings from operations as a % of net revenue . .	14.5%	16.3%	17.3%		

Fiscal 2022 compared with fiscal 2021

Storage net revenue decreased by \$49 million, or 1.0% (increased 0.5% on a constant currency basis) due primarily to unfavorable currency fluctuations and supply chain constraints. Net revenue declined in Storage