Thank you, and good afternoon. Welcome to the Pure Storage First Quarter Fiscal 2020 earnings conference call.

Joining me today are our CEO, Charlie Giancarlo, our CFO, Tim Riitters, our President David Hatfield, and our VP of Strategy Matt Kixmoeller. Before we begin, I would like to remind you that during this call, management will make forward-looking statements, which are subject to various risks and uncertainties.

These include statements regarding:
- competitive, industry and technology trends
- our strategy, positioning and opportunity
- our current and future products
- business and operations - including our operating model
- growth prospects, and
- revenue and margin guidance for future periods.

Any forward-looking statements that we make are based on assumptions as of today, and we undertake no obligation to update them.

Our actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. A discussion of risks and uncertainties relating to our business is contained in our filings with the SEC, and we refer you to these public filings.

During this call, we will discuss non-GAAP measures in talking about the company's performance, and reconciliations to the most directly comparable GAAP measures are provided in our earnings press release and slides.

This call is being broadcast live on the Pure Storage Investor Relations website and is being recorded for playback purposes. An archive of the webcast will be available on the IR website for at least 45 days and is the property of Pure Storage. With that, I'll turn the call over to our CEO, Charlie Giancarlo

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Pure Storage, CEO - Charlie Giancarlo

Thank you, Matt, and good afternoon everyone. We appreciate you joining us on today's earnings call. I will begin by sharing our high-level results from the quarter, Hat will provide a go-to-market update, and finally Tim will offer a detailed review of our financials.

The fundamentals of our business are strong: we are broadening our customer base; we are delivering new innovation through both organic and inorganic investments; and we continue to delight our customers.

For Q1, revenue was $327 million, growing 28% year over year. While we are growing well above the industry average, we were not satisfied with our results this quarter. Gross Margin remained strong at 68.1% and operating margin was -9.6%. Revenue was just below the low end of our guidance, and consequently, profitability was below our guidance.

As you know, a particular area of focus has been to increase our "at bats" and expand our engagement with large Enterprise customers. To that end, we have hired aggressively, adding nearly 40% more capacity to our salesforce this last year. With this additional investment, we are seeing a significant increase in the number of large, Enterprise opportunities.

We are aggressively going after legacy storage vendors. We are consistently beating them in the Commercial market and now we are increasingly going after them in the largest Enterprise environments.

We are excited about these opportunities as we continue to expand both our product portfolio and our Enterprise business model. The shape of our business is changing for the good, but it will have more variability. Thus we believe it prudent to modestly adjust our revenue guide for the year to 27.5% annual growth.

We continue to position Pure ahead of the relevant trends that are top priorities for CIOs: hybrid cloud; fast, consolidated data architectures; AI and analytics; and rapid recovery from failure. I want to share some highlights on our work in these areas this past quarter.

Pure is leading the industry with DirectFlash Fabric on FlashArray, a HyperScale Architecture enabling large scale stateless compute. HyperScale Architecture leverages Pure shared storage with direct attached performance for modern efficient application environments.

ObjectEngine, which became generally available in Q1, is resonating with customers, delivering on our vision that customers need rapid restoration of critical data and applications rather than just backup. Customers can now recover data in minutes versus hours or days by using ObjectEngine with FlashBlade on-prem. And by using AWS S3, ObjectEngine becomes a cost-effective archive destination for long-term data retention, enabling additional uses of data in the cloud.

ObjectEngine is just one part of our comprehensive suite of Cloud Data Services. We are enabling our core FlashArray software, Purity, to run natively in the public cloud. Cloud Block Store, which delivers enterprise-grade storage on the public cloud, is now many months into beta use with great customer feedback.

Lastly, this quarter we acquired Compuverde, a leading developer of file software solutions for enterprises and cloud providers. Their highly scalable software will accelerate our roadmap to provide a unified file and block offering - opening new markets for Pure, and expanding our file capabilities for Pure customers.

We remain excited about the opportunities in front of us. We have a $50B total addressable market in multiple product segments that are essential to powering modern digital businesses. We continue to delight our customers, expanding in accounts once we are established. We continue to take market share in our industry and are extending our Enterprise sales motion. And we have a strong pipeline of new and innovative products to enable continued growth of our business.

We are confident in the investments we are making.

With that, I'll turn it over to Hat.

President - David Hatfield

Thanks, Charlie. Pure's strategy remains clear -- to deliver the technology, the customer experience and business model that enterprises want, setting the company completely apart from the industry.

Our investments in and focus on the enterprise, largest clouds/service providers and governments globally is working, but it is changing the shape of our business and this impacted our Q1 results.

First, we added over 40% new sales capacity in the past year, including nearly 30% in the past six months alone. This, together with typical account transitions that occur at the beginning of a fiscal year, took more focus than expected. Second, the mix of large enterprise deals increased by 2x more than it has been historically, reflecting solid progress as we move upmarket. However, these transactions tend to take longer to close and have more variability.

As we enter Q2, the account transitions are behind us, the series of large deals we had in Q1 are still active, and the changing shape of the business is reflected in our guidance for the year. The underlying metrics of repeat purchases, customer retention, partner leverage, and win rates are all continuing to perform nicely.

The core of our business -- Cloud, Commercial, and Public Sector is strong, growing over 30% year-over-year. We finished the quarter with approximately 6,200 total customers, greater than 350 new customers in Q1, equating to more than five new customer additions per day. In addition, we're pleased with our growth in international markets, contributing to 30% of revenue in the quarter.

Shifting to our portfolio, we continue to be excited with the speed of innovation supporting Pure's four growth areas: Hybrid Cloud, Fast Consolidated Data Architectures, AI/analytics and Rapid Restore. These capabilities expand our TAM, while also increasing relevance with senior executives and new buying centers.

Pure's cloud strategy is resonating and in particular, Cloud Block Store beta customers including Mid-America Labs have seen early success with key use cases such as disaster recovery and application migration. This quarter, we also announced the expansion of our Evergreen Storage Service -- ES2 -- providing customers with a unified subscription model across hybrid environments. Enterprises can now use Pure's storage-as-a-service model on-premises, hosted, and in the cloud without the need to manage multiple subscriptions or purchase separate, overlapping capacity.

Next, we see continued progress with AI initiatives and Pure is paving the way with solutions -- from early inception to large-scale production. This quarter, customers across several industries -- including Geisinger Health, have chosen the AIRI converged platform from Pure, NVIDIA, and Cisco as the backbone of their AI deployments to gain better insights into their data.

And finally, this quarter UK Ministry of Defense and the University of Texas MD Anderson Cancer Center have both chosen FlashBlade, signaling the excitement around our Flash-to-Flash-to-Cloud architecture and Rapid Restore use case. This is yet another proof point for Pure beginning to disrupt the roughly $8 billion data protection market.

Shifting to our go-to-market momentum, Pure's partner ecosystem continues to broaden and deliver real impact to the business. We saw another good quarter from national partners with solid year-over-year growth and increased net new logo contribution. Strategic alliance partnerships were also a bright spot in Q1, particularly with next-gen analytics use cases like

Spark, Elastic, and Splunk. And perhaps most exciting, as we execute on our cloud strategy, our relationship with AWS is advancing through further joint engineering development, sales enablement, and global alignment.

We also continue to see success driving large enterprise and government businesses through Global Systems Integrators with a combination of “sell to” activities, migrating dozens of the largest global enterprises onto Pure as a part of their managed services AND “sell with” motions building new pipeline and at bats from our joint offerings.

In summary, we are as excited as ever with the added sales capacity, continued rate of innovation and expanding partner ecosystem. We continue to execute on our long-term vision, are making great progress with large enterprises and we growing 3x faster than our competitors taking share in the overall storage market. We truly are just getting started.

With that, I will now turn it over to Tim. Tim?

CFO - Tim Riitters

Thanks, Hat. Q1 was a solid beginning of the year for Pure as we continued to demonstrate growth at scale, industry-leading gross margins, and continued innovation across our product portfolio.

Before I dive into the specifics, I’ll make my usual note that the Gross Margin, Operating Margin, Opex, Net Income, and Free Cash Flow numbers I will use are non-GAAP unless otherwise noted. Reconciliations of these non-GAAP metrics to the GAAP comparables, as well as our full Q1 results and presentation, are available on our website at investor.purestorage.com.

For the quarter, total revenue grew 28% year-on-year to $326.7 million. Product revenue grew 22% year-on-year to $238.7 million & support revenue grew 45% year-on-year to $88.0 million.

Geographically, 70% of sales came from the United States and 30% came from our International markets for the quarter.

Our gross margins continue to be strong, remaining at the upper end of our long-term model range of 63%-68%. Total gross margins for the quarter were 68.1%, up 0.5 points sequentially. Our industry-leading gross margin continues to reflect the value we deliver to our customers through consistent differentiation, technology innovation, and customer focus.

Product gross margins were 68.7%, up 0.9 points sequentially, due primarily to benefits we are seeing in component costs.

Support gross margins were 66.3%, down 0.5 points sequentially. The sequential decrease in margins is due to continued investments in our professional services organization as we build support capabilities to serve our largest and most strategic customers.

Opex was $254 million for the quarter. As has been our pattern for the last several years, Q1 was an investment quarter, particularly in the hiring of our sales force, and this year was no different. As you heard from Charlie and Hat earlier, we are pleased with the significant additional sales capacity we've added in the last 6 months.

Moving to operating margins, in Q1 operating profit was negative $31.2 million, or negative 9.6% of revenue, and compares to an operating profit of negative $15.3 million, or negative 6% in the year-ago quarter.

Operating profit was less than expected due to our lower than expected top-line performance. This revenue shortfall directly impacts our bottom line. While we were not satisfied with our profit performance this quarter given our revenue shortfall, we remain on track to drive profitability for the full year.

Q1 net income for the quarter was negative $27.6 million or negative $0.11 per share. This compares to the year-ago period of negative $16.2 million or negative $0.07 per share. The weighted-average shares used for the per share calculation were 245 million shares in Q1 and 224 million shares for the year-ago period.

Moving on to the balance sheet and cash flow, we finished the quarter with cash and investments of $1.17 billion, a decrease of $31 million from the previous quarter. Our quarter on quarter decrease in cash was impacted by a $60 million cash payment as part of the Compuverde acquisition. Without this impact, we would have grown our cash balance for the seventh straight quarter in a row.

We had another strong quarter of deferred revenue growth which we believe is a key indicator of the success we are having in executing on our strategy and building long-term relationships with our customers. Deferred revenue at the end of the quarter was $564.3 million, an increase of 45% over the same period a year ago. The strong deferred revenue performance continues to be driven by three key trends: significant year on year renewals growth, longer initial service agreement purchases, and the early momentum we are seeing with our ES2 product line.

Free cash flow in Q1 was negative $17.7 million, which includes $22 million of impact related to our employee stock purchase plan. Adjusting for the normal impact of our employee stock purchase plan, free cash flow was positive $4.3 million in the quarter.

Now I will turn to our guidance.

As you heard us say earlier, we have put a significant amount of capacity into the business with an emphasis on our enterprise segment. Our focus on the enterprise has already yielded results, adding a significant number of large opportunities for our sales team to execute on. We're excited that larger deals are becoming a more important part of our overall business, at the same time we would naturally expect a greater degree of fluctuation in any given quarter. As such, we are prudently incorporating these dynamics into our outlook.

For the second quarter of fiscal 2020, we expect:

- Revenues in the range of $389 million to $401, a $395 million midpoint or 28% year-over-year growth
- Non-GAAP gross margin in the range of between 65% to 68%, and
- Non-GAAP operating margin in the range of between -5.0% to -1.0%, or -3.0% at the midpoint.

For the full year of fiscal 2020, we now expect:

- Revenues in the range of between $1.700 billion and $1.770 billion, a $1.735B midpoint or 27.5% year-over-year growth;
- Non-GAAP gross margin in the range of between 65.5% to 68%; and
- Non-GAAP operating margin in the range of between 1.5% to 5.5%, or 3.5% at the midpoint.

With that, I'll turn it back to the operator for questions.