



DECEMBER 3, 2015
Q3 FISCAL 2016 RESULTS

Forward-Looking Statements and Non-GAAP Information

This presentation contains “forward-looking” statements that are based on our beliefs and assumptions and on information currently available to us. Such forward-looking statements include statements concerning our possible or assumed future results of operations, business strategies, product development plans, technical and business advantages, competitive position, and potential growth opportunities. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipate,” “believe,” “could,” “seek,” “estimate,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements, including risks, uncertainties and other factors relating to our expansion and growth, our plans for international expansion, our expected investments and spending, fluctuations in our revenue and operating results, our technological leadership and market opportunity, introduction of new functionality and products, product acceptance and our products and business model, our competitive position, the effects of competition and industry dynamics, and relationships with third parties, including channel partners and customers. Additional risks, uncertainties and other factors are included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our registration statement previously filed with the SEC, which is available on our website at investor.purestorage.com and on the SEC's website at www.sec.gov.

Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided reconciliations of those measures to the most directly comparable GAAP measures, which are available in the Appendix. We have not reconciled guidance for non-GAAP gross margin and non-GAAP operating margin to their most directly comparable GAAP measures because items such as stock-based compensation expense that impact these measures are not within our control and/or cannot be reasonably predicted. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Key Highlights

TAM

\$24B

In disruption by
Flash and Cloud

GROWTH

\$131M

Total revenue

167%

growth Y/Y

CUSTOMERS

>1,350

Customers (+142% Y/Y)

\$9

Incremental purchases
from top 25 customers
within 18 months

59

Fortune 500 customers
(+103% Y/Y)

LEVERAGE

62%

Non-GAAP gross
margin* (+3 ppts Y/Y)

-21%

Non-GAAP Operating
margin* (+46 ppts Y/Y)

-\$13M

Free cash flow*
(-10% of revenue, +68
ppts Y/Y)

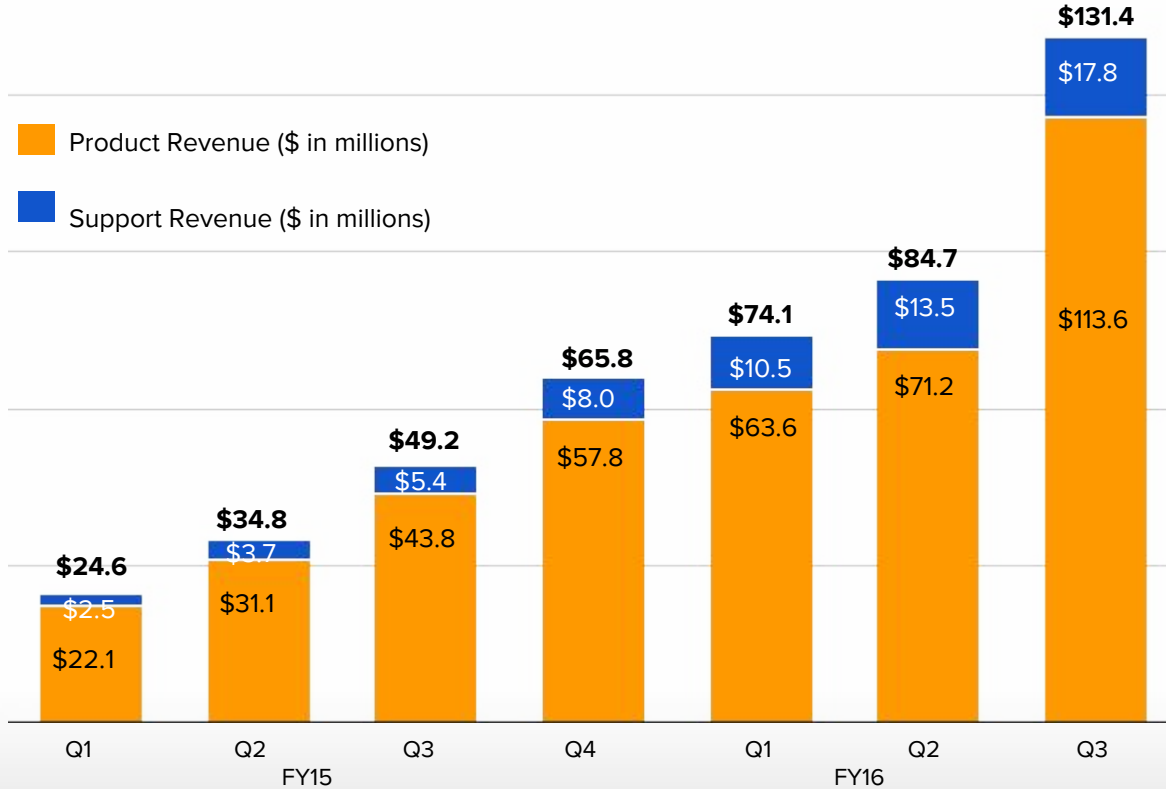
LIQUIDITY

\$573M

Cash balance
at quarter end

* See GAAP to non-GAAP reconciliation in Appendix

Quarterly Revenue

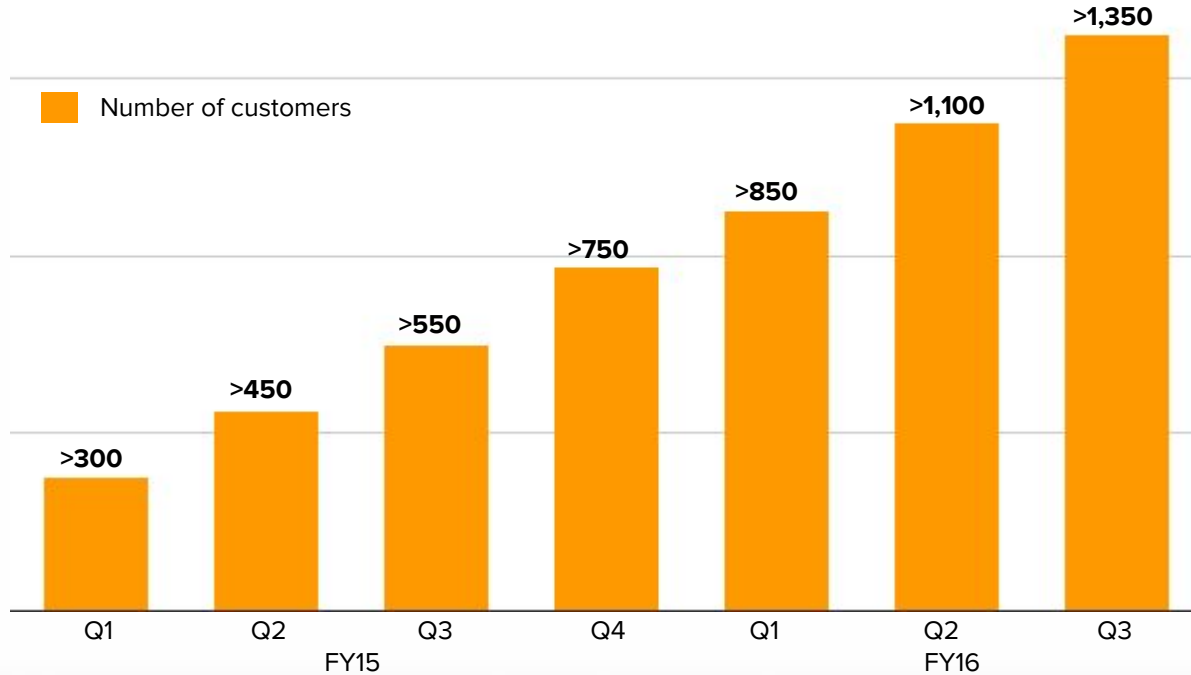


Q3 FY16

167%

Y/Y total revenue growth

Customers



Q3 FY16

>800

Adds Y/Y,
+142% Y/Y

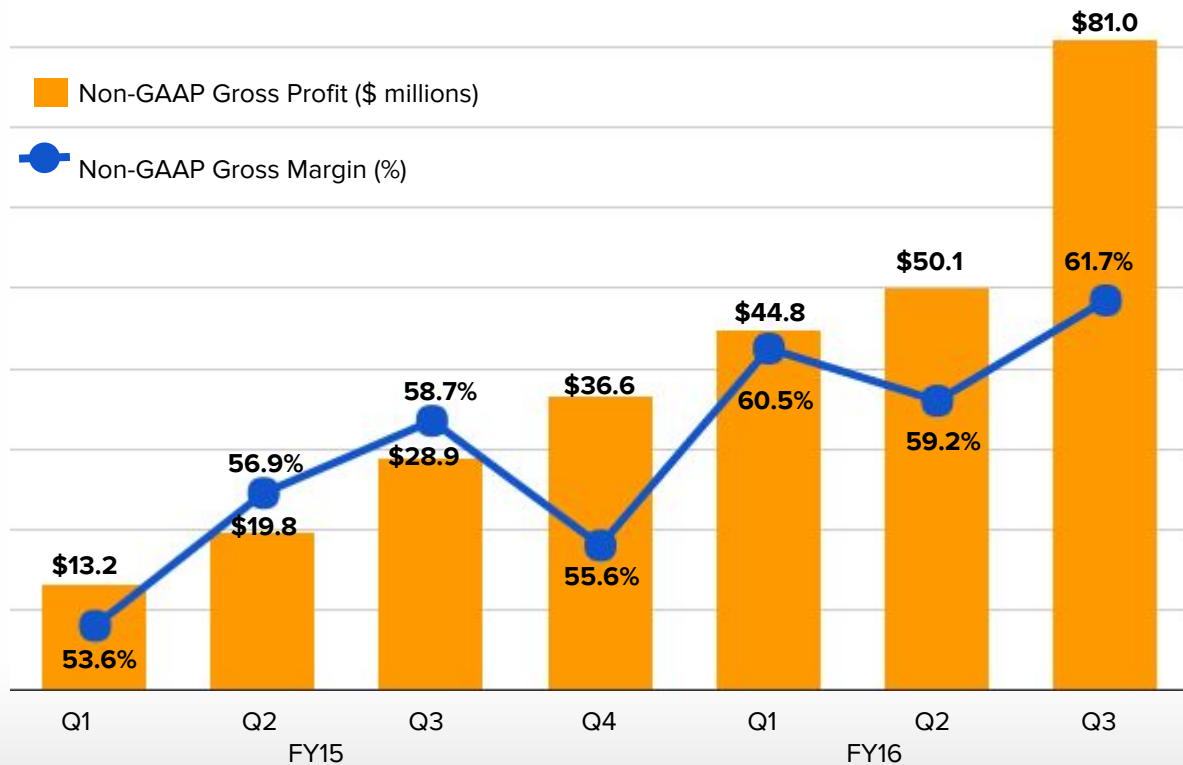
\$9

Incremental
purchases from
top 25 customers
within 18 months

59

Fortune 500
customers
+103% Y/Y

Non-GAAP Gross Profit & Margin



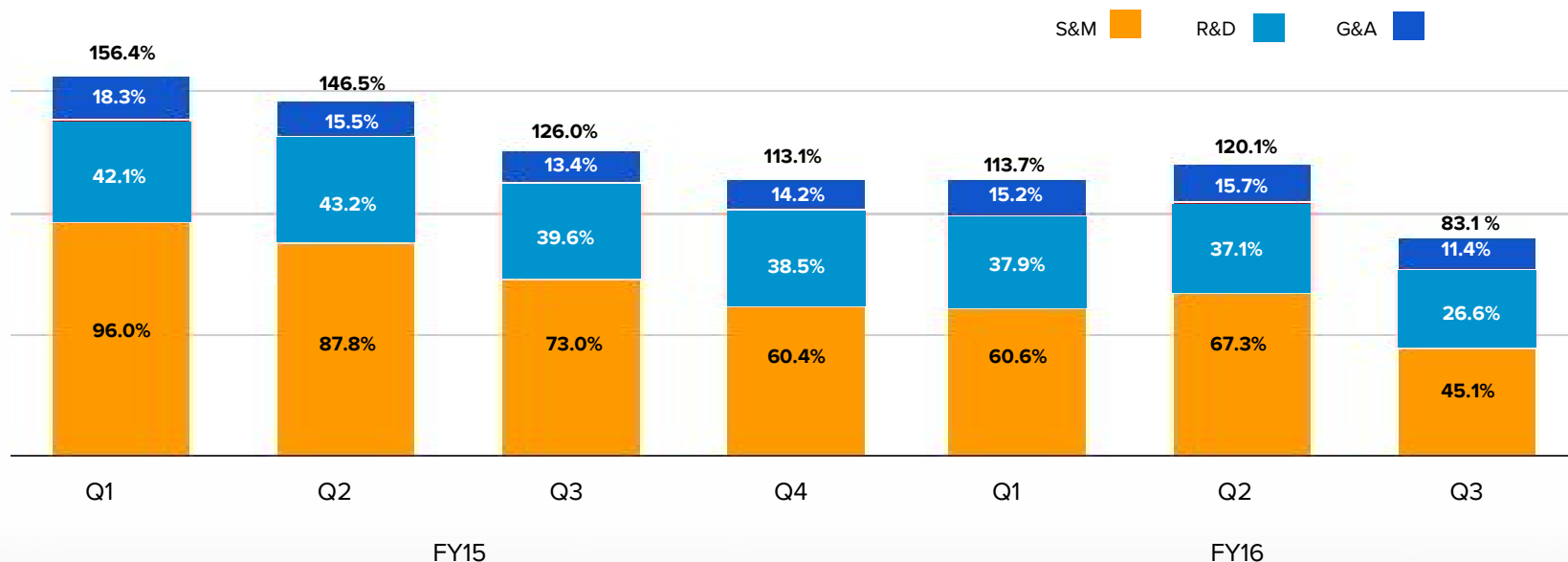
Q3 FY16

+300

BPS Y/Y

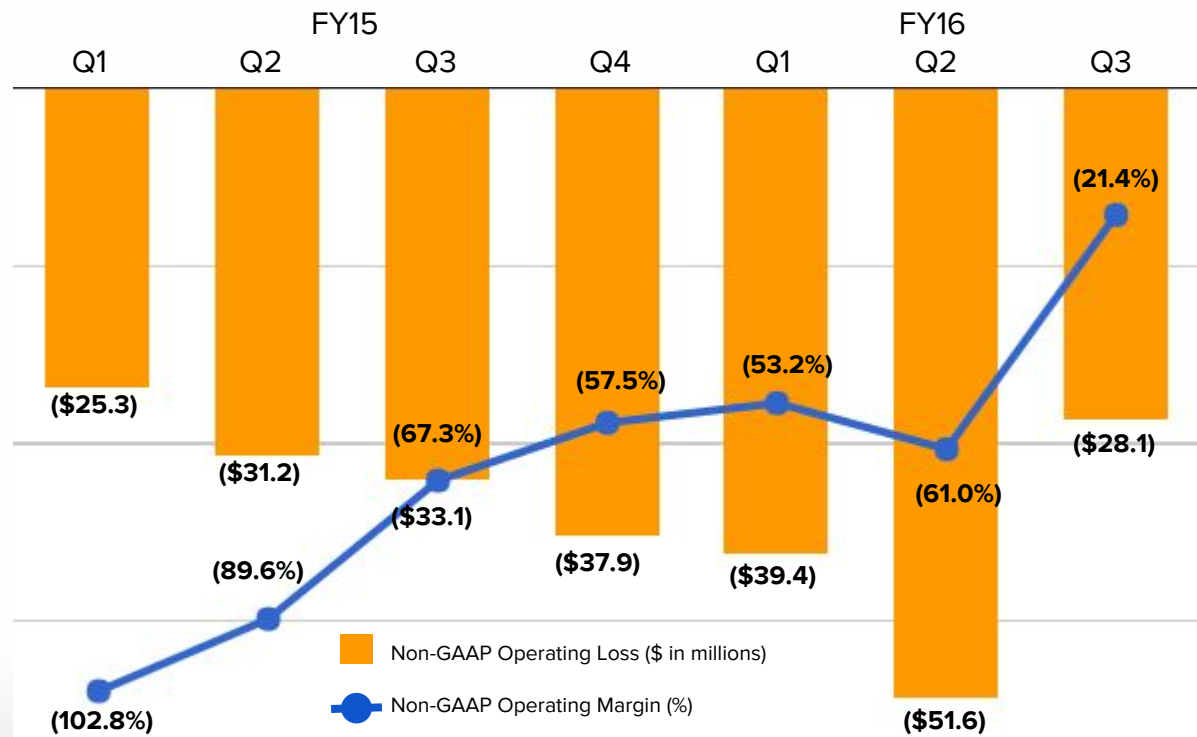
See GAAP to non-GAAP reconciliation in Appendix

Non-GAAP Operating Expenses As % of Revenue



See GAAP to non-GAAP reconciliation in Appendix

Non-GAAP Operating Loss & Operating Margin



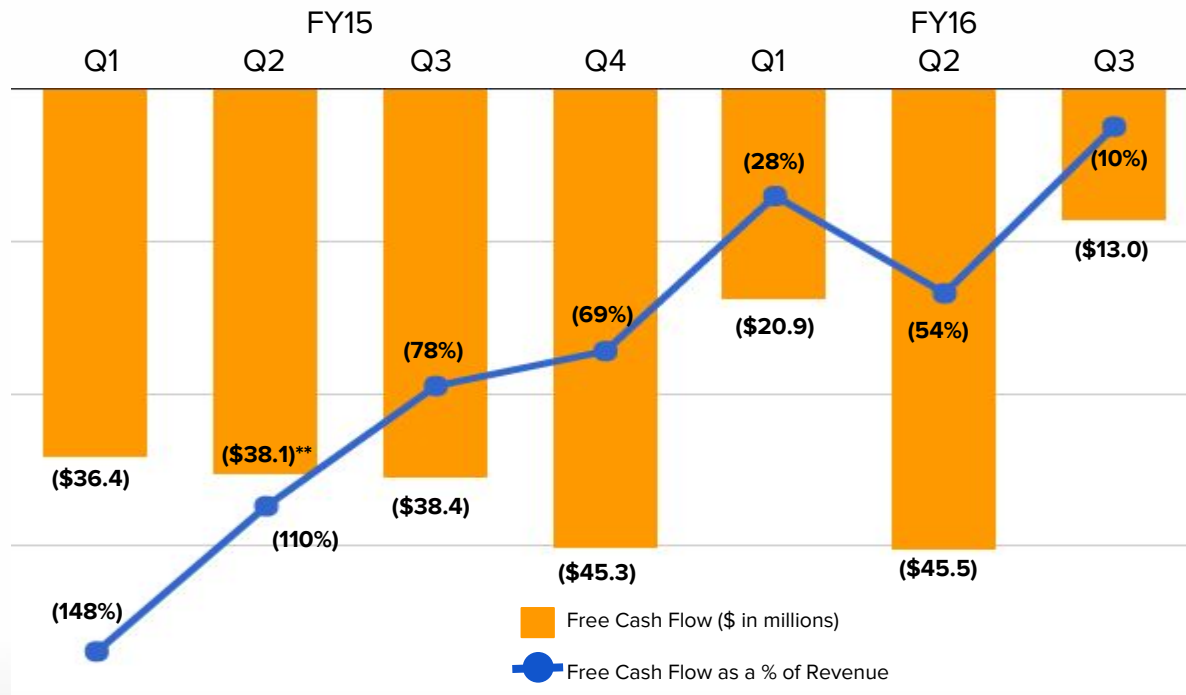
Q3 FY16

+46

PPTS Y/Y

See GAAP to non-GAAP reconciliation in Appendix

Free Cash Flow*



Q3 FY16

+68

PPTS Y/Y

* Free cash flow = Cash flow from operations less capital expenditures

**Q2 FY15 free cash flow excludes \$27.6 M of cash paid in connection with tender offer

See GAAP to non-GAAP reconciliation in Appendix

Guidance

Q4 FY16 Guidance

Revenue

\$134M to \$139M

Non-GAAP Gross Margin*

62% to 65%


Non-GAAP Operating Margin*

-24% to -18%

* We have not reconciled guidance for non-GAAP gross margin and non-GAAP operating margin to their most directly comparable GAAP measures because items such as stock-based compensation expense that impact these measures are not within our control and/or cannot be reasonably predicted. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Long-Term Target Operating Model

(Non-GAAP)

	FY15	Q3 FY16	...	Target Model
Gross Margin	56%	62%		63-68%
S&M*	74%	45%		25-30%
R&D*	40%	27%		15-20%
G&A*	15%	11%		5-7%
Operating Margin	(73%)	(21%)		15-20%

Sustained Free Cash Flow Positive Beginning In Calendar Year 2018

* As a % of revenue

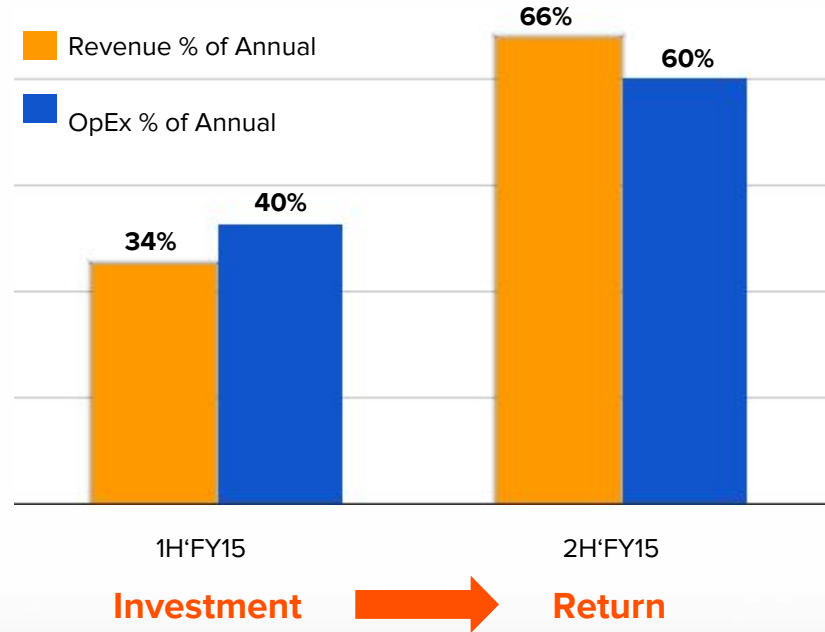
See GAAP to non-GAAP reconciliation in Appendix.

On Seasonality

- 1H = Investment focus (notably Sales and Marketing)
- 2H = Revenue focus (sales investments start becoming fully ramped)

Seasonality Illustration:
FY15 Revenue & OpEx Actuals

(Non-GAAP)



Appendix

Gross Margin

GAAP to Non-GAAP Reconciliation

<i>(\$ in thousands)</i>	<u>Q1 FY15</u>	<u>(%)</u>	<u>Q2 FY15</u>	<u>(%)</u>	<u>Q3 FY15</u>	<u>(%)</u>	<u>Q4 FY15</u>	<u>(%)</u>	<u>FY15</u>	<u>(%)</u>	<u>Q1 FY16</u>	<u>(%)</u>	<u>Q2 FY16</u>	<u>(%)</u>	<u>Q3 FY16</u>	<u>(%)</u>
Product gross margin (GAAP)	\$12,373	55.8%	\$18,272	58.8%	\$27,077	61.9%	\$33,689	58.3%	\$91,411	59.0%	\$40,906	64.3%	\$43,551	61.2%	\$71,578	63.0%
Add: SBC	73	0.3%	156	0.5%	35	0.1%	39	0.1%	303	0.2%	56	0.1%	40	0.0%	43	0.1%
Product gross margin (non-GAAP)	\$12,446	56.1%	\$18,428	59.3%	\$27,112	62.0%	\$33,728	58.4%	\$91,714	59.2%	\$40,962	64.4%	\$43,591	61.2%	\$71,621	63.1%
Support gross margin (GAAP)	\$687	27.7%	\$548	14.9%	\$1,609	29.6%	\$2,644	33.0%	\$5,488	28.0%	\$3,535	33.8%	\$5,972	44.3%	\$8,733	49.1%
Add: SBC	86	3.4%	812	22.1%	159	2.9%	216	2.7%	1,273	6.5%	333	3.2%	521	3.9%	657	3.7%
Support gross margin (non-GAAP)	\$773	31.1%	\$1,360	37.0%	\$1,768	32.5%	\$2,860	35.7%	\$6,761	34.5%	\$3,868	37.0%	\$6,493	48.2%	\$9,390	52.8%
Total gross margin (GAAP)	\$13,060	53.0%	\$18,820	54.1%	\$28,686	58.3%	\$36,333	55.2%	\$96,899	55.5%	\$44,441	60.0%	\$49,523	58.5%	\$80,311	61.1%
Add: SBC	159	0.6%	968	2.8%	194	0.4%	255	0.4%	1,576	0.9%	389	0.5%	561	0.7%	700	0.6%
Total gross margin (non-GAAP)	\$13,219	53.6%	\$19,788	56.9%	\$28,880	58.7%	\$36,588	55.6%	\$98,475	56.4%	\$44,830	60.5%	\$50,084	59.2%	\$81,011	61.7%

Operating Expenses & Operating Margin

GAAP to Non-GAAP Reconciliation

(\$ in thousands)	Q1 FY15		Q2 FY15		Q3 FY15		Q4 FY15		FY15		Q1 FY16		Q2 FY16		Q3 FY16	
	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue	Total Revenue	As % of Total Revenue
R&D (GAAP)	\$12,807	52.0%	\$27,726	79.8%	\$22,863	46.5%	\$29,311	44.5%	\$92,707	53.1%	\$31,682	42.8%	\$38,188	45.1%	\$43,065	32.8%
Less: SBC	-2,432	-9.9%	-12,715	-36.6%	-3,399	-6.9%	-3,966	-6.0%	-22,512	-12.9%	-3,625	-4.9%	-6,804	-8.0%	-8,195	-6.2%
R&D (non-GAAP)	\$10,375	42.1%	\$15,011	43.2%	\$19,464	39.6%	\$25,345	38.5%	\$70,195	40.2%	\$28,057	37.9%	\$31,384	37.1%	\$34,870	26.6%
S&M (GAAP)	\$25,115	101.9%	\$46,448	133.6%	\$38,224	77.7%	\$42,533	64.6%	\$152,320	87.3%	\$48,327	65.2%	\$59,517	70.3%	\$63,803	48.6%
Less: SBC	-1,436	-5.9%	-15,925	-45.8%	-2,315	-4.7%	-2,790	-4.2%	-22,466	-12.9%	-3,444	-4.6%	-2,536	-3.0%	-4,559	-3.5%
S&M (non-GAAP)	\$23,679	96.0%	\$30,523	87.8%	\$35,909	73.0%	\$39,743	60.4%	\$129,854	74.4%	\$44,883	60.6%	\$56,981	67.3%	\$59,244	45.1%
G&A (GAAP)	\$4,925	20.0%	\$9,494	27.3%	\$7,415	15.1%	\$10,520	16.0%	\$32,354	18.5%	\$12,692	17.1%	\$15,227	18.0%	\$29,022	22.1%
Less: SBC	-424	-1.7%	-4,084	-11.8%	-823	-1.7%	-1,148	0	-6,479	-3.7%	-1,401	-1.9%	-1,899	-2.3%	-2,085	-1.6%
Add: Non-cash charge for equity grant to Pure Good Foundation	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	-11,900	-9.1%
G&A (non-GAAP)	\$4,501	18.3%	\$5,410	15.5%	\$6,592	13.4%	\$9,372	14.2%	\$25,875	14.8%	\$11,291	15.2%	\$13,328	15.7%	\$15,037	11.4%
Total operating expense (GAAP)	\$42,847	173.8%	\$83,668	240.7%	\$68,502	139.3%	\$82,364	125.1%	\$277,381	159.0%	\$92,701	125.1%	\$112,932	133.4%	\$135,890	103.4%
Less: SBC	-4,292	-17.4%	-32,724	-94.2%	-6,537	-13.3%	-7,904	-12.0%	-51,457	-29.5%	-8,470	-11.4%	-11,239	-13.3%	-14,839	-11.2%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	0	0.0%	-	0.0%	-	0.0%	-11,900	-9.1%
Total operating expense (non-GAAP)	\$38,555	156.4%	\$50,944	146.5%	\$61,965	126.0%	\$74,460	113.1%	\$225,924	129.5%	\$84,231	113.7%	\$101,693	120.1%	\$109,151	83.1%
Operating loss (GAAP)	-\$29,787	-120.8%	-\$64,848	-186.5%	-\$39,816	-80.9%	-\$46,031	-69.9%	-\$180,482	-103.5%	-\$48,260	-65.1%	-\$63,409	-74.9%	-\$55,579	-42.3%
Add: SBC	4,451	18.0%	33,692	96.9%	6,731	-13.6%	8,159	12.4%	53,033	30.4%	8,859	11.9%	11,800	13.9%	15,539	11.8%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	0	0.0%	-	0.0%	-	0.0%	11,900	9.1%
Operating loss (non-GAAP)	-\$25,336	-102.8%	-\$31,156	-89.6%	-\$33,085	-67.3%	-\$37,872	-57.5%	-\$127,449	-73.1%	-\$39,401	-53.2%	-\$51,609	-61.0%	-\$28,140	-21.4%

Free Cash Flow

GAAP to Non-GAAP Reconciliation

<i><u>(\$ in thousands)</u></i>	<u>Q1 FY15</u>	<u>Q2 FY15</u>	<u>Q3 FY15</u>	<u>Q4 FY15</u>	<u>Q1 FY16</u>	<u>Q2 FY16</u>	<u>Q3 FY16</u>
Cash used in operations	-\$26,903	-\$56,055	-\$26,717	-\$34,020	-\$14,117	-\$30,373	-\$5,376
Less: Capital expenditures	-9,515	-9,720	-11,667	-11,325	-6,742	-15,081	-7,672
Plus: Cash paid in connection with a tender offer	-	27,635	-	-	-	-	-
Free cash flow (non-GAAP)	-\$36,418	-\$38,140	-\$38,384	-\$45,345	-\$20,859	-\$45,454	-\$13,048
<i>Free cash flow as % of revenue</i>	-148%	-110%	-78%	-69%	-28%	-54%	-10%