



**MARCH 2, 2016**  
**Q4 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 expected future financial or operating results, business strategies, product development plans, technical and business advantages, competitive position, industry trends 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 growth 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, customer spending priorities, 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 reports and registration statement previously filed with the SEC, which is available on our website at [investor.purestorage.com](http://investor.purestorage.com) and on the SEC's website at [www.sec.gov](http://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.

# Q4 KEY HIGHLIGHTS

## TAM

**\$24B**

In disruption by  
Flash and Cloud

## GROWTH

**\$150M**

Total revenue

**128%**

revenue growth  
Y/Y

## CUSTOMERS

**>1,650**

Customers (>120% Y/Y)

**>\$12**

Incremental purchases  
from top 25 customers  
within 18 months of  
initial purchase

**66**

Fortune 500 customers  
(+65% Y/Y)

## LEVERAGE

**66%**

Non-GAAP gross  
margin\* (+10 pts Y/Y)

**-14%**

Non-GAAP Operating  
margin\* (+44 pts Y/Y)

**+\$32M**

Free cash flow\*  
(21% of revenue)

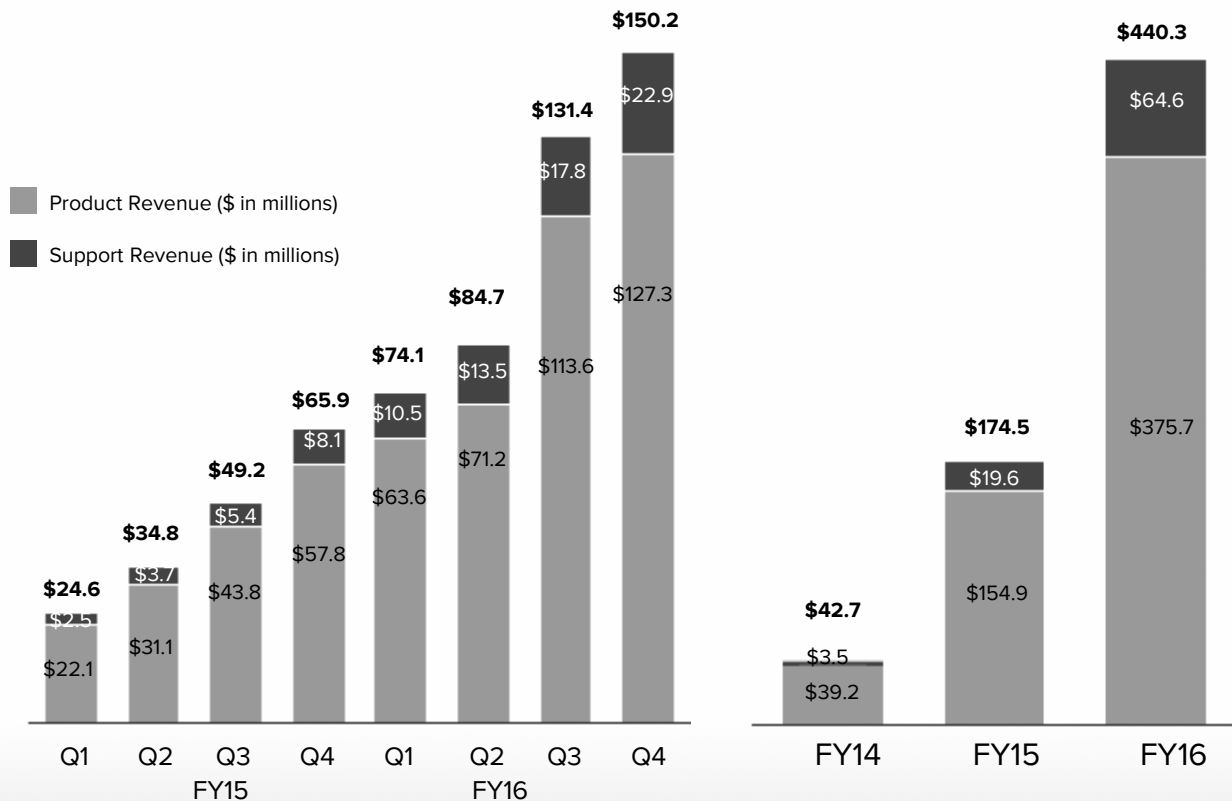
## LIQUIDITY

**\$605M**

Cash balance  
at quarter end

\* See GAAP to non-GAAP reconciliation in Appendix

# QUARTERLY AND ANNUAL REVENUE



**FY16**

**152%**

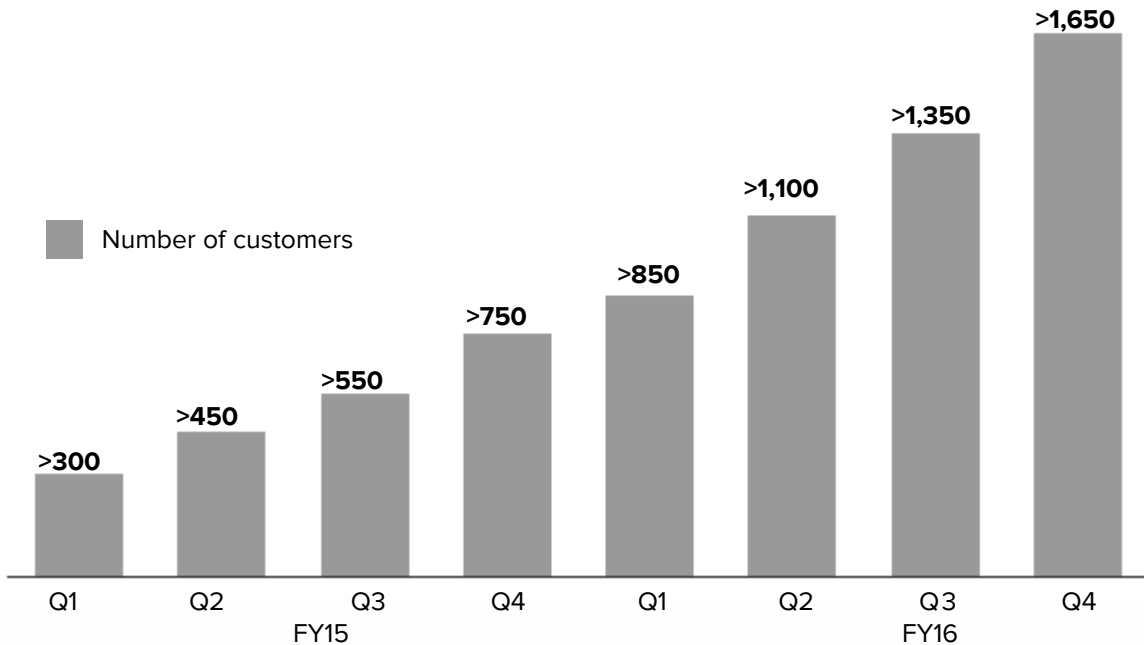
Y/Y total revenue growth

**Q4 FY16**

**128%**

Y/Y total revenue growth

# CUSTOMERS



## Q4 FY16

>900

Adds Y/Y,  
>120% Y/Y

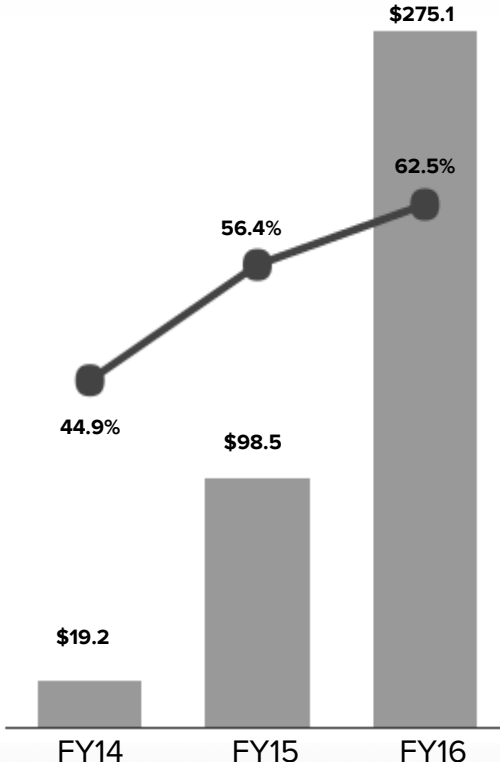
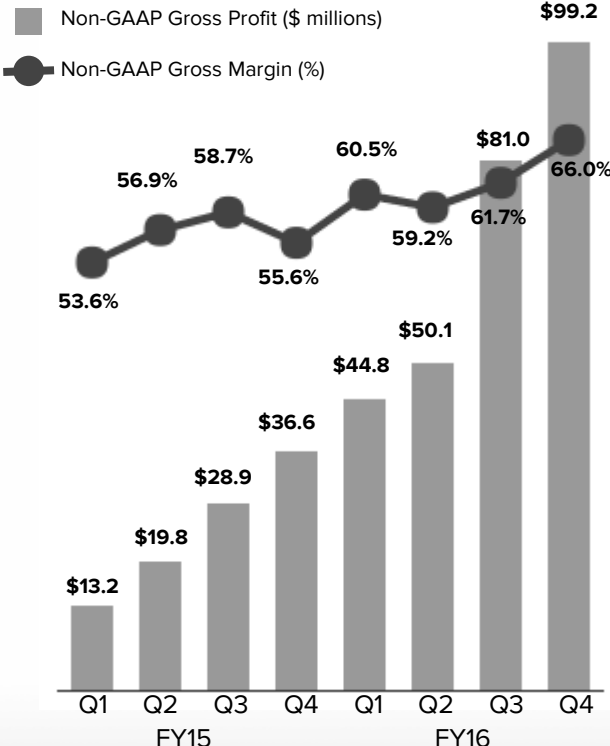
>\$12

Incremental  
purchases from  
top 25 customers  
within 18 months  
of initial purchase

66

Fortune 500  
customers  
+65% Y/Y

# NON-GAAP GROSS PROFIT AND MARGIN



**FY16**

**+6.1**

PPTS Y/Y

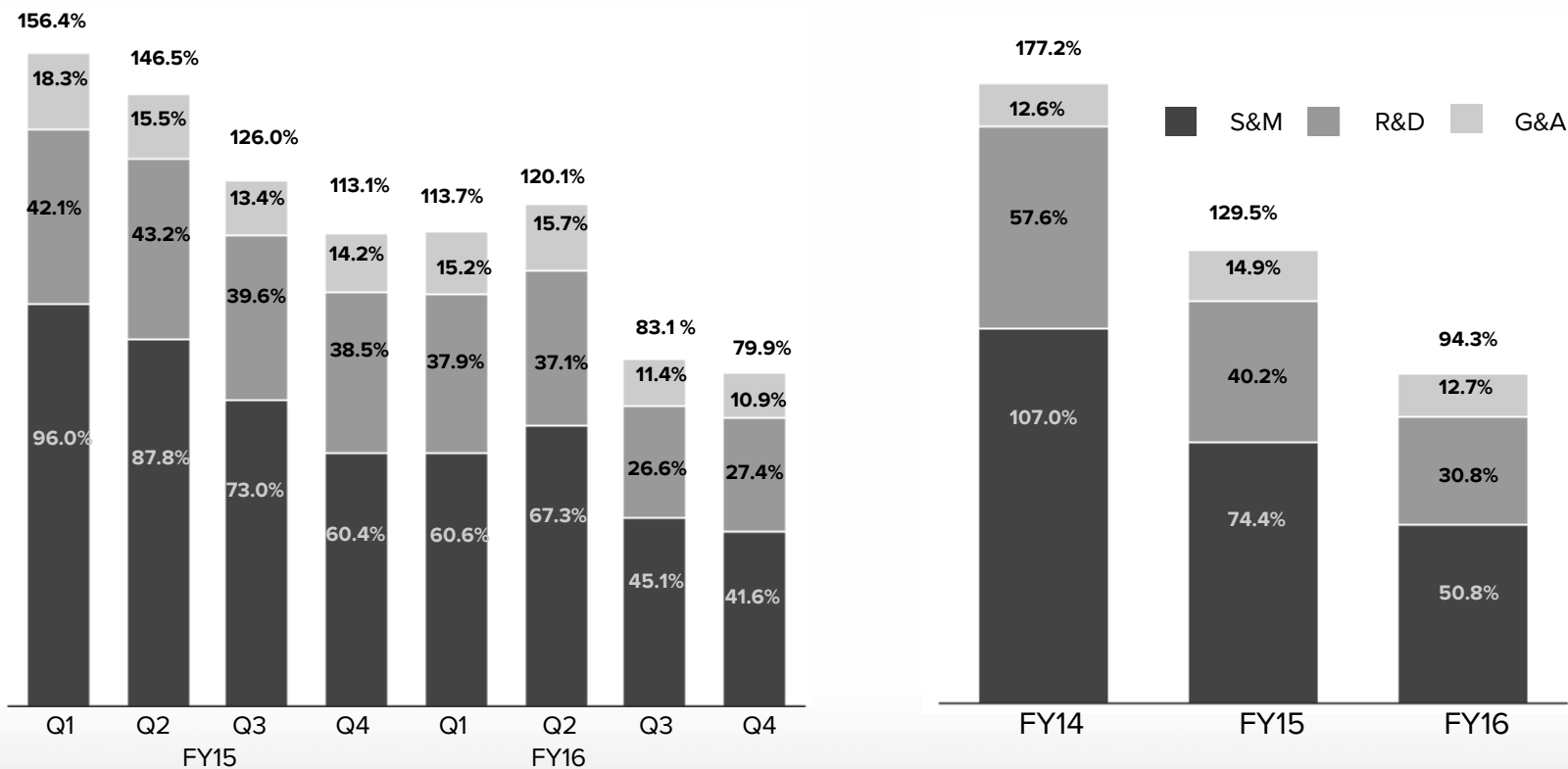
**Q4 FY16**

**+10.4**

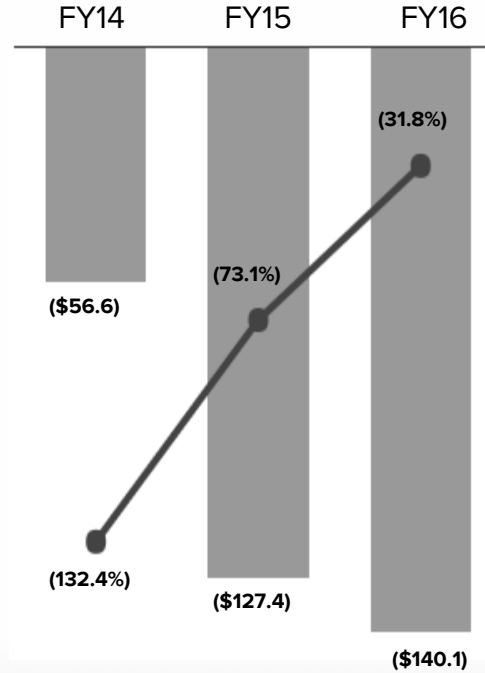
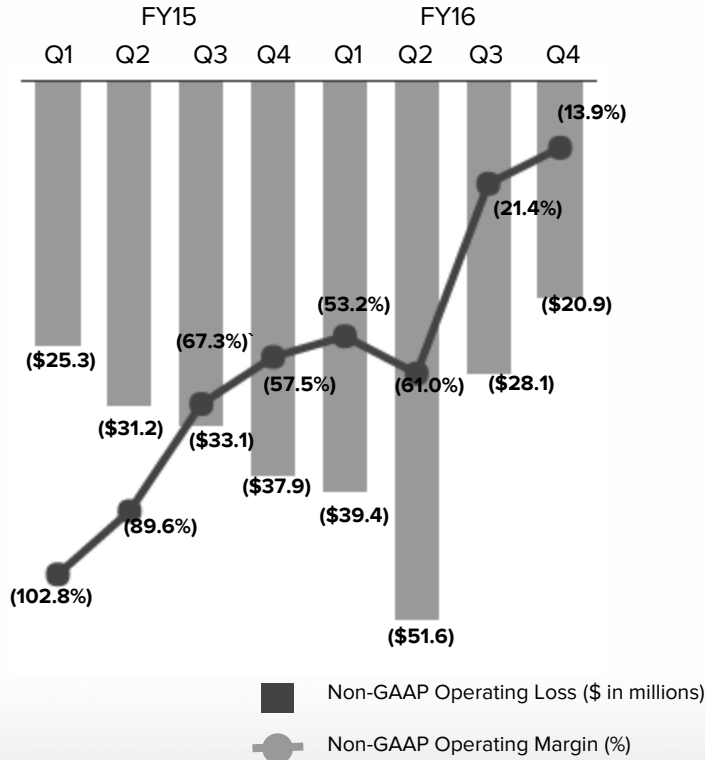
PPTS Y/Y

See GAAP to non-GAAP reconciliation in Appendix

# NON-GAAP OPERATING EXPENSE AS % OF REVENUE



# NON-GAAP OPERATING LOSS AND OPERATING MARGIN



**FY16**

**+41.3**

PPTS  
Y/Y

**Q4 FY16**

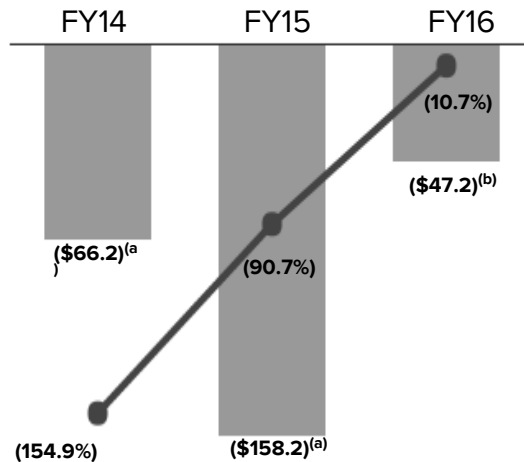
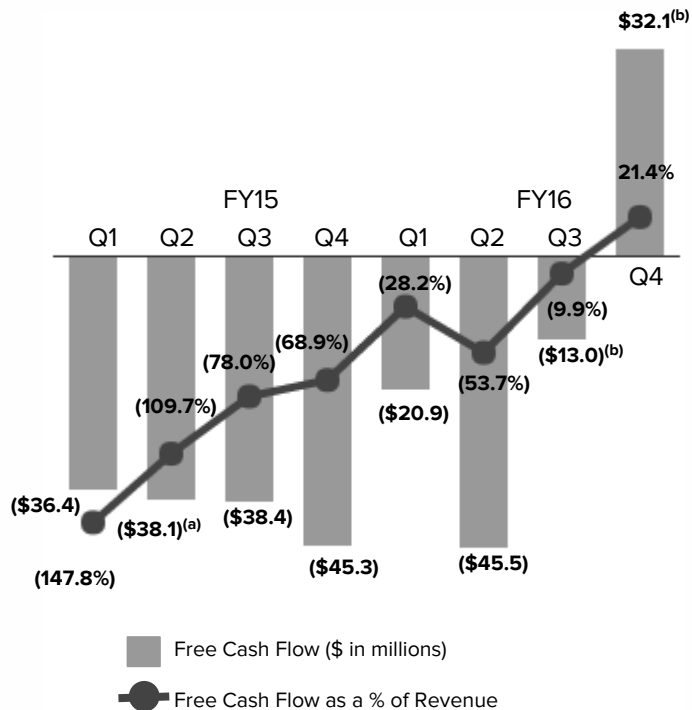
**+43.6**

PPTS  
Y/Y

See GAAP to non-GAAP reconciliation in Appendix



# FREE CASH FLOW



FY16

**+80.0** PPTS Y/Y

Q4 FY16

**+90.3** PPTS Y/Y

See GAAP to non-GAAP reconciliation in Appendix

(a) FY14 and FY15 FCF excluded \$13.3 million and \$27.6 million of cash paid in connection with tender offer.  
 (b) Q3 FY16, Q4 FY16 and FY16 FCF included \$2.2 million, \$10.3 million and \$12.5 million of cash received from employee contribution in connection with our ESPP offering, respectively.

# GUIDANCE

## Q1 FY17 Guidance

Revenue

**\$135M to \$139M**

Non-GAAP Gross Margin\*

**65% to 68%**

Non-GAAP Operating Margin\*

**-34% to -30%**

## Full FY17 Guidance

Revenue

**\$685M to \$725M**

Non-GAAP Gross Margin\*

**65% to 68%**


Non-GAAP Operating Margin\*

**-22% 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)

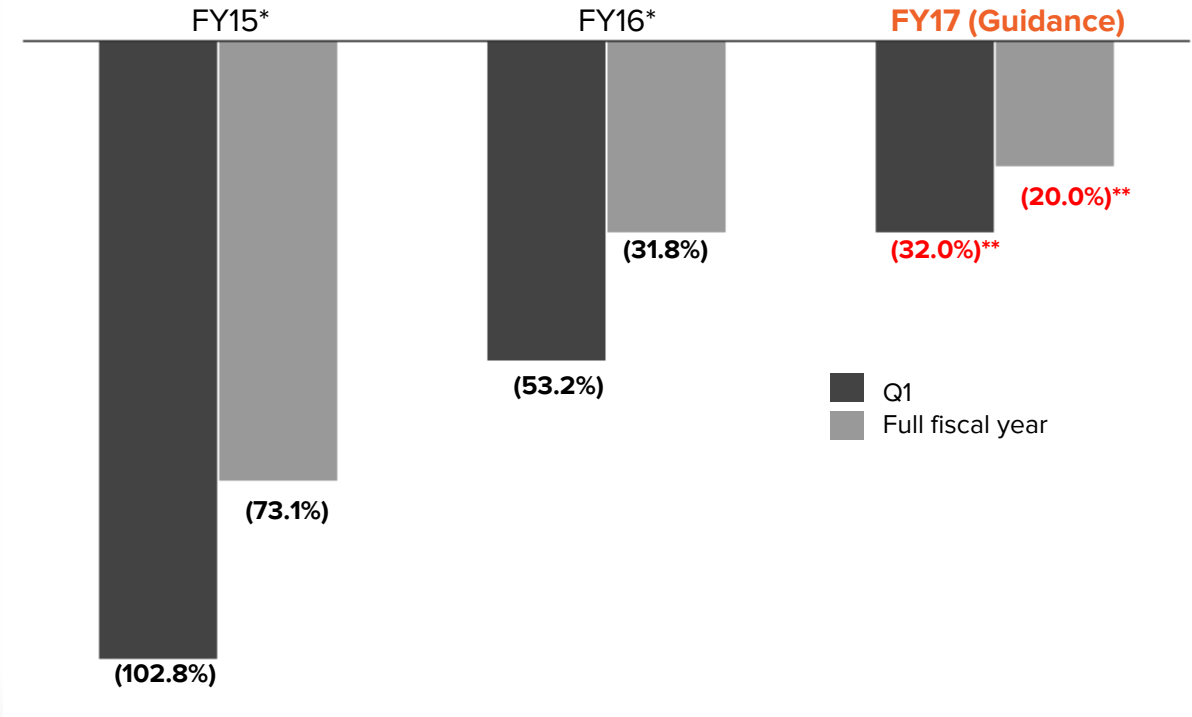
	Q4 FY16	FY16	...	Target Model
<b>Gross Margin</b>	66%	62%		<b>63-68%</b>
<b>S&amp;M*</b>	42%	51%		<b>25-30%</b>
<b>R&amp;D*</b>	27%	31%		<b>15-20%</b>
<b>G&amp;A*</b>	11%	12%		<b>5-7%</b>
<b>Operating Margin</b>	(14%)	(32%)		<b>15-20%</b>

**Sustained Free Cash Flow Positive Second Half of Calendar Year 2017**

\* As a % of revenue

See GAAP to non-GAAP reconciliation in Appendix.

# NON-GAAP OPERATING MARGIN GUIDANCE



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

# APPENDIX

# GROSS MARGIN

## GAAP to Non-GAAP Reconciliation

<i>(\$ in thousands)</i>	FY14	(%)	Q1 FY15	(%)	Q2 FY15	(%)	Q3 FY15	(%)	Q4 FY15	(%)	FY15	(%)	Q1 FY16	(%)	Q2 FY16	(%)	Q3 FY16	(%)	Q4 FY16	(%)	FY16	(%)
Product gross margin (GAAP)	\$19,254	49.1%	\$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%	\$86,828	68.2%	\$242,863	64.6%
Add: SBC	253	0.6%	73	0.3%	156	0.5%	35	0.1%	39	-	303	0.2%	56	0.1%	40	0.0%	43	0.1%	137	0.1%	276	0.1%
Product gross margin (non-GAAP)	\$19,507	49.7%	\$12,446	56.1%	\$18,428	59.3%	\$27,112	62.0%	\$33,728	58.3%	\$91,714	59.2%	\$40,962	64.4%	\$43,591	61.2%	\$71,621	63.1%	\$86,965	68.3%	\$243,139	64.7%
Support gross margin (GAAP)	-\$650	-18.5%	\$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%	\$11,337	49.5%	\$29,577	45.8%
Add: SBC	316	9.0%	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%	877	3.9%	2,388	3.7%
Support gross margin (non-GAAP)	-\$334	-9.5%	\$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%	\$12,214	53.4%	\$31,965	49.5%
Total gross margin (GAAP)	\$18,604	43.5%	\$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%	\$98,165	65.3%	\$272,440	61.9%
Add: SBC	569	1.4%	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%	1,014	0.7%	2,664	0.6%
Total gross margin (non-GAAP)	\$19,173	44.9%	\$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%	\$99,179	66.0%	\$275,104	62.5%

# OPERATING EXPENSES AND OPERATING MARGIN

## GAAP to Non-GAAP Reconciliation

(\$ in thousands)	FY14		Q1 FY15		Q2 FY15		Q3 FY15		Q4 FY15		FY15		Q1 FY16		Q2 FY16		Q3 FY16		Q4 FY16		FY16	
	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue	Total	As % of Revenue
R&D (GAAP)	\$36,081	84.4%	\$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%	\$53,710	35.8%	\$166,645	37.8%
Less: SBC	-11,477	-26.8%	-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%	-12,511	-8.4%	-31,135	-7.0%
R&D (non-GAAP)	\$24,604	57.6%	\$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%	\$41,199	27.4%	\$135,510	30.8%
S&M (GAAP)	\$54,750	128.1%	\$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%	\$68,927	45.9%	\$240,574	54.6%
Less: SBC	-9,014	-21.1%	-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%	-6,427	-4.3%	-16,966	-3.8%
S&M (non-GAAP)	\$45,736	107.0%	\$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%	\$62,500	41.6%	\$223,608	50.8%
G&A (GAAP)	\$5,902	13.8%	\$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%	\$18,461	12.3%	\$75,402	17.1%
Less: SBC	-506	-1.2%	-424	-1.7%	-4,084	-11.8%	-823	-1.7%	-1,148	-1.8%	-6,479	-3.6%	-1,401	-1.9%	-1,899	-2.3%	-2,085	-1.6%	-2,075	-1.4%	-7,460	-1.7%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-11,900	-9.1%	0	-%	-11,900	-2.7%
G&A (non-GAAP)	\$5,396	12.6%	\$4,501	18.3%	\$5,410	15.5%	\$6,592	13.4%	\$9,372	14.2%	\$25,875	14.9%	\$11,291	15.2%	\$13,328	15.7%	\$15,037	11.4%	\$16,386	10.9%	\$56,042	12.7%
Total operating expense (GAAP)	\$96,733	226.4%	\$42,847	173.8%	\$83,668	240.7%	\$68,502	139.3%	\$82,364	125.1%	\$277,381	158.9%	\$92,701	125.1%	\$112,932	133.4%	\$135,890	103.4%	\$141,098	93.9%	\$482,621	109.6%
Less: SBC	-20,997	-49.2%	-4,292	-17.4%	-32,724	-94.2%	-6,537	-13.3%	-7,904	-12.0%	-51,457	-29.4%	-8,470	-11.4%	-11,239	-13.3%	-14,839	-11.2%	-21,013	-14.0%	-55,561	-12.6%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	0.0%	-	-%	-11,900	-9.1%	-	-%	-11,900	-2.7%
Total operating expense (non-GAAP)	\$75,736	177.2%	\$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%	\$120,085	79.9%	\$415,160	94.3%
Operating loss (GAAP)	-\$78,129	-182.8%	-\$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%	-\$42,933	-28.6%	-\$210,181	-47.7%
Add: SBC	21,566	50.4%	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%	22,027	14.7%	58,225	13.2%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	11,900	9.1%	-	-%	11,900	-2.7%
Operating loss (non-GAAP)	-\$56,563	-132.4%	-\$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%	-\$20,906	-13.9%	-\$140,056	-31.8%

# FREE CASH FLOW

## GAAP to Non-GAAP Reconciliation

<i>(\$ in millions)</i>	<u>FY14</u>	<u>Q1 FY15</u>	<u>Q2 FY15</u>	<u>Q3 FY15</u>	<u>Q4 FY15</u>	<u>FY15</u>	<u>Q1 FY16</u>	<u>Q2 FY16</u>	<u>Q3 FY16</u>	<u>Q4 FY16</u>	<u>FY16</u>
Cash provided by (used in) operations	-\$67.2	-\$26.9	-\$56.1	-\$26.7	-\$34.0	-\$143.7	-\$14.1	-\$30.4	-\$5.4	\$42.0	-\$7.9
Less: Capital expenditures	-12.3	-9.5	-9.6	-11.7	-11.3	-42.1	-6.8	-15.1	-7.6	-9.9	-39.3
Plus: Cash paid in connection with a tender offer	13.3	-	27.6	-	-	27.6	-	-	-	-	-
Free cash flow (non-GAAP)	-\$66.2	-\$36.4	-\$38.1	-\$38.4	-\$45.3	-\$158.2	-\$20.9	-\$45.5	-\$13.0	\$32.1	-\$47.2
Free cash flow as % of revenue	-154.9%	-147.8%	-109.7%	-78.0%	-68.9%	-90.7%	-28.2%	-53.7%	-9.9%	21.4%	-10.7%