

**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 30, 2016**

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**Pure Storage, Inc.**

(Exact name of Registrant as Specified in Its Charter)

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**Delaware**

(State or Other Jurisdiction  
of Incorporation)

**001-37570**

(Commission  
File Number)

**27-1069557**

(IRS Employer Identification No.)

**650 Castro Street, Suite 400  
Mountain View, California 94041  
(Address of Principal Executive Offices)**

**(800) 379-7873**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On November 30, 2016, Pure Storage, Inc. (“Pure Storage”) issued a press release regarding its financial results for the quarter ended October 31, 2016 . A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K. Pure Storage issued a blog post in connection with the press release, the full text of which is furnished as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated under this Item 2.02 by reference.

This information, including the exhibits hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Pure Storage is making reference to non-GAAP financial information in the press release, the blog and the conference call. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in the attached press release. These non-GAAP financial measures are reported in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibits are furnished herewith:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release entitled “Pure Storage Announces Third Quarter Fiscal 2017 Results”
99.2	Blog Post entitled “Dietz on the Day: Pure Storage Q3 Performance & the Road Ahead for Data Storage”

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Pure Storage, Inc.  
(Registrant)

By:           /s/ SCOTT DIETZEN            
Scott Dietzen  
Chief Executive Officer

November 30, 2016

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## Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release entitled "Pure Storage Announces Third Quarter Fiscal 2017 Results"
99.2	Blog Post entitled "Dietz on the Day: Pure Storage Q3 Performance & the Road Ahead for Data Storage"

## Pure Storage Announces Third Quarter Fiscal 2017 Results

- Record revenue of \$197.0 million , up 50.0% Y/Y , 3% above midpoint of guidance.
- Increased total addressable market to \$35 billion.
- Strong operating leverage, GAAP margin of -39.7% and non-GAAP margin of -9.8%, 5.7 pts above midpoint of guidance.

MOUNTAIN VIEW, Calif., November 30, 2016 – Pure Storage (NYSE: PSTG) today announced financial results for its fiscal third quarter ended October 31, 2016 .

Key financial highlights include:

- Quarterly revenue: \$ 197.0 million , up 50.0% Y/Y, and ahead of the guidance range of \$187 million to \$195 million.
- Quarterly gross margin: 64.8% GAAP; 65.5% non-GAAP, up 3.7 pts and 3.8 pts Y/Y, respectively, and in line with non-GAAP gross margin guidance of 64% to 67%.
- Quarterly operating margin: -39.7 % GAAP; -9.8 % non-GAAP, up 2.6 pts and 11.6 pts Y/Y, respectively, and ahead of non-GAAP operating margin guidance of -17.5% to -13.5%.

“Pure Storage continues to rewrite the rules for the data storage industry,” said Pure Storage CEO Scott Dietzen. “We again reported better-than-expected financial performance, driven by customer enthusiasm for our smarter approach to enterprise storage. In a world dominated by big data and cloud computing, Pure’s software-centric approach is the right solution at the right time.”

“We are excited about our record Q3 revenue and significant operating leverage improvement,” said Pure Storage CFO Tim Riitters. “We continue to focus on driving growth and market share gains with a close eye on profitability.”

Over 300 new customers joined Pure Storage this quarter, increasing the total to more than 2,600 organizations, including more than 100 of the Fortune 500. New customer wins in the quarter include: Hyatt Hotels Corporation, Cushman & Wakefield, Academy-Award winning animation studio LAIKA, Bill.com and CallidusCloud, among others. New FlashBlade customer wins include: CUProdigy, a technology organization delivering private cloud solutions for credit unions, and Paylocity, a developer of industry-leading, cloud-based payroll and human capital management software solutions for medium-sized organizations.

### Third Quarter Fiscal 2017 Financial Highlights

The following tables summarize our consolidated financial results for the fiscal quarters ended October 31, 2015 and 2016 (in millions except per share amounts, unaudited):

GAAP Quarterly Financial Information			
	Three Months Ended October 31, 2015	Three Months Ended October 31, 2016	Y/Y Change
Revenue	\$131.4	\$197.0	50%
Gross Margin	61.1%	64.8%	3.7 pts
Product Gross Margin	63.0%	65.9%	2.9 pts
Support Gross Margin	49.1%	59.9%	10.8 pts
Operating Loss	-\$55.6	-\$78.2	-\$22.6
Operating Margin	-42.3%	-39.7%	2.6 pts
Net Loss	-\$56.5	-\$78.8	-\$22.3
Net Loss per Share	-\$0.76	-\$0.40	\$0.36
Weighted-Average Shares (Basic and Diluted)	74.6	195.8	N/A

Non-GAAP Quarterly Financial Information			
	Three Months Ended October 31, 2015	Three Months Ended October 31, 2016	Y/Y Change
Gross Margin	61.7%	65.5%	3.8 ppts
Product Gross Margin	63.1%	66.0%	2.9 ppts
Support Gross Margin	52.8%	63.2%	10.4 ppts
Operating Loss*	-\$28.1	-\$19.4	\$8.7
Operating Margin*	-21.4%	-9.8%	11.6 ppts
Net Loss*	-\$29.1	-\$20.0	\$9.1
Net Loss per Share*	-\$0.18	-\$0.10	\$0.08
Weighted-Average Shares (Basic and Diluted)	164.9	195.8	N/A
Free Cash Flow*	-\$13.0	-\$35.8	-\$22.8

\* In the three months ended October 31, 2016, operating loss, operating margin, net loss, net loss per share and free cash flow exclude a one-time charge of \$30.0 million or 15 cents per share related to a legal settlement.

A reconciliation between GAAP and non-GAAP information is provided at the end of this release.

### Financial Outlook

Fourth Quarter Fiscal 2017 Guidance:

- Revenue in the range of \$219 million to \$227 million
- Non-GAAP gross margin in the range of 64% to 67%
- Non-GAAP operating margin in the range of -9% to -5%

All forward-looking non-GAAP financial measures contained in this section titled “Financial Outlook” exclude stock-based compensation expense, payroll tax expense related to stock-based activities and, as applicable, other special items. We have not reconciled guidance for non-GAAP gross margin and non-GAAP operating margin to their most directly comparable GAAP measures because such items 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.

### Conference Call Information

Pure Storage will host a teleconference to discuss the third quarter of fiscal 2017 results at 2:00 p.m. (PT) on November 30, 2016. Pure Storage will post its supplemental earnings presentation to the investor relations website at [investor.purestorage.com](http://investor.purestorage.com) following the conference call. Teleconference details are as follows:

- To Listen via Telephone: (877) 201-0168 or (647) 788-4901 (for international callers).
- To Listen via the Internet: A live and replay audio broadcast of the conference call with corresponding slides will be available at [investor.purestorage.com](http://investor.purestorage.com).
- Replay: A telephone playback of this conference call is scheduled to be available beginning at 5:00 p.m. (PT) on November 30, 2016 through 9:00 p.m. (PT) on January 13, 2017. The replay will be accessible by calling (855) 859-2056 or (404) 537-3406 (for international callers), with conference ID 91385195. The call runs 24 hours per day, including weekends.

### CEO Commentary

Pure Storage has posted a blog from its CEO discussing third quarter results at [investor.purestorage.com](http://investor.purestorage.com) and [blog.purestorage.com](http://blog.purestorage.com).

### Upcoming Investor Conferences

Matt Kixmoeller, Pure Storage’s Vice President of Product, will participate in a fireside chat at the Raymond James Technology Investors Conference in New York on Monday, December 5, 2016 at 4:10 p.m. (ET).

Scott Dietzen, Pure Storage's CEO, and Tim Riitters, Pure Storage's CFO, will participate in a fireside chat at the Barclays Global Technology, Media and Telecommunications Conference in San Francisco on Wednesday, December 7, 2016 at 11:00 a.m. (PT)

## **About Pure Storage**

Pure Storage (NYSE: PSTG) helps companies push the boundaries of what's possible. The company's all-flash based technology, combined with its customer-friendly business model, drives business and IT transformation with Smart Storage that is effortless, efficient and evergreen. Pure Storage offers two flagship products: FlashArray//M, optimized for structured workloads, and FlashBlade, ideal for unstructured data. With Pure's industry leading Satmetrix-certified NPS score of 83.5, Pure customers are some of the happiest in the world, and include organizations of all sizes, across an ever-expanding range of industries.

### **Connect with Pure Storage:**

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### **Analyst Recognition:**

Gartner [Magic Quadrant](#) for [Solid-State Arrays](#)

IDC MarketScape for [All-Flash Arrays](#)

Pure Storage, Evergreen, FlashBlade and the "P" Logo mark are trademarks of Pure Storage, Inc. All other trademarks or names referenced in this document are the property of their respective owners.

## **Forward Looking Statements**

This press release contains forward-looking statements regarding our products, business and operations, including our expectations regarding technology differentiation, customer adoption and business model advantages, our ability to maintain growth and take market share, and our financial outlook for the fourth quarter of fiscal 2017 and statements regarding our products, business, operations and results, including progress towards profitability. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions "Risk Factors" and elsewhere in our filings and reports with the U.S. Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, which is available on our investor relations website at [investor.purestorage.com](http://investor.purestorage.com) and on the SEC website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2016. All information provided in this release and in the attachments is as of November 30, 2016, and we undertake no duty to update this information unless required by law.

## **Non-GAAP Financial Measures**

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP loss from operations, non-GAAP operating margin, non-GAAP net loss, non-GAAP net loss per share, free cash flow, and free cash flow as a percentage of revenue. In computing these non-GAAP financial measures, we exclude the effects of stock-based compensation expense, payroll tax expense related to stock-based activities and assumed preferred stock conversion. For the three months ended October 31, 2016, non-GAAP loss from operations, non-GAAP operating margin, non-GAAP net loss, non-GAAP net loss per share, free cash flow and free cash flow as a percentage of revenue also exclude a one time cash charge related to a legal settlement. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures such as stock-based compensation expense and one time legal settlement charge that may not be indicative of our ongoing core business operating results. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when analyzing historical performance and liquidity and planning, forecasting, and analyzing future periods. The presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for our financial

results prepared in accordance with GAAP, and our non-GAAP measures may be different from non-GAAP measures used by other companies.

For a reconciliation of these non-GAAP financial measures to GAAP measures, please see the tables captioned "Reconciliations of non-GAAP results of operations to the nearest comparable GAAP measures" and "Reconciliation from net cash used in operating activities to free cash flow," included at the end of this release.

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**PURE STORAGE, INC.**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

	<u>January 31, 2016</u>	<u>October 31, 2016</u>
		(unaudited)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 604,742	\$ 152,461
Marketable securities	—	365,785
Accounts receivable, net of allowance of \$944 and \$2,414	126,324	163,038
Inventory	20,649	20,112
Deferred commissions, current	15,703	14,298
Prepaid expenses and other current assets	20,652	18,756
<b>Total current assets</b>	<b>788,070</b>	<b>734,450</b>
Property and equipment, net	52,629	82,088
Intangible assets, net	6,980	6,936
Deferred income taxes, non-current	536	1,074
Other long-term assets	22,568	29,588
<b>Total assets</b>	<b>\$ 870,783</b>	<b>\$ 854,136</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 38,187	\$ 43,412
Accrued compensation and benefits	32,995	29,137
Accrued expenses and other liabilities	14,076	20,545
Deferred revenue, current	94,514	134,536
Liability related to early exercised stock options	4,760	3,967
<b>Total current liabilities</b>	<b>184,532</b>	<b>231,597</b>
Deferred revenue, non-current	121,690	141,849
Other long-term liabilities	1,207	2,925
<b>Total liabilities</b>	<b>307,429</b>	<b>376,371</b>
<b>Stockholders' equity:</b>		
Common stock and additional paid-in capital	1,118,689	1,237,032
Accumulated other comprehensive income	—	298
Accumulated deficit	(555,335)	(759,565)
<b>Total stockholders' equity</b>	<b>563,354</b>	<b>477,765</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 870,783</b>	<b>\$ 854,136</b>

**PURE STORAGE, INC.**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per share data)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	2016	2015	2016
	(unaudited)			
<b>Revenue:</b>				
Product	\$ 113,573	\$ 160,523	\$ 248,383	\$ 403,181
Support	17,791	36,433	41,719	96,936
<b>Total revenue</b>	<b>131,364</b>	<b>196,956</b>	<b>290,102</b>	<b>500,117</b>
<b>Cost of revenue:</b>				
Product (1)	41,995	54,725	92,348	131,618
Support (1)	9,058	14,597	23,479	41,531
<b>Total cost of revenue</b>	<b>51,053</b>	<b>69,322</b>	<b>115,827</b>	<b>173,149</b>
<b>Gross profit</b>	<b>80,311</b>	<b>127,634</b>	<b>174,275</b>	<b>326,968</b>
<b>Operating expenses:</b>				
Research and development (1)	43,065	61,612	112,935	173,185
Sales and marketing (1)	63,803	91,392	171,647	262,073
General and administrative (1)	29,022	22,810	56,941	64,021
Legal settlement (2)	—	30,000	—	30,000
<b>Total operating expenses</b>	<b>135,890</b>	<b>205,814</b>	<b>341,523</b>	<b>529,279</b>
Loss from operations	(55,579)	(78,180)	(167,248)	(202,311)
Other income (expense), net	(171)	(192)	(1,245)	1,127
Loss before provision for income taxes	(55,750)	(78,372)	(168,493)	(201,184)
Provision for income taxes	751	441	965	967
<b>Net loss</b>	<b>\$ (56,501)</b>	<b>\$ (78,813)</b>	<b>\$ (169,458)</b>	<b>\$ (202,151)</b>
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.76)	\$ (0.40)	\$ (3.60)	\$ (1.05)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	74,565	195,807	47,109	192,637

(1) Includes stock-based compensation expense as follows:

Cost of revenue -- product	\$ 43	\$ 138	\$ 139	\$ 425
Cost of revenue -- support	657	1,178	1,511	3,982
Research and development	8,195	15,241	18,624	40,875
Sales and marketing	4,559	8,468	10,539	24,719
General and administrative	2,085	3,210	5,385	9,128
<b>Total stock-based compensation expense</b>	<b>\$ 15,539</b>	<b>\$ 28,235</b>	<b>\$ 36,198</b>	<b>\$ 79,129</b>

(2) One-time charge for our legal settlement with Dell, Inc.

**PURE STORAGE, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2015	2016	2015	2016
	(unaudited)			
<b>Cash flows from operating activities</b>				
Net loss	\$ (56,501)	\$ (78,813)	\$ (169,458)	\$ (202,151)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	8,850	13,642	23,118	35,978
Stock-based compensation expense	15,539	28,235	36,198	79,129
Contribution of common stock to the Pure Good Foundation	11,900	—	11,900	—
Other	—	557	—	1,051
Changes in operating assets and liabilities:				
Accounts receivable, net	(32,077)	(44,775)	(53,094)	(38,186)
Inventory	(1,767)	2,203	(3,420)	(189)
Deferred commissions	(3,607)	(43)	(8,472)	1,844
Prepaid expenses and other assets	569	848	(2,065)	39
Accounts payable	7,807	13,646	10,224	3,639
Accrued compensation and other liabilities	5,737	(1,901)	17,216	6,786
Deferred revenue	38,174	19,078	87,987	60,180
Net cash used in operating activities	<u>(5,376)</u>	<u>(47,323)</u>	<u>(49,866)</u>	<u>(51,880)</u>
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(7,672)	(18,484)	(29,495)	(64,602)
Purchase of intangible assets	—	—	—	(1,000)
Purchases of marketable securities	—	(55,590)	—	(483,558)
Sales of marketable securities	—	20,744	—	79,815
Maturities of marketable securities	—	32,413	—	38,213
Net increase in restricted cash	(2,484)	—	(2,484)	(5,600)
Net cash used in investing activities	<u>(10,156)</u>	<u>(20,917)</u>	<u>(31,979)</u>	<u>(436,732)</u>
<b>Cash flows from financing activities</b>				
Proceeds from initial public offering, net	459,425	—	459,425	—
Net proceeds from exercise of stock options	1,706	4,356	4,710	10,725
Proceeds from issuance of common stock under employee stock purchase plan	—	10,527	—	25,606
Payments of deferred offering costs	(574)	—	(1,690)	—
Net cash provided by financing activities	<u>460,557</u>	<u>14,883</u>	<u>462,445</u>	<u>36,331</u>
Net increase (decrease) in cash and cash equivalents	445,025	(53,357)	380,600	(452,281)
Cash and cash equivalents, beginning of period	128,282	205,818	192,707	604,742
Cash and cash equivalents, end of period	<u>\$ 573,307</u>	<u>\$ 152,461</u>	<u>\$ 573,307</u>	<u>\$ 152,461</u>

## Reconciliations of non-GAAP results of operations to the nearest comparable GAAP measures

The following table presents non-GAAP gross margins by revenue source before certain items (in thousands, unaudited):

	Three Months Ended October 31, 2015					Three Months Ended October 31, 2016				
	GAAP results	GAAP gross margin (a)	Adjustment	Non-GAAP results	Non-GAAP gross margin (b)	GAAP results	GAAP gross margin (a)	Adjustment	Non-GAAP results	Non-GAAP gross margin (b)
			\$ 43 (c)					\$ 138 (c)		
								2 (d)		
<b>Gross profit -- product</b>	<u>\$71,578</u>	<u>63.0%</u>	\$ 43	<u>\$71,621</u>	<u>63.1%</u>	<u>\$ 105,798</u>	<u>65.9%</u>	\$ 140	<u>\$ 105,938</u>	<u>66.0%</u>
			\$ 657 (c)					\$ 1,178 (c)		
								9 (d)		
<b>Gross profit -- support</b>	<u>\$ 8,733</u>	<u>49.1%</u>	\$ 657	<u>\$ 9,390</u>	<u>52.8%</u>	<u>\$ 21,836</u>	<u>59.9%</u>	\$ 1,187	<u>\$ 23,023</u>	<u>63.2%</u>
			\$ 700 (c)					\$ 1,316 (c)		
								11 (d)		
<b>Total gross profit</b>	<u>\$80,311</u>	<u>61.1%</u>	<u>\$ 700</u>	<u>\$81,011</u>	<u>61.7%</u>	<u>\$ 127,634</u>	<u>64.8%</u>	<u>\$ 1,327</u>	<u>\$ 128,961</u>	<u>65.5%</u>

(a) GAAP gross margin is defined as gross profit divided by revenue.

(b) Non-GAAP gross margin is defined as non-GAAP gross profit divided by revenue.

(c) To eliminate stock-based compensation expense.

(d) To eliminate payroll tax expense related to stock-based activities.

The following table presents certain non-GAAP consolidated results before certain items (in thousands, except per share amounts, unaudited):

	Three Months Ended October 31, 2015					Three Months Ended October 31, 2016				
	GAAP results	GAAP operating margin (a)	Adjustment	Non-GAAP results	Non-GAAP operating margin (b)	GAAP results	GAAP operating margin (a)	Adjustment	Non-GAAP results	Non-GAAP operating margin (b)
			\$ 15,539 (c)					\$ 28,235 (c)		
			11,900 (d)					\$ 30,000 (e)		
								\$ 548 (f)		
<b>Loss from operations</b>	<u>\$ (55,579)</u>	<u>-42.3 %</u>	\$ 27,439	<u>\$ (28,140)</u>	<u>-21.4 %</u>	<u>\$ (78,180)</u>	<u>-39.7 %</u>	\$ 58,783	<u>\$ (19,397)</u>	<u>-9.8 %</u>
			\$ 15,539 (c)					\$ 28,235 (c)		
			11,900 (d)					\$ 30,000 (e)		
								\$ 548 (f)		
<b>Net loss</b>	<u>\$ (56,501)</u>		\$ 27,439	<u>\$ (29,062)</u>		<u>\$ (78,813)</u>		\$ 58,783	<u>\$ (20,030)</u>	
<b>Net loss per share -- basic and diluted</b>	<u>\$ (0.76)</u>			<u>\$ (0.18)</u>		<u>\$ (0.40)</u>			<u>\$ (0.10)</u>	
<b>Weighted-average shares used in per share calculation - basic and diluted</b>	74,565		90,381 (g)	164,946		195,807			195,807	

- (a) GAAP operating margin is defined as loss from operations divided by revenue.  
(b) Non-GAAP operating margin is defined as non-GAAP loss from operations divided by revenue.  
(c) To eliminate stock-based compensation expense.  
(d) To eliminate one-time charge for an equity grant to the Pure Good Foundation.  
(e) To eliminate one-time charge for our legal settlement with Dell, Inc.  
(f) To eliminate payroll tax expense related to stock-based activities.  
(g) To assume preferred stock conversion as of the beginning of the period.

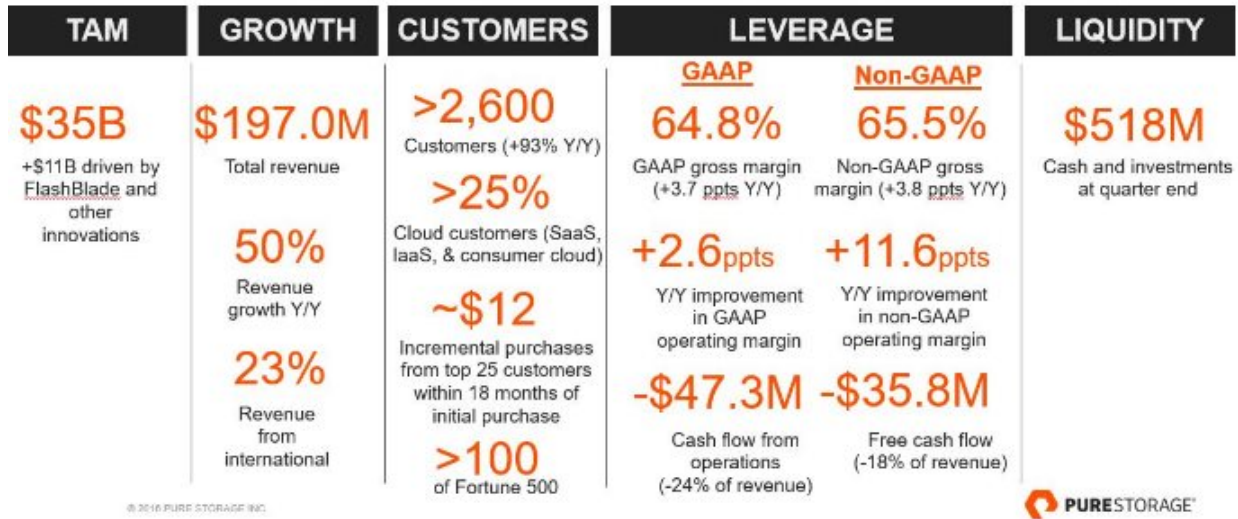
**Reconciliation from net cash used in operating activities to free cash flow (in thousands, unaudited):**

	Three Months Ended October 31,	
	2015	2016
Net cash used in operating activities	\$ (5,376)	\$ (47,323)
Less: purchases of property and equipment	(7,672)	(18,484)
Add: cash paid for legal settlement	—	\$ 30,000
Free cash flow	<u>\$ (13,048)</u>	<u>\$ (35,807)</u>
Free cash flow as % of revenue	(9.9)%	(18.2)%

**Dietz on the Day: Pure Storage Q3 Performance & the Road Ahead for Data Storage**

Pure Storage (NYSE:PSTG) delivered another strong quarter as demand for our data platform remained robust. Q3 revenue was \$197 million, beating our top-line guidance by 3% and maintaining our remarkable growth. At the same time, we continued to progress toward profitability with non-GAAP operating margin of -9.8%, an eleven point improvement year over year, and more than five points ahead of the mid-point of our guide.

# Q3 KEY HIGHLIGHTS



How is Pure winning share and driving leverage in a rapidly evolving storage market?

**We enable customers to derive unique value from their most strategic data.** According to [research](#) commissioned by Pure Storage, nearly 80% of businesses believed they could improve their top lines by at least 20% simply by more effectively mining insights within their data. Advances in predictive analytics (including machine learning and streaming real-time analytics) depend on ever more performance intensive access to growing and changing data sets. The more insights that can be mined from the data, the smarter and more agile the business can become.

Through Pure’s unique combination of scale, speed and low total cost of ownership, more applications can share larger datastores, for example allowing analytics applications to be executed online using the same transactional data that runs the business - that is, making *all data available to all applications* . And by pioneering ways to more efficiently scale and use data, Pure is unleashing innovation in business logic, enabling the development of a new class of data demanding applications . Looking forward, the innovations we have teed up for both FlashArray and FlashBlade will make Pure an even better platform for a business’ most critical data.

**We are expanding quickly into unstructured data.** FlashBlade is designed to revolutionize unstructured and semi-structured data platforms the same way that FlashArray transformed the market for structured data. Early customer feedback confirms that FlashBlade delivers unprecedented performance in a compact and cost-effective form factor due to its highly innovative design. Recent customer successes range from online computer gaming and medical testing and diagnostics to utilities and energy. For example, CUProdigy, a provider of private cloud solutions for credit unions, is using FlashBlade to elastically scale operations transparently to their applications; and Paylocity is employing FlashBlade to support its SaaS payroll and human capital management software.

While revenue from FlashBlade won’t be material this year, we are on track both for general availability later this quarter as well as for validation of target vertical use cases. FlashBlade contributes to the expansion of [our addressable market to \\$35 billion](#) . FlashBlade is the only all silicon storage platform built from the ground up to accelerate unstructured and big data applications, positioning us uniquely well to take advantage of the decreasing cost of flash and the inevitable demand for greater speed.

**We are pioneering another performance breakthrough in data.** After all-flash, the next quantum leap in data performance is a protocol designed for solid-state called non-volatile memory express (NVMe). We believe all-NVMe will be as big as all-flash, and more difficult for our legacy competitors to deliver. NVMe provides the potential for a hundred-fold improvement in the parallel processing of data---superseding disk protocols designed to do one thing at a time. Extended across the network, NVMe will do away with locality constraints, enabling applications within a rack or cluster to access petabytes of data as if it were a local resource (providing a more scalable alternative to the server-local storage or DAS model popular in many cloud-native applications).

Moreover, only NVMe provides sufficient bandwidth to exploit today's larger, more cost effective SSDs - as data center flash modules have grown from 256GB (when Pure got started) to between 8 and 32TB today, legacy disk arrays have not kept pace. This results in an up to 128-fold reduction in I/O per GB that is like trying to drink a lake through a straw.

Pure has been shipping NVMe in our FlashArray//M product since 2015, and is ensuring [customer investments are protected in route to the all-NVMe future](#). Our competitors, leading with solutions designed for mechanical disk, face what we believe will be a multi-year rewrite to deliver the parallelism afforded by flash and NVMe, and their customers still need to buy wholly new storage and perform a complicated data migration, making it an uphill battle to sell storage today that will be obsolete tomorrow. We expect our NVMe leadership to be a key differentiator for Pure as all-flash arrays becoming all-NVMe as well.

For further color on Pure's technology roadmap, please check out the [latest blog](#) from our head of product, and to learn more about NVMe technology and why it is so important, [watch next week's episode of Outside the Box](#), our web show on storage innovation, which is going to be all about NVMe!

**We are shaping the future of data storage with our software driven on commodity silicon approach.** Our software driven architecture using merchant silicon makes Pure the optimal data platform today: FlashArray and FlashBlade are the fastest, most dense, most reliable and most cost effective storage in the industry. Our arrays are built from the latest and greatest hardware components, but software has always been our secret sauce. Pure has >400 patents and pending applications for our software innovations. In fact, Pure's software was originally built to run on commodity servers, but we then designed custom form factors from off-the-shelf components optimized to run that software. Pure is not unique in doing so: *software driven on commodity silicon* has proven successful across infrastructure, with Arista doing for networking and Palo Alto Networks for security what Pure is doing for storage. Indeed, public clouds like [Azure](#) and [Google Cloud](#) are doing the same. With the lion's share of our innovation in software, Pure will be ready should continued progress in silicon (fast and economical SSDs, better non-volatile memory like Intel 3D XPoint) make 100% software defined more attractive. On today's technology, Pure's software-centric on merchant silicon approach is better across the board than the solely software defined alternatives.

**We are winning in the cloud.** As data center spend continues to shift from traditional IT to the cloud, Pure is uniquely well positioned. Pure now has over 400 Software as a Service (SaaS), Infrastructure as a Service (IaaS) and "Internet" (consumer cloud) customers, and those footprints are growing about twice as fast as the rest of our installed base.

Pure's cloud customers are keeping core, predictable workloads in their private clouds for greater performance and a higher quality of service at lower cost. Pure is also winning cloud customers because our platform has supremely low operational overhead, is DevOps capable for the lights out data center, and provides an evergreen business model that aligns with that of the cloud.

Pure's success in modern data centers is not just versus legacy storage vendors, but also versus next generation hyper-converged infrastructure (HCI). Cloud customers tend to specialize their compute/applications and data/storage into separate tiers so that they can be more efficiently scaled and refreshed independently. Moreover, today's HCI solutions are optimized for disk with flash caching. Although some HCI vendors have introduced efficiency technologies like data reduction and erasure coding, these are performance-challenged, forcing most deployments to rely on mirroring which is inherently inefficient. The result is that HCI delivers simplicity at small scale but sees the economics break-down at even moderate scale when optimized compute and data tiers become more efficient, performant and reliable. In a recent customer benchmark, one of the leading hyper-converged solutions would have consumed twice the rack space and cost \$4M more over 5 years, due to the increased hardware costs, power and data center footprint.

HCI tends to do well where simplicity is more important than performance, resiliency, or economics at scale, and indeed a recent VAR survey found that [67% of HCI deployments were for VDI and remote office use cases](#). But at scale in the data center, it is converged infrastructure (like Cisco and Pure's FlashStack) that affords the best performance at the most compelling economics.

As we plan the next decade of Pure growth, we seek to become the leading storage platform for clouds #4 through #1000. Our success does not depend on winning over hyperscalers like AWS, Azure or Google who typically build their own storage (they

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are not counted in our \$35 billion TAM). To date, we believe Pure is better positioned to enjoy more success supporting cloud customers than either our legacy or modern competitors, and our roadmap is focused on becoming ever more relevant to these deployments in the years to come.

**We are winning in the enterprise.** Indeed, Pure now counts more than 2,600 customers from across retail, finance, manufacturing, government and healthcare, including more than 100 of the Fortune 500, up ~10% from Q2. With IDC forecasting that 50% of all Enterprise IT will continue to reside in private clouds over the next 5 years, we are able to offer these customers the same flexibility, simplicity, performance and low total cost of ownership that our cloud customers require.

Competition in the enterprise has always been fierce as legacy competitors attempt to protect their installed bases. Nevertheless, our overall win rates held strong, and are on par with where they were a year ago. Proof of Pure's differentiation can be found in the latest [Gartner Magic Quadrant](#), our industry leading customer satisfaction ([audited Net Promoter score of 83.5](#)), and in our recent announcement that FlashArray//M achieved 99.9999% availability (less than 32 sec. of downtime per year, and in Pure's case without maintenance windows) in its first year of availability.

Given our strong win rates, Pure's success is ultimately gated on our 'at bats' - the number of deals in which we participate. Our channel partners contribute most of those at bats (three quarters of our new logos in Q3). That expanding partner leverage, which now includes global systems integrators, is essential to extending our reach. We're also seeing strong traction for our FlashStack partnership with Cisco, delivering converged infrastructure that combines best-of-breed servers and networking from Cisco with Pure's best-in-class storage. With momentum gaining in deployments around the world, FlashStack continues to show triple digit year-over-year growth.

**Our business model is leading the industry, too.** Pure's evergreen subscription to future innovation are not only better for our end users, but better for Pure in that we need never compete to re-win the business of happy customers. Similarly, supremely simple and reliable products are not just better for customers, they are also lower cost to support. We get further leverage from our software advantages in data reduction (Pure often delivers 2 to 5 times the value per flash cell of our primary competitors), and hardware efficiencies (for larger configs, we estimate Pure's street price is below the COGS of some high-end legacy alternatives). As flash continues to commoditize, Pure's software allows us to play in ever more of the market, and our efficiency advantages enable us to take share even as we build a fundamentally healthy business.

**As a result, we are profoundly enthusiastic about the road ahead.** Together, we will win by continuing to deliver the best data platforms in both FlashArray and FlashBlade - bigger, faster, simpler, and lower cost to own than any other choices on the market. The management automation and evergreen business model we have pioneered is built for the cloud-first generation. For the majority of our customers that choose the hybrid cloud model (use of both public and private cloud), Pure is also helping to make the orchestration and management of data moving in and out of the public cloud as easy and cost effective as possible. And, the trusted, secure and effortless customer experience we offer is the foundation of everything we do.

**Best wishes for the holidays.** Let us close with thanks to all of the customers, partners, investors and employees that have joined Team Orange on our extraordinary journey. We look forward to working with more of you every quarter. Happy Holiday Season from all of us at Pure.

**Forward Looking Statements.** This post contains forward-looking statements regarding industry and technology trends, our unique strategy, positioning and opportunity, our products and related roadmaps (including for FlashArray and FlashBlade), the impact of NVMe, the benefits of our approach and cost advantages, competition, traction with partners, and our business and operations, including our future margins, growth prospects and operating model. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the caption "Risk Factors" and elsewhere in our filings and reports with the U.S. Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the fiscal year ended January 31, 2016, which is available on our investor relations website at [investor.purestorage.com](http://investor.purestorage.com) and on the SEC website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2016. All information provided in this post is as of November 30, 2016, and we undertake no duty to update this information unless required by law.

**Non-GAAP Financial Measures.** This post contains certain non-GAAP financial measures about the company's performance. For the most directly comparable GAAP financial measures and a reconciliation of these non-GAAP financial measures to GAAP measures, please see our earnings release issued on November 30, 2016, which includes tables captioned "Reconciliations of non-GAAP results of operations to the nearest comparable GAAP measures" and "Reconciliation from net cash used in operating activities to free cash flow."