

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

---

**FORM 8-K**

---

**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 19, 2018**

---

**Pure Storage, Inc.**

(Exact name of Registrant as Specified in Its Charter)

---

**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)**

---

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

**Item 2.02. Results of Operations and Financial Condition.**

On November 19, 2018, Pure Storage, Inc. ("Pure Storage") issued a press release and will hold a conference call regarding its financial results for the quarter ended October 31, 2018. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K.

This information, including the exhibit(s) 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 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 exhibit is furnished herewith:

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release entitled "Pure Storage Announces Third Quarter Fiscal 2019 Financial Results"</a>

---

**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/ TIMOTHY RIITERS            
Timothy Riitters  
Chief Financial Officer

November 19, 2018

## Pure Storage Announces Third Quarter Fiscal 2019 Financial Results

MOUNTAIN VIEW, Calif., November 19, 2018 – Pure Storage (NYSE: PSTG), the all-flash storage leader that helps innovators build a better world with data, today announced financial results for its third quarter ended October 31, 2018 .

Key quarterly business and financial highlights:

- Revenue: \$372.8 million , up 34% Y/Y, exceeding the high end of our guidance;
- Gross margin: 66.8% GAAP; 68.1% non-GAAP, representing an all-time high;
- Operating margin: -7.3 % GAAP; 9.1 % non-GAAP, up 3.4 ppts and 5.4 ppts Y/Y, respectively.

“Pure delivered another excellent quarter, and today we’re announcing the extension of Pure’s data centric architecture to the cloud,” said Charles Giancarlo, Chairman and CEO, Pure Storage. “With the launch of our new Pure Storage Cloud Data Services, we’re bringing our storage software directly to the public cloud in partnership with AWS.”

“Q3 was a strong quarter for Pure with revenue and margins exceeding our expectations,” said Tim Riitters, CFO, Pure Storage. “As we finish the fiscal year we are excited about the opportunities ahead, and have raised FY19 guidance to reflect the momentum we are seeing in our business.”

### Announcing Pure Storage Cloud Data Services

Today the company announced Pure Storage Cloud Data Services, a suite of new cloud offerings that run natively on Amazon Web Services (AWS). With these new products, customers will be able to invest in a single storage architecture that unifies application deployments on-premises and in the public cloud to flexibly turn data into value virtually anywhere.

- Join the [virtual on-demand launch event](#) on November 19 at 1:10 p.m. (PT) featuring 45 minutes of industry-changing insight.
- Read the [press release](#) for additional details on our products, strategy and availability.

### Third Quarter Fiscal 2019 Financial Highlights

The following tables summarize our consolidated financial results for the fiscal quarters ended October 31, 2018 and 2017 (in millions except percentages, per share amounts and headcount, unaudited):

GAAP Quarterly Financial Information			
	Three Months Ended October 31, 2018	Three Months Ended October 31, 2017	Y/Y Change
Revenue	\$372.8	\$277.6	34%
Gross Margin	66.8%	65.5%	1.3 ppts
Product Gross Margin	67.7%	66.9%	0.8 ppts
Support Subscription Gross Margin	63.4%	58.9%	4.5 ppts
Operating Loss	\$(27.2)	\$(29.6)	\$2.4
Operating Margin	-7.3%	-10.7%	3.4 ppts
Net Loss	\$(28.2)	\$(29.4)	\$1.2
Net Loss per Share – Basic and Diluted	\$(0.12)	\$(0.14)	\$0.02
Weighted-Average Shares	235.2	213.3	21.9
Headcount	>2,650	>2,000	~650

Non-GAAP Quarterly Financial Information			
	Three Months Ended October 31, 2018	Three Months Ended October 31, 2017	Y/Y Change
Gross Margin	68.1%	66.4%	1.7 pts
Product Gross Margin	68.1%	67.0%	1.1 pts
Support Subscription Gross Margin	68.1%	63.9%	4.2 pts
Operating Income	\$33.9	\$10.2	\$23.7
Operating Margin	9.1%	3.7%	5.4 pts
Net Income	\$35.4	\$10.4	\$25.0
Net Income per Share – Diluted	\$0.13	\$0.04	\$0.09
Weighted-Average Shares – Diluted	266.5	242.9	23.6

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

### Financial Outlook

Pure Storage's fourth quarter fiscal 2019 guidance is as follows:

- Revenue in the range of \$438 million to \$446 million
- Non-GAAP gross margin in the range of 64.5% to 67.5%
- Non-GAAP operating margin in the range of 8% to 12%

Pure Storage's full year fiscal 2019 guidance is as follows:

- Revenue in the range of \$1.376 billion to \$1.384 billion
- Non-GAAP gross margin in the range of 66.6% to 67.6%
- Non-GAAP operating margin in the range of 3.9% to 5.3%

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, amortization of debt discount and debt issuance costs, amortization of intangible asset acquired from acquisition, any applicable anti-dilutive share count impact of our convertible debt hedge agreements 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 the 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 fiscal 2019 results at 2:00 p.m. (PT) on November 19, 2018. 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 approximately two hours after the call ends on Monday, November 19, 2018, through December 3, 2018. The replay will be accessible by calling (800) 585-8367 or (416) 621-4642 (for international callers), with conference ID 2157679.

## Upcoming Events

Management will participate in an upcoming financial Q&A discussion at the 2018 Wells Fargo Tech Summit on December 5, 2018 at 10:50 a.m. (PT). Pure Storage will post a link to this event on the investor relations website at [investor.purestorage.com](http://investor.purestorage.com) for both live and archived webcasts.

## About Pure Storage

Pure Storage (NYSE: PSTG) helps innovators build a better world with data. Pure's data solutions enable SaaS companies, cloud service providers, and enterprise and public sector customers to deliver real-time, secure data to power their mission-critical production, DevOps, and modern analytics environments in a multi-cloud environment. One of the fastest growing enterprise IT companies in history, Pure Storage enables customers to quickly adopt next-generation technologies, including artificial intelligence and machine learning, to help maximize the value of their data for competitive advantage. And with a Satmetrix-certified NPS customer satisfaction score in the top one percent of B2B companies, Pure's ever-expanding list of customers are among the happiest in the world.

## Analyst Recognition

Gartner [Magic Quadrant for Solid-State Arrays](#)  
IDC MarketScape for [All-Flash Arrays](#)

Pure Storage, Evergreen, FlashBlade, FlashStack 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 growth prospects and expectations regarding technology differentiation and our new Pure Storage Cloud Data Services, and our outlook for the fourth quarter and full year fiscal 2019, and statements regarding our products, business, operations and results. 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, which are 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 available in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2018. All information provided in this release and in the tables attached hereto is as of November 19, 2018, 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 operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, free cash flow, free cash flow as a percentage of revenue, free cash flow without ESPP impact, and free cash flow without ESPP impact as a percentage of revenue.

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, amortization of debt discount and debt issuance costs, and amortization of intangible asset acquired from acquisition 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, or superior to, 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 provided by operating activities to free cash flow and free cash flow without ESPP impact," included at the end of this release.

Matthew Danziger – Investor Relations, Pure Storage

Tel: (650) 429-0456

[ir@purestorage.com](mailto:ir@purestorage.com)

Rena Fallstrom – Media Contact, Pure Storage

Tel: (408) 203-3945

[pr@purestorage.com](mailto:pr@purestorage.com)

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

	As of October 31, 2018	As of January 31, 2018
		(As Adjusted*)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 406,641	\$ 244,057
Marketable securities	737,020	353,289
Accounts receivable, net of allowance of \$1,052 and \$1,062	305,649	243,001
Inventory	50,737	34,497
Deferred commissions, current	24,100	21,088
Prepaid expenses and other current assets	44,657	47,552
<b>Total current assets</b>	<b>1,568,804</b>	<b>943,484</b>
Property and equipment, net	115,266	89,142
Deferred commissions, non-current	72,340	66,225
Intangible assets, net	21,126	5,057
Goodwill	10,997	—
Deferred income taxes, non-current	1,766	1,060
Restricted cash	15,822	14,763
Other assets, non-current	5,245	4,264
<b>Total assets</b>	<b>\$ 1,811,366</b>	<b>\$ 1,123,995</b>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 101,979	\$ 84,420
Accrued compensation and benefits	53,213	59,898
Accrued expenses and other liabilities	43,633	26,829
Deferred revenue, current	232,570	191,229
Liability related to early exercised stock options	—	320
<b>Total current liabilities</b>	<b>431,395</b>	<b>362,696</b>
Convertible senior notes, net	443,212	—
Deferred revenue, non-current	228,618	182,873
Other liabilities, non-current	5,813	4,025
<b>Total liabilities</b>	<b>1,109,038</b>	<b>549,594</b>
<b>Stockholders' equity:</b>		
Common stock and additional paid-in capital	1,761,621	1,479,905
Accumulated other comprehensive loss	(3,099)	(1,917)
Accumulated deficit	(1,056,194)	(903,587)
<b>Total stockholders' equity</b>	<b>702,328</b>	<b>574,401</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,811,366</b>	<b>\$ 1,123,995</b>

\* Prior period information has been adjusted to reflect the adoption impact of Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606), which we adopted on February 1, 2018.

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017 (As Adjusted*)	2018	2017 (As Adjusted*)
<b>Revenue:</b>				
Product	\$ 298,863	\$ 227,772	\$ 735,449	\$ 550,291
Support subscription	73,916	49,819	202,159	134,615
<b>Total revenue</b>	<b>372,779</b>	<b>277,591</b>	<b>937,608</b>	<b>684,906</b>
<b>Cost of revenue:</b>				
Product <sup>(1)</sup>	96,610	75,392	241,292	179,289
Support subscription <sup>(1)</sup>	27,049	20,467	74,716	56,569
<b>Total cost of revenue</b>	<b>123,659</b>	<b>95,859</b>	<b>316,008</b>	<b>235,858</b>
<b>Gross profit</b>	<b>249,120</b>	<b>181,732</b>	<b>621,600</b>	<b>449,048</b>
<b>Operating expenses:</b>				
Research and development <sup>(1)</sup>	90,783	68,927	253,306	203,716
Sales and marketing <sup>(1)</sup>	146,903	116,971	413,019	326,286
General and administrative <sup>(1)</sup>	38,651	25,406	99,572	67,664
<b>Total operating expenses</b>	<b>276,337</b>	<b>211,304</b>	<b>765,897</b>	<b>597,666</b>
Loss from operations	(27,217)	(29,572)	(144,297)	(148,618)
Other income (expense), net	(2,889)	1,138	(7,920)	6,399
Loss before provision for income taxes	(30,106)	(28,434)	(152,217)	(142,219)
Income tax provision (benefit)	(1,926)	970	390	2,755
<b>Net loss</b>	<b>\$ (28,180)</b>	<b>\$ (29,404)</b>	<b>\$ (152,607)</b>	<b>\$ (144,974)</b>
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.12)	\$ (0.14)	\$ (0.66)	\$ (0.69)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	235,205	213,274	229,505	209,456

\* Prior period information has been adjusted to reflect the adoption impact of ASC 606, which we adopted on February 1, 2018.

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

Cost of revenue -- product	\$ 862	\$ 143	\$ 2,190	\$ 898
Cost of revenue -- support subscription	3,327	2,422	8,940	6,441
Research and development	24,634	18,073	67,956	51,632
Sales and marketing	18,681	12,104	49,890	34,169
General and administrative	10,825	6,121	26,962	14,780
<b>Total stock-based compensation expense</b>	<b>\$ 58,329</b>	<b>\$ 38,863</b>	<b>\$ 155,938</b>	<b>\$ 107,920</b>

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2018	2017	2018	2017
		(As Adjusted*)		(As Adjusted*)
<b>Cash flows from operating activities</b>				
Net loss	\$ (28,180)	\$ (29,404)	\$ (152,607)	\$ (144,974)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	17,791	15,525	51,381	45,525
Amortization of debt discount and debt issuance costs	6,525	—	14,414	—
Stock-based compensation expense	58,329	38,863	155,938	107,920
Other	(5,119)	82	(5,037)	879
Changes in operating assets and liabilities, net of effects of acquisition:				
Accounts receivable, net	(63,330)	(33,655)	(62,623)	(33,630)
Inventory	(8,203)	(3,827)	(17,103)	(14,314)
Deferred commissions	(4,972)	(4,382)	(9,127)	(13,969)
Prepaid expenses and other assets	(9,138)	74	1,996	(112)
Accounts payable	29,935	11,607	11,800	11,808
Accrued compensation and other liabilities	15,050	3,352	7,592	359
Deferred revenue	47,861	30,013	87,005	54,264
Net cash provided by operating activities	<u>56,549</u>	<u>28,248</u>	<u>83,629</u>	<u>13,756</u>
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(28,074)	(14,251)	(70,807)	(44,351)
Acquisition, net of cash acquired	(13,899)	—	(13,899)	—
Purchases of marketable securities	(63,741)	(56,640)	(558,248)	(151,998)
Sales of marketable securities	5,217	12,538	18,802	46,067
Maturities of marketable securities	58,256	25,340	156,049	99,021
Net cash used in investing activities	<u>(42,241)</u>	<u>(33,013)</u>	<u>(468,103)</u>	<u>(51,261)</u>
<b>Cash flows from financing activities</b>				
Net proceeds from exercise of stock options	14,275	8,968	43,342	15,761
Proceeds from issuance of common stock under employee stock purchase plan	13,746	7,971	33,444	22,137
Proceeds from issuance of convertible senior notes, net of issuance costs	—	—	562,062	—
Payment for purchase of capped calls	—	—	(64,630)	—
Repayment of debt acquired from acquisition	(6,101)	—	(6,101)	—
Repurchase of common stock	—	—	(20,000)	—
Net cash provided by financing activities	<u>21,920</u>	<u>16,939</u>	<u>548,117</u>	<u>37,898</u>
Net increase in cash, cash equivalents and restricted cash	36,228	12,174	163,643	393
Cash, cash equivalents and restricted cash, beginning of period	386,235	184,628	258,820	196,409
Cash, cash equivalents and restricted cash, end of period	<u>\$ 422,463</u>	<u>\$ 196,802</u>	<u>\$ 422,463</u>	<u>\$ 196,802</u>

\* Prior period information has been adjusted to reflect the adoption impact of ASC 606 and ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which we adopted on February 1, 2018.

## 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 except percentages, unaudited):

	Three Months Ended October 31, 2018					Three Months Ended October 31, 2017 (As Adjusted*)				
	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)
			\$ 862 (c)					\$ 143 (c)		
			29 (d)					5 (d)		
			503 (e)					—		
<b>Gross profit</b>										
-- product	\$ 202,253	67.7%	\$ 1,394	\$ 203,647	68.1%	\$ 152,380	66.9%	\$ 148	\$ 152,528	67.0%
			\$ 3,327 (c)					\$ 2,422 (c)		
			155 (d)					71 (d)		
<b>Gross profit</b>										
-- support subscription	\$ 46,867	63.4%	\$ 3,482	\$ 50,349	68.1%	\$ 29,352	58.9%	\$ 2,493	\$ 31,845	63.9%
			\$ 4,189 (c)					\$ 2,565 (c)		
			184 (d)					76 (d)		
			503 (e)					—		
<b>Total gross profit</b>	<u>\$ 249,120</u>	<u>66.8%</u>	<u>\$ 4,876</u>	<u>\$ 253,996</u>	<u>68.1%</u>	<u>\$ 181,732</u>	<u>65.5%</u>	<u>\$ 2,641</u>	<u>\$ 184,373</u>	<u>66.4%</u>

\* Prior period information has been adjusted to reflect the adoption impact of ASC 606, which we adopted on February 1, 2018.

(a) GAAP gross margin is defined as GAAP 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.

(e) To eliminate amortization expense of intangible asset acquired from StorReduce acquisition.

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

	Three Months Ended October 31, 2018					Three Months Ended October 31, 2017 (As Adjusted*)				
	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)
			\$ 58,329 (c)					\$ 38,863 (c)		
			2,282 (d)					902 (d)		
			503 (e)					—		
Operating income (loss)	\$ (27,217)	-7.3 %	\$ 61,114	\$ 33,897	9.1%	\$ (29,572)	-10.7 %	\$ 39,765	\$ 10,193	3.7%
			\$ 58,329 (c)					\$ 38,863 (c)		
			2,282 (d)					902 (d)		
			503 (e)					—		
			6,525 (f)					—		
			(4,083) (g)					—		
Net income (loss)	<u>\$ (28,180)</u>		<u>\$ 63,556</u>	<u>\$ 35,376</u>		<u>\$ (29,404)</u>		<u>\$ 39,765</u>	<u>\$ 10,361</u>	
Net income (loss) per share -- diluted	<u>\$ (0.12)</u>			<u>\$ 0.13</u>		<u>\$ (0.14)</u>			<u>\$ 0.04</u>	
Weighted-average shares used in per share calculation - diluted	235,205		31,328 (h)	266,533		213,274		29,613 (h)	242,887	

\* Prior period information has been adjusted to reflect the adoption impact of ASC 606, which we adopted on February 1, 2018.

(a) GAAP operating margin is defined as GAAP operating loss divided by revenue.

(b) Non-GAAP operating margin is defined as non-GAAP operating income divided by revenue.

(c) To eliminate stock-based compensation expense.

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

(e) To eliminate amortization expense of intangible asset acquired from StorReduce acquisition.

(f) To eliminate amortization expense of debt discount and debt issuance costs related to our convertible debt.

(g) Release of valuation allowance due to StorReduce acquisition.

(h) To include effect of dilutive securities (employee stock options, restricted stock units, and shares from employee stock purchase plan (ESPP)).

Reconciliation from net cash provided by operating activities to free cash flow and free cash flow without ESPP impact (in thousands except percentages, unaudited):

	Three Months Ended October 31,	
	2018	2017
Net cash provided by operating activities	\$ 56,549	\$ 28,248
Less: purchases of property and equipment	(28,074)	(14,251)
<b>Free cash flow (non-GAAP)</b>	<b>\$ 28,475</b>	<b>\$ 13,997</b>
Adjust: ESPP impact	2,104	2,478
<b>Free cash flow without ESPP impact (non-GAAP)</b>	<b>\$ 30,579</b>	<b>\$ 16,475</b>
<i>Free cash flow as % of revenue</i>	7.6%	5.0%
<i>Free cash flow without ESPP impact as % of revenue</i>	8.2%	5.9%