

UNITED STATES  
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 24, 2020

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**Pure Storage, Inc.**

(Exact name of Registrant as Specified in Its Charter)

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<b>Delaware</b> (State or Other Jurisdiction of Incorporation)	<b>001-37570</b> (Commission File Number)	<b>27-1069557</b> (IRS Employer Identification No.)
<b>650 Castro Street, Suite 400</b> (Address of Principal Executive Offices)	<b>Mountain View California</b>	<b>94041</b> (Zip Code)

**(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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**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading symbol(s)</b>	<b>Name of each exchange on which registered</b>
<b>Class A Common Stock, \$0.0001 par value per share</b>	<b>PSTG</b>	<b>New York Stock Exchange LLC</b>

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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))

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.

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

On November 24, 2020, Pure Storage, Inc. ("Pure") issued a press release and will hold a conference call regarding its financial results for the quarter ended November 1, 2020. 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 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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On November 24, 2020, the Compensation Committee (the "Committee") of the Board of Directors of Pure, as part of its annual review of Pure's executive compensation program and pursuant to the powers delegated to the Committee, approved an amended Change in Control and Severance Benefits Plan, effective immediately (the "Severance Plan"). Pure's original Change in Control Severance Benefit Plan was first established effective as of August 19, 2015.

The Severance Plan provides that Pure's officers, including its Chief Executive Officer ("CEO") and other executive officers (collectively with the CEO, the "Executive Officers"), are eligible to receive severance benefits in connection with qualifying terminations of their employment. The severance benefits provided under the terms of the amended Severance Plan remained materially unchanged as compared to those described in Pure's definitive proxy statement on Schedule 14A filed with the SEC on May 11, 2020, except as set forth below.

***Severance upon Change in Control***

If an Executive Officer is terminated by Pure without cause or resigns for good reason within three months prior to, or 12 months following, a change in control (a "Change in Control Period"), he or she will be eligible for a lump sum cash severance payment and continued health coverage as listed on the table below, as well as accelerated vesting of 100% of all unvested equity awards held by such Executive Officer (with acceleration of outstanding performance-based awards based on the number of shares subject to the award as if the applicable performance criteria had been attained at 100% of target and with acceleration of performance-based awards granted after the effective date to be governed by applicable award agreement):

<b>Level</b>	<b>Months of Base Salary</b>	<b>Months of Target Bonus</b>	<b>Months of Health Coverage</b>	<b>Changes</b>
<b>CEO</b>	18*	12	18	*Increased from 12 to 18 months
<b>Executive Officers (other than CEO)</b>	12*	12*	12*	*Increased from 6 to 12 months

### **Severance Outside of a Change in Control**

If an Executive Officer is terminated by Pure without cause outside of a Change in Control Period, he or she will be eligible for a lump sum cash severance payment and continued health coverage as listed on the table below:

<b>Level</b>	<b>Months of Base Salary</b>	<b>Months of Target Bonus</b>	<b>Months of Health Coverage</b>	<b>Changes</b>
<b>CEO</b>	12	0	18	No changes
<b>Executive Officers (other than CEO)</b>	6*	0	6*	*Increased from 0 to 6 months

If there are benefits under the Severance Plan that are of the same category and would otherwise duplicate the benefits available under the terms of any other agreement that an Executive Officer has with Pure, such officer will receive severance benefits under the Severance Plan only to the extent, if any, that Severance Plan benefits are not duplicative with benefits under such other agreement. For example, Charles Giancarlo, our CEO, may, pursuant to the terms of his offer letter, resign for good reason outside of a Change in Control Period and still be eligible for applicable severance benefits.

The foregoing description of the Severance Plan does not purport to be complete and is qualified in its entirety by reference to the complete text of the Severance Plan, which will be filed as an exhibit to Pure's Quarterly Report on Form 10-Q for the period ending November 1, 2020.

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

(d) Exhibits.

The following exhibit is furnished herewith:

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release entitled "Pure Storage Announces Third Quarter Fiscal 2021 Financial Results"</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)



## Pure Storage Announces Third Quarter Fiscal 2021 Financial Results

*Subscription Services recurring revenue growing 29% year-over-year  
Acquired Portworx in Q3; creating most complete Kubernetes data services platform  
Record sales quarter for FlashBlade and FlashArray//C*

MOUNTAIN VIEW, Calif., November 24, 2020 – Pure Storage (NYSE: PSTG), the IT pioneer that delivers storage as-a-service in a multi-cloud world, today announced financial results for its third quarter ended November 1, 2020.

“Our strategy and vision to deliver hybrid and multi-cloud data services is exciting the industry, our customers and developers alike,” said Charles Giancarlo, Chairman and CEO of Pure Storage. “Pure made bold moves in the quarter to deliver on our strategy with the acquisition of Portworx and the addition of Dominick Delfino to lead our sales organization.”

### Third Quarter Financial Highlights

- Revenue \$410.6 million, down 4% year-over-year
- Subscription services revenue \$136.1 million, up 29% year-over-year
- GAAP gross margin 67.3%; non-GAAP gross margin 69.1%
- GAAP operating loss \$(65.2) million; non-GAAP operating income \$3.4 million
- Operating cash flow was \$32.8 million
- Free cash flow was \$7.9 million
- Total cash and investments of \$1.2 billion
- Deferred revenue \$762.8 million, up 19% year-over-year
- Remaining performance obligations (RPO) exceeding \$1.0 billion, up 25% year-over-year

“We are pleased with our financial performance and execution during the quarter which slightly exceeded our expectations at the beginning of the quarter,” said Kevan Kryslar, CFO of Pure Storage. “Key highlights include consecutive quarters of strong sales of our Subscription Services, and record sales during a quarter for our FlashBlade and FlashArray//C solutions.”

### Third Quarter Company Highlights

Pure continued setting the pace in the industry by changing expectations for data and storage management. The technology momentum in Q3 across the portfolio includes:

- **Subscription Services momentum** - Pure’s Subscription Services, including Evergreen and unified Pure as-a-Service offerings, grew 29% year-over-year. Selecting Pure as-a-Service in Q3, leading organizations, including ME Bank in Australia and The University of Texas Health Science Center, recognize the flexibility and choice that these offerings provide. Our unified subscription, Pure-as-a-Service, which includes Cloud Block Store, enables customers to subscribe to storage in their data center and the cloud, paying for only what they consume, making migration to the public cloud possible at any time without worrying about stranded assets.
- **Advancing Pure as-a-Service offerings** - Today marks another milestone and industry first for the [Pure as-a-Service](#) offering with the announcement of the Pure Service Catalog, which includes a number of new service tiers. The new service tiers deliver increased transparency and flexibility for customers, allowing them to choose the right storage service level for each workload. Pure is also making Pure as-a-Service more accessible by offering lower cost service tiers.
- **Acquisition of Portworx, market leader in Kubernetes storage** - In Q3, Pure acquired Portworx, the leading Kubernetes data services platform that enterprises trust to run mission-critical applications in containers in production. By combining Portworx with Pure’s industry-leading data platforms and Pure Service Orchestrator

software, Pure provides a comprehensive suite of data services that can be deployed in-cloud, on bare metal, or on enterprise arrays, all natively orchestrated in Kubernetes.

- **FlashArray//C Momentum** - FlashArray//C, well into its second generation, continues to grow at an accelerated pace and this month, received the Best of Show Award at the Flash Memory Summit for Most Innovative Flash Memory Technology. The performance and financial efficiencies delivered by FlashArray//C enable customers to reduce the cost of running capacity-oriented workloads so significantly it eliminates the need for hybrid disk arrays.
- **Strong FlashBlade momentum and AWS Outposts Designation** - FlashBlade's unified fast file and object capabilities to consolidate and modernize unstructured data across a number of use cases including technical computing, analytics, backup and rapid restore is validated by strong customer momentum this quarter. Customers such as The First National Bankers Bank, Louisiana Office of Technology Services and Sinai Health System demonstrate that FlashBlade continues to be the leading choice to enable rapid recovery and defend against ransomware. Also in Q3, FlashBlade achieved the AWS Outposts Ready designation, delivering a hybrid cloud solution with all-flash performance, cloud scalability, and operational simplicity to accelerate modern applications and break down IT silos.

## Guidance

Consistent with the prior quarter, Pure is sharing its internal expectations of Q4 business outlook, but will not provide formal guidance due to the resurgence and continued uncertainty of COVID-19.

Pure's current internal view of fiscal Q4 outcomes, which should not be viewed as guidance, is that total revenue for Q4 will be \$480 million, a decline of two percent year-over-year. With the current view of revenue, Pure believes non-GAAP operating profit will be approximately \$26 million in Q4.

## Conference Call Information

Pure will host a teleconference to discuss the third quarter fiscal 2021 results at 2:00 p.m. PT on November 24, 2020. A live audio broadcast of the conference call will be available at the Pure Storage Investor Relations website at [investor.purestorage.com](http://investor.purestorage.com). Pure will also post its supplemental earnings presentation and prepared conference call remarks to the Investor Relations website in advance of the call for reference. A replay will be available following the call on the Pure Storage Investor Relations website or for two weeks at (855) 859-2056 (or 404-537-3406 for international callers) with passcode 2343447.

## Upcoming IR Events

- Pure will be presenting at the Credit Suisse 24th Annual Technology Virtual Conference on November 30 at 10:40 a.m. PT.
- Wells Fargo Technology, Media and Telecom Virtual Summit on December 2 at 9:00 a.m. PT.
- Barclays Global Technology, Media and Telecommunications Virtual Conference on December 9 at 1:00 p.m. PT.

The presentations from these events will be webcast live, and all information will be available on the Investor Relations website at [investor.purestorage.com](http://investor.purestorage.com).

## About Pure Storage

Pure Storage (NYSE: PSTG) gives technologists their time back. Pure delivers a Modern Data Experience that empowers organizations to run their operations as a true, automated, storage as-a-service model seamlessly across multiple clouds. One of the fastest-growing enterprise IT companies in history, Pure helps customers put data to use while reducing the complexity and expense of managing the infrastructure behind it. And with a certified 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:** Pure Storage has been named a Leader in the [2019 Gartner Magic Quadrant for Primary Storage](#).

## Forward Looking Statements

This press release contains forward-looking statements regarding our products, business and operations, including but not limited to our views relating to future period outcomes, the scope and duration of the COVID-19 pandemic and its impact on our business operations, liquidity and capital resources, employees, customers, supply chain, financial results and the

economy, our expectations regarding product and technology differentiation, including our new offerings, strategy and adoption of subscription services, the impact of the Portworx acquisition and technology, and other 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 is also set forth in our Annual Report on Form 10-K for the year ended February 2, 2020. All information provided in this release and in the attachments is as of November 24, 2020, and Pure undertakes no duty to update this information unless required by law.

### **Non-GAAP Financial Measures**

To supplement our unaudited condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, Pure uses 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 and free cash flow 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, payments to former shareholders of acquired companies, payroll tax expense related to stock-based activities, amortization of debt discount and debt issuance costs, amortization of intangible assets acquired from acquisitions, acquisition-related transaction and integration expenses, restructuring activities, and expenses directly related to the COVID-19 pandemic that may not be indicative of our ongoing core business operating results. Pure believes 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.

The non-GAAP operating profit for Q4 above also excludes the expenses and expenditures consistent with the non-GAAP financial measures described above. Non-GAAP operating profit is not reconciled to GAAP operating profit as the items that impact this measure are not within our control and/or cannot be reasonably predicted. Accordingly, a reconciliation is not available without unreasonable effort.

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," included at the end of this release.

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

	At the End of	
	Third Quarter of Fiscal 2021	Fiscal 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 263,702	\$ 362,635
Marketable securities	937,718	936,518
Accounts receivable, net of allowance of \$558 and \$542	378,193	458,643
Inventory	43,152	38,518
Deferred commissions, current	42,728	37,148
Prepaid expenses and other current assets	77,813	56,930
Total current assets	1,743,306	1,890,392
Property and equipment, net	158,200	122,740
Operating lease right-of-use-assets	137,856	112,854
Deferred commissions, non-current	109,361	102,056
Intangible assets, net	81,075	58,257
Goodwill	360,997	37,584
Restricted cash	11,349	15,287
Other assets, non-current	50,851	25,034
Total assets	\$ 2,652,995	\$ 2,364,204
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 89,369	\$ 77,651
Accrued compensation and benefits	83,163	106,592
Accrued expenses and other liabilities	47,939	47,223
Operating lease liabilities, current	30,902	27,264
Deferred revenue, current	408,086	356,011
Total current liabilities	659,459	614,741
Long-term debt	748,422	477,007
Operating lease liabilities, non-current	124,382	92,977
Deferred revenue, non-current	354,678	341,277
Other liabilities, non-current	30,973	8,084
Total liabilities	1,917,914	1,534,086
Stockholders' equity:		
Common stock and additional paid-in capital	2,238,741	2,107,605
Accumulated other comprehensive income	9,059	5,449
Accumulated deficit	(1,512,719)	(1,282,936)
Total stockholders' equity	735,081	830,118
Total liabilities and stockholders' equity	\$ 2,652,995	\$ 2,364,204



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

	Third Quarter of Fiscal		First Three Quarters of Fiscal	
	2021	2020	2021	2020
<b>Revenue:</b>				
Product	\$ 274,470	\$ 323,268	\$ 793,718	\$ 862,137
Subscription services	136,149	105,141	387,743	289,299
<b>Total revenue</b>	<b>410,619</b>	<b>428,409</b>	<b>1,181,461</b>	<b>1,151,436</b>
<b>Cost of revenue:</b>				
Product <sup>(1)</sup>	86,661	89,998	240,677	259,460
Subscription services <sup>(1)</sup>	47,442	37,773	132,717	106,632
<b>Total cost of revenue</b>	<b>134,103</b>	<b>127,771</b>	<b>373,394</b>	<b>366,092</b>
<b>Gross profit</b>	<b>276,516</b>	<b>300,638</b>	<b>808,067</b>	<b>785,344</b>
<b>Operating expenses:</b>				
Research and development <sup>(1)</sup>	122,981	106,663	350,079	318,758
Sales and marketing <sup>(1)</sup>	172,282	184,819	517,149	537,633
General and administrative <sup>(1)</sup>	46,467	37,416	132,063	119,542
Restructuring and other <sup>(2)</sup>	—	—	22,990	—
<b>Total operating expenses</b>	<b>341,730</b>	<b>328,898</b>	<b>1,022,281</b>	<b>975,933</b>
Loss from operations	(65,214)	(28,260)	(214,214)	(190,589)
Other income (expense), net	(4,887)	9	(6,700)	(2,459)
Loss before provision for income taxes	(70,101)	(28,251)	(220,914)	(193,048)
Income tax provision	4,121	1,731	8,869	3,288
<b>Net loss</b>	<b>\$ (74,222)</b>	<b>\$ (29,982)</b>	<b>\$ (229,783)</b>	<b>\$ (196,336)</b>
<b>Net loss per share attributable to common stockholders, basic and diluted</b>				
	<b>\$ (0.28)</b>	<b>\$ (0.12)</b>	<b>\$ (0.87)</b>	<b>\$ (0.78)</b>
<b>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</b>				
	<b>269,144</b>	<b>255,047</b>	<b>265,626</b>	<b>250,618</b>

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

Cost of revenue -- product	\$ 1,027	\$ 912	\$ 3,013	\$ 2,843
Cost of revenue -- subscription services	3,883	3,517	10,961	11,101
Research and development	29,220	27,827	87,770	85,180
Sales and marketing	14,898	16,802	48,018	51,171
General and administrative	10,581	5,171	29,993	24,495
<b>Total stock-based compensation expense</b>	<b>\$ 59,609</b>	<b>\$ 54,229</b>	<b>\$ 179,755</b>	<b>\$ 174,790</b>

(2) Includes expenses related to restructuring and incremental expenses directly related to COVID-19

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

	Third Quarter of Fiscal		First Three Quarters of Fiscal	
	2021	2020	2021	2020
<b>Cash flows from operating activities</b>				
Net loss	\$ (74,222)	\$ (29,982)	\$ (229,783)	\$ (196,336)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	18,214	23,194	49,811	66,785
Amortization of debt discount and debt issuance costs	7,400	6,896	21,525	20,186
Stock-based compensation expense	59,609	54,229	179,755	174,790
Impairment of long-lived assets	—	—	7,505	—
Other	2,139	(810)	4,111	(483)
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable, net	(8,676)	(9,474)	83,220	17,079
Inventory	(6,459)	(4,130)	(4,724)	2,722
Deferred commissions	(7,402)	(4,563)	(12,885)	(8,158)
Prepaid expenses and other assets	(11,217)	2,099	(37,606)	1,464
Operating lease right-of-use assets	7,253	6,524	21,434	19,962
Accounts payable	29,656	(4,417)	8,566	(35,244)
Accrued compensation and other liabilities	(6,520)	(5,307)	(9,737)	(31,011)
Operating lease liabilities	(7,373)	(5,937)	(20,444)	(19,020)
Deferred revenue	30,397	35,935	57,860	106,980
Net cash provided by operating activities	32,799	64,257	118,608	119,716
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(24,867)	(20,977)	(73,643)	(74,206)
Acquisitions, net of cash acquired	(339,806)	(3,713)	(339,806)	(51,594)
Purchase of intangible assets	—	—	—	(9,000)
Purchase of strategic investment	(5,000)	—	(5,000)	—
Purchases of marketable securities	(163,154)	(151,527)	(454,391)	(640,024)
Sales of marketable securities	40,856	56,150	132,207	116,518
Maturities of marketable securities	118,606	74,901	324,780	345,657
Net cash used in investing activities	(373,365)	(45,166)	(415,853)	(312,649)
<b>Cash flows from financing activities</b>				
Net proceeds from exercise of stock options	4,019	6,544	25,677	25,804
Proceeds from issuance of common stock under employee stock purchase plan	16,418	11,249	32,439	43,291
Proceeds from borrowings, net of issuance costs	246,942	—	251,892	—
Repayment of debt assumed from acquisition	—	—	—	(11,555)
Tax withholding on vesting of restricted stock	(1,239)	(1,614)	(4,080)	(8,787)
Repurchases of common stock	(21,411)	—	(111,554)	—
Net cash provided by financing activities	244,729	16,179	194,374	48,753
Net increase (decrease) in cash, cash equivalents and restricted cash	(95,837)	35,270	(102,871)	(144,180)
Cash, cash equivalents and restricted cash, beginning of period	370,888	284,363	377,922	463,813
Cash, cash equivalents and restricted cash, end of period	\$ 275,051	\$ 319,633	\$ 275,051	\$ 319,633

## 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):

	Third Quarter of Fiscal 2021					Third Quarter of Fiscal 2020				
	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)
			\$ 1,027 (c)					\$ 912 (c)		
			13 (d)					21 (d)		
			<u>2,396 (e)</u>					<u>1,933 (e)</u>		
<b>Gross profit -- product</b>	\$ 187,809	68.4 %	\$ 3,436	\$ 191,245	69.7 %	\$ 233,270	72.2 %	\$ 2,866	\$ 236,136	73.0 %
			\$ 3,883 (c)					\$ 3,517 (c)		
			59 (d)					96 (d)		
			<u>7 (f)</u>					<u>—</u>		
<b>Gross profit -- subscription services</b>	\$ 88,707	65.2 %	\$ 3,949	\$ 92,656	68.1 %	\$ 67,368	64.1 %	\$ 3,613	\$ 70,981	67.5 %
			\$ 4,910 (c)					\$ 4,429 (c)		
			72 (d)					117 (d)		
			<u>2,396 (e)</u>					<u>1,933 (e)</u>		
			<u>7 (f)</u>					<u>—</u>		
<b>Total gross profit</b>	<u>\$ 276,516</u>	67.3 %	<u>\$ 7,385</u>	<u>\$ 283,901</u>	69.1 %	<u>\$ 300,638</u>	70.2 %	<u>\$ 6,479</u>	<u>\$ 307,117</u>	71.7 %

(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 acquired intangible assets.

(f) To eliminate payments to former shareholders of acquired company.

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

	Third Quarter of Fiscal 2021					Third Quarter of Fiscal 2020				
	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)
			\$ 59,609 (c)					\$ 52,335 (c)		
			3,533 (d)					1,894 (d)		
			1,166 (e)					1,160 (e)		
			2,573 (f)					1,933 (f)		
			1,762 (g)					—		
<b>Operating Income (loss)</b>	\$ (65,214)	-15.9 %	\$ 68,643	\$ 3,429	0.8 %	\$ (28,260)	-6.6 %	\$ 57,322	\$ 29,062	6.8 %
			\$ 59,609 (c)					\$ 52,335 (c)		
			3,533 (d)					1,894 (d)		
			1,166 (e)					1,160 (e)		
			2,573 (f)					1,933 (f)		
			1,762 (g)					—		
			7,400 (h)					6,896 (h)		
<b>Net income (loss)</b>	\$ (74,222)		\$ 76,043	\$ 1,821		\$ (29,982)		\$ 64,218	\$ 34,236	
<b>Net income (loss) per share -- basic and diluted</b>	\$ (0.28)			\$ 0.01		\$ (0.12)			\$ 0.13	
<b>Weighted-average shares used in per share calculation - basic and diluted</b>	269,144		15,677 (i)	284,821		255,047		17,161 (i)	272,208	

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

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

(c) To eliminate stock-based compensation expense.

(d) To eliminate payments to former shareholders of acquired companies.

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

(f) To eliminate amortization expense of acquired intangible assets.

(g) To eliminate acquisition-related transaction and integration expenses.

(h) To eliminate amortization expense of debt discount and debt issuance costs related to our long-term debt.

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

**Reconciliation from net cash provided by operating activities to free cash flow (in thousands except percentages, unaudited):**

	<b>Third Quarter of Fiscal</b>		<b>Change</b>
	<b>2021</b>	<b>2020</b>	<b>\$</b>
Net cash provided by operating activities	\$ 32,799	\$ 64,257	\$ (31,458)
Less: purchases of property and equipment	(24,867)	(20,977)	(3,890)
Free cash flow (non-GAAP)	<u>\$ 7,932</u>	<u>\$ 43,280</u>	<u>\$ (35,348)</u>
Free cash flow as % of revenue	1.9 %	10.1 %	