

Q3 FISCAL 2017 RESULTS

30 November 2016

FORWARD LOOKING STATEMENTS AND NON-GAAP INFORMATION

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

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

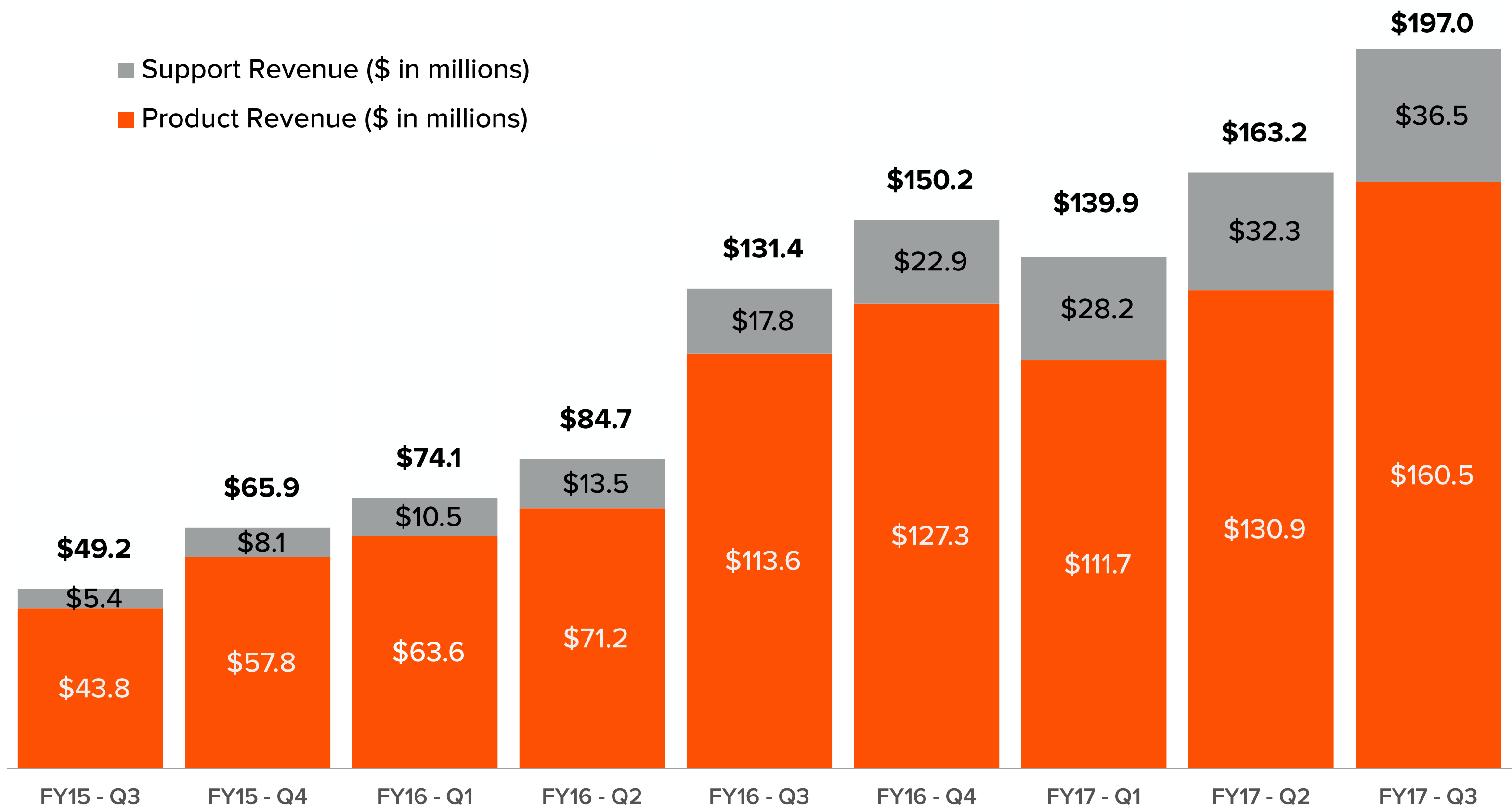
Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in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

This presentation includes certain non-GAAP financial measures as defined by SEC rules. As required by Regulation G, we have provided reconciliations of those measures to the most directly comparable GAAP measures, which are available in the Appendix. We have not reconciled guidance for non-GAAP gross margin and non-GAAP operating margin to their most directly comparable GAAP measures because items such as stock-based compensation expense and payroll tax expense related to stock-based activities 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.

Q3 KEY HIGHLIGHTS

TAM	GROWTH	CUSTOMERS	LEVERAGE		LIQUIDITY
\$35B +\$11B driven by FlashBlade and other innovations	\$197.0M Total revenue 50% Revenue growth Y/Y 23% Revenue from international	>2,600 Customers (+93% Y/Y) >25% Cloud customers (SaaS, IaaS, & consumer cloud) ~\$12 Incremental purchases from top 25 customers within 18 months of initial purchase >100 of Fortune 500	<u>GAAP</u> 64.8% GAAP gross margin (+3.7 pts Y/Y) +2.6ppts Y/Y improvement in GAAP operating margin -\$47.3M Cash flow from operations (-24% of revenue)	<u>Non-GAAP</u> 65.5%* Non-GAAP gross margin (+3.8 pts Y/Y) +11.6ppts* Y/Y improvement in non-GAAP operating margin -\$35.8M* Free cash flow (-18% of revenue)	\$518M Cash and investments at quarter end

QUARTERLY REVENUE



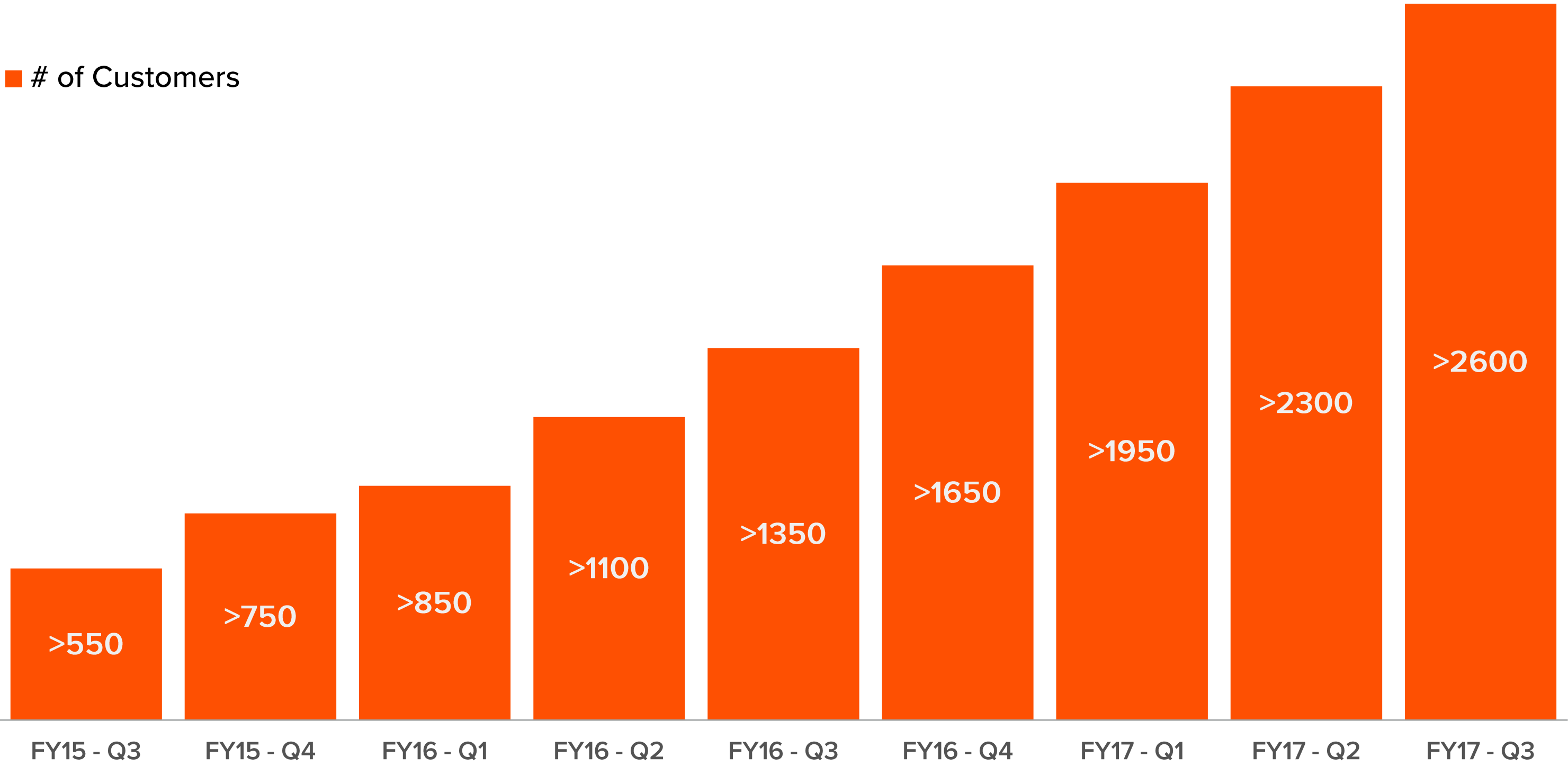
Q3 FY17

50%

Y/Y total revenue growth

CUSTOMERS

■ # of Customers



Q3 FY17

>1,250

Adds Y/Y, 93% Y/Y

~\$12

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

>100

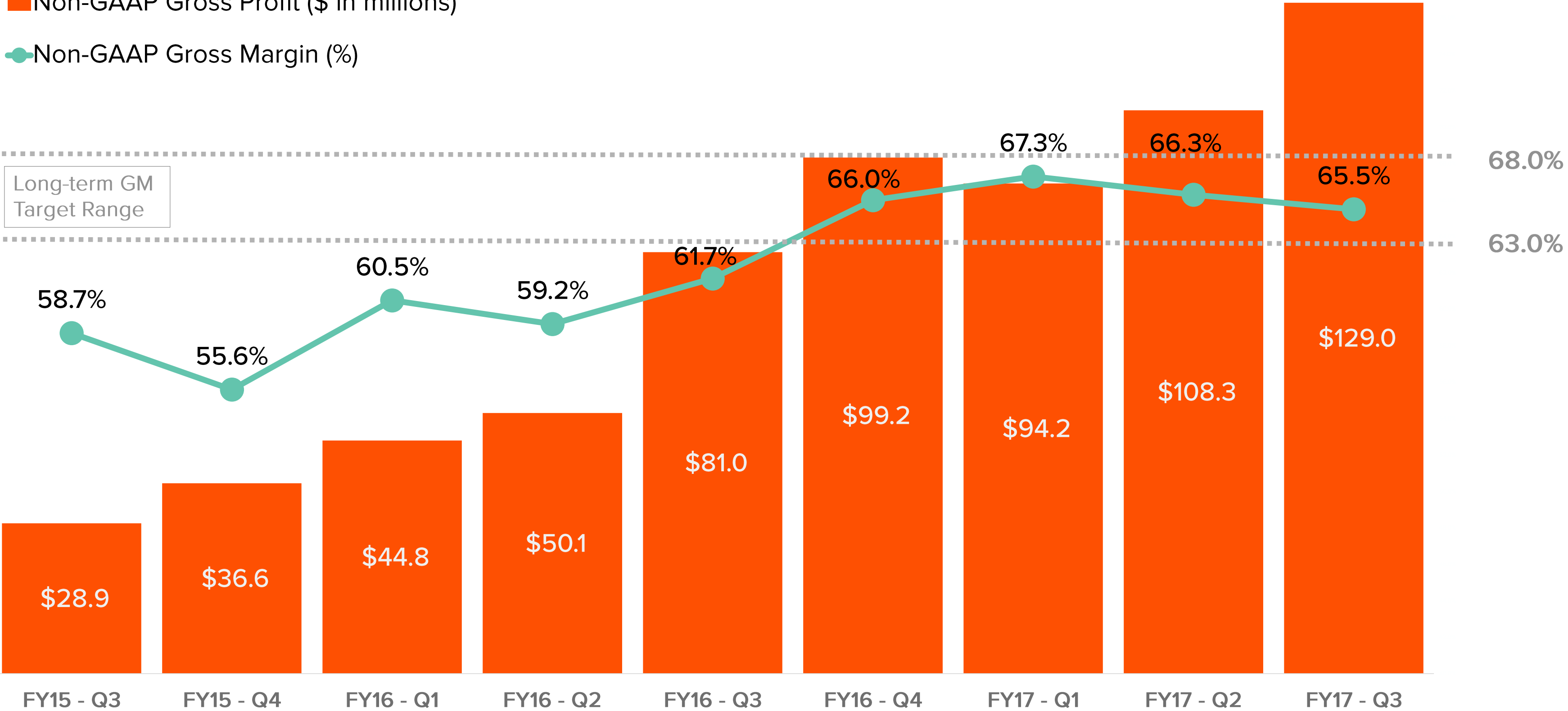
Of Fortune 500

NON-GAAP GROSS PROFIT & MARGIN

■ Non-GAAP Gross Profit (\$ in millions)

● Non-GAAP Gross Margin (%)

Long-term GM
Target Range

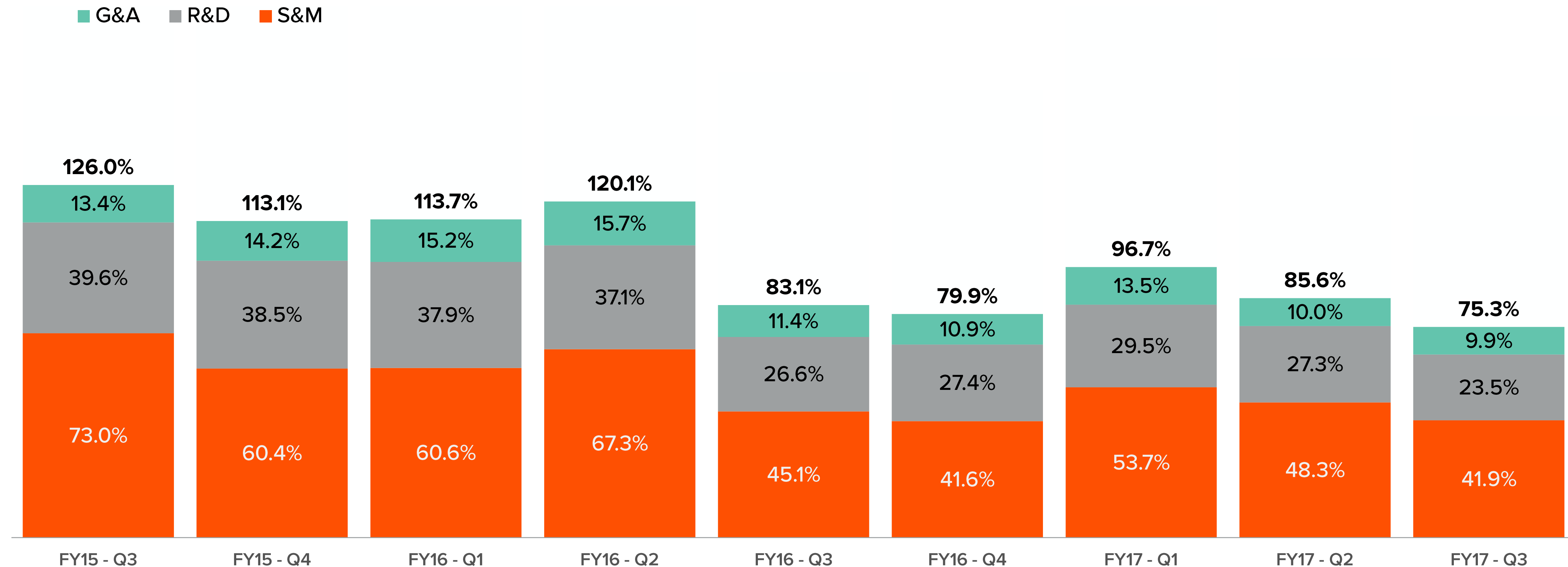


Q3 FY17

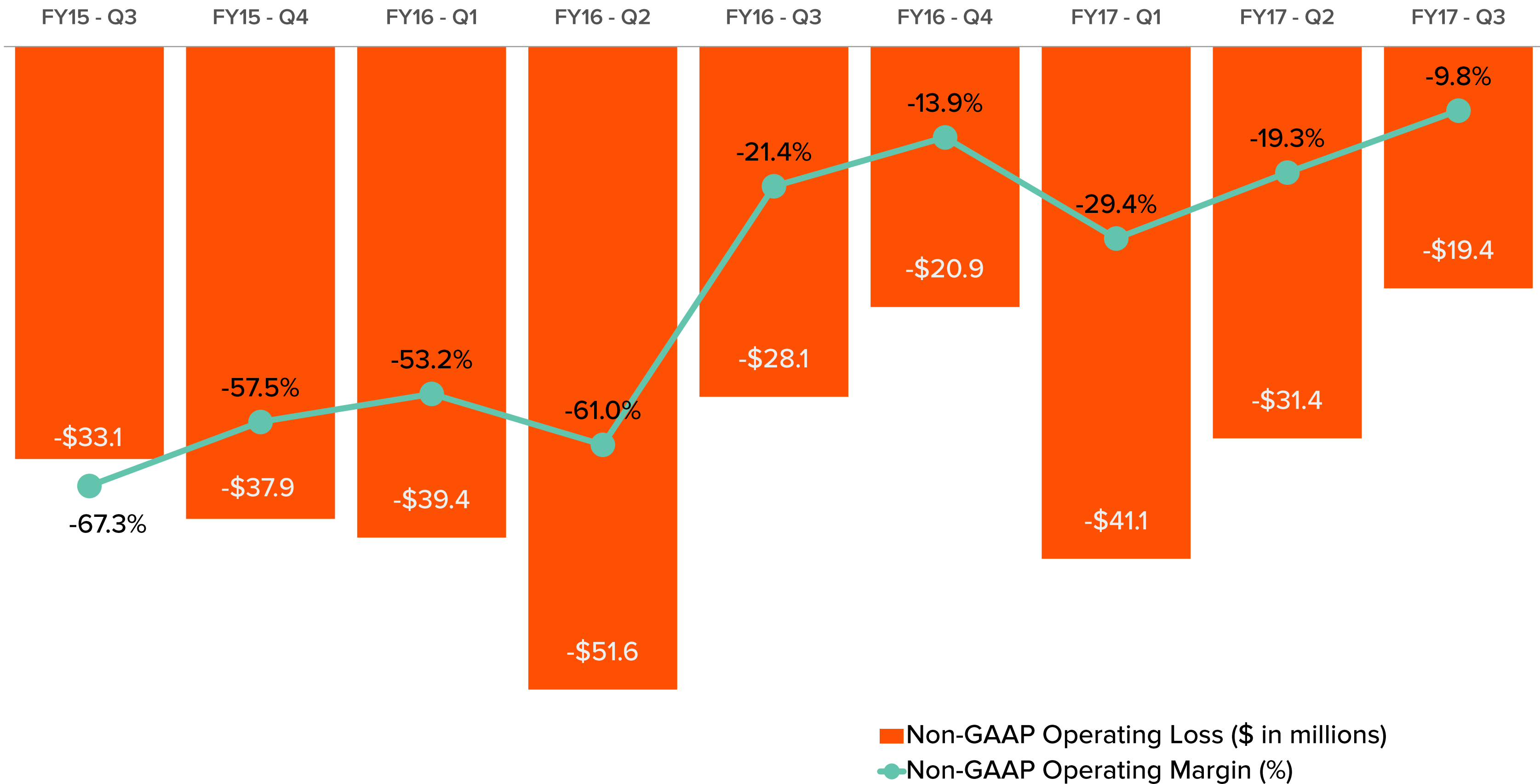
+3.8

PPTS Y/Y

NON-GAAP OPERATING EXPENSE AS PERCENTAGE REVENUE



NON-GAAP OPERATING LOSS & MARGIN

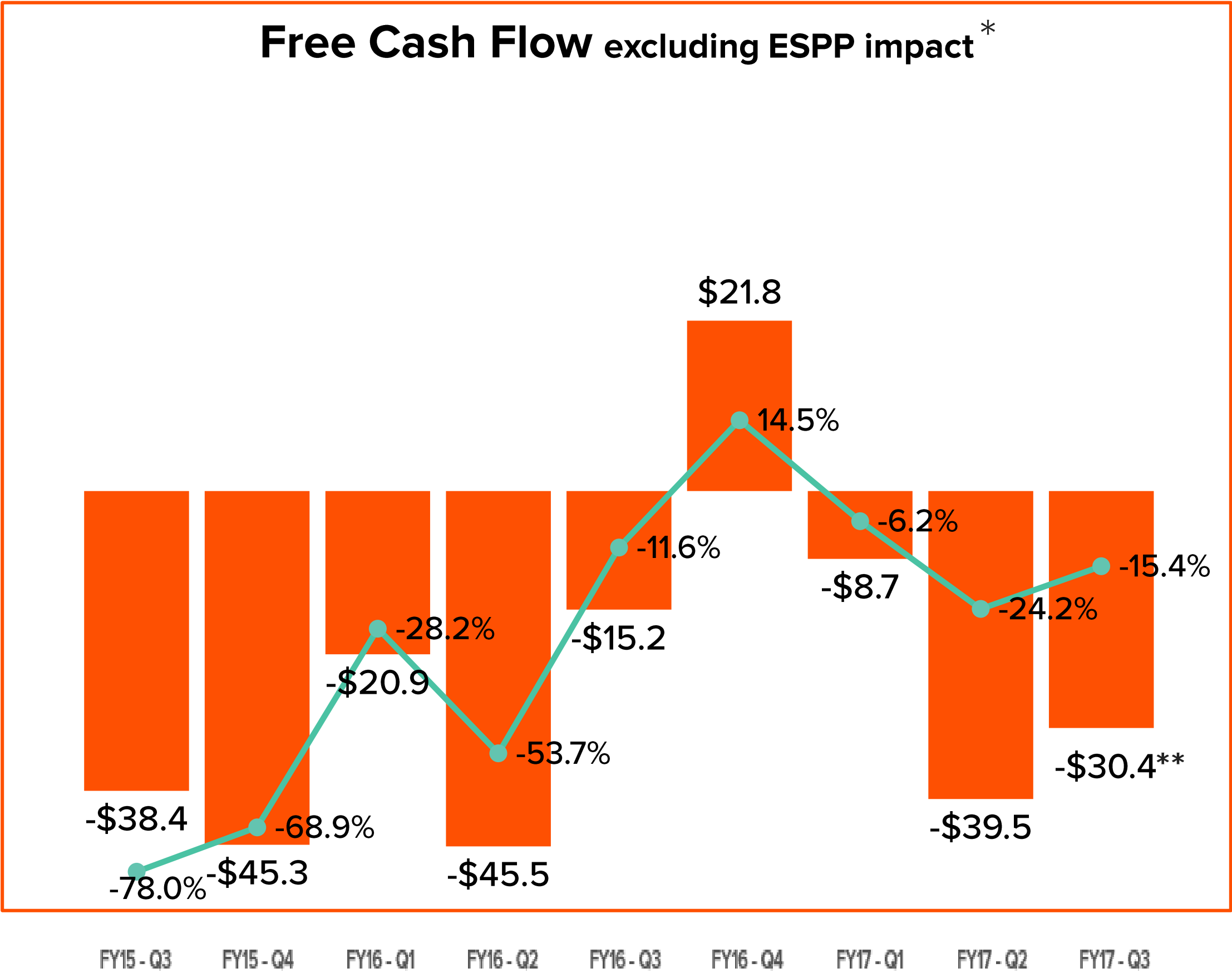
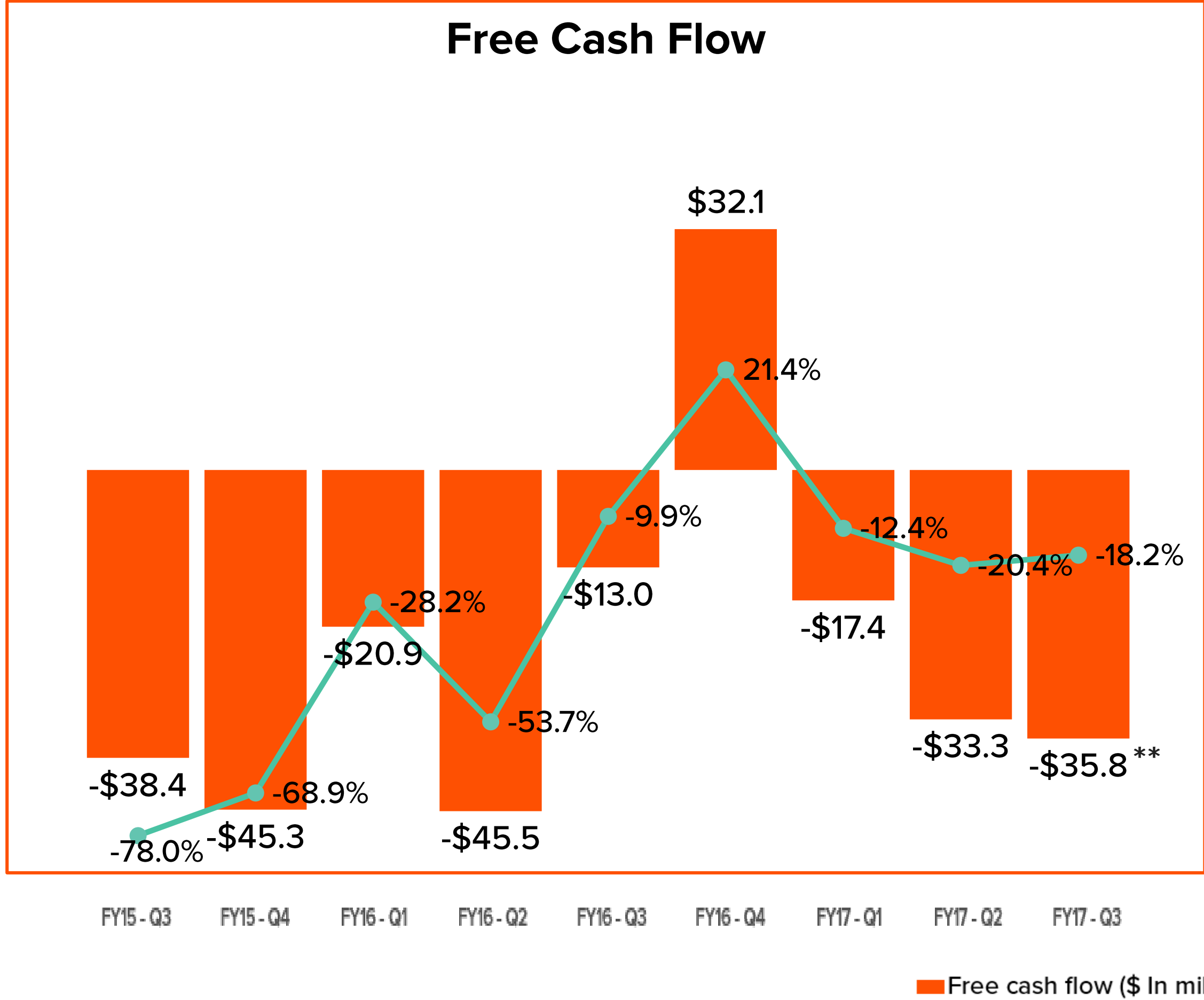


Q3 FY17

+11.6

PPTS Y/Y

FREE CASH FLOW



* Note that ESPP began in Q3 FY16. ** Q3 FY17 Free Cash Flow excludes a one-time \$30.0 million legal settlement charge.

GUIDANCE

Q4 FY17 Guidance

\$219M to \$227M

Revenue

64% to 67%

Non-GAAP Gross Margin*






-9% to -5%

Non-GAAP Operating Margin*

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

LONG-TERM TARGET OPERATING MODEL

(Non-GAAP)

	FY16	Q3 FY17	...	Target Model
Gross Margin	62.5%	65.5%		63.0 – 68.0%
R&D*	30.8%	23.5%		15.0 – 20.0%
S&M*	50.8%	41.9%		25.0 – 30.0%
G&A*	12.7%	9.9%		5.0 – 7.0%
Operating Margin	(31.8%)	(9.8%)		15.0 – 20.0%

Sustained Free Cash Flow Positive Second Half of Calendar Year 2017

* As a % of revenue

See GAAP to non-GAAP reconciliation in Appendix

APPENDIX

Q3 FISCAL 2017 RESULTS

GROSS MARGIN

GAAP TO NON-GAAP RECONCILIATION

(\$ in thousands)	Q3 FY15	(%)	Q4 FY15	(%)	Q1 FY16	(%)	Q2 FY16	(%)	Q3 FY16	(%)	Q4 FY16	(%)	Q1 FY17	(%)	Q2 FY17	(%)	Q3 FY17	(%)
Product gross margin (GAAP)	\$27,077	61.9%	\$33,689	58.3%	\$40,906	64.3%	\$43,551	61.2%	\$71,578	63.0%	\$86,828	68.2%	\$77,696	69.5%	\$88,073	67.3%	\$105,798	65.9%
Add: SBC	138	0.1%	39	-%	56	0.1%	40	-%	43	0.1%	137	0.1%	102	0.1%	181	0.1%	138	0.1%
Add: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	3	-%	2	-%
Product gross margin (non-GAAP)	\$27,112	62.0%	\$33,728	58.3%	\$40,962	64.4%	\$43,591	61.2%	\$71,621	63.1%	\$86,965	68.3%	\$77,798	69.6%	\$88,257	67.4%	\$105,938	66.0%
Support gross margin (GAAP)	\$1,609	29.6%	\$2,644	33.0%	\$3,535	33.8%	\$5,972	44.3%	\$8,733	49.1%	\$11,337	49.5%	\$15,316	54.3%	\$18,294	56.6%	\$21,836	59.9%
Add: SBC	159	2.9%	216	2.7%	333	3.2%	521	3.9%	657	3.7%	877	3.9%	1,051	3.7%	1,712	5.4%	1,178	3.2%
Add: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	7	-%	9	-%
Support gross margin (non-GAAP)	\$1,768	32.5%	\$2,860	35.7%	\$3,868	37.0%	\$6,493	48.2%	\$9,390	52.8%	\$12,214	53.4%	\$16,367	58.0%	\$20,013	62.0%	\$23,023	63.2%
Total gross margin (GAAP)	\$28,686	58.3%	\$36,333	55.2%	\$44,441	60.0%	\$49,523	58.5%	\$80,311	61.1%	\$98,165	65.3%	\$93,012	66.5%	\$106,367	65.2%	\$127,634	64.8%
Add: SBC	194	0.4%	255	0.4%	389	0.5%	561	0.7%	700	0.6%	1,014	0.7%	1,153	0.8%	1,893	1.1%	1,316	0.7%
Add: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	10	-%	11	-%
Total gross margin (non-GAAP)	\$28,880	58.7%	\$36,588	55.6%	\$44,830	60.5%	\$50,084	59.2%	\$81,011	61.7%	\$99,179	66.0%	\$94,165	67.3%	\$108,270	66.3%	\$128,961	65.5%

OPERATING EXPENSES & OPERATING MARGIN

GAAP TO NON-GAAP RECONCILIATION

(\$ in thousands)	Q3 FY15	As % of Total Revenue	Q4 FY15	As % of Total Revenue	Q1 FY16	As % of Total Revenue	Q2 FY16	As % of Total Revenue	Q3 FY16	As % of Total Revenue	Q4 FY16	As % of Total Revenue	Q1 FY17	As % of Total Revenue	Q2 FY17	As % of Total Revenue	Q3 FY17	As % of Total Revenue
R&D (GAAP)	\$22,863	46.5%	\$29,311	44.5%	\$31,682	42.8%	\$38,188	45.1%	\$43,065	32.8%	\$53,710	35.8%	\$52,500	37.5%	\$58,635	35.9%	\$61,612	31.3%
Less: SBC	-3,399	-6.9%	-3,966	-6.0%	-3,625	-4.9%	-6,804	-8.0%	-8,195	-6.2%	-12,511	-8.4%	-11,220	-8.0%	-13,976	-8.6%	-15,241	-7.7%
Less: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-34	-%	-100	-%	-96	-0.1%
R&D (non-GAAP)	\$19,464	39.6%	\$25,345	38.5%	\$28,057	37.9%	\$31,384	37.1%	\$34,870	26.6%	\$41,199	27.4%	\$41,246	29.5%	\$44,559	27.3%	\$46,275	23.5%
S&M (GAAP)	\$38,224	77.7%	\$42,533	64.6%	\$48,327	65.2%	\$59,517	70.3%	\$63,803	48.6%	\$68,927	45.9%	\$82,816	59.2%	\$87,583	53.7%	\$91,392	46.4%
Less: SBC	-2,315	-4.7%	-2,790	-4.2%	-3,444	-4.6%	-2,536	-3.0%	-4,559	-3.5%	-6,427	-4.3%	-7,237	-5.2%	-8,732	-5.4%	-8,468	-4.3%
Less: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-457	-0.3%	-24	-%	-400	-0.2%
S&M (non-GAAP)	\$35,909	73.0%	\$39,743	60.4%	\$44,883	60.6%	\$56,981	67.3%	\$59,244	45.1%	\$62,500	41.6%	\$75,122	53.7%	\$78,827	48.3%	\$82,524	41.9%
G&A (GAAP)	\$7,415	15.1%	\$10,520	16.0%	\$12,692	17.1%	\$15,227	18.0%	\$29,022	22.1%	\$18,461	12.3%	\$21,482	15.4%	\$19,630	12.0%	\$22,810	11.6%
Less: SBC	-823	-1.7%	-1,148	-1.8%	-1,401	-1.9%	-1,899	-2.3%	-2,085	-1.6%	-2,075	-1.4%	-2,524	-1.8%	-3,295	-2.0%	-3,210	-1.6%
Less: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-14	-%	-24	-%	-41	-0.1%
Less: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	-11,900	-9.1%	-	-%	-	-%	-	-%	-	-%
G&A (non-GAAP)	\$6,592	13.4%	\$9,372	14.2%	\$11,291	15.2%	\$13,328	15.7%	\$15,037	11.4%	\$16,386	10.9%	\$18,944	13.5%	\$16,311	10.0%	\$19,559	9.9%
Charge related to a legal settlement (GAAP)	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	\$30,000	15.2%
Less: charge related to a legal settlement	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-30,000	-15.2%
Charge related to a legal settlement (non-GAAP)	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%
Total operating expense (GAAP)	\$68,502	139.3%	\$82,364	125.1%	\$92,701	125.1%	\$112,932	133.4%	\$135,890	103.4%	\$141,098	93.9%	\$156,798	112.0%	\$165,848	101.6%	\$205,814	104.5%
Less: SBC	-6,537	-13.3%	-7,904	-12.0%	-8,470	-11.4%	-11,239	-13.3%	-14,839	-11.2%	-21,013	-14.0%	-20,981	-15.0%	-26,003	-15.9%	-26,919	-13.7%
Less: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-505	-0.3%	-148	-0.1%	-537	-0.3%
Less: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	-11,900	-9.1%	-	-%	-	-%	-	-%	-	-%
Less: charge related to a legal settlement	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-30,000	-15.2%
Total operating expense (non-GAAP)	\$61,965	126.0%	\$74,460	113.1%	\$84,231	113.7%	\$101,693	120.1%	\$109,151	83.1%	\$120,085	79.9%	\$135,312	96.7%	\$139,697	85.6%	\$148,358	75.3%
Operating loss (GAAP)	-\$39,816	-80.9%	-\$46,031	-69.9%	-\$48,260	-65.1%	-\$63,409	-74.9%	-\$55,579	-42.3%	-\$42,933	-28.6%	-\$63,786	-45.6%	-\$59,481	-36.4%	-\$78,180	-39.7%
Add: SBC	6,731	-13.6%	8,159	12.4%	8,859	11.9%	11,800	13.9%	15,539	11.8%	22,027	14.7%	22,134	15.8%	27,896	17.1%	28,235	14.4%
Add: Payroll tax related to stock-based activities	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	505	0.4%	158	-%	548	0.3%
Add: Non-cash charge for equity grant to Pure Good Foundation	-	-%	-	-%	-	-%	-	-%	11,900	9.1%	-	-%	-	-%	-	-%	-	-%
Add: charge related to a legal settlement	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	-	-%	30,000	15.2%
Operating loss (non-GAAP)	-\$33,085	-67.3%	-\$37,872	-57.5%	-\$39,401	-53.2%	-\$51,609	-61.0%	-\$28,140	-21.4%	-\$20,906	-13.9%	-\$41,147	-29.4%	-\$31,427	-19.3%	-\$19,397	-9.8%

FREE CASH FLOW

GAAP TO NON-GAAP RECONCILIATION

<i>(\$ in millions)</i>	<u>Q3 FY15</u>	<u>Q4 FY15</u>	<u>Q1 FY16</u>	<u>Q2 FY16</u>	<u>Q3 FY16</u>	<u>Q4 FY16</u>	<u>Q1 FY17</u>	<u>Q2 FY17</u>	<u>Q3 FY17</u>
Cash provided by (used in) operations	-\$26.7	-\$34.0	-\$14.1	-\$30.4	-\$5.4	\$42.0	\$7.0	-\$11.6	-\$47.3
Less: Capital expenditures	-11.7	-11.3	-6.8	-15.1	-7.6	-9.9	-24.4	-21.7	-18.5
Plus: Cash charge related to a legal settlement	-	-	-	-	-	-	-	-	30.0
Free cash flow (non-GAAP) *	-38.4	-45.3	-20.9	-45.5	-13.0	32.1	-17.4	-33.3	-35.8
Adjust: ESPP impact	-	-	-	-	-2.2	-10.3	8.7	-6.2	5.4
Free cash flow without ESPP impact (non-GAAP)	-\$38.4	-\$45.3	-\$20.9	-\$45.5	-\$15.2	\$21.8	-\$8.7	-\$39.5	-\$30.4
<i>Free cash flow as % of revenue</i>	-78.0%	-68.9%	-28.2%	-53.7%	-9.9%	21.4%	-12.4%	-20.4%	-18.2%
<i>Free cash flow without ESPP impact as % of revenue</i>	-78.0%	-68.9%	-28.2%	-53.7%	-11.6%	14.5%	-6.2%	-24.2%	-15.4%

* Q3FY17 Free Cash Flow excludes a one-time \$30.0 million legal settlement charge.