

## Pure Storage Announces Fourth Quarter and Fiscal Year 2016 Financial Results

- Record Quarterly Revenue of \$150.2 million, up 128% Y-Y
- Record Full Year Revenue of \$440.3 million, up 152% Y-Y
- Record Quarterly Gross Margin: 65.3% GAAP, up 10.1 ppts Y-Y; 66.0% non-GAAP, up 10.4 ppts Y-Y
- Record Quarterly Operating Margin: -28.6% GAAP, up 41.3 ppts Y-Y; -13.9% non-GAAP, up 43.6 ppts Y-Y

**Mountain View, Calif. - March 2, 2016** – Pure Storage (NYSE: PSTG) today announced financial results for the fourth quarter and fiscal year ended January 31, 2016.

Pure Storage posted revenue of \$150.2 million compared to revenue of \$65.9 million in the year-ago quarter. For the fourth quarter of fiscal 2016, GAAP gross margin was 65.3% and GAAP product gross margin was 68.2%, compared to 55.2% and 58.3%, respectively, in the year-ago quarter. GAAP net loss was \$44.3 million for the fourth quarter of fiscal 2016, compared to \$47.6 million in the year-ago quarter. Non-GAAP gross margin was 66.0% and non-GAAP product gross margin was 68.3%, compared to 55.6% and 58.3%, respectively, in the year-ago quarter. Non-GAAP net loss was \$22.3 million for the fourth quarter of fiscal 2016, compared to \$39.5 million in the year-ago quarter.

“We delivered our best ever quarter in Q4, concluding another record setting year for Pure Storage. The business continues to run on all cylinders fueled by the rapid worldwide adoption of FlashArray combined with improved operating efficiency as we scale,” said Scott Dietzen, CEO of Pure Storage. “We grew our customer base by more than 120 percent over the past year, capitalizing on the accelerating secular shift to flash and cloud-friendly storage. Pure is uniquely well positioned to succeed in the year ahead given our differentiation across the board in software, hardware, support automation and our business model.”

“We continue to achieve excellent performance in gross margin, operating margin and cash flow during Q4 and year over year,” said Tim Riitters, CFO of Pure Storage. “We are confident in the strength of our business model and estimate an earlier timeframe to achieve sustained positive free cash flow, in the second half of calendar year 2017 versus our previous estimate of 2018. We will continue to make investments in sales, marketing, and engineering, particularly in the first half of this year which is a seasonal investment period for Pure.”

Pure Storage grew its customer base to more than 1,650 organizations, adding more than 300 new customers in the quarter, including the MERCEDES AMG PETRONAS Formula One™ Team and the three-time World Series Champion San Francisco Giants.

### Fourth Quarter Fiscal 2016 Financial Highlights

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

| GAAP Quarterly Financial Information        |  |  |                          |
|---|--|--|--------------------------|
|   | Three Months Ended<br>January 31, 2015 | Three Months Ended<br>January 31, 2016 | Year-Over-Year<br>Change |
| Revenue                                     | \$65.9                                 | \$150.2                                | 128%                     |
| Gross Margin                                | 55.2%                                  | 65.3%                                  | 10.1ppts                 |
| Product Gross Margin                        | 58.3%                                  | 68.2%                                  | 9.9ppts                  |
| Support Gross Margin                        | 33.0%                                  | 49.5%                                  | 16.5ppts                 |
| Loss from Operations                        | -\$46.0                                | -\$42.9                                | \$3.1                    |
| Operating Margin                            | -69.9%                                 | -28.6%                                 | 41.3ppts                 |
| Net Loss                                    | -\$47.6                                | -\$44.3                                | \$3.3                    |
| Net Loss per Share (Basic and Diluted)      | -\$1.52                                | -\$0.24                                | \$1.28                   |
| Weighted-Average Shares (Basic and Diluted) | 31.4                                   | 187.4                                  | N/A                      |

| Non-GAAP Quarterly Financial Information    |  |  |                          |
|---|--|--|--------------------------|
|   | Three Months Ended<br>January 31, 2015 | Three Months Ended<br>January 31, 2016 | Year-Over-Year<br>Change |
| Gross Margin                                | 55.6%                                  | 66.0%                                  | 10.4ppts                 |
| Product Gross Margin                        | 58.3%                                  | 68.3%                                  | 10.0ppts                 |
| Support Gross Margin                        | 35.7%                                  | 53.4%                                  | 17.7ppts                 |
| Loss from Operations                        | -\$37.9                                | -\$20.9                                | \$17.0                   |
| Operating Margin                            | -57.5%                                 | -13.9%                                 | 43.6ppts                 |
| Net Loss                                    | -\$39.5                                | -\$22.3                                | \$17.2                   |
| Net Loss per Share (Basic and Diluted)      | -\$0.26                                | -\$0.12                                | \$0.14                   |
| Weighted-Average Shares (Basic and Diluted) | 153.6                                  | 187.4                                  | N/A                      |
| Free Cash Flow                              | -\$45.3                                | \$32.1                                 | \$77.4                   |

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

## Financial Outlook

First Quarter Fiscal 2017 Guidance:

- Revenue in the range of \$135 million to \$139 million
- Non-GAAP gross margin in the range of 65% to 68%
- Non-GAAP operating margin in the range of (34%) to (30%)

Full Year Fiscal 2017 Guidance:

- Revenue in the range of \$685 million to \$725 million
- Non-GAAP gross margin in the range of 65% to 68%
- Non-GAAP operating margin in the range of (22%) to (18%)

All forward-looking non-GAAP financial measures contained in this section titled “Financial Outlook” exclude stock-based compensation expense 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 fourth quarter fiscal 2016 results at 2:00 pm (PT) on March 2, 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: 877-883-0383 or 412-902-6506 (for international callers) with passcode 5996290
- To Listen via the Internet: A live and replay audio broadcast of the conference call with corresponding slides will be available at <http://investor.purestorage.com/>.
- Replay: A telephone playback of this conference call is scheduled to be available beginning at 4:00 pm (PT) on March 2, 2016, through 4:00 pm (PT) on March 10, 2016. The replay will be accessible by calling 877-344-7529 (international callers: 412-317-0088), with access code 10080850. The call runs 24 hours per day, including weekends.

A replay of the webcast will be available for approximately 45 days.

## CEO Commentary

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

## Upcoming Investor Conference

Pure Storage Vice President of Product, Matthew Kixmoeller, will be participating in a fireside chat at the Morgan Stanley Technology, Media and Telecom Conference in San Francisco on Thursday, March 3, 2016 at 9:55 am (PT).

## **About Pure Storage**

Pure Storage (NYSE: PSTG) accelerates possible, transforming businesses in ways previously unimagined. The company's disruptive, software-driven storage technology combined with a customer-friendly business model drives business and IT transformation for customers through dramatic increases in performance and efficiency at lower costs. Pure Storage FlashArray//m is simpler, faster and more elegant than any other technology in the datacenter. FlashArray //m is ideal for the move toward big data and for performance-intensive workloads such as cloud computing, database systems, desktop virtualization, real-time analytics and server virtualization. With Pure's certified industry leading NPS score of 79, Pure customers are some of the happiest in the world, and include large and mid-size organizations across a range of industries: cloud-based software and service providers, consumer web, education, energy, financial services, governments, healthcare, manufacturing, media, retail and telecommunications. With Pure Storage, companies push the boundaries of what's possible to become faster, smarter and more innovative.

Join us in March 2016 for the first annual Pure//Accelerate conference, as disruptive to the tech conference space as Pure Storage is to the datacenter, Pure//Accelerate will bring current and future technology/business leaders together to share in a dialogue about what is possible...for their businesses and for themselves.

## **Forward Looking Statements**

This press release contains forward-looking statements regarding our products, business and operations, including our expectations regarding technology differentiation and customer adoption, our ability to maintain growth and take market share, and our financial outlook for the first quarter and full year fiscal 2017 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, including, but not limited to, our Quarterly Report on Form 10-Q for the quarter ended October 31, 2015 and in the final Prospectus related to our initial public offering of Class A common stock filed pursuant to Rule 424(b) under the Securities Act of 1933 (Registration No. 333-206312), 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 set forth in our Annual Report on Form 10-K for the fiscal year ended January 31, 2016. All information provided in this release and in the attachments is as of March 2, 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 and assumed preferred stock conversion. The presentation of this non-GAAP 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 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 provided by (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,</u><br><u>2015</u> | <u>January 31,</u><br><u>2016</u><br>(unaudited) |
|---|-----------------------------------|--|
| <b>Assets</b>   |                                   |  |
| <b>Current assets:</b>  |                                   |  |
| Cash and cash equivalents   | \$ 192,707                        | \$ 604,742                                       |
| Accounts receivable, net of allowance of \$210 and \$944                                  | 59,032                            | 126,324  |
| Inventory   | 21,605                            | 20,649   |
| Deferred commissions, current   | 9,431                             | 15,703   |
| Prepaid expenses and other current assets   | 11,195                            | 20,652   |
| <b>Total current assets</b>   | <b>293,970</b>                    | <b>788,070</b>                                   |
| Property and equipment, net   | 39,859                            | 52,629   |
| Intangible assets, net  | 8,284                             | 6,980  |
| Deferred income taxes, non-current  | —                                 | 536  |
| Other long-term assets  | 14,177                            | 22,568   |
| <b>Total assets</b>   | <b>\$ 356,290</b>                 | <b>\$ 870,783</b>                                |
| <b>Liabilities, convertible preferred stock, and stockholders' (deficit) equity</b>       |                                   |  |
| <b>Current liabilities:</b>   |                                   |  |
| Accounts payable  | \$ 11,007                         | \$ 38,187  |
| Accrued compensation and benefits   | 13,811                            | 32,995   |
| Accrued expenses and other liabilities  | 6,106                             | 14,076   |
| Deferred revenue, current   | 32,199                            | 94,514   |
| Liability related to early exercised stock options  | 6,485                             | 4,760  |
| <b>Total current liabilities</b>  | <b>69,608</b>                     | <b>184,532</b>                                   |
| Deferred revenue, non-current   | 41,470                            | 121,690  |
| Deferred income taxes, non-current  | 300                               | —  |
| Other long-term liabilities   | 802                               | 1,207  |
| <b>Total liabilities</b>  | <b>112,180</b>                    | <b>307,429</b>                                   |
| Convertible preferred stock   | 543,940                           | —  |
| <b>Stockholders' (deficit) equity:</b>  |                                   |  |
| Common stock and additional paid-in capital   | 41,753                            | 1,118,689  |
| Accumulated deficit   | (341,583)                         | (555,335)  |
| <b>Total stockholders' (deficit) equity</b>   | <b>(299,830)</b>                  | <b>563,354</b>                                   |
| <b>Total liabilities, convertible preferred stock, and stockholders' (deficit) equity</b> | <b>\$ 356,290</b>                 | <b>\$ 870,783</b>                                |

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

|  | Three Months Ended January 31, |                    | Twelve Months Ended January 31, |                     |
|--|--------------------------------|--------------------|---------------------------------|---------------------|
|  | 2015                           | 2016               | 2015                            | 2016                |
|  | (unaudited)                    |                    | (unaudited)                     |                     |
| <b>Revenue:</b>  |                                |                    |                                 |                     |
| Product  | \$ 57,830                      | \$ 127,350         | \$ 154,836                      | \$ 375,733          |
| Support  | 8,020                          | 22,881             | 19,615                          | 64,600              |
| <b>Total revenue</b>   | <b>65,850</b>                  | <b>150,231</b>     | <b>174,451</b>                  | <b>440,333</b>      |
| <b>Cost of revenue:</b>  |                                |                    |                                 |                     |
| Product (1)  | 24,141                         | 40,522             | 63,425                          | 132,870             |
| Support (1)  | 5,376                          | 11,544             | 14,127                          | 35,023              |
| <b>Total cost of revenue</b>   | <b>29,517</b>                  | <b>52,066</b>      | <b>77,552</b>                   | <b>167,893</b>      |
| <b>Gross profit</b>  | <b>36,333</b>                  | <b>98,165</b>      | <b>96,899</b>                   | <b>272,440</b>      |
| <b>Operating expenses:</b>   |                                |                    |                                 |                     |
| Research and development (1)   | 29,311                         | 53,710             | 92,707                          | 166,645             |
| Sales and marketing (1)  | 42,533                         | 68,927             | 152,320                         | 240,574             |
| General and administrative (1) (2)   | 10,520                         | 18,461             | 32,354                          | 75,402              |
| <b>Total operating expenses</b>  | <b>82,364</b>                  | <b>141,098</b>     | <b>277,381</b>                  | <b>482,621</b>      |
| <b>Loss from operations</b>  | <b>(46,031)</b>                | <b>(42,933)</b>    | <b>(180,482)</b>                | <b>(210,181)</b>    |
| Other income (expense), net  | (695)                          | (757)              | (1,412)                         | (2,002)             |
| <b>Loss before provision for income taxes</b>  | <b>(46,726)</b>                | <b>(43,690)</b>    | <b>(181,894)</b>                | <b>(212,183)</b>    |
| Provision for income taxes   | 909                            | 604                | 1,337                           | 1,569               |
| <b>Net loss</b>  | <b>\$ (47,635)</b>             | <b>\$ (44,294)</b> | <b>\$ (183,231)</b>             | <b>\$ (213,752)</b> |
| Net loss per share attributable to common stockholders, basic and diluted  | \$ (1.52)                      | \$ (0.24)          | \$ (6.56)                       | \$ (2.59)           |
| <b>Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted</b> |                                |                    |                                 |                     |
|  | <b>31,357</b>                  | <b>187,365</b>     | <b>27,925</b>                   | <b>82,460</b>       |

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

|   |                 |                  |                  |                  |
|---|-----------------|------------------|------------------|------------------|
| Cost of revenue -- product                    | \$ 39           | \$ 137           | \$ 303           | \$ 276           |
| Cost of revenue -- support                    | 216             | 877              | 1,273            | 2,388            |
| Research and development                      | 3,966           | 12,511           | 22,512           | 31,135           |
| Sales and marketing                           | 2,790           | 6,427            | 22,466           | 16,966           |
| General and administrative                    | 1,148           | 2,075            | 6,479            | 7,460            |
| <b>Total stock-based compensation expense</b> | <b>\$ 8,159</b> | <b>\$ 22,027</b> | <b>\$ 53,033</b> | <b>\$ 58,225</b> |

(2) Includes a one-time charge of \$11.9 million for an equity grant to the Pure Good Foundation in the twelve months ended January 31, 2016.

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

|   | <u>Three Months Ended January 31,</u> |                   | <u>Twelve Months Ended January 31,</u> |                   |
|---|---------------------------------------|-------------------|--|-------------------|
|   | <u>2015</u>                           | <u>2016</u>       | <u>2015</u>                            | <u>2016</u>       |
|   | (unaudited)                           |                   | (unaudited)                            |                   |
| <b>Cash flows from operating activities</b>                                 |                                       |                   |  |                   |
| Net loss  | \$ (47,635)                           | \$ (44,294)       | \$ (183,231)                           | \$ (213,752)      |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                       |                   |  |                   |
| Depreciation and amortization   | 5,641                                 | 9,136             | 15,392                                 | 32,254            |
| Stock-based compensation expense  | 8,159                                 | 22,027            | 25,399                                 | 58,225            |
| Contribution of common stock to Pure Good Foundation                        | —                                     | —                 | —                                      | 11,900            |
| Other   | 273                                   | (1,093)           | 277                                    | (1,093)           |
| Changes in operating assets and liabilities:                                |                                       |                   |  |                   |
| Accounts receivable, net  | (13,462)                              | (14,198)          | (44,197)                               | (67,292)          |
| Inventory   | (641)                                 | 4,901             | (13,713)                               | 1,481             |
| Deferred commissions  | (5,775)                               | (4,549)           | (9,838)                                | (13,021)          |
| Prepaid expenses and other assets   | (4,182)                               | (6,639)           | (6,550)                                | (8,704)           |
| Accounts payable  | (1,101)                               | 14,677            | 3,474                                  | 24,901            |
| Accrued compensation and other liabilities                                  | 4,780                                 | 7,494             | 12,450                                 | 24,710            |
| Deferred revenue  | 19,924                                | 54,548            | 56,842                                 | 142,535           |
| Net cash provided by (used in) operating activities                         | <u>(34,019)</u>                       | <u>42,010</u>     | <u>(143,695)</u>                       | <u>(7,856)</u>    |
| <b>Cash flows from investing activities</b>                                 |                                       |                   |  |                   |
| Purchases of property and equipment   | (11,325)                              | (9,861)           | (42,227)                               | (39,355)          |
| Purchases of intangible assets  | —                                     | —                 | (9,125)                                | —                 |
| Increase in restricted cash   | —                                     | —                 | (1,613)                                | (2,485)           |
| Net cash used in investing activities                                       | <u>(11,325)</u>                       | <u>(9,861)</u>    | <u>(52,965)</u>                        | <u>(41,840)</u>   |
| <b>Cash flows from financing activities</b>                                 |                                       |                   |  |                   |
| Proceeds from initial public offering, net                                  | —                                     | —                 | —                                      | 459,425           |
| Proceeds from issuance of convertible preferred stock                       | 150                                   | —                 | 280,970                                | —                 |
| Net proceeds from exercise of stock options                                 | 498                                   | 1,298             | 7,665                                  | 6,008             |
| Repurchase of common stock in connection with tender offer                  | —                                     | —                 | (30,120)                               | —                 |
| Payments of deferred offering costs   | (33)                                  | (2,012)           | (33)                                   | (3,702)           |
| Net cash provided by (used in) financing activities                         | <u>615</u>                            | <u>(714)</u>      | <u>258,482</u>                         | <u>461,731</u>    |
| Net increase (decrease) in cash and cash equivalents                        | (44,729)                              | 31,435            | 61,822                                 | 412,035           |
| Cash and cash equivalents, beginning of period                              | 237,436                               | 573,307           | 130,885                                | 192,707           |
| Cash and cash equivalents, end of period                                    | <u>\$ 192,707</u>                     | <u>\$ 604,742</u> | <u>\$ 192,707</u>                      | <u>\$ 604,742</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 January 31, 2015 |                       |            |                  |                           | Three Months Ended January 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) |
|                                |                                     |                       | \$ 39 (c)  |                  |                           |                                     |                       | \$ 137 (c)   |                  |                           |
| <b>Gross profit -- product</b> | \$ 33,689                           | 58.3%                 | \$ 39      | \$ 33,728        | 58.3%                     | \$ 86,828                           | 68.2%                 | \$ 137       | \$ 86,965        | 68.3%                     |
|                                |                                     |                       | \$ 216 (c) |                  |                           |                                     |                       | \$ 877 (c)   |                  |                           |
| <b>Gross profit -- support</b> | \$ 2,644                            | 33.0%                 | \$ 216     | \$ 2,860         | 35.7%                     | \$ 11,337                           | 49.5%                 | \$ 877       | \$ 12,214        | 53.4%                     |
|                                |                                     |                       | \$ 255 (c) |                  |                           |                                     |                       | \$ 1,014 (c) |                  |                           |
| <b>Total gross profit</b>      | \$ 36,333                           | 55.2%                 | \$ 255     | \$ 36,588        | 55.6%                     | \$ 98,165                           | 65.3%                 | \$ 1,014     | \$ 99,179        | 66.0%                     |

(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.

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

|   | Three Months Ended January 31, 2015 |                           |              |                  |                               | Three Months Ended January 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) |
|   |                                     |                           | \$ 8,159 (c) |                  |                               |                                     |                           | \$ 22,027 (c) |                  |                               |
| <b>Loss from operations</b>   | \$ (46,031)                         | -69.9%                    | \$ 8,159     | \$ (37,872)      | -57.5%                        | \$ (42,933)                         | -28.6%                    | \$ 22,027     | \$ (20,906)      | -13.9%                        |
|   |                                     |                           | \$ 8,159 (c) |                  |                               |                                     |                           | \$ 22,027 (c) |                  |                               |
| <b>Net loss</b>   | \$ (47,635)                         |                           | \$ 8,159     | \$ (39,476)      |                               | \$ (44,294)                         |                           | \$ 22,027     | \$ (22,267)      |                               |
| <b>Net loss per share -- basic and diluted</b>                                    | \$ (1.52)                           |                           |              | \$ (0.26)        |                               | \$ (0.24)                           |                           |               | \$ (0.12)        |                               |
| <b>Weighted-average shares used in per share calculation -- basic and diluted</b> | 31,357                              |                           | 122,281 (d)  | 153,638          |                               | 187,365                             |                           |               | 187,365          |                               |

(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 assume preferred stock conversion as of the beginning of the period.



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

|   | <b>Three Months Ended January 31,</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2015</b>                           | <b>2016</b> |
| Net cash provided by (used in) operating activities | \$ (34,019)                           | \$ 42,010   |
| Less: purchases of property and equipment           | (11,325)                              | (9,861)     |
| Free cash flow                                      | \$ (45,344)                           | \$ 32,149   |
| Free cash flow as % of revenue                      | -68.9%                                | 21.4%       |