UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended January 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number 001-37570

Pure Storage, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**27-1069557**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

650 Castro Street, Suite 400
Mountain View, California 94041
(Address of principal executive offices, including zip code)
(800) 379-7873
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Small reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 29, 2016, the last business day of the registrant's most recently completed second quarter, was approximately $1.3 billion based upon the closing price reported for such date by the New York Stock Exchange. Shares of the registrant's Class A and Class B common stock held by each executive officer, director and holder of 10% or more of the outstanding Class A and Class B common stock have been excluded from this calculation because such persons may be deemed affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for any other purpose.

As of March 20, 2017, the registrant had 91,703,752 shares of Class A common stock and 114,907,590 shares of Class B common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's proxy statement for its 2017 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended January 31, 2017 .

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as “anticipate,” “believe,” “continue,” “could,” “design,” “estimate,” “expect,” “intend,” “may,” “plan,” “potentially,” “predict,” “project,” “should,” “will” or the negative of these terms or other similar expressions.

Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements regarding our ability to sustain or manage our expansion and growth, our expectations that average sales prices may decrease over time, our plans to expand and continue to invest internationally, our plans to expand the research and development organization as well as the sales and marketing function and channel programs, our expectations regarding fluctuations in our revenue and operating results, our expectations that we may continue to experience losses, despite significant revenue growth, our ability to successfully attract, motivate, and retain qualified personnel and maintain our culture, our expectations regarding technological leadership and market opportunity, our ability to realize benefits from our investments, our ability to innovate and introduce new or enhanced products, our expectations regarding product acceptance and our technologies, products and solutions, our competitive position and the effects of competition and industry dynamics, including those of retrofitted or new products from incumbent vendors, hyperconverged products, defined as server compute and storage combined within a single chassis, or public cloud, our expectations concerning relationships with third parties, including partners and customers, the adequacy of our intellectual property rights, and expectations concerning pending legal proceedings and related costs.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled “Risk Factors.” These risks are not exhaustive. Other sections of this report include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

Investors should not rely upon forward-looking statements as predictions of future events. We cannot assure investors that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. Investors should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

WHERE INVESTORS CAN FIND MORE INFORMATION

Investors should note that we announce material financial information to our investors using our investor relations website, press releases, Securities and Exchange Commission (SEC) filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

Pure Storage Twitter Account (twitter.com/PureStorage)

Pure Storage Company Blog (blog.purestorage.com)

Pure Storage Facebook Page (facebook.com/PureStorage)

Pure Storage LinkedIn Page (linkedin.com/company/pure-storage)

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and our company blog, in addition to following our press releases, public conference calls and webcasts, and filings with the SEC. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on Pure Storage's investor relations website.

PART I

Item 1. Business.

Overview

We are building the data platform for the cloud era. As the demand for data and the need for real-time analytics increase, we are focused on delivering software-defined all-flash solutions that are uniquely fast and cloud-capable for customers, enabling customers to put data to work for their businesses. Our innovative data platform replaces storage systems designed for mechanical disk with all-flash systems optimized end-to-end for solid-state memory. At the same time, our innovative business model replaces the traditional forklift upgrade cycle with an *Evergreen Storage* model of hardware and software innovation, support and maintenance.

We were incorporated in October 2009 and are headquartered in Mountain View, California, with operations throughout the world. Our primary offerings include our *FlashArray* and *FlashBlade* products, inclusive of our *Purity Operating Environment* (*Purity OE*) software, our *Pure1* cloud-based software, and *FlashStack* , our joint converged infrastructure solution with Cisco. We have experienced substantial growth over the past three years; our revenue was $174.5 million , $440.3 million , and $728.0 million for the years ended January 31, 2015 , 2016 and 2017, respectively. As of January 31, 2017 , we had over 1,700 employees globally.

Since launching in May 2012, our customer base has grown to over 3,000 customers, including over 20% of the Fortune 500. Our customers include large and mid-size organizations across a diverse set of industry verticals, including cloud-based software and service providers, consumer web, education, energy, financial services, governments, healthcare, manufacturing, media, retail and telecommunications. Our data platform is used for a broad set of storage use cases, including database applications, large-scale analytics, private and public cloud infrastructure and webscale applications, virtual server infrastructure and virtual desktop infrastructure. Our data platform helps customers scale their businesses through real-time and more accurate analytics, increase employee productivity, improve operational efficiency, and deliver more compelling user experiences to their customers and partners.

We sell our data platform predominantly through a high touch, channel-fulfilled model. Our sales force works collaboratively with our global network of distribution and channel partners, which provides us broad sales reach while maintaining direct customer engagement.

Recent Developments

In June 2016, we released a new entry-level model of our *FlashArray* product, called *FlashArray//M10* , and *FlashStack Mini* , a new converged infrastructure solution that combines the new entry-level *FlashArray* with UCS servers and networking from Cisco, and software from leading vendors, such as Citrix, Microsoft, Oracle, SAP or VMWare, for a complete solution.

In December 2016, we introduced our industry-first NVMe-Ready Guarantee, under which customers will be able to convert any *FlashArray//M* product to NVMe-enabled controllers and capacity without a forklift upgrade or disruptive migration, with such upgrades planned to be generally available prior to December 31, 2017.

In January 2017, we shipped the general availability version of our new *FlashBlade* product, an elastic scale-out system that delivers all-flash performance to multi-petabyte-scale data sets. This product was announced in March 2016. Our software implements a scale-out file and object store in the *FlashBlade* system, as well as storage services such as data reduction, encryption and data protection, and scale-out protocol services.

Innovative Technology and Business Model

We deliver our data platform via our flash-optimized software, *Purity OE* , modular and scalable all-flash hardware platforms, *FlashArray* and *FlashBlade* , as well as our *Pure1* cloud-based management and support. We also offer a converged infrastructure solution, *FlashStack* , jointly with our partner Cisco. Our entire data platform is powered by innovative software that is cloud-connected for management from anywhere and supported by our *Evergreen Storage* business model. Similar to what customers expect from the public cloud, with *Pure1* and *Evergreen Storage* , our customers benefit from near zero administration and a subscription to the latest innovation, but with much higher performance and lower cost.

Software Optimized for Solid-State Memory

The heart of our data platform is our proprietary *Purity OE* software that implements enterprise-class storage services such as data reduction, encryption and data protection, as well as protocol services such as block, file and object. Variants of *Purity OE* have been optimized for both our *FlashArray* and *FlashBlade* platforms. Our *Purity OE* software employs variable block size data reduction algorithms and can deliver up to 2X better data reduction as compared to leading competitive products, resulting in an average of greater than 5-to-1 data reduction across a wide range of use cases and data types. Our software implements strong data-at-rest encryption of all data, all the time, and is designed to maintain performance through failures and enables our arrays to be easily upgraded without scheduled downtime, setting new expectations for storage resiliency.

Hardware Optimized for Solid-State Memory

The hardware underlying our *FlashArray* and *FlashBlade* products is designed to maximize the performance and density of flash, optimize our advanced software services, and minimize overall solution cost for customers. Our platforms are designed to be modular and upgradable over time, enabling our vision of *Evergreen Storage* and eliminating the 3 to 5 year forklift refresh cycle of legacy storage systems. Our platform's design allows us to periodically deliver both processor and flash upgrades, and enables customers to adopt these advances without data migration, downtime or performance impact. This also enables a business model of ongoing up-sell to enable customers to easily expand capacity and performance as their data needs grow.

Our platforms are designed to maximize the performance of flash, leveraging native high bandwidth and low latency PCIe/NVMe networking and to be extremely simple and reliable without sacrificing the scalability and upgradability of an enterprise array. Because we design both our *FlashArray* and *FlashBlade* products in-house, and develop all of our *Purity OE* software specifically for our hardware, we are able to realize end-to-end optimizations between software and flash storage. This allows us to deliver solutions with high density and power efficiency, tight integration for simplicity and at a lower cost.

Pure1 Management, Support and Analytics

Pure1 is a cloud-based management and support offering that enables our customers, our support staff and our partners to seamlessly and securely collaborate to maximize the reliability of the Pure Storage platform while minimizing management overhead and cost to the customer. This cloud-based platform removes the need for dedicated storage management infrastructure, enables customers to monitor a global storage deployment from a mobile device and simplifies integration with other data center management solutions. *Pure1* 's *Global Insight* technology also employs cutting-edge real-time analytics and machine learning technologies to predictively identify potential issues with our platforms, enabling our support organization to proactively resolve support incidents before they start - leading to higher uptime and availability for our data platform.

Innovative Business Model

In addition to our product leadership and differentiated customer experience, our innovative business model helps us achieve our vision of *Evergreen Storage* . We believe that the traditional storage business model is expensive, resource intensive and detrimentally impacts customer operations. Our alternative approach is designed to eliminate this pain. We offer a simple all-inclusive software model and a new approach to the storage array purchase and expansion lifecycle, allowing customers to incrementally improve array performance and capacity as needed, dramatically reducing cost and risk while increasing predictability. This enables customers to both extend the useful life of their hardware and avoid the cost and risk of recurring data migration. We believe that it will be difficult for legacy storage vendors to entirely copy our business model innovations given their disk-based product architectures and dependence on complex licensing programs and regular forklift array replacement upgrades.

Our Customers

We target a variety of commercial enterprises, state, local and federal governments, schools and healthcare organizations globally. Our customer base includes over 3,000 organizations as of January 31, 2017 , including over 20% of the Fortune 500. We have deployed our storage platform with customers across multiple industry verticals. Our platform has been deployed in some of the largest and most sophisticated enterprises in the world as well as smaller organizations with limited IT expertise or budget, such as hospitals, municipalities and school districts. Hundreds of our customers have invested north of a million dollars in leveraging our platform across their business-critical applications. We define a customer as an end user that purchases our products and services either from one of our channel partners or from us directly. No customer represented more than 10% of our revenue for the year ended January 31, 2017 .

Sales and Marketing

Sales *.* We sell our storage platform predominantly through a high touch, channel-fulfilled sales model. Our sales organization supports our channel partners and is responsible for large-account penetration, global account coordination and overall market development. Our channel partners help market and sell our products, typically with assistance from our sales force. This joint sales approach provides us with the benefit of direct relationships with substantially all of our customers and expands our reach through the relationships of our channel partners. In certain geographies we sell through a two-tier distribution model. We also sell to service providers that deploy our products and offer cloud-based storage services to their customers.

We intend to continue to expand our partner relationships to further extend our sales coverage and to invest in education, training and programs to increase the ability of our channel partners to sell our products independently. We expect to continue to grow our sales organization and expand our international sales presence. Generally, our sales representatives have become more productive the longer they are with us, with limited productivity in their first few quarters as they learn to sell our products, participate in classroom and field training and build a customer base. We optimize our sales management efforts to help our sales representatives maximize their productivity throughout their tenure. Our sales organization is supported by sales engineers with deep technical expertise and responsibility for pre-sales technical support, solutions engineering and technical training. One channel partner represented 11% of our revenue for the year ended January 31, 2017 .

Technology Alliances. We work closely with technology partners that help us deliver world-class solutions to our customers and ensure the efficient deployment and support of their data center infrastructure. Our technology partners include application partners such as Microsoft, Oracle and SAP and infrastructure partners such as Arista, Brocade, Catalogic, Cisco, Citrix, Cohesity, CommVault, RedHat, Rubrik, Symantec and VMware. In addition, we work closely with our technology partners through co-marketing and lead-generation activities in an effort to broaden our marketing reach and help us win new customers and retain existing ones.

Marketing. Our marketing is focused on building our brand reputation and market awareness, communicating product advantages, driving customer demand and generating leads for our sales force and channel partners. Our marketing effort consists primarily of product, field, channel, solutions and digital marketing and public relations.

Research and Development

Our research and development efforts are focused primarily on improving our existing products and developing new products. Our products integrate both software and hardware innovations, and accordingly, our research and development teams employ both software and hardware engineers in the design, development, testing, certification and support of our products. Most of our research and development team is based in Mountain View, California. We also design, test and certify our products to ensure interoperability with a variety of third-party software, servers, operating systems and network components. We plan to dedicate significant resources to our continued research and development efforts.

Research and development expenses were $ 92.7 million , $ 166.6 million and $ 245.8 million for the years ended January 31, 2015 , 2016 and 2017 .

Manufacturing

Our primary contract manufacturer, Hon Hai Precision Industry Co., Ltd., known as Foxconn, manufactures, assembles, tests and packages our products in accordance with our specifications. Our contract manufacturers generally procure the hardware components for final assembly of our products. Most of the components are purchased from sources that we believe are readily available from other suppliers.

We provide our contract manufacturers a rolling forecast for anticipated orders, which our contract manufacturers use to build finished products. The product mix and volumes are adjusted based on anticipated demand and actual sales and shipments in prior periods. Our contract manufacturers are generally able to respond to changes in our product mix or volume without significant delay or increased costs. Our agreement with Foxconn has a three-year term that is subject to optional extensions absent notice of termination by either party. This agreement is terminable at any time by either party with 180-days' prior notice. Our agreement with our contract manufacturers do not provide for any specific volume purchase commitments and orders are placed on a purchase order basis. We work closely with our contract manufacturers to meet our product delivery requirements and to manage the manufacturing process and quality control.

Backlog

We typically accept and ship orders within a short time frame. In general, customers may cancel or reschedule orders without penalty, and delivery schedules requested by customers in their purchase orders vary based upon each customer's particular needs. As a result, we do not believe that our backlog at any particular time is a reliable indicator of future revenue.

Seasonality

We generally experience the lowest demand for our products and services in the first quarter of our fiscal year and the greatest demand for our products and services in the last quarter of our fiscal year, which is consistent with the seasonality of the enterprise IT industry as a whole.

Competition

We operate in the intensely competitive data storage market that is characterized by constant change and innovation. Changes in the application requirements, data center infrastructure trends and the broader technology landscape result in evolving customer requirements for capacity, performance scalability and enterprise features of storage systems. Our main competitors fall into two categories:

- large storage system vendors such as Hitachi Data Systems and NetApp that offer a broad range of storage systems targeting various use cases and end markets; and

- large systems companies such as Dell EMC, HP Enterprise, Lenovo and IBM that have acquired or licensed specialist storage technology in recent years to complement their internally-developed storage offerings and have the technical and financial resources to bring competitive products to market.

In addition, we compete against some cloud providers and vendors of hyper-converged products. Some large-scale cloud providers, known for developing storage systems internally, are expanding quickly and offer alternatives to our products for a variety of customer workloads. Our market attracts new startups and more highly specialized vendors, as well as larger vendors that may continue to acquire or bundle their products more effectively. The acquisitions of EMC by Dell, Nimble Storage by HP Enterprise and SolidFire by NetApp have introduced new competitive dynamics into the storage market. All of our competitors utilize a broad range of competitive strategies.

We believe the principal competitive factors in the storage market are as follows:

- Product features and enhancements, including ease of use, performance, reliability and scalability;

- Product pricing and total cost of ownership;

- Product interoperability with customer networks and backup software;

- Global sales and distribution capability;

- Ability to take advantage of improvements in industry standard components; and

- Customer support and service.

We believe we generally compete favorably with our competitors on the basis of these factors as a result of our hardware and software, product capabilities, ability to deliver the benefits of all-flash storage to a broad set of customers, management simplicity, ease of use and differentiated customer support. However, many of our competitors have substantially greater financial, technical and other resources, greater name recognition, larger sales and marketing budgets, broader distribution and larger and more mature intellectual property portfolios.

Intellectual Property

Our success depends in part upon our ability to protect our core technology and intellectual property. To establish and protect our proprietary rights, we rely on a combination of intellectual property rights, including patents, trademarks, copyrights, trade secret laws, license agreements, confidentiality procedures, employee disclosure and invention assignment agreements and other contractual rights.

We have over 600 issued patents and patent applications in the United States and foreign countries. We also license technology from third parties when we believe it will facilitate our product offerings or business. We have adopted a policy under which we will not assert patents acquired to date from third parties offensively, other than as part of a counterclaim.

Employees

We believe the expertise of our people and our culture is a key enabler of our technology leadership. We had over 1,700 employees worldwide as of January 31, 2017 . None of our employees is represented by a labor union or covered by a collective bargaining arrangement.

Information about Segment and Geographic Areas

The segment and geographic information required herein is contained in Note 10 of our Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

Corporate Information

We were incorporated in Delaware in October 2009 as OS76, Inc. In January 2010, we changed our name to Pure Storage, Inc. Our principal executive offices are located at 650 Castro Street, Suite 400, Mountain View, California 94041, and our telephone number is (800) 379-7873. Our website address is www.purestorage.com. Information contained on or accessible through our website is not a part of this report and the inclusion of our website address in this report is an inactive textual reference only.

Pure Storage, the *"P"* logo, *Evergreen* , *FlashArray, FlashBlade* , *FlashStack, Pure1, Purity Operating Environment* and other trade names, trademarks or service marks of Pure Storage appearing in this report are the property of Pure Storage. Trade names, trademarks and service marks of other companies appearing in this report are the property of their respective holders.

Available Information

We make available, free of charge through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after they have been electronically filed with, or furnished to, the SEC.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Investing in our Class A common stock involves a high degree of risk. Investors should carefully consider the risks and uncertainties described below, together with all of the other information contained in this report, including our consolidated financial statements and the related notes appearing in this annual report, before deciding to invest in our Class A common stock. If any of the following risks actually occur, it could harm our business, prospects, operating results and financial condition. In such event, the trading price of our Class A common stock could decline and investors might lose all or part of their investment.

Risks Related to Our Business and Industry

We have experienced rapid growth in recent periods, and we may not be able to sustain or manage future growth effectively.

We have significantly expanded our overall business, customer base, headcount, channel partner relationships and operations in recent periods, and we anticipate that we will continue to expand and experience growth in future periods. For example, from January 31, 2015 to January 31, 2016 , our headcount increased from over 800 to over 1,300 employees, and to over 1,700 employees as of January 31, 2017 . Our future operating results will depend to a large extent on our ability to successfully manage our anticipated expansion and growth. To manage our growth successfully, we believe that we must, among other things, effectively:

- maintain and extend our product leadership;
- recruit, hire, train and manage additional personnel;
- maintain and further develop our channel partner relationships;
- enhance and expand our distribution and supply chain infrastructure;
- expand our support capabilities;
- forecast and control expenses;
- enhance and expand our international operations; and
- implement, improve and maintain our internal systems, procedures and controls.

We expect that our future growth will continue to place a significant strain on our managerial, administrative, operational, financial and other resources. We will incur costs associated with this future growth prior to realizing the anticipated benefits, and the return on these investments may be lower, may develop more slowly than we expect or may never materialize. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new products or enhancements to existing products in a timely manner, and we may fail to satisfy customers' expectations, maintain product quality, execute on our business plan or adequately respond to competitive pressures, each of which could adversely affect our business and operating results.

We intend to continue focusing on revenue growth and increasing our market penetration and international presence by investing heavily in our business and this may impede near-term profitability.

Our strategy is to continue with our investments in marketing, sales, support and research and development. We believe our decision to continue investing heavily in our business will be critical to our future success. We anticipate that our operating costs and expenses will continue to increase in absolute terms. In addition, we expect to continue incurring significant legal, accounting and other expenses in order to operate effectively as a public company at our scale. Even if we achieve or maintain significant revenue growth, we expect to continue to experience losses, forgoing near-term profitability.

We have not achieved profitability for any year since our inception. We incurred a net loss of $ 245.1 million for the year ended January 31, 2017 , and we had an accumulated deficit of $ 802.5 million as of January 31, 2017 . Our operating expenses largely are based on anticipated revenue, and a high percentage of our expenses are, and will continue to be, fixed in the short term. If we fail to adequately increase revenue and manage costs, we may not achieve or maintain profitability in the future. As a result, our business could be harmed and our operating results could suffer.

We have a limited operating history, which makes our future operating results difficult to predict.

We were founded in October 2009, but have generated substantially all of our revenue in our last three fiscal years. We have a limited operating history in an industry characterized by rapid technological change, changing customer needs, evolving industry standards and frequent introductions of new products and services. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. All of these factors make our future operating results difficult to predict, which may impair our ability to manage our business and reduce investors' ability to assess our prospects.

Investors should not consider our revenue growth in prior quarterly or annual periods as indicative of our future performance. In future periods, we do not expect to achieve similar percentage revenue growth rates as we have achieved in some past periods. If we are unable to maintain adequate revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability.

The market for all-flash storage products is rapidly evolving, which makes it difficult to forecast customer adoption rates and demand for our products.

The market for all-flash storage products is rapidly evolving. As a result, our future financial performance will depend on the continued growth of this market and on our ability to adapt to competitive dynamics and emerging customer demands and trends. Sales of our products have largely focused on use cases that require performance storage products such as virtualization and transaction processing. Many potential customers have not purchased all-flash storage products and may not have the desire or available budget to invest in a new technology such as ours. Incumbent vendors are actively promoting storage products retrofitted with flash, which may reduce the perceived value of purpose-built, all-flash products like ours. It is difficult to predict with any precision customer adoption rates of flash, customer demand for our products or the future growth rate and size of our market. Our products may never reach mass adoption, and changes or advances in alternative technologies or adoption of cloud storage offerings not utilizing our storage platform could adversely affect the demand for our products. For instance, offerings from large-scale cloud providers are expanding quickly and may serve as alternatives to our products for a variety of customer workloads. Since these providers are known for developing storage systems internally, this trend could reduce the demand for storage systems developed by original equipment manufacturers, such as us. Further, although flash storage has a number of advantages as compared to other data storage alternatives, such as hard disk drives, flash storage has certain limitations as well, including, in some use cases, a higher price per gigabyte of raw storage, more limited methods for data recovery and reduced performance gains for certain uses, such as sequential input/output, or I/O, transactions. A slowing in or reduced demand for all-flash storage products caused by lack of customer acceptance, technological challenges, alternative technologies and products or otherwise would result in a lower revenue growth rate or decreased revenue, either of which would negatively impact our business and operating results.

We face intense competition from a number of established companies and new entrants.

We face intense competition from a number of established companies that sell competitive storage products. These competitors include Dell EMC, HP Enterprise, Hitachi Data Systems, IBM, Lenovo and NetApp. These competitors, as well as other potential competitors, may have:

- greater name recognition and longer operating histories;
- larger sales and marketing and customer support budgets and resources;
- broader distribution and established relationships with distribution partners and customers;
- the ability to bundle storage products with other products and services to address customers’ requirements;
- greater resources to make acquisitions;
- larger and more mature product and intellectual property portfolios; and
- substantially greater financial, technical and other resources.

We also face competition from a number of other companies, one or more of which may become significant competitors in the future. For example, we compete against certain cloud providers that offer storage and vendors that offer products that combine compute, networking and storage, or hyperconverged products. Some cloud providers are expanding quickly, and their offerings could, if we are unable to effectively sell to these providers, displace demand for our products. Vendors offering hyperconverged products are attempting to displace dedicated storage products like ours. New competitors could emerge and acquire significant market share. The acquisitions of EMC by Dell, Nimble Storage by HP Enterprise and SolidFire by NetApp have introduced new competitive dynamics. All of our competitors may utilize a broad range of competitive strategies. For example, some of our competitors have offered bundled products and services in order to reduce the initial cost of their storage products. Our competitors may also choose to adopt more aggressive pricing policies than we choose to adopt. Some of our competitors have offered their products either at significant discounts or even for free in competing against us and in response to our efforts to market the overall benefits and technological merits of our products.

Many competitors have developed competing all-flash or hybrid storage technologies. For example, several of our competitors have introduced all-flash storage products with performance-focused designs and/or with data reduction technologies that directly compete with our products, or have introduced business programs that attempt to compete with, or mitigate against, the value of our innovative programs such as our *Evergreen Storage* model of hardware and software innovation, support and maintenance. We expect our competitors to continue to improve the performance of their products, reduce their prices and introduce new features, services and technologies that may, or that they may claim to, offer greater performance and improved total cost of ownership as compared to our products. In addition, our competitors may develop enhancements to, or future generations of, competitive products that may render our products or technologies obsolete or less competitive. These and other competitive pressures may prevent us from competing successfully against current or future competitors.

Our business may be harmed by trends in the overall external storage market.

Despite ongoing data growth, the external storage market in which we compete has not experienced overall growth in the past few years due to a combination of technology transitions, increased storage efficiency, and changing economic and business environments. Customers are rethinking how they consume IT, increasing spending toward public cloud, software as a service, hyperconverged and converged infrastructure and software-defined storage. The future impact of these industry, technological or market changes on both short-term and long-term growth trends is uncertain. If the overall storage market declines, or if the growth rates of the specific markets in which we compete decline, and/or if the consumption model of storage changes and our new and existing products do not receive customer acceptance, our business and operating results could be harmed.

Many of our established competitors have long-standing relationships with key decision makers at many of our current and prospective customers, which may inhibit our ability to compete effectively and maintain or increase our market share.

Many of our competitors benefit from established brand awareness and long-standing relationships with key decision makers at many of our current and prospective customers. Our competitors often leverage these existing relationships to discourage customers from evaluating or purchasing our products. In particular, when competing against us, our competitors promote the adequacy of their all-flash or hybrid storage products and emphasize the perceived risks of relying on products from a company that has a shorter operating history. Sales and marketing tactics by established competitors may include incomplete or misleading statements about their products, or about us and our products that could harm or impede our business. Additionally, most of our prospective customers have existing storage systems manufactured by our competitors. This gives an incumbent competitor an advantage in retaining the customer because the incumbent competitor already understands the customer's IT infrastructure, user demands and needs. In the event that we are unable to successfully sell our products to new customers or persuade our customers to continue purchasing our products, we will not be able to maintain or increase our market share and revenue, which could adversely affect our business and operating results.

Our ability to increase our revenue will substantially depend on our ability to attract, motivate and retain sales, engineering and other key personnel, including our management team, and any failure to attract, motivate and retain these employees could harm our business, operating results and financial condition.

Our ability to increase our revenue will substantially depend on our ability to attract and retain qualified sales, engineering and other key employees, including our management. These positions may require candidates with specific backgrounds in software and the storage industry, and competition for employees with such expertise is intense. Our ability to attract, motivate or retain employees may be reduced, as the value of our stock fluctuates and as our employees have the opportunity to sell their equity awards. We may not be successful in attracting, motivating and retaining qualified personnel. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. To the extent that we are successful in hiring to fill these positions, we need a significant amount of time to train the new employees before they can become effective and efficient in performing their jobs. From time to time, there may be changes in our management team resulting from the hiring or departure of those individuals. Members of our management team, including our executive officers, are generally employed on an at-will basis, which means that they could terminate their employment with us at any time. If we are unable to attract, motivate and retain qualified sales, engineering and other key employees, including our management, our business and operating results could suffer.

If we fail to adequately expand and optimize our sales force, our growth will be impeded.

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand and train our sales force, both domestically and internationally. Identifying, recruiting and training qualified sales personnel require significant time, expense and attention. We must design and implement effective sales incentive programs, and it can take time before our sales representatives are fully trained and productive. Our business may be adversely affected if our efforts to expand and train our sales force do not generate a corresponding increase in revenue. In particular, if we are unable to hire, develop and retain qualified sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenue.

If we fail to develop and introduce new or enhanced products on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.

We operate in a dynamic environment characterized by rapidly changing technologies and industry standards and technological obsolescence. To compete successfully, we must design, develop, market and sell new or enhanced products that provide increasingly higher levels of performance, capacity and reliability and that meet the cost expectations of our customers, which is a complex and uncertain process. The introduction of new products by our competitors, the market acceptance of products based on new or alternative technologies or the emergence of new industry standards could render our existing or future products obsolete or less competitive. As we introduce new or enhanced products, we must successfully manage product launches and transitions to the next generations of our products. For example, we started initial shipments of our new *FlashBlade* products for directed availability in July 2016 and for general availability in January 2017. If we are not able to successfully manage the development and release of new or enhanced products, our business, operating results and financial condition could be harmed. Similarly, if we fail to introduce new or enhanced products, such as new or improved software features, that meet the needs of our customers in a timely or cost-effective fashion, we may lose market share and our operating results could be adversely affected.

Our research and development efforts may not produce successful products that result in significant revenue in the near future, if at all.

Developing new products and related enhancements, including new or improved features, is expensive and time intensive. Our investments in research and development may result in products that may not achieve market adoption, are more expensive to develop than anticipated, may take longer to generate revenue or may generate less revenue than we anticipate. Our future plans include significant investments in research and development for new products and related opportunities. We believe that we must continue to dedicate significant resources to our research and development efforts to maintain or expand our competitive position. However, these efforts may not result in significant revenue in the near future, if at all, which could adversely affect our business and operating results.

If we fail to successfully maintain or grow our relationships with channel partners, our business, operating results and financial condition could be harmed.

Our future success is highly dependent upon our ability to establish and maintain successful relationships with a variety of channel partners. In addition to selling our products, our partners may offer installation, post-sale service and support on our behalf in their local markets. In markets where we rely on partners more heavily, we have less contact with our customers and less control over the sales process and the quality and responsiveness of our partners. As a result, it may be more difficult for us to ensure the proper delivery and installation of our products or the quality or responsiveness of the support and services being offered. Any failure on our part to effectively identify, train and manage our channel partners and to monitor their sales activity, as well as the customer support and services being provided to our customers in their local markets, could harm our business, operating results and financial condition.

Our channel partners may choose to discontinue offering our products and services or may not devote sufficient attention and resources toward selling our products and services. We typically enter into non-exclusive, written agreements with our channel partners. These agreements generally have a one-year, self-renewing term, have no minimum sales commitment and do not prohibit our channel partners from offering products and services that compete with ours. Accordingly, our channel partners may choose to discontinue offering our products and services or may not devote sufficient attention and resources toward selling our products and services. Additionally, our competitors provide incentives to our existing and potential channel partners to use, purchase or offer their products and services or to prevent or reduce sales of our products and services. The occurrence of any of these events could harm our business, operating results and financial condition.

Our gross margins are impacted by a variety of factors, are subject to variation from period to period and are difficult to predict.

Our gross margins fluctuate from period to period due primarily to product costs, customer mix and product mix. Over the year ended January 31, 2017 , our quarterly gross margins ranged from 65% to 66%. Our gross margins are likely to continue to fluctuate and may be affected by a variety of factors, including:

- demand for our products;
- sales and marketing initiatives, discount levels, rebates and competitive pricing;
- changes in customer, geographic or product mix, including mix of product configurations;

- the cost of freight and components, including NAND and DRAM flash;
- new product introductions and enhancements, potentially with initial sales at relatively small volumes and higher product costs;
- the timing and amount of revenue recognized and deferred;
- excess inventory levels or purchase commitments as a result of changes in demand forecasts or product transitions;
- an increase in product returns, order rescheduling and cancellations;
- the timing of technical support service contracts and contract renewals;
- inventory stocking requirements to mitigate supply constraints, accommodate unforeseen demand or support new product introductions; and
- product quality and serviceability issues.

Due to such factors, gross margins are subject to variation from period to period and are difficult to predict. If we are unable to manage these factors effectively, our gross margins may decline, and fluctuations in gross margins may make it difficult to manage our business and achieve or maintain profitability, which could materially harm our business, operating results and financial condition.

Our operating results may fluctuate significantly, which could make our future results difficult to predict and could cause our operating results to fall below expectations.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our results on a period-to-period basis may not be meaningful. Investors should not rely on our past results as an indication of our future performance. If our revenue or operating results fall below the expectations of investors or any securities analysts that follow our company, the price of our Class A common stock would likely decline.

Factors that are difficult to predict and that could cause our operating results to fluctuate include:

- the timing and magnitude of orders, shipments and acceptance of our products in any quarter, including product returns, order rescheduling and cancellations by our customers;
- fluctuations in demand and prices for our products;
- potential seasonality in the markets we serve;
- our ability to control the costs of the components we use in our hardware products;
- our ability to timely adopt subsequent generations of components into our hardware products;
- disruption in our supply chains, component availability and related procurement costs;
- reductions in customers' budgets for IT purchases;
- changes in industry standards in the data storage industry;
- our ability to develop, introduce and ship in a timely manner new products and product enhancements that meet customer requirements;
- our ability to effectively manage product transitions as we introduce new products;
- any change in the competitive dynamics of our markets, including new entrants or discounting of product prices;
- our ability to control costs, including our operating expenses; and
- future accounting pronouncements and changes in accounting policies.

The occurrence of any one of these risks could negatively affect our operating results in any particular quarter, which could cause the price of our Class A common stock to decline.

Our sales cycles can be long and unpredictable, particularly with respect to large orders, and our sales efforts require considerable time and expense. As a result, it can be difficult for us to predict when, if ever, a particular customer will choose to purchase our products, which may cause our operating results to fluctuate.

Our sales efforts involve educating our customers about the use and benefits of our products, including their technical capabilities and cost saving potential. Larger customers often undertake an evaluation and testing process that can result in a lengthy sales cycle. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce any sales. In addition, product purchases are frequently subject to budget constraints, multiple approvals and unplanned administrative, processing and other delays. A substantial portion of our quarterly sales typically occurs during the last several weeks of the quarter, which we believe largely reflects customer buying patterns of products similar to ours and other products in the technology industry generally. Since we do not recognize revenue from a sale until title is transferred for the product, if we have a substantial portion of our sales at the end of a quarter, we may be unable to transfer title and recognize the associated revenue in that quarter. Furthermore, our products come with a 30-day money back guarantee, allowing a customer to return a product within 30 days of receipt if the customer is not satisfied with its purchase for any reason. In addition, a portion of our sales in any quarter is generated by sales activity initiated during the quarter. These factors, among others, make it difficult for us to predict when customers may purchase our products. We may expend significant resources on an opportunity without ever achieving a sale, which may adversely affect our operating results and cause our operating results to fluctuate. In addition, if sales expected from a specific customer for a particular quarter are not realized in that quarter or at all, our operating results may suffer.

Our company culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that a critical contributor to our success has been our company culture, which we believe fosters innovation, creativity, teamwork, passion for customers and focus on execution, as well as facilitating critical knowledge transfer and knowledge sharing. In particular, we believe that the difference between our sales, support and engineering cultures, relative to those of incumbent vendors, is a key competitive advantage and differentiator for our customers. As we grow and change, we may find it difficult to maintain these important aspects of our company culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

Because our long-term success depends, in part, on our ability to expand the sales of our products to customers located outside of the United States, our business is susceptible to risks associated with international operations.

We maintain operations outside of the United States. We have been expanding and intend to continue to expand these operations in the future. We have limited experience operating in foreign jurisdictions. Our inexperience in operating our business outside of the United States increases the risk that our international expansion efforts may not be successful. In addition, conducting and expanding international operations subjects us to new risks that we have not generally faced in the United States. These include:

- exposure to foreign currency exchange rate risk;
- difficulties in collecting payments internationally, and managing and staffing international operations;
- establishing relationships with channel partners in international locations;
- the increased travel, infrastructure and legal compliance costs associated with international locations;
- the burdens of complying with a wide variety of laws associated with international operations, including taxes and customs;
- significant fines, penalties and collateral consequences if we fail to comply with anti-bribery laws;
- heightened risk of improper, unfair or corrupt business practices in certain geographies;
- potentially adverse tax consequences, including repatriation of earnings;
- increased financial accounting and reporting burdens and complexities;
- political, social and economic instability abroad, terrorist attacks and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

The occurrence of any one of these risks could negatively affect our international operations and, consequently, our business, operating results and financial condition generally.

The sales prices of our products and services may decrease, which may reduce our gross profits and adversely impact our financial results.

The sales prices for our products and services may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products and services, and the introduction of competing products or services or promotional programs. Competition continues to increase in the markets in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products or services that compete with ours or may bundle them with other products and services. Additionally, although we price our products and services predominantly in U.S. dollars, currency fluctuations in certain countries and regions may negatively impact actual prices that partners and customers are willing to pay in those countries and regions. Furthermore, we anticipate that the sales prices for our products will decrease over product life cycles. We cannot assure investors that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our new product and services offerings, if introduced, will enable us to maintain or improve our gross margins and achieve profitability.

We derive substantially all of our revenue from a single family of products, and a decline in demand for these products would cause our revenue to grow more slowly or to decline.

Our *FlashArray* family of products has historically accounted for substantially all of our revenue and will continue to comprise a significant portion of our revenue for the foreseeable future. As a result, our revenue could be reduced by:

- the failure of our current products to achieve broad market acceptance;
- any decline or fluctuation in demand for our products, whether as a result of product obsolescence, technological change, customer budgetary constraints or other factors;
- the introduction of competing products and technologies that replace or substitute, or represent an improvement over, our products; and
- our inability to release enhanced versions of our products, including any related software, on a timely basis.

If the market for all-flash storage products grows more slowly than anticipated or if demand for our products declines, we may not be able to increase our revenue or achieve and maintain profitability.

Our products are highly technical and may contain undetected defects, which could cause data unavailability, loss or corruption that might, in turn, result in liability to our customers and harm to our reputation and business.

Our products are highly technical and complex and are often used to store information critical to our customers' business operations. Our products may contain undetected errors, defects or security vulnerabilities that could result in data unavailability, loss, corruption or other harm to our customers. Some errors in our products may only be discovered after they have been installed and used by customers. Any errors, defects or security vulnerabilities discovered in our products after commercial release could result in a loss of revenue or delay in revenue recognition, injury to our reputation, a loss of customers or increased service and warranty costs, any of which could adversely affect our business and operating results. In addition, errors or failures in the products of third-party technology vendors may be attributed to us and may harm our reputation.

We could face claims for product liability, tort or breach of warranty. Many of our contracts with customers contain provisions relating to warranty disclaimers and liability limitations, which may be difficult to enforce. Defending a lawsuit, regardless of its merit, would be costly and might divert management's attention and adversely affect the market's perception of us and our products. Our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us, and our business, operating results and financial condition could be harmed.

Our brand name and our business may be harmed by the marketing strategies of our competitors.

Because of the early stage of our business, we believe that building and maintaining brand recognition and customer goodwill is critical to our success. Our efforts in this area have, on occasion, been hampered by the marketing efforts of our competitors, which have included statements about us and our products. If we are unable to effectively respond to the marketing efforts of our competitors and protect our brand and customer goodwill now or in the future, our business will be adversely affected.

Our products must interoperate with third party operating systems, software applications and hardware, and if we are unable to devote the necessary resources to ensure that our products interoperate with such software and hardware, we may lose or fail to increase our market share and may experience reduced demand for our products.

Our products must interoperate with our customers' existing infrastructure, specifically their networks, servers, software and operating systems, which may be manufactured by a wide variety of vendors. When new or updated versions of these software operating systems or applications are introduced, we must sometimes develop updated versions of our software so that our products will interoperate properly. For example, our *Pure1* cloud-based management and support includes connectors to virtualization platforms, allowing our customers to manage our products within native management tools, such as VMware and OpenStack. We may not deliver or maintain interoperability quickly, cost-effectively or at all. These efforts require capital investment and engineering resources. If we fail to maintain compatibility of our products with these infrastructure components, our customers may not be able to fully utilize our products, and we may, among other consequences, lose or fail to increase our market share and experience reduced demand for our products, which may harm our business, operating results and financial condition.

Our products must conform to industry standards in order to be accepted by customers in our markets.

Generally, our products comprise only a part of a data center. The servers, network, software and other components and systems of a data center must comply with established industry standards in order to interoperate and function efficiently together. We depend on companies that provide other systems in a data center to conform to prevailing industry standards. Often, these companies are significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers. If larger companies do not conform to the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected, which may harm our business.

Our ability to successfully market and sell our products is dependent in part on ease of use and the quality of our support offerings, and any failure to offer high-quality installation and technical support could harm our business.

Once our products are deployed within our customers' data centers, customers depend on our support organization to resolve technical issues relating to our products. Our ability to provide effective support is largely dependent on our ability to attract, train and retain qualified personnel, as well as to engage with qualified support partners that provide a similar level of customer support. In addition, our sales process is highly dependent on our product and business reputation and on recommendations from our existing customers. Although our products are designed to be interoperable with existing servers and systems, we may need to provide customized installation and configuration support to our customers before our products become fully operational in their environments. Any failure to maintain, or a market perception that we do not maintain, high-quality installation and technical support could harm our reputation, our ability to sell our products to existing and prospective customers and our business.

We rely on contract manufacturers to manufacture our products, and if we fail to manage our relationship with our contract manufacturers successfully, our business could be negatively impacted.

We rely on a limited number of contract manufacturers to manufacture our products. Our reliance on contract manufacturers reduces our control over the assembly process, and exposes us to risks, such as reduced control over quality assurance, costs and product supply. If we fail to manage our relationships with these contract manufacturers effectively, or if these contract manufacturers experience delays, disruptions, capacity constraints or quality control problems, our ability to timely ship products to our customers could be impaired and our competitive position and reputation could be harmed. If we are required to change contract manufacturers or assume internal manufacturing operations, we may lose revenue, incur increased costs and damage our customer relationships. Qualifying a new contract manufacturer and commencing production is expensive and time-consuming. We may need to increase our component purchases, contract manufacturing capacity and internal test and quality functions if we experience increased demand. The inability of our contract manufacturers to provide us with adequate supplies of high-quality products could cause a delay in our order fulfillment, and our business, operating results and financial condition may be harmed.

We rely on a limited number of suppliers, and in some cases single-source suppliers, and any disruption or termination of these supply arrangements could delay shipments of our products and could harm our relationships with current and prospective customers.

We rely on a limited number of suppliers, and in some cases, on single-source suppliers, for several key components of our products, and we have not generally entered into agreements for the long-term purchase of these components. For example, the CPUs utilized in our products are supplied by Intel Corporation (Intel), and neither we nor our contract manufacturers have an agreement with Intel for the procurement of these CPUs. Instead, we purchase the CPUs either directly from Intel or through a reseller on a purchase order basis. Intel or its resellers could stop selling to us at any time or could raise their prices without notice.

This reliance on a limited number of suppliers and the lack of guaranteed sources of supply exposes us to several risks, including:

- the inability to obtain an adequate supply of key components, including solid-state drives;
- price volatility for the components of our products;
- failure of a supplier to meet our quality or production requirements;
- failure of a supplier of key components to remain in business or adjust to market conditions; and
- consolidation among suppliers, resulting in some suppliers exiting the industry or discontinuing the manufacture of components.

As a result of these risks, we cannot assure investors that we will be able to obtain enough of these key components in the future or that the cost of these components will not increase. If our supply of components is disrupted or delayed, or if we need to replace our existing suppliers, there can be no assurance that additional components will be available when required or that components will be available on terms that are favorable to us, which could extend our lead times, increase the costs of our components and harm our business, operating results and financial condition. Even if we are successful in growing our business, we may not be able to continue to procure components at reasonable prices, which may require us to enter into longer-term contracts with component suppliers to obtain these components at competitive prices. This could increase our costs and decrease our gross margins, harming our business, operating results and financial condition.

Managing the supply of our products and their components is complex. Insufficient supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our gross margins.

Our third-party contract manufacturers procure components and build our products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analyses from our sales and marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and non-returnable. Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to make accurate forecasts and effectively manage the supply of our products and components. We have, in the past, had to write off inventory in connection with transitions to new product models. If we ultimately determine that we have excess supply, we may have to reduce our prices and write down or write off excess or obsolete inventory, which in turn could result in lower gross margins. Alternatively, insufficient supply levels may lead to shortages that result in delayed revenue, reduced product margins or loss of sales opportunities altogether. If we are unable to effectively manage our supply and inventory, our results of operations could be adversely affected.

If we are unable to sell renewals of our maintenance and support services to our customers, our future revenue and operating results will be harmed.

Existing customers may not renew their maintenance and support agreements after the initial period, and given our limited operating history, we may not be able to accurately predict our renewal rates. Our customers’ renewal rates may decline or fluctuate as a result of a number of factors, including their available budget and the level of their satisfaction with our storage platform, customer support and pricing as compared to that offered by our competitors. If our customers renew their contracts, they may renew on terms that are less economically beneficial to us. We cannot assure investors that our customers will renew their maintenance and support agreements, and if our customers do not renew their agreements or renew on less favorable terms, our revenue may grow more slowly than expected, if at all.

We expect that revenue from maintenance and support agreements will increase as a percentage of total revenue over time, and because we recognize this revenue over the term of the relevant contract period, downturns or upturns in sales are not immediately reflected in full in our results of operations.

We expect that revenue from maintenance and support agreements will increase as a percentage of total revenue over time. We recognize maintenance and support revenue ratably over the term of the relevant service period. As a result, much of the maintenance and support revenue we report each quarter is derived from maintenance and support agreements that we sold in prior quarters. Consequently, a decline in new or renewed maintenance and support agreements in any one quarter will not be fully reflected in revenue in that quarter but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales of maintenance and support is not reflected in full in our results of operations until future periods. Also, it is difficult for us to rapidly increase our maintenance and support revenue through additional sales in any period, as revenue from renewals must be recognized ratably over the applicable service period.

Adverse economic conditions or reduced data center spending may adversely impact our revenues and profitability.

Our operations and performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on data center technology. Global economic uncertainty and political and fiscal challenges in the United States and abroad could adversely impact data center spending. Our business depends on the overall demand for data center infrastructure and on the economic health of our current and prospective customers. Weak economic conditions, or a reduction in data center spending, would likely adversely impact our business, operating results and financial condition in a number of ways, including by reducing sales, lengthening sales cycles and lowering prices for our products and services.

Third-party claims that we are infringing the intellectual property rights of others, whether successful or not, could subject us to costly and time-consuming litigation or require us to obtain expensive licenses, and our business could be harmed.

There is a substantial amount of intellectual property litigation in the flash-based storage industry, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our technology, including interference or derivation proceedings before the U.S. Patent and Trademark Office. Third parties may assert infringement claims against us based on existing or future intellectual property rights. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. We have in the past received and may in the future receive inquiries from other intellectual property holders and may become subject to claims that we infringe their intellectual property rights, particularly as we expand our presence in the market and face increasing competition. For example, in 2013, EMC Corporation (EMC) brought lawsuits against us, alleging misappropriation of confidential information and trade secrets and patent infringement. In October 2016, we resolved pending disputes between EMC and us, resulting in the dismissal of the lawsuits.

Any intellectual property rights claim, such as the lawsuits brought by EMC, against us or our customers, suppliers, and channel partners, with or without merit, could be time-consuming and expensive to litigate or settle, could divert management’s resources and attention from operating our business and could force us to acquire intellectual property rights and licenses, which may involve substantial royalty payments. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages, including treble damages and attorneys’ fees if we are found to have willfully infringed a patent. An adverse determination also could invalidate our intellectual property rights and prevent us from manufacturing and offering our products to our customers and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. We may not be able to re-engineer our products successfully to avoid infringement, and we may have to seek a license for the infringed technology, which may not be available on reasonable terms or at all, may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business. Any of these events could harm our business and financial condition.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our customers, suppliers and channel partners from damages and costs which may arise from the infringement by our products of third-party patents, trademarks or other proprietary rights. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys’ fees. Our insurance may not cover intellectual property infringement claims. A claim that our products infringe a third party’s intellectual property rights could harm our relationships with our customers, deter future customers from purchasing our products and expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement by our products, an adverse outcome in any such litigation could make it more difficult for us to defend our products against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could harm our brand and financial condition.

The success of our business depends in part on our ability to protect and enforce our intellectual property rights.

We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We have over 600 issued patents and patent applications in the United States and foreign countries. We cannot assure investors that any patents will issue with respect to our currently pending patent applications in a manner that gives us the protection that we seek, if at all, or that any patents issued to us will not be challenged, invalidated, circumvented or held to be unenforceable in actions against alleged infringers. Our issued patents and any patents that may issue in the future with respect to pending or future patent applications may not provide sufficiently broad protection or they may not prove to be enforceable in actions against alleged infringers. Changes to the patent laws in the United States and other jurisdictions could also diminish the value of our patents and patent applications or narrow the scope of our patent protection. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. Furthermore, any of our trademarks may be challenged by others or invalidated through administrative process or litigation.

Protecting against the unauthorized use of our intellectual property, products and other proprietary rights is expensive and difficult. Litigation may be necessary in the future to enforce or defend our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could result in substantial costs and diversion of management's resources and attention, either of which could harm our business, operating results and financial condition. Further, many of our current and potential competitors have the ability to dedicate substantially greater resources to defending intellectual property infringement claims and to enforcing their intellectual property rights than we have. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products are available. An inability to adequately protect and enforce our intellectual property and other proprietary rights could harm our business and financial condition.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be materially adversely affected and our business could be harmed.

In addition to the protection afforded by patents, we rely on confidential proprietary information, including trade secrets and know-how to develop and maintain our competitive position. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. We seek to protect our confidential proprietary information, in part, by confidentiality agreements and invention assignment agreements with our employees, consultants, scientific advisors, contractors and collaborators. These agreements are designed to protect our proprietary information; however, we cannot be certain that such agreements have been entered into with all relevant parties, and we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. For example, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches.

We also seek to preserve the integrity and confidentiality of our proprietary information by maintaining physical security of our premises and physical and electronic security of our IT systems, but it is possible that these security measures could be breached. If any of our confidential proprietary information were to be lawfully obtained or independently developed by a competitor, we may have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position. Further, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent material disclosure of the intellectual property related to our technologies to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could harm our business.

Our use of open source software could impose limitations on our ability to commercialize our products.

We use open source software in our products and expect to continue to use open source software in the future. Although we monitor our use of open source software, the terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our products. From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we have developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, seek licenses from third parties in order to continue offering our products for certain uses or cease offering the implicated solutions unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may be required to discontinue providing some of our software in the event re-engineering cannot be accomplished on a timely basis, any of which could harm our business, operating results and financial condition.

System security risks, data protection breaches and cyber-attacks on our systems or products could compromise our proprietary information (or information of our customers), disrupt our internal operations and harm public perception of our products, which could cause our business and reputation to suffer, create additional liabilities and adversely affect our financial results and stock price.

In the ordinary course of business, we store sensitive data on our internal systems, networks and servers, which may include intellectual property, our proprietary business information and that of our customers, suppliers and business partners and sales data, which may include personally identifiable information. Additionally, we design and sell products that allow our customers to store our customers' data. The security of our own networks and the intrusion protection features of our product are both critical to our operations and business strategy.

We devote significant resources to network security, data encryption and other security measures to protect our systems and data, but these security measures cannot provide absolute security. For example, we use encryption and authentication technologies to secure the transmission and storage of data and prevent third party access to data or accounts, but these security measures are subject to third-party security breaches, employee error, malfeasance, faulty password management or other irregularities. Any destructive or intrusive breach of our internal systems could result in the information stored on our networks being accessed, publicly disclosed, lost or stolen. Additionally, an effective attack on our products could disrupt the proper functioning of our products, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers, disrupt or temporarily interrupt customers' operations or cause other destructive outcomes, including the theft of information sufficient to engage in fraudulent transactions. The risk that these types of events could seriously harm our business is likely to increase as we expand our network of channel partners, resellers and authorized service providers and operate in more countries. The economic costs to us to eliminate or alleviate cyber or other security problems, viruses, worms, malicious software systems and security vulnerabilities could be significant and may be difficult to anticipate or measure because the damage may differ based on the identity and motive of the programmer or hacker, which are often difficult to identify. If any of these types of security breaches, actual or perceived, were to occur and we were to be unable to protect sensitive data, our relationships with our business partners and customers could be materially damaged, our reputation and brand could be materially harmed, use of our products could decrease and we could be exposed to a risk of loss or litigation and possible liability.

We may further expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, resulting in additional dilution to our stockholders and consumption of resources that are necessary to sustain and grow our business.

Our business strategy may, from time to time, include acquiring complementary products, technologies or businesses. We also may enter into relationships with other businesses in order to expand our product offerings, which could involve preferred or exclusive licenses, additional channels of distribution or discount pricing or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to third-party or government approvals, which are beyond our control. Consequently, we can make no assurance that these transactions, once undertaken and announced, will close.

These kinds of acquisitions or investments may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired business choose not to work for us, and we may have difficulty retaining the customers of any acquired business. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for development of our business. Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure investors that the anticipated benefits of any acquisition or investment would be realized or that we would not be exposed to unknown liabilities. In connection with these types of transactions, we may issue additional equity securities that would dilute our stockholders, use cash that we may need in the future to operate our business, incur debt on terms unfavorable to us or that we are unable to repay, incur large charges or substantial liabilities, encounter difficulties integrating diverse business cultures and become subject to adverse tax consequences, substantial depreciation or deferred compensation charges. These challenges related to acquisitions or investments could harm our business and financial condition.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products or enhance our existing products, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing in the future could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to support our business growth and to respond to business challenges could be significantly limited and our prospects and financial condition could be harmed.

We are exposed to the credit risk of some of our customers, which could harm our business, operating results and financial condition.

Most of our sales are made on an open credit basis. As a general matter, we monitor individual customer payment capability when we grant open credit arrangements and may limit these open credit arrangements based on perceived creditworthiness. We also maintain allowances we believe are adequate to cover exposure for doubtful accounts. Although we have programs in place that are designed to monitor and mitigate these risks, we cannot assure investors these programs will be effective in managing our credit risks, especially as we expand our business internationally. If we are unable to adequately control these risks, our business, operating results and financial condition could be harmed.

Sales to U.S. federal, state and local governments are subject to a number of challenges and risks that may adversely impact our business.

Sales to U.S. federal, state and local governmental agencies may in the future account for a significant portion of our revenue. Sales to such government entities are subject to the following risks:

- selling to governmental agencies can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale;

- government certification requirements applicable to our products may change and in doing so restrict our ability to sell into the U.S. federal government sector until we have attained the revised certification;

- government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and services;

- we sell our products to governmental agencies through our channel partners, and these agencies may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future results of operations;

- governments routinely investigate and audit government contractors’ administrative processes, and any unfavorable audit could result in the government refusing to continue buying our products, which would adversely impact our revenue and results of operations, or institute fines or civil or criminal liability if the audit uncovers improper or illegal activities; and

- governments may require certain products to be manufactured in the United States and other relatively high-cost manufacturing locations, and we may not manufacture all products in locations that meet these requirements, affecting our ability to sell these products to governmental agencies.

We need to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, and the failure to do so could have a material adverse effect on our business and stock price.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. We are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, or Section 404. Our independent registered public accounting firm also needs to attest to the effectiveness of our internal control over financial reporting. Over the last year, we have taken and continue to take additional steps to upgrade our finance and accounting function, including the hiring of additional finance and accounting personnel, and implement additional policies and procedures associated with the financial statement close process. Our compliance with Section 404 may require us to continue to incur substantial expense and expend significant management efforts. If we are unable to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm notes or identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our Class A common stock could decline and we could be subject to sanctions or investigations by the SEC, or other regulatory authorities, which would require additional financial and management resources.

Our international operations subject us to potentially adverse tax consequences.

We generally conduct our international operations through wholly-owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. In the future, we may decide to reorganize our corporate tax structure and intercompany relationships to more closely align our corporate organization with the expansion of our international business activities. Although we anticipate that such steps could achieve a reduction in our overall effective tax rate in the future as a result of implementing the new corporate structure, our restructuring efforts will require us to incur expenses in the near term for which we may not realize any benefits.

Our intercompany relationships are, and after the implementation of our new corporate tax structure will continue to be, subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. In addition, following the implementation of our new corporate tax structure, if the intended tax treatment of the structure is not accepted by the applicable taxing authorities, there are changes in tax law that negatively impact the structure or we do not operate our business consistent with the structure and applicable tax laws and regulations, we may fail to achieve any tax advantages as a result of the new corporate structure, and our future operating results and financial condition may be negatively impacted.

Current U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to expansion of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial condition and operating results.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. For example, the European Union has adopted certain directives to facilitate the recycling of electrical and electronic equipment sold in the European Union, including the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment directive and the Waste Electrical and Electronic Equipment directive. Changes in applicable laws, regulations and standards could harm our business, operating results and financial condition. For example, we have a presence in the European Union, including in United Kingdom, and our business could be impacted, to some extent, by the United Kingdom's exit from the European Union and related changes in law and regulation. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition.

Governmental regulations affecting the import or export of products could negatively affect our revenue.

The U.S. and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies, especially encryption technology. From time to time, governmental agencies have proposed additional regulation of encryption technology, such as requiring the escrow of imports or exports. If we fail to obtain required import or export approval for our products, our international and domestic sales could be harmed and our revenue may be adversely affected. In many cases, we rely on vendors and channel partners to handle logistics associated with the import and export of our products, so our visibility and control over these matters may be limited. In addition, failure to comply with such regulations could result in penalties, costs and restrictions on export privileges, which could harm our business, operating results and financial condition.

Our business is subject to the risks of earthquakes, floods and other natural catastrophic events, and to interruption by man-made factors such as computer viruses or terrorism.

We and our suppliers have operations in locations, including our headquarters in California, that are subject to earthquakes, floods and other natural catastrophic events, such as severe weather and geological events, which could disrupt our operations or the operations of those customers and suppliers. Our customers affected by a natural disaster could postpone or cancel orders of our products, which could negatively impact our business. Moreover, should any of our key suppliers fail to deliver components to us as a result of a natural disaster, we may be unable to purchase these components in necessary quantities or may be forced to purchase components in the open market at significantly higher costs. We may also be forced to purchase components in advance of our normal supply chain demand to avoid potential market shortages. We may not have adequate business interruption insurance to compensate us for losses due to a significant natural disaster or due to man-made factors. In addition, acts of terrorism or malicious computer viruses could cause disruptions in our or our customers' businesses or the economy as a whole. To the extent that these disruptions result in delays or cancellations of customer orders or the deployment of our products, our business, operating results and financial condition could be harmed.

Risks Related to Our Common Stock

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold our Class B common stock, including our executive officers, employees and directors and their affiliates, which limits investors' ability to influence the outcome of important transactions, including a change in control.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of our Class B common stock, including our executive officers, employees and directors and their affiliates, collectively hold the vast majority of the voting power of our outstanding capital stock. Because of the ten-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock will therefore be able to control all matters submitted to our stockholders for approval so long as the shares of our Class B common stock represent at least 10% of all outstanding shares of our Class A common stock and Class B common stock. These holders of our Class B common stock may also have interests that differ from investors and may vote in a way with which investors disagree and which may be adverse to investors' interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

Future transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Dr. Dietzen and Messrs. Colgrove and Hatfield retain a significant portion of their holdings of our Class B common stock for an extended period of time, they could control a significant portion of the voting power of our capital stock for the foreseeable future. As board members, Dr. Dietzen and Mr. Colgrove each owe a fiduciary duty to our stockholders and must act in good faith and in a manner they reasonably believe to be in the best interests of our stockholders. However, as stockholders, Dr. Dietzen and Messrs. Colgrove and Hatfield are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

Substantial sales of shares of our common stock in the future could cause the market price of our common stock to decline.

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by any of our large stockholders. For example, we have two large stockholders that each hold well over 10% of our outstanding common stock. While volume limitations under Rule 144 under the Securities Act could partially limit sales by directors, executive officers and other affiliates, the market price of the shares of our common stock could decline as a result of sales of a substantial number of our shares in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

The trading price of our Class A common stock has been and may continue to be highly volatile, and an active, liquid, and orderly market for our Class A common stock may not be sustained.

The trading price of our Class A common stock has been, and will likely continue to be, highly volatile. Since shares of our Class A common stock were sold in our initial public offering in October 2015 at a price of $17.00 per share, our closing stock price has ranged from $9.40 to $19.74, through March 20, 2017. Some of the factors, many of which are beyond our control, affecting our volatility may include:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of investors or securities analysts;
- actual or anticipated developments in our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both;
- general economic conditions and trends;
- major catastrophic events;
- sales of large blocks of our stock; or
- departures of key personnel.

The stock markets in general, and market prices for the securities of technology-based companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. A certain degree of stock price volatility can be attributed to being a newly public company. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our operating performance. In several recent situations where the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock, such as the consolidated class action we currently are defending against. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our business, operating results and financial condition.

If securities analysts do not publish research or reports about our business, or if they downgrade our stock, the price of our stock could decline.

The trading market for our Class A common stock will likely be influenced by research and reports that securities or industry analysts publish about us or our business. In the event securities or industry analysts cover our company and one or more of these analysts downgrade our stock, lowers their price target or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

We have never paid dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, investors may only receive a return on their investment in our Class A common stock if the market price of our common stock increases.

We will continue to incur increased costs as a result of being a public company.

As a public company, we have incurred and expect to continue to incur significant legal, accounting and other expenses. In addition, new rules implemented by the SEC and New York Stock Exchange require changes in corporate governance practices of public companies. We expect these rules and regulations to continue to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We will continue to incur additional costs associated with our public company reporting requirements. We expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors or as executive officers.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and under Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our Class A common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the trading price of our Class A common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- provide for a dual class common stock structure, so that certain stockholders will have significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets and which could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial;

- establish a classified board of directors so that not all members of our board of directors are elected at one time;

- authorize the issuance of “blank check” preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;

- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;

- prohibit stockholders from calling a special meeting of our stockholders;

- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and

- establish advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder and which may discourage, delay or prevent a change of control of our company.

Any provision of our amended and restated certificate of incorporation, bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business and financial condition.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

Our corporate headquarters are located in Mountain View, California. We also maintain offices in multiple locations in the United States and internationally in Europe, Asia, Australia, South America and Africa. We lease all of our facilities and do not own any real property. We expect to add facilities as we grow our employee base and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate expansion of our operations.

Item 3. Legal Proceedings.

The information set forth under the "Legal Matters" subheading in Note 5 of our Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

In addition, we may from time to time, be involved in various legal proceedings arising from the normal course of business, and an unfavorable resolution of any of these matters could materially affect our future results of operations, cash flows or financial position.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information for Common Stock

Our Class A common stock began trading publicly on the New York Stock Exchange (NYSE) under the ticker symbol "PSTG" on October 7, 2015. Prior to that time, there was no public market for our Class A common stock. The following table sets forth the high and low sales price per share of our Class A common stock as reported by the NYSE for trading days during the periods indicated:

	High	Low
Year ended January 31, 2016		
Third Quarter (from October 7, 2015)	$ 20.60	$ 15.50
Fourth Quarter	$ 18.39	$ 12.26
Year ended January 31, 2017		
First Quarter	$ 15.71	$ 11.64
Second Quarter	$ 14.73	$ 9.77
Third Quarter	$ 14.90	$ 11.40
Fourth Quarter	$ 14.73	$ 11.27

Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of January 31, 2017 , there were 12 holders of record of our Class A common stock. This figure does not include a substantially greater number of "street name" holders or beneficial holders of our common stock whose shares are held of record by banks, brokers and other financial institutions. As of January 31, 2017 , there were approximately 206 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Sale of Unregistered Securities and Use of Proceeds

Unregistered Sales of Equity Securities

Not applicable.

Use of Proceeds from our Initial Public Offering of Class A Common Stock

In October 2015, we closed our initial public offering (IPO), in which we sold 28,750,000 shares of Class A common stock at a price to the public of $17.00 per share. The aggregate offering price for shares sold in the offering was $488.8 million. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-206312), which was declared effective by the SEC on October 6, 2015. The offering commenced on October 6, 2015 and did not terminate before all of the shares in the IPO that were registered in the registration statement were sold. Morgan Stanley & Co. and Goldman, Sachs & Co. acted as joint book-running managers for the IPO and Barclays, Allen & Company LLC and BofA Merrill Lynch acted as book-running managers. We raised approximately $459.4 million in net proceeds from the offering, after deducting underwriter discounts and commissions of approximately $29.3 million . Offering expenses incurred by us were $4.5 million .

Since our IPO, we have used and will continue to use the net IPO proceeds primarily for general corporate purposes, including expansion of our product development and sales and marketing organizations, consistent with our disclosure in the final prospectus filed with the SEC in connection with our IPO.

Purchases of Equity Securities by the Issuer

None.

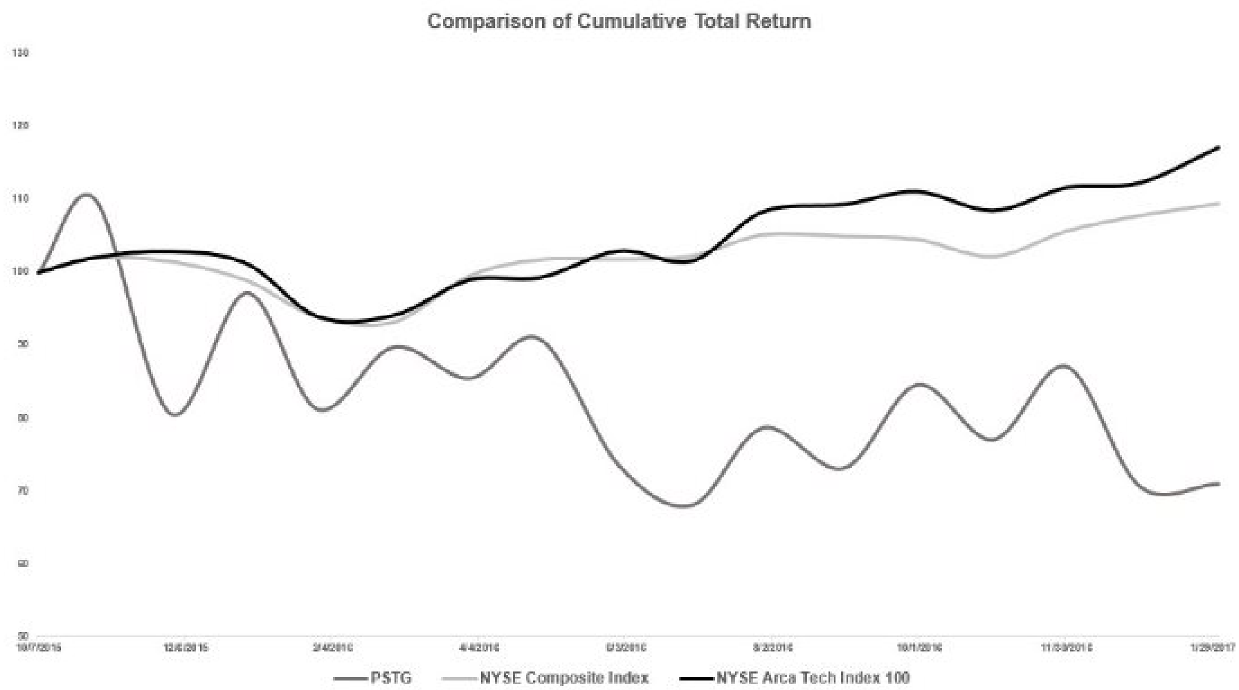
Trading Plans

Our Insider Trading Policy permits directors, officers, and other employees covered under the policy to establish, subject to certain conditions and limitations set forth in the policy, written trading plans which are intended to comply with Rule 10b5-1 under the Exchange Act, which permits automatic trading of common stock of Pure Storage, Inc. or trading of common stock by an independent person (such as a stockbroker) who is not aware of material, nonpublic information at the time of the trade.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Pure Storage, Inc. under the Securities Act or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our Class A common stock relative to the cumulative total returns of the NYSE Composite Index and NYSE Arca Tech 100 Index. The graph assumes that $100 (with reinvestment of all dividends) was invested in our Class A common stock and in each index on October 7, 2015, the date our Class A common stock began trading on the NYSE, and its relative performance is tracked through January 31, 2017. The returns shown are based on historical results and are not intended to suggest future performance.



Item 6. Selected Financial Data.

The selected consolidated statements of operations data for the years ended January 31, 2015 , 2016 and 2017 and the consolidated balance sheet data as of January 31, 2016 and 2017 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations data for the year ended January 31, 2014 and the consolidated balance sheet data as of January 31, 2014 and 2015 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected consolidated financial data below should be read in conjunction with the section entitled "Management's

Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report. Our historical results are not necessarily indicative of the results that may be expected in any future period.

	Year Ended January 31,			
	2014	2015	2016	2017
	(in thousands, except per share data)			
Consolidated Statements of Operations Data:				
Revenue:				
Product	$ 39,228	$ 154,836	$ 375,733	$ 590,001
Support	3,505	19,615	64,600	137,976
Total revenue	42,733	174,451	440,333	727,977
Cost of revenue:				
Product (1)	19,974	63,425	132,870	194,150
Support (1)	4,155	14,127	35,023	58,129
Total cost of revenue	24,129	77,552	167,893	252,279
Gross profit	18,604	96,899	272,440	475,698
Operating expenses:				
Research and development (1)	36,081	92,707	166,645	245,817
Sales and marketing (1)	54,750	152,320	240,574	360,035
General and administrative (1) (2)	5,902	32,354	75,402	84,652
Legal settlement (3)	—	—	—	30,000
Total operating expenses	96,733	277,381	482,621	720,504
Loss from operations	(78,129)	(180,482)	(210,181)	(244,806)
Other income (expense), net	(141)	(1,412)	(2,002)	1,627
Loss before provision for income taxes	(78,270)	(181,894)	(212,183)	(243,179)
Provision for income taxes	291	1,337	1,569	1,887
Net loss	$ (78,561)	$ (183,231)	$ (213,752)	$ (245,066)
Net loss per share attributable to common stockholders, basic and diluted (4)	$ (3.24)	$ (6.56)	$ (2.59)	$ (1.26)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted (4)	24,237	27,925	82,460	194,714

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

	Year Ended January 31,			
	2014	2015	2016	2017
	(in thousands)			
Cost of revenue—product	$ 253	$ 303	$ 276	$ 601
Cost of revenue—support	316	1,273	2,388	5,639
Research and development	11,477	22,512	31,135	63,495
Sales and marketing	9,014	22,466	16,966	34,317
General and administrative	506	6,479	7,460	12,616
Total stock-based compensation expense	$ 21,566	$ 53,033	$ 58,225	$ 116,668

Stock-based compensation expense for the years ended January 31, 2014 and 2015 included $13.3 million and $27.6 million, respectively, of cash paid for the repurchase of common stock in excess of fair value. See Note 7 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(2) Includes a one-time charge of $11.9 million for an equity grant to the Pure Good Foundation for the year ended January 31, 2016. See Note 6 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(3) Represents a one-time charge for our legal settlement with Dell, Inc. See Note 5 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(4) See Note 8 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for an explanation of the method used to calculate our basic and diluted net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts.

	As of January 31,			
	2014	2015	2016	2017
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 130,885	$ 192,707	$ 604,742	$ 183,675
Marketable securities	—	—	—	362,986
Working capital	137,396	224,362	603,538	506,956
Total assets	182,479	356,290	870,783	899,745
Deferred revenue, current and non-current portion	16,827	73,669	216,204	303,126
Convertible preferred stock	262,970	543,940	—	—
Total stockholders’ equity (deficit)	(116,087)	(299,830)	563,354	478,430

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Investors should read the following discussion and analysis of our financial condition and results of operations together with the section titled “Selected Consolidated Financial Data” and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the section titled” Risk Factors” and in other parts of this Annual Report on Form 10-K. See also the section titled “Note Regarding Forward-Looking Statements” in this report. Our fiscal year end is January 31.

Overview

We are building the data platform for the cloud era. As the demand for data and the need for real-time analytics increase, we are focused on delivering software-defined all-flash solutions that are uniquely fast and cloud-capable for customers, enabling customers to put data to work for their businesses. Our innovative data platform replaces storage systems designed for mechanical disk with all-flash systems optimized end-to-end for solid-state memory. At the same time, our innovative business model replaces the traditional forklift upgrade cycle with an *Evergreen Storage* model of hardware and software innovation, support and maintenance.

We were incorporated in 2009 with a vision to define the next generation of enterprise storage by pioneering the all-flash array category and innovating a customer-centric business model. We deliver our platform as our flash-optimized software and modular and scalable all-flash hardware in our *FlashArray and FlashBlade* products, inclusive of our *Purity Operating Environment* (*Purity OE*) software, our *Pure1* cloud-based software and *FlashStack* , our joint converged infrastructure solution with Cisco. This entire platform is powered by innovative software that is cloud-connected for management from anywhere and supported by our *Evergreen Storage* business model.

Since launching in May 2012, our customer base has grown to over 3,000 customers, including over 20% of the Fortune 500. Our customers include large and mid-size organizations across a diverse set of industry verticals, including cloud-based software and service providers, consumer web, education, energy, financial services, governments, healthcare, manufacturing, media, retail and telecommunications. We define a customer as an end user that purchases our products and services either from one of our channel partners or from us directly. No customer represented over 10% of revenue for the years ended January 31, 2015 , 2016 and 2017 .

We have grown rapidly in recent periods, with revenue increasing from $ 174.5 million for the year ended January 31, 2015 to $440.3 million for the year ended January 31, 2016 and to $728.0 million for the year ended January 31, 2017 , representing year-over-year revenue growth of 152% and 65% for our two most recent years. We expect that our revenue growth rate will continue to decline as our business scales, even if our revenue continues to grow in absolute terms. We have continued to make significant expenditures and investments, including in personnel-related costs, sales and marketing, infrastructure and operations, and have incurred net losses in each period since our inception, including net losses of $183.2 million , $213.8 million , and $245.1 million , respectively, for the years ended January 31, 2015 , 2016 and 2017 .

Since our founding, we have invested heavily in growing our business. Our headcount increased from over 1,300 employees as of January 31, 2016 to over 1,700 employees as of January 31, 2017 . At January 31, 2017 , we had approximately 550, 800 and 140 employees in research and development, sales and marketing and general and administrative, respectively, with the remainder primarily related to support and operations. We intend to continue to invest in our research and development organization to extend our technology leadership, enhance the functionality of our existing products and introduce new products. By investing in research and development, we believe we will be well positioned to continue our rapid growth and take advantage of our large market opportunity.

We also intend to continue to invest and expand our sales and marketing functions and channel programs, including expanding our global network of channel partners and carrying out associated marketing activities in key geographies. By investing in sales and technical training, demand generation and partner programs, we believe we can enable many of our partners to independently identify, qualify, sell and upgrade customers, with limited involvement from us.

In addition, we intend to expand and continue to invest in our international operations, which we believe will be an important factor in our continued growth. However, even though our revenue generated from customers outside of the United States was 22% and 23% of our total revenue for the years ended January 31, 2016 and 2017 , our international operations are relatively new and we have limited experience operating in foreign jurisdictions.

As a result of our strategy to increase our investments in research and development, sales, marketing, support and international expansion, we expect to continue to incur operating losses and negative cash flows from operations in the near future and may require additional capital resources to execute strategic initiatives to grow our business.

Our Business Model

We sell our data platform predominantly through a high touch, channel-fulfilled model. Our sales force works collaboratively with our channel partners and is responsible for large account penetration, global account coordination and overall market development. Our channel partners help market and sell our products, typically with assistance from our sales force. This joint sales approach provides us with the benefit of direct relationships with substantially all of our customers and expands our reach through the relationships of our channel partners.

Our channel partners typically place orders with us upon receiving an order from a customer and do not stock inventory. Our sales organization is supported by systems engineers with deep technical expertise and responsibility for pre-sales technical support and engineering for our customers. We support our channel partners through product education and sales and support training. We intend to continue to invest in the channel to add more partners and to expand our reach to customers through our channel partners' relationships. No channel partner represented over 10% of revenue for the years ended January 31, 2015 and 2016 . One channel partner represented over 10% of revenue for the year ended January 31, 2017 .

Our business model enables customers to broadly adopt flash for a wide variety of workloads in their data center, with some of our most innovative customers adopting all-flash data centers. We do not charge separately for software, meaning that when a customer buys a *FlashArray* , all software functionality is included in the base purchase price, and the customer is entitled to updates and new features as long as the customer maintains an active maintenance and support agreement. Product revenue is recognized at the time title and risk of loss have transferred. Support revenue is recognized ratably over the term of the related maintenance and support agreement, generally ranging from 1 to 5 years. By keeping our business model simple and efficient, we allow customers to buy more products and expand their footprint more easily while allowing us to reduce our sales and marketing costs.

To deliver on the next level of operational simplicity and support excellence, we designed *Pure1* , our integrated cloud-based management and support. *Pure1* enables our customers, support staff and partners to collaborate to achieve the best customer experience and is included with an active maintenance and support agreement. In addition, our *Evergreen Storage* program provides our customers who continually maintain active maintenance and support for three years with an included controller refresh with each additional three year maintenance and support renewal. In this way, our customers improve and extend the service life of their arrays, we reduce our cost of support by keeping the array modern and we encourage capacity expansion. In accordance with multiple-element arrangement accounting guidance, we recognize the allocated revenue of the controllers and expense the related cost in the period in which we ship these controllers.

The combination of our high-performance, all-flash products, our exceptional support and our innovative business model has had a substantial impact on customer success and loyalty and are strong drivers of both initial purchase and additional purchases of our products. For all customers that have been with us for at least 12 months as of January 31, 2017 , for every $1 of initial product purchase, our top 25 customers on average spent approximately $12 on new product purchases in the first 18 months following their initial purchase.

Trends in Our Business and Industry

Demand for Data in the Cloud Era

In today's digital economy, we believe that data is key. Data is the strategic core that enables competitiveness and differentiation for businesses in the cloud era -- collecting vast amounts of data, analyzing it rapidly, discovering new insights, and ultimately delivering new innovations and experiences otherwise impossible without data. We continue to make significant investments in our business to develop and deliver a data platform to support today and tomorrow's volume and velocity of data and to ensure the performance required for new data-driven applications, while substantially reducing costs and complexity for our customers. Our ability to deliver new and enhanced products will be a key factor in capturing mindshare with our target customers to become their data platform of choice.

Adoption of All-Flash Storage Systems

Organizations are increasingly replacing traditional disk-based systems with all-flash storage systems, due to their higher performance, reliability and efficiency. Flash is expected to penetrate the data center at a rapid rate, and our success depends on the adoption of all-flash storage systems. To the extent more organizations recognize the benefits of all-flash storage and the adoption of all-flash storage increases, our target customer base will expand, and demand for all-flash storage will rise.

Adding New Customers and Expanding Sales to Our Existing Customer Base

We believe that all-flash storage market is still in the early stages of adoption. In order to capture long-term strategic opportunities, we intend to continue to target new customers, including large enterprises, service providers and government organizations, by continuing to invest in our field sales force and extending our relationships with key channel partners. We also expect that a substantial portion of our future sales will continue to be sales to existing customers, including expansion of existing arrays.

Seasonality in our Business Operations

Consistent with the seasonality of the enterprise IT as a whole, we generally experience the lowest demand for our products and services in the first quarter of our fiscal year and the greatest demand for our products and services in the last quarter of our fiscal year. Furthermore, we typically focus investments into our sales organization, along with significant product launches, in the first half of our fiscal year. As a result, we expect that our business and results of operations will fluctuate from quarter to quarter, reflecting seasonally softer revenue and operating margin in the first half of our fiscal year, followed by stronger second half, the relative impact of which will grow as we operate at a larger scale.

Components of Results of Operations

Revenue

We derive revenue from the sale of our storage products and support services. Provided that all other revenue recognition criteria have been met, we typically recognize product revenue upon shipment, as title and risk of loss are transferred to our channel partners at that time. Products are typically shipped directly by us to customers, and our channel partners do not stock our inventory. We expect our product revenue may vary from period to period based on, among other things, the timing and size of orders and delivery of products and the impact of significant transactions.

We provide our support services pursuant to maintenance and support agreements, which involve customer support, hardware maintenance and software upgrades for a period of generally 1 to 5 years. We recognize revenue from maintenance and support agreements ratably over the contractual service period. We expect our support revenue to increase as we add new customers and our existing customers renew maintenance and support agreements.

Cost of Revenue

Cost of product revenue primarily consists of costs paid to our third-party contract manufacturer, which includes the costs of our components, and personnel costs associated with our manufacturing operations. Personnel costs consist of salaries, bonuses and stock-based compensation expense. Our cost of product revenue also includes freight, allocated overhead costs and inventory write-offs. Allocated overhead costs consist of certain facilities and IT costs. We expect our cost of product revenue to increase in absolute dollars, as our product revenue increases.

Cost of support revenue includes personnel costs associated with our customer support organization and allocated overhead costs. Cost of support revenue also includes parts replacement costs. We expect our cost of support revenue to increase in absolute dollars, as our support revenue increases.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing and general and administrative expenses. Salaries and personnel-related costs, including stock-based compensation expense, are the most significant component of each category of operating expenses. Operating expenses also include allocated overhead costs for facilities and IT costs.

Research and Development . Research and development expense consists primarily of employee compensation and related expenses, prototype expenses, depreciation associated with assets acquired for research and development, third-party engineering and contractor support costs, as well as allocated overhead. We expect our research and development expense to increase in absolute dollars and may decrease as a percentage of revenue, as we continue to invest in new products and existing products and build upon our technology leadership.

Sales and Marketing . Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel and entertainment expenses as well as allocated overhead. Marketing programs consist of advertising, events, corporate communications and brand-building activities. We expect our sales and marketing expense to increase in absolute dollars and may decrease as a percentage of revenue, as we expand our sales force and increase our marketing resources, expand into new markets and further develop our channel program.

General and Administrative. General and administrative expense consists primarily of compensation and related expenses for administrative functions including finance, legal, human resources and fees for third-party professional services, as well as allocated overhead. We expect our general and administrative expense to increase in absolute dollars and may decrease as a percentage of revenue, as we continue to invest in the growth of our business.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income earned on cash, cash equivalents and marketable securities and gains and losses from foreign currency transactions.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and state income taxes in the United States. We have recorded no U.S. federal income tax and provided a full valuation allowance for U.S. deferred tax assets, which includes net operating loss, carryforwards and tax credits related primarily to research and development. We expect to maintain this full valuation allowance for the foreseeable future as it is more likely than not that the assets will not be realized based on our history of losses.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenue:

	Year Ended January 31,		
	2015	2016	2017
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenue:			
Product	$ 154,836	$ 375,733	$ 590,001
Support	19,615	64,600	137,976
Total revenue	174,451	440,333	727,977
Cost of revenue:			
Product [(1)]	63,425	132,870	194,150
Support [(1)]	14,127	35,023	58,129
Total cost of revenue	77,552	167,893	252,279
Gross profit	96,899	272,440	475,698
Operating expenses:			
Research and development [(1)]	92,707	166,645	245,817
Sales and marketing [(1)]	152,320	240,574	360,035
General and administrative [(1) (2)]	32,354	75,402	84,652
Legal settlement [(3)]	—	—	30,000
Total operating expenses	277,381	482,621	720,504
Loss from operations	(180,482)	(210,181)	(244,806)
Other income (expense), net	(1,412)	(2,002)	1,627
Loss before provision for income taxes	(181,894)	(212,183)	(243,179)
Provision for income taxes	1,337	1,569	1,887
Net loss	$ (183,231)	$ (213,752)	$ (245,066)

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

	Year Ended January 31,		
	2015	2016	2017
	(in thousands)		
Cost of revenue—product	$ 303	$ 276	$ 601
Cost of revenue—support	1,273	2,388	5,639
Research and development	22,512	31,135	63,495
Sales and marketing	22,466	16,966	34,317
General and administrative	6,479	7,460	12,616
Total stock-based compensation expense	$ 53,033	$ 58,225	$ 116,668

Stock-based compensation expense for the year ended January 31, 2015 included $27.6 million of cash paid for the repurchase of common stock in excess of fair value. See Note 7 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(2) Includes a one-time charge of $11.9 million for an equity grant to the Pure Good Foundation for the year ended January 31, 2016. See Note 6 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(3) Represents a one-time charge for our legal settlement with Dell, Inc. See Note 5 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

	Year Ended January 31,		
	2015	2016	2017
Percentage of Revenue Data:			
Revenue:			
Product	89 %	85 %	81 %
Support	11	15	19
Total revenue	100	100	100
Cost of revenue:			
Product	36	30	27
Support	8	8	8
Total cost of revenue	44	38	35
Gross profit	56	62	65
Operating expenses:			
Research and development	53	38	34
Sales and marketing	87	55	49
General and administrative	19	17	12
Legal settlement	—	—	4
Total operating expenses	159	110	99
Loss from operations	(103)	(48)	(34)
Other income (expense), net	(1)	—	1
Loss before provision for income taxes	(104)	(48)	(33)
Provision for income taxes	1	1	1
Net loss	(105)%	(49)%	(34)%

Revenue

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Product revenue	$ 154,836	$ 375,733	$ 220,897	143%	$ 375,733	$ 590,001	$ 214,268	57%
Support revenue	19,615	64,600	44,985	229%	64,600	137,976	73,376	114%
Total revenue	$ 174,451	$ 440,333	$ 265,882	152%	$ 440,333	$ 727,977	$ 287,644	65%

Total revenue increased by $287.6 million , or 65% , during the year ended January 31, 2017 compared to the year ended January 31, 2016 . The increase in product revenue was primarily driven by repeat purchases from existing customers and a growing number of new customers. The number of customers grew from over 1,650 as of January 31, 2016 to over 3,000 as of January 31, 2017 . The increase in support revenue was driven primarily by an increase in maintenance and support agreements sold with increased product sales, as well as the full year revenue impact from such agreements sold in the previous year.

Total revenue increased by $265.9 million , or 152% , during the year ended January 31, 2016 compared to the year ended January 31, 2015 . The increase in product revenue was driven by sales of our *FlashArray//M* that was launched in June 2015 and sales of our 400-Series product to a growing number of new and existing customers. The number of customers grew from approximately 700 as of January 31, 2015 to over 1,650 as of January 31, 2016 . The increase in support revenue was driven primarily by an increase in maintenance and support agreements sold with increased product sales, as well as the full year revenue impact from such agreements sold in the previous year.

Cost of Revenue and Gross Margin

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Product cost of revenue	$ 63,425	$ 132,870	$ 69,445	109%	$ 132,870	$ 194,150	$ 61,280	46%
Support cost of revenue	14,127	35,023	20,896	148%	35,023	58,129	23,106	66%
Total cost of revenue	$ 77,552	$ 167,893	$ 90,341	116%	$ 167,893	$ 252,279	$ 84,386	50%
Product gross margin	59%	65%			65%	67%		
Support gross margin	28%	46%			46%	58%		
Total gross margin	56%	62%			62%	65%		

Cost of revenue increased by $84.4 million , or 50% , for the year ended January 31, 2017 compared to the year ended January 31, 2016 . The increase in product cost of revenue was primarily driven by increased product sales and, to a lesser extent, by the increased costs in our manufacturing operations, including increased personnel costs associated with increased headcount. The increase in support cost of revenue was primarily attributable to higher costs from the continued growth of our customer support organization. These costs are primarily driven by increased personnel costs associated with increased headcount and an increase in parts replacement associated with a higher number of maintenance and support agreements. Total headcount in these functions increased 34% from January 31, 2016 to January 31, 2017 .

Total gross margin increased from 62% during the year ended January 31, 2016 to 65% during the year ended January 31, 2017 . Product gross margin increased 2 points from the year ended January 31, 2016 to the year ended January 31, 2017 , primarily driven by a shift in the mix of products sold as we continued transition to *FlashArray//M* . Support gross margin increased 12 points from the year ended January 31, 2016 to the year ended January 31, 2017 , primarily due to increased recognition of deferred support revenue resulting from the increase in our customer base, as well as continued efficiencies gained as we scale our support organization worldwide.

Cost of revenue increased by $90.3 million , or 116% , for the year ended January 31, 2016 compared to the year ended January 31, 2015 . The increase in product cost of revenue was primarily driven by increased product sales and, to a lesser extent, by the increased costs in our manufacturing operations. The increase in support cost of revenue was primarily attributable to higher costs in our customer support organization primarily driven by increased personnel costs and an increase in parts replacement in support of our maintenance and support agreements. Total headcount in these functions increased 84% from January 31, 2015 to January 31, 2016 .

Total gross margin increased from 56% during the year ended January 31, 2015 to 62% during the year ended January 31, 2016 . Product gross margin increased 6 points from the year ended January 31, 2015 to the year ended January 31, 2016 , primarily driven by a shift in the mix of products sold as we transitioned to *FlashArray//M* , as well as continued cost reduction on certain key components. Support gross margin increased 18 points from the year ended January 31, 2015 to the year ended January 31, 2016 , primarily due to increased recognition of deferred support revenue resulting from the increase in our customer base, as well as operational efficiencies.

Operating Expenses

Research and Development

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Research and development	$ 92,707	$ 166,645	$ 73,938	80%	$ 166,645	$ 245,817	$ 79,172	48%

Research and development expense increased by $79.2 million , or 48% , during the year ended January 31, 2017 compared to the year ended January 31, 2016 , as we continued to develop new and enhanced product offerings such as our *FlashBlade* and *FlashArray//M* products. The increase was primarily driven by an increase of $63.9 million in salary and related costs, including an increase of $32.4 million in stock-based compensation expense, as headcount increased by 26% from January 31, 2016 to January 31, 2017 . The remainder of the increase was primarily attributable to $11.6 million in depreciation expense mostly related to test equipment, $3.6 million in office and related costs and $2.8 million in professional services, partially offset by a decrease of $7.1 million in prototype expenses.

Research and development expense increased by $73.9 million , or 80% , during the year ended January 31, 2016 compared to the year ended January 31, 2015 , as we continued to develop new and enhanced product offerings. The increase was primarily driven by an increase of $47.9 million in salary and related costs, including an increase of $8.6 million in stock-based compensation expense, as headcount increased by 71% from January 31, 2015 to January 31, 2016 . The increase in stock-based compensation expense from the increased headcount was partially offset by an additional expense of $9.5 million recognized for the repurchase of common stock in connection with a tender offer during the year ended January 31, 2015 . There was no similar repurchase during the year ended January 31, 2016 . The remainder of the increase was primarily attributable to $13.2 million in depreciation expense mostly related to test equipment, $6.2 million in professional services, and $3.5 million in prototype expenses.

Sales and Marketing

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Sales and marketing	$ 152,320	$ 240,574	$ 88,254	58%	$ 240,574	$ 360,035	$ 119,461	50%

Sales and marketing expense increased by $119.5 million , or 50% , during the year ended January 31, 2017 compared to the year ended January 31, 2016 , as we grew our sales force and expanded our geographic footprint. The increase was primarily driven by an increase of $90.6 million in salary and related costs, including an increase of $31.0 million in sales commission expense and an increase of $17.4 million in stock-based compensation expense, as headcount increased by 30% from January 31, 2016 to January 31, 2017 . The remainder of the increase was primarily attributable to $14.8 million in marketing and brand awareness program costs, $6.6 million in office and related costs and $4.3 million in travel and entertainment expense.

Sales and marketing expense increased by $88.3 million, or 58%, during the year ended January 31, 2016 compared to the year ended January 31, 2015 , as we grew our sales force and expanded our geographic footprint. The increase was primarily driven by an increase of $49.9 million in salary and related costs, including an increase of $19.5 million in sales commission expense, as headcount increased by 50% from January 31, 2015 to January 31, 2016 , partially offset by a decrease of $5.5 million in stock-based compensation expense. The decrease in stock-based compensation expense was due to an additional expense of $13.9 million recognized for the repurchase of common stock in connection with a tender offer during the year ended January 31, 2015 . There was no similar repurchase during the year ended January 31, 2016 . The remainder of the increase was primarily attributable to $23.4 million in marketing and brand awareness program costs partly related to our FlashArray//M launch, $6.9 million in professional services, and $6.4 million in travel and entertainment expense.

General and Administrative

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
General and administrative	$ 32,354	$ 75,402	$ 43,048	133%	$ 75,402	$ 84,652	$ 9,250	12%

General and administrative expense increased by $9.3 million , or 12% , during the year ended January 31, 2017 compared to the year ended January 31, 2016 . The increase was primarily driven by an increase of $13.2 million in salary and related costs, including an increase of $5.2 million in stock-based compensation expense, as we increased our headcount by 35% from January 31, 2016 to January 31, 2017 , a $4.3 million increase in office and related costs and a $4.3 million increase in consulting costs as we grow our business operations globally. These increases were partially offset by a one-time non-cash charge of $11.9 million for an equity grant to the Pure Good Foundation in September 2015.

General and administrative expense increased by $43.0 million , or 133% , during the year ended January 31, 2016 compared to the year ended January 31, 2015 . The increase was primarily due to a one-time non-cash charge of $11.9 million for an equity grant to the Pure Good Foundation in September 2015 and an increase of $9.2 million in salary and related costs, including an increase of $1.0 million in stock-based compensation expense, as we increased our headcount by 57% from January 31, 2015 to January 31, 2016 . The increase in stock-based compensation expense from increased headcount was partially offset by an additional expense of $3.4 million recognized for the repurchase of common stock in connection with a tender offer during the year ended January 31, 2015 . There was no similar repurchase during the year ended January 31, 2016 . Additionally, legal, consulting, accounting and audit fees increased by $19.1 million as we expanded internationally and prepared to become and now operate as a public company.

Legal Settlement

In October 2016, we incurred a one-time charge of $30.0 million related to a legal settlement. See Note 5 of our Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Other Income (Expense), Net

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Other income (expense), net	$ (1,412)	$ (2,002)	$ (590)	(42)%	$ (2,002)	$ 1,627	$ 3,629	nm

nm - not meaningful

Other income (expense), net increased during the year ended January 31, 2017 compared to the year ended January 31, 2016 primarily driven by an increase of $4.2 million in interest income earned on cash, cash equivalents and marketable securities, partially offset by a $0.7 million increase in net losses from foreign currency transactions.

Other income (expense), net decreased during the year ended January 31, 2016 compared to the year ended January 31, 2015 primarily due to losses from foreign currency transactions as we expanded internationally, partially offset by interest income earned on cash and cash equivalents.

Provision for Income Taxes

	Year Ended January 31,		Change		Year Ended January 31,		Change	
	2015	2016	$	%	2016	2017	$	%
	(dollars in thousands)							
Provision for income taxes	$ 1,337	$ 1,569	$ 232	17%	$ 1,569	$ 1,887	$ 318	20%

The provision for income taxes increased during the year ended January 31, 2017 compared to the year ended January 31, 2016 primarily related to a $1.3 million increase in foreign and state income taxes, partially offset by a tax benefit of $1.0 million on stock-based compensation, as a result of the adoption of ASU 2016-09. See Note 2 of our Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for further information on the adoption.

The provision for income taxes increased during the year ended January 31, 2016 compared to the year ended January 31, 2015 primarily related to taxes on international operations as we continued our global expansion and higher state income and franchise taxes.

Quarterly Results of Operations

The following sets forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended January 31, 2017 , as well as the percentage that each line item represents of our revenue for each quarter. The information for each of these quarters has been prepared on a basis consistent with our audited annual consolidated financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments of a normal, recurring nature that are necessary for the fair presentation of the results of operations for these periods in accordance with generally accepted accounting principles in the United States. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These historical quarterly operating results are not necessarily indicative of the results that may be expected for a full fiscal year or any future period.

	Three Months Ended							
	April 30, 2015	July 31, 2015	October 31, 2015	January 31, 2016	April 30, 2016	July 31, 2016	October 31, 2016	January 31, 2017
	(unaudited, in thousands)							
Consolidated Statements of Operations Data:								
Revenue:								
Product	$ 63,618	$ 71,192	$ 113,573	$ 127,350	$ 111,738	$ 130,920	$ 160,523	$ 186,820
Support	10,459	13,469	17,791	22,881	28,209	32,294	36,433	41,040
Total revenue	74,077	84,661	131,364	150,231	139,947	163,214	196,956	227,860
Cost of revenue:								
Product (1)	22,712	27,641	41,995	40,522	34,046	42,847	54,725	62,532
Support (1)	6,924	7,497	9,058	11,544	12,934	14,000	14,597	16,598
Total cost of revenue	29,636	35,138	51,053	52,066	46,980	56,847	69,322	79,130
Gross profit	44,441	49,523	80,311	98,165	92,967	106,367	127,634	148,730
Operating expenses:								
Research and development (1)	31,682	38,188	43,065	53,710	52,938	58,635	61,612	72,632
Sales and marketing (1)	48,327	59,517	63,803	68,927	83,098	87,583	91,392	97,962
General and administrative (1) (2)	12,692	15,227	29,022	18,461	21,581	19,630	22,810	20,631
Legal Settlement (3)	—	—	—	—	—	—	30,000	—
Total operating expenses	92,701	112,932	135,890	141,098	157,617	165,848	205,814	191,225
Loss from operations	(48,260)	(63,409)	(55,579)	(42,933)	(64,650)	(59,481)	(78,180)	(42,495)
Other income (expense), net	(703)	(371)	(171)	(757)	1,282	37	(192)	500
Loss before provision for income taxes	(48,963)	(63,780)	(55,750)	(43,690)	(63,368)	(59,444)	(78,372)	(41,995)
Provision for income taxes (4)	157	57	751	604	420	106	441	920
Net loss	$ (49,120)	$ (63,837)	$ (56,501)	$ (44,294)	$ (63,788)	$ (59,550)	$ (78,813)	$ (42,915)

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

	Three Months Ended							
	April 30, 2015	July 31, 2015	October 31, 2015	January 31, 2016	April 30, 2016	July 31, 2016	October 31, 2016	January 31, 2017
	(unaudited, in thousands)							
Cost of revenue—product	$ 56	$ 40	$ 43	$ 137	$ 106	$ 181	$ 138	$ 176
Cost of revenue—support	333	521	657	877	1,092	1,712	1,178	1,657
Research and development	3,625	6,804	8,195	12,511	11,658	13,976	15,241	22,620
Sales and marketing	3,444	2,536	4,559	6,427	7,519	8,732	8,468	9,598
General and administrative	1,401	1,899	2,085	2,075	2,623	3,295	3,210	3,488
Total stock-based compensation	$ 8,859	$ 11,800	$ 15,539	$ 22,027	$ 22,998	$ 27,896	$ 28,235	$ 37,539

Stock-based compensation expense for the three months ended April 30, 2016 was adjusted by $864,000 resulting from the early adoption of Accounting Standards Update (ASU) No. 2016-09 (ASU 2016-09) in the second quarter of fiscal 2017. See Note 2 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(2) Includes a one-time charge of $11.9 million for an equity grant to the Pure Good Foundation for the three months ended October 31, 2015. See Note 6 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(3) Represents a one-time charge for our legal settlement with Dell, Inc. See Note 5 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

(4) Provision for income taxes for the three months ended April 30, 2016 was adjusted by $535,000 resulting from the early adoption of ASU 2016-09.

	Three Months Ended							
	April 30, 2015	July 31, 2015	October 31, 2015	January 31, 2016	April 30, 2016	July 31, 2016	October 31, 2016	January 31, 2017
	(unaudited, in thousands)							
Percentage of Revenue Data:								
Revenue:								
Product	86 %	84 %	86 %	85 %	80 %	80 %	82 %	82 %
Support	14	16	14	15	20	20	18	18
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Product	31	33	32	27	24	26	28	27
Support	9	9	7	8	10	9	7	8
Total cost of revenue	40	42	39	35	34	35	35	35
Gross margin	60	58	61	65	66	65	65	65
Operating expenses:								
Research and development	43	45	33	36	38	36	31	32
Sales and marketing	65	70	48	46	59	53	47	43
General and administrative	17	18	22	12	15	12	12	9
Legal settlement	—	—	—	—	—	—	15	—
Total operating expenses	125	133	103	94	112	101	105	84
Loss from operations	(65)	(75)	(42)	(29)	(46)	(36)	(40)	(19)
Other income (expense), net	(1)	—	—	—	1	—	—	1
Loss before provision for income taxes	(66)	(75)	(42)	(29)	(45)	(36)	(40)	(18)
Provision for income taxes	—	—	1	—	1	—	—	1
Net loss	(66)%	(75)%	(43)%	(29)%	(46)%	(36)%	(40)%	(19)%

Liquidity and Capital Resources

As of January 31, 2017 , we had cash, cash equivalents and marketable securities of $546.7 million . Our cash and cash equivalents primarily consist of bank deposits and money market accounts. Our marketable securities consist of highly rated debt instruments of the U.S. government and its agencies, debt instruments of highly rated corporations and debt instruments issued by foreign governments. We have generated significant operating losses and negative cash flows from operations as reflected in our accumulated deficit of $802.5 million . We expect to continue to incur operating losses and negative cash flows from operations in the near future and may require additional capital resources to execute strategic initiatives to grow our business.

Prior to our IPO, we financed our operations principally through private placements of our convertible preferred stock. We received net proceeds of $543.9 million from the issuance of shares of our convertible preferred stock and we repurchased $78.2 million of shares of common stock from our employees. In October 2015, we completed our IPO of Class A common stock, in which we sold 28,750,000 shares, including 3,750,000 shares from the full exercise of the underwriters' overallotment option. The shares were sold at an initial public offering price of $17.00 per share for net proceeds of $459.4 million, after deducting underwriting discounts and commissions of $29.3 million. We also incurred offering costs of $4.5 million.

In August 2014, we entered into a two-year revolving line of credit facility to provide up to $15.0 million based on 80% of qualifying accounts receivable. Borrowings under the line of credit bear interest at the lender's prime rate plus 1%. The revolving line of credit facility is collateralized by substantially all of our assets, excluding any intellectual property. It also contains various covenants, including covenants related to the delivery of financial and other information, as well as limitations on dispositions, mergers, consolidations and other corporate activities. As of January 31, 2016 , we had no borrowings from this line of credit and were in compliance with all financial covenants. In April 2016, we terminated this line of credit.

We believe our existing cash, cash equivalents and marketable securities will be sufficient to fund our operating and capital needs for at least the next 12 months. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing and international operation activities, the timing of new product introductions and the continuing market acceptance of our products and services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. For example, we acquired a portfolio of technology patents for $1.0 million during the year ended January 31, 2017 . We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results and financial condition would be adversely affected.

As of January 31, 2016 and 2017 , we had letters of credit in the aggregate amount of $7.1 million and $7.7 million in connection with our facility leases. The letters of credit are collateralized by restricted cash in the same amount and mature at various dates through June 2024.

The following table summarizes our cash flows for the periods presented:

	Year Ended January 31,		
	2015	2016	2017
	(in thousands)		
Net cash used in operating activities	$ (143,695)	$ (7,856)	$ (14,362)
Net cash used in investing activities	(52,965)	(41,840)	(447,223)
Net cash provided by financing activities	258,482	461,731	40,518

Operating Activities

Net cash used in operating activities during the year ended January 31, 2017 was $14.4 million , which resulted from a net loss of $245.1 million , including a $30.0 million one-time legal settlement payment, partially offset by non-cash charges for stock-based compensation expense of $116.7 million , $50.2 million for depreciation and amortization and net cash inflows of $62.2 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities was primarily the result of a $86.9 million increase in deferred revenue and a $30.0 million increase in accrued compensation and other liabilities and accounts payable, partially offset by a $44.0 million increase in accounts receivable, $6.1 million increase in prepaid expenses and other assets and $3.8 million increase in inventory. The increases in accounts receivable and deferred revenue was primarily due to new sales order growth during the year ended January 31, 2017 . The increases in inventory, accrued compensation and other liabilities and accounts payable were primarily attributed to increased activities to support overall business growth.

Net cash used in operating activities during the year ended January 31, 2016 was $7.9 million , which resulted from a net loss of $213.8 million, partially offset by non-cash charges for stock-based compensation expense and contribution of common stock to the Pure Good Foundation of $58.2 million and $11.9 million, $32.3 million for depreciation and amortization and net cash inflows of $104.6 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities was primarily the result of a $142.5 million increase in deferred revenue, a $49.6 million increase in accrued compensation and other liabilities and accounts payable and a $1.5 million decrease in inventory, partially offset by a $67.3 million increase in accounts receivable, $13.0 million increase in deferred commissions and $8.7 million increase in prepaid expenses and other assets. The increases in accounts receivable, deferred revenue and deferred commissions were primarily due to new sales order growth during the year ended January 31, 2016. The increases in accrued compensation and other liabilities and accounts payable were primarily attributed to increased activities to support overall business growth. In addition, the increase in accrued compensation and other liabilities is partially attributable to $12.5 million of employee contributions in connection with our first offering under our 2015 Employee Stock Purchase Plan (2015 ESPP).

Net cash used in operating activities during the year ended January 31, 2015 was $143.7 million , which resulted from a net loss of $183.2 million and net cash outflows of $1.5 million from changes in operating assets and liabilities, partially offset by non-cash charges of $25.4 million for stock-based compensation and $15.4 million for depreciation and amortization. The net cash outflows from changes in operating assets and liabilities was primarily the result of increases of $44.2 million in accounts receivable, $13.7 million in inventory, $9.8 million in deferred commissions and $6.6 million in prepaid expenses and other assets, partially offset by increases of $56.8 million in deferred revenue and $15.9 million in accrued compensation and other liabilities and accounts payable. The increases in accounts receivable, deferred revenue and deferred commissions were primarily due to revenue and new sales order growth during the year ended January 31, 2015 . The increases in inventory, accrued compensation and other liabilities and accounts payable were primarily attributable to increased activities to support overall business growth. Net cash used in operating activities also included $27.6 million of cash paid for the repurchase of common stock from our employees in excess of fair value.

Investing Activities

Net cash used in investing activities during the year ended January 31, 2017 of $447.2 million resulted from net purchases of marketable securities of $363.9 million , capital expenditures of $76.8 million , an increase in restricted cash of $5.6 million related to a vendor credit card program and security deposit for office space, as well as the purchase of a portfolio of technology patents for $1.0 million .

Net cash used in investing activities during the year ended January 31, 2016 of $41.8 million resulted primarily from capital expenditures of $39.4 million and an increase in restricted cash related to security deposits for new office spaces of $2.5 million.

Net cash used in investing activities during the year ended January 31, 2015 of $53.0 million resulted from capital expenditures of $42.2 million, purchases of intangible assets of $9.1 million and an increase in restricted cash related to a security deposit for new office space of $1.6 million.

Financing Activities

Net cash provided by financing activities of $40.5 million during the year ended January 31, 2017 was primarily due to $25.6 million of proceeds from issuance of common stock under ESPP and $14.9 million of proceeds from the exercise of stock options.

Net cash provided by financing activities of $461.7 million during the year ended January 31, 2016 was primarily due to $459.4 million in net proceeds from our IPO and $6.0 million of proceeds from the exercise of stock options, partially offset by payments of IPO costs of $3.7 million.

Net cash provided by financing activities of $258.5 million during the year ended January 31, 2015 was primarily due to $281.0 million in net proceeds from the issuances of our Series E, Series F and Series F-1 convertible preferred stock and $7.7 million of proceeds from the exercise of stock options including proceeds from repayment of promissory notes, partially offset by $30.1 million of repurchases of common stock from our employees.

Contractual Obligations and Commitments

The following table sets forth our non-cancellable contractual obligations as of January 31, 2017 .

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Operating leases	$ 87,417	$ 17,937	$ 28,327	$ 26,090	15,063
Purchase obligations	4,090	1,777	2,313	—	—
Total	$ 91,507	$ 19,714	$ 30,640	$ 26,090	$ 15,063

Purchase orders are not included in the table above. Our purchase orders represent authorizations to purchase rather than binding agreements. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Off-Balance Sheet Arrangements

Through January 31, 2017 , we did not have any relationships with any entities or financial partnerships, such as structured finance or special purpose entities established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Provision for Income Taxes

As of January 31, 2017 , we had U.S. federal and state net operating loss (NOL) carryforwards of $464.2 million and $323.8 million that expire commencing in 2028. Under Section 382 of the U.S. Internal Revenue Code of 1986, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. In February 2017, we completed an analysis through January 2017 to evaluate whether there are any limitations of our NOLs and concluded no limitations currently exist. While we do not have any limitations currently existing, an ownership change that would result in limitations, regulatory changes, such as suspension on the use of NOLs, could result in the expiration of our NOLs or otherwise cause them to be unavailable to offset future income tax liabilities.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

We derive revenue from two sources: (1) product revenue which includes hardware and embedded software and (2) support revenue which includes customer support, hardware maintenance and software upgrades on a when-and-if-available basis.

We recognize revenue when:

- *Persuasive evidence of an arrangement exists* —We rely upon sales agreements and/or purchase orders to determine the existence of an arrangement.
- *Delivery has occurred* —We typically recognize product revenue upon shipment, as title and risk of loss are transferred to our channel partners at that time. Products are typically shipped directly by us to customers, and our channel partners do not stock our inventory.
- *The fee is fixed or determinable* —We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction.
- *Collection is reasonably assured* —We assess collectability based on credit analysis and payment history.

Our product revenue is derived from the sale of hardware and operating system software that is integrated into the hardware and therefore deemed essential to its functionality. The hardware and the operating system software essential to the functionality of the hardware are considered non-software deliverables and, therefore, are not subject to industry-specific software revenue recognition guidance.

Support revenue is derived from the sale of maintenance and support agreements. Maintenance and support agreements include the right to receive unspecified software upgrades and enhancements on a when-and-if-available basis, bug fixes, parts replacement services related to the hardware, as well as access to our cloud-based management and support platform. Revenue related to maintenance and support agreements are recognized ratably over the contractual term, which generally range from 1 to 5 years. Costs related to maintenance and support agreements are expensed as incurred. In addition, our *Evergreen Storage* program provides our customers who continually maintain active maintenance and support for three years with an included controller refresh with each additional three year maintenance and support renewal. In accordance with multiple-element arrangement accounting guidance, the controller refresh represents an additional deliverable that is a separate unit of accounting. The allocated revenue is recognized and the related cost is expensed in the period in which these controllers are shipped.

Most of our arrangements, other than stand-alone renewals of maintenance and support agreements, are multiple-element arrangements with a combination of product and support related deliverables (as defined above). Under multiple-element arrangements, we allocate consideration at the inception of an arrangement to all deliverables based on the relative selling price method in accordance with the hierarchy provided by the multiple-element arrangement accounting guidance, which includes (i) vendor-specific objective evidence (VSOE), of selling price, if available; (ii) third-party evidence (TPE), of selling price, if VSOE is not available; and (iii) best estimate of selling price (BESP), if neither VSOE nor TPE is available. As discussed below, we allocate consideration to support related deliverables based on VSOE and to all other deliverables based on BESP as TPE typically cannot be obtained.

- *VSOE* —We determine VSOE based on our historical pricing and discounting practices for the specific products and services when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices fall within a reasonably narrow pricing range. During the three months ended October 31, 2016, we established VSOE for support related deliverables as our stand-alone selling prices are now sufficiently concentrated based on an analysis of our historical data. We have not established VSOE for any of our hardware or other deliverables.

- *TPE* —When VSOE cannot be established for deliverables in multiple-element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for interchangeable products or services when sold separately to similarly situated customers. However, because our products contain a significant element of proprietary technology and our solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained.
- *BESP* —When neither VSOE nor TPE can be established, we utilize BESP to allocate consideration to deliverables in a multiple element arrangement. Our process to determine our BESP for products and services is based on qualitative and quantitative considerations of multiple factors, which primarily include historical sales, margin objectives and discount behavior. Additional considerations are given to other factors such as customer demographics, costs to manufacture products or provide services, pricing practices and market conditions.

Deferred Commissions

Deferred commissions consist of direct and incremental costs paid to our sales force related to customer contracts. The deferred commission amounts are recoverable through the revenue streams that will be recognized under the related customer contracts. Direct sales commissions are deferred when earned and amortized over the same period that revenue is recognized from the related customer contract. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards granted to our employees and other service providers, including stock options and purchase rights granted under our 2015 ESPP, based on the estimated fair value of the award on the grant date. We use the Black-Scholes option pricing model to estimate the fair value of stock option awards and purchase rights granted under our 2015 ESPP. Restricted stock units (RSUs) are measured at the fair market value of the underlying stock at the grant date. We recognize the fair value of stock options, RSUs and purchase rights granted under our 2015 ESPP as stock-based compensation on a straight line basis over the requisite service period or, in the case of purchase rights granted under our 2015 ESPP, over the offering period. For stock-based awards granted to employees with a performance condition, we recognize stock-based compensation expense for these awards under the accelerated attribution method over the requisite service period when management determines it is probable that the performance condition will be satisfied. Subsequent to the early adoption of ASU 2016-09 that became effective on February 1, 2016, we account for forfeitures as they occur.

Our use of the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used in our option pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Prior to our IPO in October 2015, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) recent private stock sales transactions; (iii) the rights, preferences and privileges of our convertible preferred stock relative to those of our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; (vi) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of our business, given prevailing market conditions; and (vii) the market performance of comparable publicly traded companies.

  Subsequent to our IPO, we use the market closing price for our Class A common stock as reported on the New York Stock Exchange on the date of grant.
- *Expected Term.* The expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options and ESPP purchase rights.

- *Expected Volatility.* Since we do not have sufficient trading history of our common stock, the expected volatility was determined based on the historical stock volatilities of our comparable companies. Comparable companies consist of public companies in our industry which are similar in size, stage of life cycle and financial leverage. We intend to continue to apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be used in the calculation.
- *Risk-Free Interest Rate.* The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and ESPP purchase rights.
- *Dividend Rate.* We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

See Note 8 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for other information regarding the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our stock options and ESPP purchase rights.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimation process, which could materially impact our future stock-based compensation expense.

Recent Accounting Pronouncements

Refer to “Recent Accounting Pronouncements” in Note 2 of our Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Interest Rate Risk

Our cash, cash equivalents and marketable securities primarily consist of bank deposits and money market accounts, U.S. government notes and U.S. agency notes, and highly rated corporate debt. As of January 31, 2016 and 2017 , we had cash, cash equivalents and marketable securities of $604.7 million and $546.7 million. The carrying amount of our cash equivalents reasonably approximates fair value, due to the short maturities of these instruments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments.

We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1.00% (100 basis points) increase in interest rates would have resulted in a decrease in the fair value of our marketable securities of approximately $4.1 million as of January 31, 2017.

Foreign Currency Risk

Our sales contracts are primarily denominated in U.S. dollars with a small number of contracts denominated in foreign currencies. A portion of our operating expenses are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British pound and Euro. Additionally, fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our statement of operations. Given the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into any derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency exchange should become more significant.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 10% of all currencies could be experienced in the near term. These reasonably possible adverse changes in exchange rates of 10% were applied to total monetary assets and liabilities denominated in currencies other than U.S. dollar at January 31, 2017 to compute the adverse impact these changes would have had on our loss before income taxes in the near term. These changes would have resulted in an adverse impact on loss before income taxes of approximately $7.2 million as of January 31, 2017.

Item 8. Financial Statements and Supplementary Data.

PURE STORAGE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Pure Storage, Inc.
Mountain View, California

We have audited the accompanying consolidated balance sheets of Pure Storage, Inc. and subsidiaries (the "Company") as of January 31, 2016 and 2017 , and the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the three years in the period ended January 31, 2017 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Pure Storage, Inc. and subsidiaries as of January 31, 2016 and 2017 , and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2017 , in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2017 , based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2017, expressed an unqualified opinion on the Company's internal control over financial reporting.

/S/ DELOITTE & TOUCHE LLP

San Jose, California
March 28, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Pure Storage, Inc.
Mountain View, California

We have audited the internal control over financial reporting of Pure Storage, Inc. and subsidiaries (the "Company") as of January 31, 2017 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2017 , based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 31, 2017 of the Company and our report dated March 28, 2017 expressed an unqualified opinion on those financial statements.

/S/ DELOITTE & TOUCHE LLP

San Jose, California
March 28, 2017

PURE STORAGE, INC.

Consolidated Balance Sheets
(in thousands, except per share data)

	January 31,	
	2016	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 604,742	$ 183,675
Marketable securities	—	362,986
Accounts receivable, net of allowance of $944 and $2,000 as of January 31, 2016 and 2017	126,324	168,978
Inventory	20,649	23,498
Deferred commissions, current	15,703	15,787
Prepaid expenses and other current assets	20,652	25,157
Total current assets	788,070	780,081
Property and equipment, net	52,629	81,695
Intangible assets, net	6,980	6,560
Deferred income taxes, non-current	536	844
Other assets, non-current	22,568	30,565
Total assets	$ 870,783	$ 899,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 38,187	$ 52,719
Accrued compensation and benefits	32,995	39,252
Accrued expenses and other liabilities	14,076	21,697
Deferred revenue, current	94,514	158,095
Liability related to early exercised stock options	4,760	1,362
Total current liabilities	184,532	273,125
Deferred revenue, non-current	121,690	145,031
Other liabilities, non-current	1,207	3,159
Total liabilities	307,429	421,315
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, par value of $0.0001 per share— 20,000 shares authorized as of January 31, 2016 and 2017; no shares issued and outstanding as of January 31, 2016 and 2017	—	—
Class A and Class B common stock, par value of $0.0001 per share— 2,250,000 (Class A 2,000,000, Class B 250,000) shares authorized as of January 31, 2016 and 2017; 190,509 (Class A 28,769, Class B 161,740) and 204,364 (Class A 87,027, Class B 117,337) shares issued and outstanding as of January 31, 2016 and 2017	19	20
Additional paid-in capital	1,118,670	1,281,452
Accumulated other comprehensive loss	—	(562)
Accumulated deficit	(555,335)	(802,480)
Total stockholders' equity	563,354	478,430
Total liabilities and stockholders' equity	$ 870,783	$ 899,745

See the accompanying notes to the consolidated financial statements.

PURE STORAGE, INC.

Consolidated Statements of Operations
(in thousands, except per share data)

	Year Ended January 31,		
	2015	**2016**	**2017**
Revenue:			
Product	$ 154,836	$ 375,733	$ 590,001
Support	19,615	64,600	137,976
Total revenue	174,451	440,333	727,977
Cost of revenue:			
Product	63,425	132,870	194,150
Support	14,127	35,023	58,129
Total cost of revenue	77,552	167,893	252,279
Gross profit	96,899	272,440	475,698
Operating expenses:			
Research and development	92,707	166,645	245,817
Sales and marketing	152,320	240,574	360,035
General and administrative	32,354	75,402	84,652
Legal settlement	—	—	30,000
Total operating expenses	277,381	482,621	720,504
Loss from operations	(180,482)	(210,181)	(244,806)
Other income (expense), net	(1,412)	(2,002)	1,627
Loss before provision for income taxes	(181,894)	(212,183)	(243,179)
Provision for income taxes	1,337	1,569	1,887
Net loss	$ (183,231)	$ (213,752)	$ (245,066)
Net loss per share attributable to common stockholders, basic and diluted	$ (6.56)	$ (2.59)	$ (1.26)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	27,925	82,460	194,714

See the accompanying notes to the consolidated financial statements.

PURE STORAGE, INC.

Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended January 31,		
	2015	2016	2017
Net loss	$ (183,231)	(213,752)	(245,066)
Other comprehensive loss:			
Change in unrealized net loss on available-for-sale securities	—	—	(562)
Comprehensive loss	$ (183,231)	$ (213,752)	$ (245,628)

See the accompanying notes to consolidated financial statements.

PURE STORAGE, INC.

Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands, except per share data)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance—January 31, 2014	104,106	$ 262,970	28,439	$ 3	$ 12,143	$ —	$ (128,233)	$ (116,087)
Issuance of Series E convertible preferred stock at $6.93 per share	65	450	—	—	—	—	—	—
Issuance of Series F convertible preferred stock at $15.73 per share, net of issuance costs of $4,197	14,308	220,803	—	—	—	—	—	—
Issuance of Series F-1 convertible preferred stock at $15.73 per share, net of issuance costs of $69	3,802	59,717	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options, including stock options exercised via promissory notes (Note 7)	—	—	11,879	2	3,045	—	—	3,047
Repurchase of common stock in connection with tender offer (Note 7)	—	—	(3,803)	(1)	—	—	(30,119)	(30,120)
Repurchase of common stock from early exercised stock options	—	—	(50)	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	25,399	—	—	25,399
Vesting of early exercised stock options	—	—	—	—	1,162	—	—	1,162
Net loss	—	—	—	—	—	—	(183,231)	(183,231)
Balance—January 31, 2015	122,281	$ 543,940	36,465	$ 4	$ 41,749	$ —	$ (341,583)	$ (299,830)
Conversion of convertible preferred stock to common stock upon initial public offering	(122,281)	(543,940)	122,281	12	543,928	—	—	543,940
Issuance of common stock upon initial public offering, net of offering costs of $4,539	—	—	28,750	3	455,135	—	—	455,138
Issuance of common stock to Pure Good Foundation	—	—	700	—	11,900	—	—	11,900
Issuance of common stock upon exercise of stock options, net of repurchases	—	—	2,313	—	6,008	—	—	6,008
Stock-based compensation expense	—	—	—	—	58,225	—	—	58,225
Vesting of early exercised stock options	—	—	—	—	1,725	—	—	1,725
Net loss	—	—	—	—	—	—	(213,752)	(213,752)
Balance—January 31, 2016	—	$ —	190,509	$ 19	$ 1,118,670	$ —	$ (555,335)	$ 563,354
Cumulative-effect adjustment from adoption of ASU 2016-09	—	—	—	—	2,079	—	(2,079)	—
Issuance of common stock upon exercise of stock options	—	—	10,180	1	15,030	—	—	15,031
Stock-based compensation expense	—	—	—	—	116,668	—	—	116,668
Vesting of early exercised stock options	—	—	—	—	3,399	—	—	3,399
Vesting of restricted stock units	—	—	1,238	—	—	—	—	—
Common stock issued under employee stock purchase plan	—	—	2,437	—	25,606	—	—	25,606
Other comprehensive loss	—	—	—	—	—	(562)	—	(562)
Net loss	—	—	—	—	—	—	(245,066)	(245,066)
Balance—January 31, 2017	—	$ —	204,364	$ 20	$ 1,281,452	$ (562)	$ (802,480)	$ 478,430

See the accompanying notes to the consolidated financial statements.

PURE STORAGE, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended January 31,		
	2015	2016	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (183,231)	$ (213,752)	$ (245,066)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	15,392	32,254	50,203
Stock-based compensation expense	25,399	58,225	116,668
Contribution of common stock to the Pure Good Foundation	—	11,900	—
Other	277	(1,093)	1,584
Changes in operating assets and liabilities:			
Accounts receivable, net	(44,197)	(67,292)	(44,049)
Inventory	(13,713)	1,481	(3,776)
Deferred commissions	(9,838)	(13,021)	(740)
Prepaid expenses and other current assets	(6,550)	(8,704)	(6,133)
Accounts payable	3,474	24,901	10,644
Accrued compensation and other liabilities	12,450	24,710	19,381
Deferred revenue	56,842	142,535	86,922
Net cash used in operating activities	(143,695)	(7,856)	(14,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(42,227)	(39,355)	(76,773)
Purchase of intangible assets	(9,125)	—	(1,000)
Purchases of marketable securities	—	—	(526,717)
Sales of marketable securities	—	—	114,354
Maturities of marketable securities	—	—	48,513
Net increase in restricted cash	(1,613)	(2,485)	(5,600)
Net cash used in investing activities	(52,965)	(41,840)	(447,223)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from initial public offering, net of issuance costs	—	459,425	—
Proceeds from issuance of convertible preferred stock, net of issuance costs	280,970	—	—
Net proceeds from exercise of stock options, including proceeds from repayment of promissory notes	7,665	6,008	14,912
Proceeds from issuance of common stock under employee stock purchase plan	—	—	25,606
Repurchase of common stock in connection with tender offer	(30,120)	—	—
Payments of deferred offering costs	(33)	(3,702)	—
Net cash provided by financing activities	258,482	461,731	40,518
Net increase in cash and cash equivalents	61,822	412,035	(421,067)
Cash and cash equivalents, beginning of period	130,885	192,707	604,742
Cash and cash equivalents, end of period	$ 192,707	$ 604,742	$ 183,675
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for income taxes	$ 429	$ 1,118	$ 2,866
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION			
Conversion of convertible preferred stock to common stock upon initial public offering	$ —	$ 543,940	$ —
Property and equipment purchased but not yet paid	$ 1,323	$ 6,212	$ 7,414
Vesting of early exercised stock options	$ 1,162	$ 1,725	$ 3,399
Cashless exercise of stock options during tender offer	$ 2,057	$ —	$ —
Unpaid deferred offering costs	$ 55	$ 546	$ —

See the accompanying notes to the consolidated financial statements.

Note 1. Business Overview

Organization and Description of Business

Pure Storage, Inc. (the Company, we, us, or other similar pronouns) was originally incorporated in the state of Delaware in October 2009 under the name OS76, Inc. In January 2010, we changed our name to Pure Storage, Inc. We are building a data platform that transforms business through a dramatic increase in performance and reduction in complexity and costs. We are headquartered in Mountain View, California and have wholly owned subsidiaries throughout the world.

Initial Public Offering

In October 2015, we completed our initial public offering (IPO) of Class A common stock, in which we sold 28,750,000 shares. The shares were sold at an IPO price of $17.00 per share for net proceeds of $459.4 million , after deducting underwriting discounts and commissions of $29.3 million but before deducting offering costs of $4.5 million . Upon the closing of our IPO, all outstanding shares of our convertible preferred stock automatically converted into 122,280,679 shares of Class B common stock. Following the IPO, we have two classes of authorized common stock – Class A common stock and Class B common stock.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the company and our wholly owned subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP). All intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency

The functional currency of our foreign subsidiaries is the U.S. dollar. Transactions denominated in currencies other than the functional currency are remeasured to the functional currency at the average exchange rate in effect during the period. At the end of each reporting period, monetary assets and liabilities are remeasured using exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical exchange rates. Foreign currency transaction gains and losses are recorded in other income (expense), net in the consolidated statements of operations. For the years ended January 31, 2015 , 2016 and 2017 , we recorded net foreign currency transaction losses of $648,000 , $2.3 million, and $2.6 million, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from these estimates. Such estimates include, but are not limited to, the determination of best estimate of selling price included in multiple-deliverable revenue arrangements, sales commissions, useful lives of intangible assets and property and equipment, fair values of stock-based awards, provision for income taxes, including related reserves, and contingent liabilities, among others. Management bases its estimates on historical experience and on various other assumptions which management believes to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Concentration Risk

Financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. As of January 31, 2016 and 2017 , substantially all of our cash and cash equivalents have been invested with three financial institutions and such deposits exceed federally insured limits. Management believes that the financial institutions that hold our investments are financially sound and, accordingly, are subject to minimal credit risk. We define a customer as an end user that purchases our products and services from one of our channel partners or from us directly. Our revenue and accounts receivable are derived substantially from the United States across a multitude of industries. We perform ongoing evaluations to determine customer credit. As of January 31, 2016 , we had two channel partners that individually represented 11% of total accounts receivable on that date. As of January 31, 2017 , we had one channel partner that represented 10% of total accounts receivable on that date. No single channel partner represented over 10% of revenue for the years ended January 31, 2015 and 2016. One channel partner represented 11% of revenue for the year ended January 31, 2017. No customer represented over 10% of revenue for the years ended January 31, 2015 , 2016 and 2017 . We rely on a limited number of suppliers for our contract manufacturing and certain raw material components. In instances where suppliers fail to perform their obligations, we may be unable to find alternative suppliers or satisfactorily deliver our products to our customers on time.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and highly liquid investments, primarily money market funds, purchased with an original maturity of three months or less.

Restricted Cash

Restricted cash is comprised of cash collateral for a vendor credit card program and letters of credit related to our leases. As of January 31, 2016 and 2017 , we had restricted cash of $7.1 million and $12.7 million , respectively, which was included in other assets, non-current in the consolidated balance sheets.

Marketable Securities

We classify our marketable securities as available-for-sale at the time of purchase and reevaluate such classification at each balance sheet date. We may sell these securities at any time for use in current operations even if they have not yet reached maturity. As a result, we classify our securities, including those with maturities beyond twelve months, as current assets in the consolidated balance sheets. We carry these securities at fair value and record unrealized gains and losses in other comprehensive income (loss), which is reflected as a component of stockholders' equity. We evaluate our securities to assess whether those with unrealized loss positions are other than temporarily impaired. We consider impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses from the sale of marketable securities and declines in value deemed to be other than temporary are determined based on the specific identification method. Realized gains and losses are reported in other income (expense), net in the consolidated statements of operations.

Fair Value of Financial Instruments

The carrying value of our financial instruments, including cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximates fair value.

Accounts Receivable and Allowance

Accounts receivable are recorded at the invoiced amount, and stated at realizable value, net of an allowance for doubtful accounts. Credit is extended to customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for doubtful accounts.

We assess the collectability of the accounts by taking into consideration the aging of our trade receivables, historical experience, and management judgment. We write off trade receivables against the allowance when management determines a balance is uncollectible and no longer actively pursues collection of the receivable.

The following table presents the changes in the allowance for doubtful accounts:

	Year Ended January 31,		
	2015	2016	2017
	(in thousands)		
Allowance for doubtful accounts, beginning balance	$ 160	$ 210	$ 944
Provision	50	918	1,394
Writeoffs	—	(184)	(338)
Allowance for doubtful accounts, ending balance	$ 210	$ 944	$ 2,000

Inventory

Inventory consists of finished goods and component parts, which are purchased from contract manufacturers. Product demonstration units, which we regularly sell, are the primary component of our inventories. Inventories are stated at the lower of cost or market. Cost is determined using the specific identification method for finished goods and weighted-average method for component parts. We account for excess and obsolete inventory by reducing the carrying value to the estimated net realizable value of the inventory based upon management's assumptions about future demand and market conditions. In addition, we record a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of future demand forecasts consistent with excess and obsolete inventory valuations. Inventory write-offs were insignificant for the years ended January 31, 2015 , 2016 and 2017 .

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets (test equipment— 2 years , computer equipment and software— 2 to 3 years , furniture and fixtures— 7 years). Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term . Depreciation commences once the asset is placed in service.

Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. During the year ended January 31, 2015, we acquired certain technology patents for $9.1 million . This amount is being amortized on a straight-line basis over an estimated useful life of seven years. During the year ended January 31, 2017, we acquired certain technology patents for $1.0 million . This amount is being amortized on a straight-line basis over an estimated useful life of five years.

Impairment of Long-Lived Assets

We review our long-lived assets, including property and equipment, and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. We measure the recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, we record an impairment charge for the amount by which the carrying amount of the asset exceeds its fair market value. There have been no impairment charges recorded in any of the periods presented in the consolidated financial statements.

Deferred Commissions

Deferred commissions consist of direct and incremental costs paid to our sales force related to customer contracts. The deferred commission amounts are recoverable through the revenue streams that will be recognized under the related customer contracts. Direct sales commissions are deferred when earned and amortized over the same period that revenue is recognized from the related customer contract. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

As of January 31, 2016 and 2017 , we recorded deferred commissions, current, of $15.7 million and $15.8 million , respectively, and deferred commissions, non-current, of $14.3 million and $14.9 million , respectively, in other assets, non-current, in the consolidated balance sheets. During the years ended January 31, 2015 , 2016 and 2017 , we recognized sales commission expenses of $27.7 million , $47.2 million , and $84.8 million , respectively.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and filing fees directly related to our IPO, are capitalized. The deferred offering costs were offset against the IPO proceeds upon the completion of the offering.

Revenue Recognition

We derive revenue from two sources: (1) product revenue which includes hardware and embedded software and (2) support revenue which includes customer support, hardware maintenance and software upgrades on a when-and-if-available basis.

We recognize revenue when:

- *Persuasive evidence of an arrangement exists* —We rely upon sales agreements and/or purchase orders to determine the existence of an arrangement.

- *Delivery has occurred* —We typically recognize product revenue upon shipment, as title and risk of loss are transferred to our channel partners at that time. Products are typically shipped directly by us to customers, and our channel partners do not stock our inventory.
- *The fee is fixed or determinable* —We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction.
- *Collection is reasonably assured* —We assess collectability based on credit analysis and payment history.

Our product revenue is derived from the sale of hardware and operating system software that is integrated into the hardware and therefore deemed essential to its functionality. The hardware and the operating system software essential to the functionality of the hardware are considered non-software deliverables and, therefore, are not subject to industry-specific software revenue recognition guidance.

Support revenue is derived from the sale of maintenance and support agreements. Maintenance and support agreements include the right to receive unspecified software upgrades and enhancements on a when-and-if-available basis, bug fixes, parts replacement services related to the hardware, as well as access to our cloud-based management and support platform. Revenue related to maintenance and support agreements are recognized ratably over the contractual term, which generally range from one to five years. Costs related to maintenance and support agreements are expensed as incurred. In addition, our *Evergreen Storage* program provides our customers who continually maintain active maintenance and support for three years with an included controller refresh with each additional three year maintenance and support renewal. In accordance with multiple-element arrangement accounting guidance, the controller refresh represents an additional deliverable that is a separate unit of accounting and the allocated revenue is recognized in the period in which these controllers are shipped.

Most of our arrangements, other than stand-alone renewals of maintenance and support agreements, are multiple-element arrangements with a combination of product and support related deliverables (as defined above). Under multiple-element arrangements, we allocate consideration at the inception of an arrangement to all deliverables based on the relative selling price method in accordance with the hierarchy provided by the multiple-element arrangement accounting guidance, which includes (i) vendor-specific objective evidence (VSOE), of selling price, if available; (ii) third-party evidence (TPE), of selling price, if VSOE is not available; and (iii) best estimate of selling price (BESP), if neither VSOE nor TPE is available. As discussed below, we allocate consideration to support related deliverables based on VSOE and to all other deliverables based on BESP as TPE typically cannot be obtained.

- *VSOE* —We determine VSOE based on our historical pricing and discounting practices for the specific products and services when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices fall within a reasonably narrow pricing range. During the three months ended October 31, 2016, we established VSOE for support related deliverables as our stand-alone selling prices are now sufficiently concentrated based on an analysis of our historical data. We have not established VSOE for any of our hardware or other deliverables.

- *TPE* —When VSOE cannot be established for deliverables in multiple-element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for interchangeable products or services when sold separately to similarly situated customers. However, because our products contain a significant element of proprietary technology and our solutions offer substantially different features and functionality, the comparable pricing of products with similar functionality typically cannot be obtained.

- *BESP* —When neither VSOE nor TPE can be established, we utilize BESP to allocate consideration to deliverables in a multiple-element arrangement. Our process to determine BESP for products and support is based on qualitative and quantitative considerations of multiple factors, which primarily include historical sales, margin objectives and discount behavior. Additional considerations are given to other factors such as customer demographics, costs to manufacture products or provide support, pricing practices and market conditions.

Deferred Revenue

Deferred revenue primarily consists of amounts that have been invoiced but that have not yet been recognized as revenue and primarily consists of support. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date.

Warranty Costs

We generally provide a three -year warranty on hardware and a 90 -day warranty on our software embedded in the hardware. Our hardware warranty provides for parts replacement for defective components and our software warranty provides for bug fixes. With respect to our hardware warranty obligation, we have a warranty agreement with our contract manufacturer under which our contract manufacturer is generally required to replace defective hardware within three years of shipment. Furthermore, our maintenance and support agreement provides for the same parts replacement that customers are entitled to under our warranty program, except that replacement parts are delivered according to targeted response times to minimize disruption to our customers' critical business applications. Substantially all customers purchase maintenance and support agreements.

Therefore, given the warranty agreement with our contract manufacturer and that substantially all our products sales are sold together with maintenance and support agreements, we generally do not have exposure related to warranty costs and no warranty reserve has been recorded.

Research and Development

Research and development costs are expensed as incurred. Research and development costs consist primarily of personnel costs including stock-based compensation expense, expensed prototype, to the extent there is no alternative use for that equipment, consulting services, depreciation of equipment used in research and development and allocated overhead costs.

Software Development Costs

We expense software development costs before technological feasibility is reached. We have determined that technological feasibility is reached shortly before the release of our products and as a result, the development costs incurred after the establishment of technological feasibility and before the release of those products have not been significant and accordingly, all software development costs have been expensed as incurred.

Software development costs also include costs incurred related to our hosted applications used to deliver our support services. Capitalization begins when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable the project will be completed and the software will be used to perform the intended function. Total costs related to our hosted applications incurred to date have been insignificant and as a result no software development costs were capitalized during the years ended January 31, 2015 , 2016 and 2017 .

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses were $1.4 million , $6.2 million and $10.7 million for the years ended January 31, 2015 , 2016 and 2017 , respectively.

Stock-Based Compensation

Stock-based compensation includes restricted stock units (RSUs), stock options and purchase rights issued to employees under our ESPP. We determine the fair value of our stock options under our equity plans and purchase rights issued to employees under our ESPP on the date of grant utilizing the Black-Scholes option pricing model, which is impacted by the fair value of our common stock, as well as changes in assumptions regarding a number of subjective variables. These variables include the expected common stock price volatility over the term of the awards, the expected term of the awards, risk-free interest rates and expected dividend yield. RSUs are measured at the fair market value of the underlying stock at the grant date.

We recognize stock-based compensation expense for stock-based awards on a straight-line basis over the period during which an employee is required to provide services in exchange for the award (generally the vesting period of the award). Prior to the adoption of Accounting Standards Update (ASU) No. 2016-09 (ASU 2016-09) on February

1, 2016, stock-based compensation expense was recognized only for those awards expected to vest. Subsequent to the adoption, we account for forfeitures as they occur. For stock-based awards granted to employees with a performance condition, we recognize stock-based compensation expense for these awards under the accelerated attribution method over the requisite service period when management determines it is probable that the performance condition will be satisfied.

We determine the fair value of our stock options issued to non-employees on the date of grant utilizing the Black-Scholes option pricing model. Stock-based compensation expense for stock options issued to non-employees is recognized over the requisite service period or when it is probable that the performance condition will be satisfied. Options subject to vesting are periodically remeasured to current fair value over the vesting period.

Income Taxes

We account for income taxes using the asset and liability method. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance to amounts that are more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement.

Recently Adopted Accounting Standards

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and non-current amounts in the consolidated balance sheets. The amendments in the update require that all deferred tax assets and liabilities be classified as non-current in the consolidated balance sheets. We early adopted this standard in the fourth quarter of fiscal 2016 on a retrospective basis. Prior periods have been retrospectively adjusted.

In March 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* . We elected to early adopt this standard in the second quarter of fiscal 2017 with February 1, 2016 being the effective date of adoption. ASU 2016-09 eliminates the requirement to delay the recognition of excess tax benefits until they reduce current taxes payable. Under this standard, previously unrecognized excess tax benefits shall be recognized on a modified retrospective basis. However, as of February 1, 2016, the previously unrecognized excess tax benefits of $10.5 million had no impact on our accumulated deficit balance as the related U.S. deferred tax assets were fully offset by a valuation allowance. ASU 2016-09 also requires excess tax benefits and deficiencies to be recognized prospectively in our provision for income taxes rather than additional paid-in capital. As a result of the adoption, our provision for income taxes decreased by $1.0 million during the year ended January 31, 2017. Additionally, we elected to account for forfeitures as they occur rather than estimate expected forfeiture using a modified retrospective transition method. Accordingly, we recorded a cumulative-effect adjustment of $2.1 million to accumulated deficit and an increase of stock-based compensation expense of $864,000 during the first quarter of fiscal 2017. Finally, ASU 2016-09 requires excess tax benefits to be presented as a component of operating cash flows rather than financing cash flows. We elected to adopt this requirement prospectively and accordingly, prior periods have not been adjusted. Excess tax benefits were not material for all periods presented.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), requiring an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 will supersede nearly all existing revenue recognition guidance under U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* , deferring the effective date for ASU 2014-09 by one year. The new standard will be effective for us beginning on February 1, 2018 which is the mandatory adoption date and we do not plan to early adopt. This standard may be adopted using either the full or modified retrospective methods. We currently anticipate adopting the standard retrospectively to all prior periods presented. Our ability to apply the requirements retrospectively to all prior periods presented is dependent on system readiness, including software procured from third-party providers, and the completion of our analysis of information necessary to restate prior period financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 requires lessees to recognize all leases with terms in excess of one year on their balance sheet as a right-of-use asset and a lease liability at the commencement date. The new standard also simplifies the accounting for sale and leaseback transactions. The amendments in this update will be effective for us beginning on February 1, 2019 and must be adopted using a modified retrospective method for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. We are currently evaluating adoption methods and the impact of this standard on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. The amendments in this update will be effective for us beginning on February 1, 2020 with early adoption permitted on or after February 1, 2019. We are currently evaluating the impact of this standard on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (ASU 2016-16), which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 will be effective for us beginning on February 1, 2018 and will be applied on a modified retrospective basis. Early adoption is permitted. We do not expect the adoption of this standard to have any impact on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective for us beginning on February 1, 2018 and will be applied on a retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

Reclassifications

As a result of the adoption of ASU 2015-17 in the fourth quarter of fiscal 2016, we made the following reclassifications to the January 31, 2015 balance sheet: a $5.5 million decrease to deferred tax assets, non-current, a $5.8 million decrease to deferred tax liability, current, and an increase of $300,000 to deferred tax liability, non-current.

Note 3. Financial Instruments

Fair Value Measurements

We measure our cash equivalents, marketable securities and restricted cash at fair value on a recurring basis. We define fair value as the exchange price that would be received from sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We measure our financial assets and liabilities at fair value at each reporting period using a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

- *Level I* —Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities;

- *Level II* —Observable inputs are quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments; and
- *Level III* —Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on our own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

We classify our cash equivalents, marketable securities and restricted cash within Level 1 or Level 2 because they are valued using either quoted market prices or inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded. Our fixed income available-for-sale securities consist of high quality, investment grade securities from diverse issuers. The valuation techniques used to measure the fair value of our marketable securities were derived from non-binding market consensus prices that are corroborated by observable market data and quoted market prices for similar instruments.

Cash Equivalents, Marketable Securities and Restricted Cash

The following tables summarize our cash equivalents, marketable securities and restricted cash by significant investment categories as of January 31, 2016 and 2017 (in thousands):

	January 31, 2016					
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Cash Equivalents**	**Restricted Cash**
Level 1						
Money market funds	$ —	$ —	$ —	$ 45,614	$ 45,614	$ —
Level 2						
Certificates of deposit	—	—	—	7,132	—	7,132
Total	$ —	$ —	$ —	$ 52,746	$ 45,614	$ 7,132

	January 31, 2017						
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Cash Equivalents**	**Marketable Securities**	**Restricted Cash**
Level 1							
Money market accounts	$ —	$ —	$ —	$ 12,734	$ —	$ —	$ 12,734
Level 2							
U.S. government treasury notes	148,298	22	(289)	148,031	13,226	134,805	—
U.S. government agencies	40,398	2	(159)	40,241	—	40,241	—
Corporate debt securities	185,701	242	(379)	185,564	—	185,564	—
Foreign government bonds	2,377	2	(3)	2,376	—	2,376	—
Total	$ 376,774	$ 268	$ (830)	$ 388,946	$ 13,226	$ 362,986	$ 12,734

The amortized cost and estimated fair value of our marketable securities are shown below by contractual maturity (in thousands):

	January 31, 2017	
	Amortized Cost	Fair Value
Due within one year	$ 103,213	$ 103,238
Due in one to five years	260,335	259,748
Total	$ 363,548	$ 362,986

As of January 31, 2017, there were no securities that were in an unrealized loss position for more than 12 months. Based on our evaluation of available evidence, we concluded that the gross unrealized losses on our marketable securities as of January 31, 2017 were temporary in nature. The following table presents gross unrealized losses and fair values for those investments that were in a continuous unrealized loss position for less than 12 months as of January 31, 2017, aggregated by investment category (in thousands):

	Less than 12 months	
	Fair Value	Unrealized Loss
U.S. government treasury notes	$ 82,228	$ (289)
U.S government agencies	34,485	(159)
Corporate debt securities	99,710	(379)
Foreign government bonds	877	(3)
Total	$ 217,300	$ (830)

Gross realized gains on sale of marketable securities for the year ended January 31, 2017 were $253,000 .

Note 4. Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	January 31,	
	2016	2017
Test equipment	$ 65,663	$ 105,955
Computer equipment and software	31,388	54,521
Furniture and fixtures	2,852	4,494
Leasehold improvements	4,935	10,332
Total property and equipment	104,838	175,302
Less: accumulated depreciation and amortization	(52,209)	(93,607)
Property and equipment, net	$ 52,629	$ 81,695

Depreciation and amortization expense related to property and equipment was $14.6 million , $31.0 million and $48.8 million for the years ended January 31, 2015 , 2016 and 2017 , respectively.

Intangible Assets, Net

Intangible assets, net consist of the following (in thousands):

	January 31,	
	2016	2017
Technology patents	$ 9,125	$ 10,125
Accumulated amortization	(2,145)	(3,565)
Intangible assets, net	$ 6,980	$ 6,560

Intangible assets amortization expense was $841,000 , $1.3 million and $1.4 million for the years ended January 31, 2015 , 2016 and 2017 , respectively. The weighted-average remaining useful life of the technology patents is 4.2 years. Due to the defensive nature of these patents, the amortization is included in general and administrative expenses in the consolidated statements of operations.

As of January 31, 2017 , expected amortization expense for intangible assets for each of the next five years is as follows (in thousands):

Year Ending January 31,		Estimated Future Amortization Expense
2018	$	1,504
2019		1,504
2020		1,504
2021		1,504
2022		544
Total	$	6,560

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	January 31,			
	2016		2017	
Sales and use tax payable	$	299	$	540
Accrued professional fees		3,044		1,765
Accrued marketing		2,684		6,718
Accrued travel and entertainment expenses		2,182		2,235
Income tax payable		1,791		1,135
Other accrued liabilities		4,076		9,304
Total accrued expenses and other liabilities	$	14,076	$	21,697

Note 5. Commitments and Contingencies

Operating Leases

We lease our office facilities under operating lease agreements expiring through December 2025. Certain of these lease agreements have escalating rent payments. We recognize rent expense under such agreements on a straight-line basis over the lease term, and the difference between the rent paid and the straight-line rent is recorded in accrued expenses and other liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

As of January 31, 2017 , the aggregate future minimum payments under non-cancelable operating leases consist of the following (in thousands):

Year Ending January 31,		Operating Leases
2018	$	17,937
2019		14,762
2020		13,565
2021		14,118
2022		11,972
Thereafter		15,063
Total	$	87,417

Rent expense recognized under our operating leases were $7.5 million , $11.0 million and $16.6 million for the years ended January 31, 2015 , 2016 and 2017 , respectively.

Purchase Obligations

As of January 31, 2016 and 2017 , we had $5.9 million and $4.1 million of non-cancelable contractual purchase obligations related to certain software service contracts.

Letters of Credit

As of January 31, 2016 and 2017 , we had letters of credit in the aggregate amount of $7.1 million and $7.7 million , respectively, in connection with our facility leases. The letters of credit are collateralized by restricted cash in the same amount and mature at various dates through June 2024.

Legal Matters

On November 4, 2013, EMC filed a complaint against us in the U.S. District Court for the District of Massachusetts, alleging misappropriation of confidential information and trade secrets and unlawful interference with business and contractual relationships. The complaint sought damages and injunctive relief. On November 26, 2013 and November 18, 2014, we counterclaimed, alleging, among other things, misappropriation of trade secrets, unlawful interference with contractual and business relationships, unfair competition, commercial disparagement, and defamation. Our counterclaim sought damages and declaratory and injunctive relief. In a separate litigation matters, on November 26, 2013 and March 21, 2016, EMC filed complaints against us in the U.S. District Court for the District of Delaware, alleging patent infringement. The complaints sought damages and injunctive and equitable relief.

On October 18, 2016, we entered into an agreement with Dell Inc. (Dell), as successor-in-interest to EMC to settle all litigation between EMC and us. The terms of the settlement include a payment to Dell, the dismissal of all litigation between the parties, mutual releases, and a license to the disputed patent. Accordingly, we paid Dell a one-time settlement amount of $30.0 million , and all litigation between EMC and us was dismissed prior to October 31, 2016. We evaluated the settlement as a multiple-element arrangement, which requires us to allocate the one-time payment to the identifiable elements based on their relative fair values. Based on our estimates of fair value, we determined that the sole benefit of the settlement is to avoid further litigation costs with no value attributable to future use or benefit. Accordingly, we recorded the $30.0 million as a legal settlement charge in general and administrative expenses during the three months ended October 31, 2016.

On September 1, 2016, a purported securities class action entitled Ramsay v. Pure Storage, Inc., et al. was filed in the Superior Court of the State of California (San Mateo County) against us and certain of our officers, directors, investors and underwriters for our initial public offering, asserting claims under sections 11, 12 and 15 of the Securities Act of 1933 on behalf of a purported class consisting of purchasers of our common stock pursuant or traceable to our initial public offering, and seeking unspecified compensatory damages and other relief. Substantially identical lawsuits were subsequently filed in the same court, bringing the same claims against the same defendants, captioned Peter Galanis v. Pure Storage, Inc., et al. (filed September 14, 2016), Curtis Wilson v. Pure Storage, Inc., et al. (filed September 15, 2016), Loren Moe v. Pure Storage, Inc., et al. (filed September 23, 2016), and Mason Delahooke and Mahsa Shirazikia v. Pure Storage, Inc., et al. (filed October 5, 2016). On October 27, 2016, the aforementioned actions were consolidated under the caption In re Pure Storage, Inc. Shareholder Litigation. On December 13, 2016, the plaintiffs filed an amended consolidated complaint. On January 26, 2017, the defendants filed a demurrer (motion to dismiss) to the consolidated action, which is scheduled to be heard on March 30, 2017. We believe there is no merit to the allegations and intend to defend ourselves vigorously.

From time to time, we have become involved in claims and other legal matters arising in the normal course of business. We investigate these claims as they arise. Although claims are inherently unpredictable, we currently are not aware of any matters that may have a material adverse effect on our business, financial position, results of operations or cash flows. Accordingly we have not recorded any loss contingency on our consolidated balance sheet as of January 31, 2017 .

Indemnification

Our arrangements generally include certain provisions for indemnifying customers against liabilities if our products or services infringe a third party's intellectual property rights. Other guarantees or indemnification arrangements include guarantees of product and service performance and standby letters of credit for lease facilities. It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. To date, we have not incurred any material costs as a result of such obligations and have not accrued any liabilities related to such obligations in the consolidated financial statements. In addition, we indemnify our officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no claims under any indemnification provisions.

Note 6. Stockholders' Equity

Preferred Stock

Upon the closing of our IPO in October 2015, we filed an Amended and Restated Certificate of Incorporation, which authorized 20,000,000 shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors. As of January 31, 2017 , there were no shares of preferred stock issued or outstanding.

Class A and Class B Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. As of January 31, 2017 , we had 2,000,000,000 shares of Class A common stock authorized with a par value of $0.0001 per share and 250,000,000 shares of Class B common stock authorized with a par value of $0.0001 per share. As of January 31, 2017 , 87,027,014 shares of Class A common stock were issued and outstanding and 117,336,663 shares of Class B common stock were issued and outstanding.

The rights of the holders of Class A and Class B common stock are identical, except with respect to voting. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share. Shares of Class B common stock may be converted to Class A common stock at any time at the option of the stockholder. Shares of Class B common stock automatically convert to Class A common stock upon the following: (i) sale or transfer of such share of Class B common stock; (ii) the death of the Class B common stockholder (or nine months after the date of death if the stockholder is one of our founders); and (iii) on the final conversion date, defined as the earlier of (a) the first trading day on or after the date on which the outstanding shares of Class B common stock represent less than 10% of the then outstanding Class A and Class B common stock; (b) the ten th anniversary of the IPO; or (c) the date specified by vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a single class.

Class A and Class B common stock are referred to as common stock throughout the notes to the consolidated financial statements, unless otherwise noted.

In August 2015, we established the Pure Good Foundation as a non-profit organization, and in September 2015 we issued 700,000 shares of our Class B common stock to this foundation. As a result, we incurred a one-time general and administrative expense of $11.9 million during the year ended January 31, 2016 , the amount of which was equal to the fair value of the shares of Class B common stock issued. Programs of the Pure Good Foundation include grants, humanitarian relief, volunteerism and social development projects. We believe that the Pure Good Foundation will foster employee morale, strengthen our community presence and provide increased brand visibility.

Common Stock Reserved for Issuance

As of January 31, 2017 , we had reserved shares of common stock for future issuance as follows:

	January 31, 2017
Shares underlying outstanding stock options	56,840,189
Shares underlying outstanding restricted stock units	8,783,024
Shares reserved for future equity awards	24,457,623
Shares reserved for future employee stock purchase plan awards	2,968,087
Total	93,048,923

Note 7. Equity Incentive Plans

Equity Incentive Plans

We maintain two equity incentive plans: the 2009 Equity Incentive Plan (our 2009 Plan) and the 2015 Equity Incentive Plan (our 2015 Plan). In August 2015, our board of directors adopted, and in September 2015 our stockholders approved, the 2015 Plan, which became effective in connection with our IPO in October 2015 and serves as the successor to our 2009 Plan. Our 2015 Plan provides for the issuance of incentive stock options to our employees and non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards, performance cash awards, and other forms of stock awards to our employees, directors and consultants. No new awards are issued under our 2009 Plan after the effective date of our 2015 Plan. Outstanding awards granted under our 2009 Plan will remain subject to the terms of our 2009 Plan and applicable award agreements, until such outstanding awards that are stock options are exercised, terminated or expired by their terms.

We have initially reserved 27,000,000 shares of our Class A common stock for issuance under our 2015 Plan. The number of shares reserved for issuance under our 2015 Plan increases automatically on the first day of February of each of 2016 through 2025, in an amount equal to 5% of the total number of shares of our capital stock outstanding as of the immediately preceding January 31.

The exercise price of stock options will generally not be less than 100% of the fair market value of our common stock on the date of grant, as determined by our board of directors. Our equity awards generally vest over a two to four year period and expire no later than ten years from the date of grant.

2015 Employee Stock Purchase Plan

In August 2015, our board of directors adopted and our stockholders approved, the 2015 Employee Stock Purchase Plan (2015 ESPP), which became effective in connection with our IPO. A total of 3,500,000 shares of Class A common stock was initially reserved for issuance under the 2015 ESPP. The number of shares reserved for issuance under our 2015 ESPP increases automatically on the first day of February of each of 2016 through 2025, in an amount equal to the lesser of (i) 1% of the total number of shares of our capital stock outstanding as of the immediately preceding January 31, and (ii) 3,500,000 shares of Class A common stock.

The 2015 ESPP allows eligible employees to purchase shares of our Class A common stock at a discount through payroll deductions (or other payroll contributions) of up to 30% of their eligible compensation, subject to a cap of 3,000 shares on any purchase date or $25,000 in any calendar year (as determined under applicable tax rules). Except for the initial offering period, the 2015 ESPP provides for 24 month offering periods beginning March 16th and September 16th of each year, and each offering period will consist of four six -month purchase periods, subject to a reset provision. If the closing stock price on the offering date of a new offering falls below the closing stock price on the offering date of an ongoing offering, the ongoing offering would terminate immediately following the purchase of ESPP shares on the purchase date immediately preceding the new offering and participants in the terminated ongoing offering would automatically be enrolled in the new offering (ESPP reset). On each purchase date, eligible employees will purchase our Class A common stock at a price per share equal to 85% of the lesser of the fair market value of our Class A common stock (1) on the first trading day of the applicable offering period or (2) the purchase date. The initial offering period began on October 7, 2015 and ended on March 15, 2016 as our closing stock price on the new offering date of March 16, 2016 was lower than the closing stock price on October 7, 2015 which triggered an ESPP reset. The ESPP reset resulted in a modification charge of approximately $10.6 million which is being recognized over the new 24 -month offering period ending March 15, 2018.

During the years ended January 31, 2016 and 2017, we recognized $4.4 million and $18.3 million of stock-based compensation expense related to our 2015 ESPP. As of January 31, 2017, there was $22.1 million of unrecognized stock-based compensation expense related to our 2015 ESPP which is expected to be recognized over a weighted-average period of approximately 1.2 years.

Early Exercise of Stock Options

Certain employees and directors have exercised options granted under the 2009 Plan prior to vesting. The unvested shares are subject to a repurchase right held by us at the original purchase price. The proceeds initially are recorded as liability related to early exercised stock options and reclassified to additional paid in capital as the repurchase right lapses. We issued 642,248 shares of common stock upon early exercise of stock options during the year ended January 31, 2015, for total exercise proceeds of $1.9 million . No unvested stock options were exercised during the years ended January 31, 2016 and 2017 . For the years ended January 31, 2015 and 2016, we repurchased 50,000 and 15,000 shares of unvested common stock related to early exercised stock options at the original purchase price due to the termination of an employee. No shares were repurchased during the year ended January 31, 2017. As of January 31, 2016 and 2017, 2,809,264 and 494,117 shares held by employees and directors were subject to repurchase at an aggregate price of $4.8 million and $1.4 million .

We entered into promissory notes with certain of our executives and employees in connection with the exercise of their stock option awards. These notes bore fixed interest rates ranging from 0.95% to 1.84% per annum. As of

January 31, 2014, outstanding promissory notes were $3.2 million and 6,295,056 shares of common stock were outstanding from stock options exercised via promissory notes. As the promissory notes were solely collateralized by the underlying common stock, they are considered nonrecourse from an accounting standpoint and therefore, stock options exercised via nonrecourse promissory notes are not considered outstanding shares. Accordingly, as of January 31, 2014, we did not record these transactions related to promissory notes. During the year ended January 31, 2015, an additional 300,000 stock options were early exercised via a nonrecourse promissory note in the amount of $773,000 , which was also not recorded in our financial statements. All outstanding promissory notes and the related accrued interest, which totaled $4.0 million , were repaid in full as of January 31, 2015, and accordingly, the underlying common stock was recorded as outstanding shares. Proceeds from the repayment of promissory notes were included in additional paid-in capital for the portion of the underlying common stock that was vested, and in liability related to early exercised stock options for the portion of the underlying common stock that was unvested.

Stock Options

A summary of activity under our equity incentive plans and related information is as follows:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
				(in thousands)
Balance as of January 31, 2016	68,879,087	$ 6.43	7.9	$ 505,131
Options granted	1,999,000	12.69		
Options exercised	(10,180,258)	1.47		
Options cancelled/forfeited	(3,857,640)	12.18		
Balance as of January 31, 2017	56,840,189	$ 7.15	7.0	$ 315,502
Vested and exercisable as of January 31, 2017	29,575,922	$ 4.12	6.2	$ 228,436

The aggregate intrinsic value of options vested and exercisable as of January 31, 2017 is calculated based on the difference between the exercise price and the closing price of $11.37 of our Class A common stock on January 31, 2017 . The aggregate intrinsic value of options exercised for the years ended January 31, 2015 , 2016 and 2017 was $43.2 million , $29.5 million and $114.2 million , respectively.

The weighted-average grant date fair value of options granted was $5.71 , $8.38 and $5.57 per share for the years ended January 31, 2015 , 2016 and 2017 , respectively. The total grant date fair value of options vested for the years ended January 31, 2015 , 2016 and 2017 was $9.9 million , $35.4 million and $61.8 million , respectively.

As of January 31, 2017, total unrecognized employee compensation cost was $132.6 million , which is expected to be recognized over a weighted-average period of approximately 2.9 years.

During the years ended January 31, 2015 and 2016 we granted options to purchase 499,750 and 238,000 shares of common stock, net of cancellations, that vest upon satisfaction of a performance condition. For those options that management determined that it is probable that the performance condition will be satisfied, stock-based compensation expense of $1.7 million , $2.5 million and $3.3 million was recognized during the years ended January 31, 2015 , 2016 and 2017 , respectively. At January 31, 2017, there were no outstanding stock options subject to performance vesting conditions.

In November 2016, we modified employee stock option awards to purchase 800,000 shares of our common stock. The modification included an immediate acceleration of performance-based options to purchase 360,000 shares of common stock and an acceleration of time-based options to purchase 440,000 shares of common stock contingent on continued employment through January 31, 2017. This modification resulted in stock-based compensation expense of $5.9 million that was recognized during the three months ended January 31, 2017.

Determination of Fair Value

The fair value of stock options granted to employees and to be purchased under ESPP is estimated on the grant date using the Black-Scholes option pricing model. This valuation model for stock-based compensation expense requires us to make assumptions and judgments about the variables used in the calculation including the fair value of the underlying common stock, expected term, the expected volatility of the common stock, a risk-free interest rate and expected dividend yield.

We estimate the fair value of employee stock options and ESPP purchase rights using a Black-Scholes option pricing model with the following assumptions:

	Year Ended January 31,		
	2015	2016	2017
Employee Stock Options			
Expected term (in years)	5.0 - 6.9	6.0 - 7.4	6.1
Expected volatility	55% - 68%	48% - 52%	44%
Risk-free interest rate	1.3% - 2.2%	1.5% - 1.9%	1.25% - 1.49%
Dividend rate	—	—	—
Fair value of common stock	$4.81 - $12.65	$13.94 - $19.68	$10.37 - $14.52
Employee Stock Purchase Plan			
Expected term (in years)	—	0.4 - 1.9	0.5 - 2.0
Expected volatility	—	49%	41%
Risk-free interest rate	—	0.1% - 0.7%	0.5% - 0.9%
Dividend rate	—	—	—

The assumptions used in the Black-Scholes option pricing model were determined as follows.

Fair Value of Common Stock —Prior to our IPO in October 2015, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date. These factors included, but were not limited to (i) contemporaneous third-party valuations of common stock; (ii) the prices for our convertible preferred stock sold to outside investors; (iii) the rights and preferences of convertible preferred stock relative to common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; and (vi) the likelihood of achieving a liquidity event, such as an IPO or sale of Pure Storage, given prevailing market conditions. Subsequent to our IPO, we use the market closing price of our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each grant date.

Expected Term —The expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options and ESPP purchase rights.

Expected Volatility —Since we have limited trading history of our common stock, the expected volatility was derived from the average historical stock volatilities of several public companies within the same industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants and ESPP purchase rights.

Risk-Free Interest Rate —The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term of the stock option grants and ESPP purchase rights.

Dividend Rate —We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero .

Non-Employee Stock Option Awards

We estimate the fair value of non-employee stock options on the date of grant using a Black-Scholes option pricing model with the following assumptions:

	Year Ended January 31,		
	2015	2016	2017
Expected term (in years)	10.0	10.0	—
Expected volatility	62% - 63%	49%	—
Risk-free interest rate	1.6% - 2.6%	1.5%	—
Dividend rate	—	—	—
Fair value of common stock	$9.40 - $12.40	$17.00	—

For the years ended January 31, 2015 and 2016 we granted non-employee stock options to purchase 83,500 and 22,500 shares of common stock, respectively. No stock options were granted to non-employees in the year ended January 31, 2017. We recognized stock-based compensation expense related to non-employee stock options of $2.5 million , $3.1 million and $0.7 million for the years ended January 31, 2015 , 2016 and 2017 , respectively.

Restricted Stock Units

A summary of the restricted stock unit activity under our 2015 Plan and related information is as follows:

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair value	Aggregate Intrinsic Value
			(in thousands)
Unvested Balance as of January 31, 2016	53,000	$ 16.98	$ 690
Granted	10,501,600	13.15	
Vested	(1,237,502)	13.95	
Forfeited	(534,074)	13.16	
Unvested Balance of January 31,2017	8,783,024	$ 13.06	$ 99,863

The aggregate fair value, as of the respective vesting dates, of restricted stock units that vested during the year ended January 31, 2017 was $14.8 million . As of January 31, 2017, total unrecognized employee compensation cost related to outstanding restricted stock units was $103.1 million , which is expected to be recognized over a weighted-average period of approximately 2.8 years.

Repurchase of Common Stock in Connection with Tender Offer

In July 2014, our board of directors approved a tender offer which allowed our employees to sell fully vested shares of common stock or unexercised stock options to the Company. We repurchased 735,426 shares of common stock and 3,067,910 vested stock options from participating employees for a total consideration of $57.7 million , net of exercise proceeds of $2.1 million . The common stock repurchased was retired immediately thereafter. Of the $57.7 million total consideration, the fair value of the shares tendered net of exercise proceeds, was recorded in accumulated deficit, which totaled $30.1 million , while the amounts paid in excess of the fair value of our common stock at the time of repurchase were recorded as stock-based compensation expense, which totaled $27.6 million .

Stock-Based Compensation Expense

The following table summarizes the components of stock-based compensation expense recognized in the consolidated statements of operations (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Cost of revenue—product	$ 303	$ 276	$ 601
Cost of revenue—support	1,273	2,388	5,639
Research and development	22,512	31,135	63,495
Sales and marketing	22,466	16,966	34,317
General and administrative	6,479	7,460	12,616
Total stock-based compensation expense	$ 53,033	$ 58,225	$ 116,668

The stock-based compensation expense for the year ended January 31, 2015 included $27.6 million related to the repurchase of common stock in excess of fair value in connection with the tender offer.

Note 8. Net Loss per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. We consider all series of our convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the holders of our convertible preferred stock do not have a contractual obligation to share in our losses.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, convertible preferred stock, stock options, unvested restricted stock units, repurchasable shares from early exercised stock options and shares subject to ESPP withholding are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis. We did not present dilutive net loss per share on an if-converted basis because the impact was not dilutive.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except per share data):

	Year Ended January 31,		
	2015	2016	2017
Net loss	$ (183,231)	$ (213,752)	(245,066)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	27,925	82,460	194,714
Net loss per share attributable to common stockholders, basic and diluted	$ (6.56)	$ (2.59)	$ (1.26)

The following weighted-average outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Convertible preferred stock (on an if-converted basis)	117,794	—	—
Stock options to purchase common stock	50,429	61,795	63,984
Restricted stock units	—	—	5,216
Employee stock purchase plan	—	170	1,310
Early exercised stock options	8,047	3,618	2,106
Total	176,270	65,583	72,616

Note 9. Income Taxes

The geographical breakdown of loss before provision for income taxes is as follows (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Domestic	$ (186,922)	$ (195,019)	$ (200,355)
International	5,028	(17,164)	(42,824)
Total	$ (181,894)	$ (212,183)	$ (243,179)

The components of the provision for income taxes are as follows (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Current:			
State	$ 56	$ 210	$ 389
Foreign	1,073	2,198	1,806
Total	$ 1,129	$ 2,408	$ 2,195
Deferred:			
Foreign	208	(839)	(308)
Provision for income taxes	$ 1,337	$ 1,569	$ 1,887

The reconciliation of the federal statutory income tax rate and effective income tax rate is as follows (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Tax at federal statutory rate	$ (61,844)	$ (72,142)	$ (82,682)
State tax, net of federal benefit	44	152	276
Stock-based compensation expense	5,328	10,866	(5,242)
Research and development tax credits	(1,999)	(3,832)	(1,570)
Foreign rate differential	(429)	7,106	15,878
Change in valuation allowance	60,042	58,979	73,863
Other	195	440	1,364
Provision for income taxes	$ 1,337	$ 1,569	$ 1,887

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant component of our deferred tax assets and liabilities were as follows (in thousands):

	January 31,	
	2016	2017
Deferred tax assets:		
Net operating loss carryforwards	$ 137,456	$ 173,942
Tax credit carryover	12,406	15,319
Accruals and reserves	1,921	3,112
Deferred revenue	20,314	53,424
Stock-based compensation expense	12,588	26,401
Depreciation and amortization	3,397	7,302
Charitable contribution carryforwards	4,380	4,345
Total deferred tax assets	192,462	283,845
Valuation allowance	(180,926)	(271,779)
Total deferred tax assets, net of valuation allowance	11,536	12,066
Deferred tax liabilities:		
Deferred commissions	(11,000)	(11,222)
Total deferred tax liabilities	(11,000)	(11,222)
Net deferred tax assets	$ 536	$ 844

As of January 31, 2017 , the undistributed earnings of $11.1 million from non-U.S. operations held by our foreign subsidiaries are designated as permanently reinvested outside the U.S. Accordingly, no additional U.S. income taxes or additional foreign withholding taxes have been provided thereon. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable.

As of January 31, 2017 , we had net operating loss carryforwards for federal income tax purposes of approximately $464.2 million and state income tax purposes of approximately $323.8 million . These net operating loss carryforwards will expire, if not utilized, beginning in 2028 for federal and state income tax purposes.

We had federal and state research and development tax credit carryforwards of approximately $12.1 million and $12.6 million as of January 31, 2017 . The federal research and development tax credit carryforwards will expire commencing in 2028 , while the state research and development tax credit carryforwards have no expiration date.

Realization of deferred tax assets is dependent on future taxable income, the existence and timing of which is uncertain. Based on our history of losses, management has determined that it is more likely than not that the U.S. deferred tax assets will not be realized, and accordingly has placed a full valuation allowance on the net U.S. deferred tax assets. The valuation allowance increased by $66.6 million , $68.0 million , and $90.9 million , respectively, during the years ended January 31, 2015, 2016 and 2017.

Utilization of the net operating loss carryforwards and credits may be subject to substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

Uncertain Tax Positions

The activity related to the unrecognized tax benefits is as follows (in thousands):

	Year Ended January 31,		
	2015	2016	2017
Gross unrecognized tax benefits—beginning balance	$ 4,676	$ 13,874	$ 15,470
Decreases related to tax positions taken during prior years	—	(3,969)	(11,286)
Increases related to tax positions taken during prior years	—	35	—
Increases related to tax positions taken during current year	9,198	5,530	2,191
Gross unrecognized tax benefits—ending balance	$ 13,874	$ 15,470	$ 6,375

As of January 31, 2017 , our gross unrecognized tax benefit was approximately $6.4 million and if recognized, would have no impact to the effective tax rate because it would be offset by the reversal of deferred tax assets which are subject to a full valuation allowance.

As of January 31, 2017 , we had no current or cumulative interest and penalties related to uncertain tax positions.

It is difficult to predict the final timing and resolution of any particular uncertain tax position. Based on our assessment, including experience and complex judgments about future events, we do not expect that changes in the liability for unrecognized tax benefits during the next twelve months will have a significant impact on our consolidated financial position or results of operations.

We file income tax returns in the U.S. federal jurisdiction as well as many U.S. states and foreign jurisdictions. Our fiscal year 2014 is currently under examination by the Internal Revenue Service. The fiscal years 2013 through 2016 remain open to examination by the major jurisdictions in which we are subject to tax. Fiscal years outside the normal statutes of limitation remain open to audit by tax authorities due to tax attributes generated in those early years, which have been carried forward and may be audited in subsequent years when utilized.

Note 10. Segment Information

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer, our Chief Financial Officer, and our President. This group reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. We have one business activity and there are no segment managers who are held accountable for operations or operating results. Accordingly, we have a single reportable segment.

The following table sets forth revenue by geographic area based on the billing address of our customers (in thousands):

	Year Ended January 31,		
	2015	2016	2017
United States	$ 134,920	$ 343,625	$ 561,352
Rest of the world	39,531	96,708	166,625
Total revenue	$ 174,451	$ 440,333	$ 727,977

Long-lived assets by geographic area are summarized as follows (in thousands):

	January 31,	
	2016	2017
United States	$ 50,501	$ 78,692
Rest of the world	2,128	3,003
Total long-lived assets	$ 52,629	$ 81,695

Note 11. 401(k) Plan

We have a 401(k) savings plan (the 401(k) plan) which qualifies as a deferred salary arrangement under section 401(k) of the Internal Revenue Code. Under the 401(k) plan, participating employees may elect to contribute up to 100% of their eligible compensation, subject to certain limitations. We have not made any matching contributions to date.

Note 12. Related Party Transactions

Certain members of our board of directors are executive officers of our end customers. During the years ended January 31, 2015 , 2016 and 2017 , we recognized revenue of $2.1 million, $6.2 million and $6.2 million , respectively, from sales transactions to these end customers. We purchased $420,000 , $728,000 and $798,000 of products and related services from these end customers during the years ended January 31, 2015 , 2016 and 2017 .

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 31, 2017, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. Internal control over financial reporting consists of policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) are designed and operated to provide reasonable assurance regarding the reliability of our financial reporting and our process for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Our management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013)* . Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of January 31, 2017.

The effectiveness of our internal control over financial reporting as of January 31, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated herein by reference to our definitive proxy statement for our 2017 annual meeting of stockholders (2017 Proxy Statement), which will be filed not later than 120 days after the end of our fiscal year ended January 31, 2017 .

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to our 2017 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated herein by reference to our 2017 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated herein by reference to our 2017 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated herein by reference to our 2017 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Consolidated Financial Statements

We have filed the consolidated financial statements listed in the Index to Consolidated Financial Statements, Schedules, and Exhibits included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable, not material, or the required information is shown in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 28, 2017

PURE STORAGE, INC.

By: /s/ Scott Dietzen

Scott Dietzen

Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitute and appoint Scott Dietzen and Timothy Riitters, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Scott Dietzen Scott Dietzen	Chief Executive Officer and Director *(Principal Executive Officer)*	March 28, 2017
/s/ Timothy Riitters Timothy Riitters	Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 28, 2017
/s/ John Colgrove John Colgrove	Chief Technology Officer and Co-Chairman	March 28, 2017
/s/ Mike Speiser Mike Speiser	Co-Chairman	March 28, 2017
/s/ Aneel Bhusri Aneel Bhusri	Director	March 28, 2017
/s/ Mark Garrett Mark Garrett	Director	March 28, 2017
/s/ Anita M. Sands Anita M. Sands	Director	March 28, 2017
/s/ Frank Slootman Frank Slootman	Director	March 28, 2017
/s/ Michelangelo Volpi Michelangelo Volpi	Director	March 28, 2017

Exhibit Index

Exhibit Number	Description	Incorporation By Reference				Filing Date
		Form	SEC File No.	Exhibit		
3.1	Amended and Restated Certificate of Incorporation.	10-Q	001-37570	3.1		12/11/2015
3.2	Amended and Restated Bylaws.	S-1	333-206312	3.4		9/9/2015
4.1	Form of Class A Common Stock Certificate of the Company.	S-1	333-206312	4.1		9/9/2015
4.2	Reference is made to Exhibits 3.1 and 3.2.	—	—	—		—
10.1	Amended and Restated Investor Rights Agreement, by and between Pure Storage, Inc., and the investors listed on Exhibit A thereto, dated April 17, 2014, as amended.	S-1	333-206312	10.1		8/12/2015
10.2+	Pure Storage, Inc. Amended and Restated 2009 Equity Incentive Plan.	S-1	333-206312	10.2		8/12/2015
10.3+	Forms of Grant Notice, Stock Option Agreement and Notice of Exercise under the Pure Storage, Inc. 2009 Equity Incentive Plan.	S-1	333-206312	10.3		8/12/2015
10.4+	Pure Storage, Inc. 2015 Equity Incentive Plan.	S-1	333-206312	10.4		9/9/2015
10.5+	Forms of Grant Notice, Stock Option Agreement and Notice of Exercise under the Pure Storage, Inc. 2015 Equity Incentive Plan.	S-1	333-206312	10.5		9/24/2015
10.6+	Form of Restricted Stock Unit Grant Notice and Award Agreement under the Pure Storage, Inc. 2015 Equity Incentive Plan.	10-K	001-37570	10.6		3/25/2016
10.7+	Pure Storage, Inc. 2015 Employee Stock Purchase Plan.	S-1	333-206312	10.6		9/9/2015
10.8+	Form of Indemnity Agreement, by and between Pure Storage, Inc. and each director and executive officer.	S-1	333-206312	10.7		8/12/2015
10.9+	Offer Letter, by and between Pure Storage, Inc. and Scott Dietzen, dated September 14, 2010.	S-1	333-206312	10.8		8/12/2015
10.10+	Offer Letter, by and between Pure Storage, Inc. and David Hatfield, dated November 13, 2012.	S-1	333-206312	10.9		8/12/2015
10.11+	Offer Letter, by and between Pure Storage, Inc. and Timothy Riitters, dated July 14, 2014.	S-1	333-206312	10.10		8/12/2015
10.12+	Pure Storage, Inc. Change in Control Severance Benefit Plan.	S-1	333-206312	10.12		9/24/2015
21.1*	List of Subsidiaries.	—	—	—		—
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.	—	—	—		—
24.1*	Power of Attorney (see signature page to this report).	—	—	—		—
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—		—

Exhibit Number	Description	Incorporation By Reference Form	SEC File No.	Exhibit	Filing Date
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
101.INS	XBRL Instance Document	—	—	—	—
101.SCH	XBRL Taxonomy Extension Schema Document	—	—	—	—
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	—
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	—	—	—	—
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—

* Filed herewith.

** Furnished herewith.

\+ Indicates management contract or compensatory plan.

Exhibit 21.1

Subsidiaries of the Registrant

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Pure Storage Australia Pty Ltd	Australia
Pure Storage Austria, GmbH	Austria
Pure Storage Belgium BVBA	Belgium
Pure Storage Brazil Ltda	Brazil
Pure Storage Canada Limited	Canada
Pure Storage France SARL	France
Pure Storage Germany GmbH	Germany
Pure Storage Hong Kong Ltd	Hong Kong
Pure Storage Holdings Limited	Ireland
Pure Storage International Limited	Ireland
Pure Storage Italy, SRL	Italy
Pure Storage Japan KK	Japan
Pure Storage Malaysia SDN BHD	Malaysia
Pure Storage Mexico S. de R.L. de C.V.	Mexico
Pure Storage Netherlands BV	Netherlands
Pure Storage Singapore Pte Ltd	Singapore
Pure Storage South Africa (Pty) Limited	South Africa
Pure Storage Korea Co Ltd	South Korea
Pure Storage Spain, SL	Spain
Pure Storage Sweden AB	Sweden
Pure Storage Switzerland GmbH	Switzerland
Pure Storage International, Inc.	U.S.
Pure Storage LLC	U.S.
Pure Storage Ltd (UK)	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-210417 and 333-207315 on Form S-8 of our reports dated March 28, 2017, relating to the consolidated financial statements of Pure Storage, Inc. and its subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financing reporting, appearing in this Annual Report on Form 10-K of Pure Storage, Inc. for the year ended January 31, 2017.

/S/ DELOITTE & TOUCHE LLP

San Jose, California
March 28, 2017

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Dietzen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pure Storage, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	March 28, 2017	By:	/s/ SCOTT DIETZEN
			Scott Dietzen
			Chief Executive Officer
			(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
EXCHANGE RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy Riitters, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pure Storage, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	March 28, 2017	By:	/s/ Timothy Riitters
			Timothy Riitters
			Chief Financial Officer **(Principal Financial Officer)**

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Dietzen, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Pure Storage, Inc. for the fiscal year ended January 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result of operations of Pure Storage, Inc.

Date:	March 28, 2017	By:	/s/ Scott Dietzen
			Scott Dietzen
			Chief Executive Officer (Principal Executive Officer)

I, Timothy Riitters, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Pure Storage, Inc. for the fiscal year ended January 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result of operations of Pure Storage, Inc.

Date:	March 28, 2017	By:	/s/ Timothy Riitters
			Timothy Riitters
			Chief Financial Officer (Principal Financial Officer)

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of the Securities Exchange Act of 1934, as amended (Exchange Act), and are not to be incorporated by reference into any filing of Pure Storage, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.