

**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 fiscal year ended February 6, 2022

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
(State or other jurisdiction of
incorporation or organization)

27-1069557
(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:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.0001 per share	PSTG	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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 30, 2021, the last business day of the registrant's most recently completed second quarter, was approximately \$5.2 billion based upon the closing price reported for such date by the New York Stock Exchange. Shares of the registrant's Class A common stock held by each executive officer, director and holder of 10% or more of the outstanding Class A 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 29, 2022, the registrant had 298,498,932 shares of Class A common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's proxy statement for its 2022 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 February 6, 2022.

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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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), 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 growth and profitability, our expectations regarding demand for our products and services and trends in the external storage market, our expectations that sales prices may decrease or fluctuate over time, our plans to expand and continue to invest internationally, our plans to continue investing in marketing, sales, support and research and development, our shift to subscription services, including as-a-Service offerings, our expectations regarding fluctuations in our revenue and operating results, our expectations that we may continue to experience losses despite revenue growth, our ability to successfully attract, motivate, and retain qualified personnel and maintain our culture, our expectations regarding our technological leadership and market opportunity, our ability to realize benefits from our investments, including development efforts and acquisitions, 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 alternative offerings from incumbent, emerging and public cloud vendors, the potential disruptions to our contract manufacturers or supply chain, our expectations concerning relationships with third parties, including our partners, customers, suppliers, and contract manufacturers, the success of the Portworx acquisition and technology, the adequacy of our intellectual property rights, expectations concerning potential legal proceedings and related costs, the impact of adverse economic conditions and the duration and scope of the COVID-19 pandemic and related restrictions and its impact on our business, operating results, cash flows and/or financial condition.

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

Data is foundational to our customers' digital transformation, and we are focused on delivering innovative and disruptive data storage technologies, products and services that enable customers to maximize the value of their data.

We are a global leader in data storage and management with a mission to redefine the storage experience by simplifying how people consume and interact with data. Our vision integrates our foundation of simplicity and reliability with three major market trends that are impacting all organizations large and small: (1) adoption of the cloud operating model everywhere; (2) the increase of modern cloud-native applications; and (3) the shift to modernizing today's data infrastructure with all-flash.

Our products and subscription services support a wide range of structured and unstructured data, at scale and across any data workloads in hybrid and public cloud environments, and include mission-critical production, test and development, analytics, disaster recovery (DR), and backup and recovery.

Differentiated Technology

Innovation and technology leadership is core to our culture, products and services, and future growth strategies. We have developed highly differentiated technology that is the foundation of our portfolio of products and services and create significant and sustainable competitive advantages.

Flash Software and Hardware Leadership

We pioneered the use of solid-state, All-Flash technology in enterprise storage with a clean-slate approach to building Flash-based systems and have continued to expand our leadership position and technology differentiation across our tightly integrated software and hardware.

Our **Purity Software** was designed from the ground-up to maximize the benefits of solid-state storage. By focusing on All-Flash, our Purity software is able to deliver superior performance, reliability, cost, density and environmental sustainability efficiencies.

- **Performance** - Purity optimizes how data is placed and accessed on Flash to dramatically reduce the overheads and inefficiencies introduced by solid state drives (SSDs), allowing us to drive both higher performance and greater predictability.
- **Reliability** - Purity also makes it possible to optimize the use of Flash in our systems. This translates directly into high reliability and durability as well as longer service lifetimes of our arrays.
- **Efficiency** - Designed-for-flash algorithms and data structures allow us to deliver significantly higher storage efficiency from Flash than magnetic disk-based software by reducing over-provisioning or wasted Flash that would otherwise be needed. Our Purity software also delivers data reduction (e.g., compression and deduplication) creating significant savings and efficiencies for our customers.
- **Environmental Benefits** - Our Flash-optimized integrated hardware and software enables our products to deliver the same amount of data storage requiring one tenth the amount of power, space, cooling and e-waste of magnetic disk, and up to one fifth the amount of power and cooling of competitive all-flash systems, and half their space required.

Our Purity software is shared across our products and provides leading enterprise-class data services such as always-on data-reduction, data protection and encryption, as well as a wide range of storage protocols such as block, file and object.

The advantages unlocked by our Purity software are significantly amplified by our integrated DirectFlash hardware technology. With DirectFlash, we build Flash Modules designed to work directly with NAND Flash chips, highly integrated and optimized for our Purity software. This deep integration of hardware and software allows us to deliver even greater performance, reliability and efficiency from mainstream triple-level cell (TLC) flash and capacity-oriented quad-level cell (QLC) flash that delivers unparalleled density.

While QLC can make flash more economical, it requires significantly more sophisticated management, optimization and tuning to use effectively. With DirectFlash, we deliver the performance and density benefits of QLC flash, without compromising on efficiency, reliability or performance consistency. With DirectFlash, we are leading the industry, allowing us to accelerate the transition of disk to flash by replacing low-cost hybrid-flash and disk arrays.

Evergreen Architecture

Our Evergreen architecture means that our products do not become obsolete or require wholesale replacement like traditional systems. Evergreen allows our arrays to be upgraded non-disruptively, allowing our customers to continuously benefit from the latest hardware and software technology, reducing disruptive, costly and unnecessary product replacements. Several key technology elements are required to deliver on our Evergreen promise:

- **Future-proof Hardware** - We design and build our hardware platforms for higher reliability and longer service lifetimes to provide our customers the maximum benefit of Flash. Our hardware platforms are designed for each component (e.g. storage controllers, flash modules) to be independently replaceable and upgradable, allowing customers to have access to continuous and ever-improving hardware technology without requiring a wholesale replacement.
- **Non-Disruptive Upgrades** - A critical technology that allows us to keep customer systems continually up-to-date is the ability to upgrade both hardware and software completely non-disruptively. Continuous online improvement, without creating disruption or affecting running production systems, is required for customers to realize the full benefits of Evergreen and are a critical underpinning of delivering a full as-a-Service experience.
- **Telemetry and Pure1** - Continuous telemetry collection coupled with intelligent analytics supported by machine learning models allow us to proactively address issues before they occur. This capability delivers both predictive and proactive recommendations, targeted assessments, and workload planning based on knowledge accumulated across our entire fleet. Pure1 allows us to target and focus the most relevant innovation and improvements to our customers, delivered through Evergreen.

Sustainable Technology

Our technology differentiators also deliver significant environmental sustainability benefits. DirectFlash allows us to build the most efficient and densest flash modules which has a direct effect on both cost and power efficiency - by providing more effective storage with less physical equipment, we lower the costs of our systems as well as their environmental footprint.

The environmental benefits of this approach are outlined in our inaugural Environmental, Social and Governance (ESG) report, which shows that our arrays are up to 80% more energy efficient than competitive all-flash products. Additionally, two key environmental benefits of our Evergreen architecture include the reduction of both wasted energy and e-waste through non-disruptive upgrades and increased lifespan of our products. In fact, 97% of our arrays purchased six years ago are still in service. For more information about the ESG benefits of our technology, see our ESG report at <https://www.purestorage.com/company/corporate-social-responsibility.html>. This website reference is provided for convenience only, and the content on the referenced website is not incorporated by reference into this report.

Products and Subscription Services

Modernizing Infrastructure

We are leading the way to modernize storage infrastructure in our relentless pursuit of delivering the All-Flash Data Center.

- **FlashArray** is our solution for block-oriented storage, addressing database, application, virtual machine and other traditional workloads. *FlashArray* was the industry's first all-flash array and is driving the industry-wide transition from disk to Flash. *FlashArray* pioneered the approach of software designed from the ground-up for Flash and set the stage for industry leading simplicity, reliability, and rich data services. *FlashArray* has evolved through seven generations of controllers, a 100x increase in density, and a transition to all-NVMe flash - all delivered to customers non-disruptively through our Evergreen service. *FlashArray//XL*, our latest addition to the family, sets a new bar of higher performance, scale and capacity for the most demanding workloads.

- **FlashArray//C** is our all-QLC flash array, delivering the benefits of NVMe flash, performance and consolidation to simplify Tier-2 storage estates. *FlashArray//C* extends the core technology of *FlashArray* and DirectFlash technology to incorporate QLC flash to modernize and replace hybrid-flash and Tier-2 disk arrays. The benefits of QLC delivered by *FlashArray//C* are only achievable through our DirectFlash integrated hardware and software approach, and places us in a unique and differentiated position to accelerate the transition from disk to flash.
- **Cloud Block Store** provides customers with a consistent block storage experience and flexibility to operate a hybrid cloud model, leveraging both on-premise and public cloud infrastructure. *Cloud Block Store* is software-delivered, requires no dedicated hardware running in the public cloud or internet colocation data centers, and is designed to be multi-cloud, presently supporting Amazon Web Services and Microsoft Azure. *Cloud Block Store* is based upon the same Purity software that powers *FlashArray* in on-premise environments, enabling customers to easily implement hybrid cloud workflows.
- **FlashBlade** is our solution for unstructured data workloads of all types - from the most demanding modern "big data" applications such as real-time and log analytics, artificial intelligence (AI), commercial High Performance Computing (HPC) to data protection and recovery. *FlashBlade* was the industry's first all-flash array optimized for modern unstructured file and object applications, and enables performance at multi-Petabyte scale. *FlashBlade* is a scale-out system built on hardware and software technology that *FlashArray* also shares, combining integrated software-defined networking that delivers revolutionary performance and simplicity. *FlashBlade's* scale, simplicity, and multiple protocols allows customers to consolidate a diverse set of modern workloads while benefiting from cost-effective all-flash performance.

Modernizing Operations

We are committed to helping customers modernize their operations by delivering modern cloud-oriented services, management and automation to customers across their on-premises, private and public cloud environments. These elements form what we call the Cloud Operating Model.

- Our **Evergreen Subscription** service leverages our **Evergreen Storage** architecture, allowing us to modernize technology and seamlessly deliver new software and hardware components as customers upgrade and expand their storage needs.
 - Evergreen subscription services allows us to modernize our customer's arrays (hardware and software), delivering improvements in software, flash and CPU technology without disruption or downtime.
 - Renewal pricing for our Evergreen subscription services is "Flat and Fair," which means that our customers do not need to worry that we will increase the price of these valuable services at renewal.
 - Evergreen subscription services includes Pure1, our cloud-based management and support offering which allows us to deliver predictive and proactive insights that identify potential issues before they occur and provide intelligent advice on workload, capacity and performance based on machine-learning models.

Our Evergreen subscription services is a key driver of customer satisfaction (reflected in our industry-leading Net Promoter Score).

- **Pure as-a-Service** is our service offering built on our Evergreen Storage architecture which allows us to deliver the full cloud operating model to customers through service-level-agreements (SLA). Powered by *FlashArray*, *FlashBlade* and *Cloud Block Store*, *Pure as-a-Service* unifies on-premises and public-cloud storage services in a single storage subscription service that delivers a true hybrid cloud experience. With *Pure as-a-Service*, customers have flexibility to choose performance and capacity needs as well as where they consume and pay for their storage needs.
- **Pure Fusion**, anticipated to be generally available in the first half of fiscal 2023, brings the simplicity of the cloud operating model anywhere with on-demand consumption and back-end provisioning, delivering an autonomous storage-as-code management platform. Pure Fusion is delivered through a Software-as-a-Service (SaaS) management plane and enables storage administrators to unify storage arrays and optimize storage pools. Pure Fusion allows administrators to offer storage through customized storage service classes providing storage consumers on-demand API-access to storage services, while automating previously complex tasks, such as storage provisioning, workload placement, workload mobility, and fleet rebalancing.

Modernizing Applications

We are focused on helping customers modernize their applications- whether it is meeting the needs of modern unstructured data applications or supporting container-based cloud-native applications with the most robust and complete Kubernetes data platform.

- **Portworx** is the market leader in cloud-native Kubernetes data management. As most modern and new software development is shifting to cloud-native architectures, *Portworx* is the only data management platform that is able to provide robust enterprise-grade container-storage, coupled with data-protection workflows such as Kubernetes backup, DR and migration, and allows customers true portability between on-premise, hybrid cloud and multi-cloud environments.
- **Portworx Data Services (PDS)**, anticipated to be generally available in the first half of fiscal 2023, is the industry's first Database-as-a-Service Platform for Kubernetes. Modern applications are composed of dozens or even hundreds of microservices, often supported by multiple data services. Managing each of these data services in a dynamic, Kubernetes world is complex and time-consuming. With PDS, DevOps engineers can deploy managed, production-grade data services with the click of a button, on and across private and public clouds. With deployment options from the industry's broadest catalog of databases for SQL, NoSQL, search, streaming, and more, PDS helps developers get started faster. PDS also fully automates Day-2 operations, including monitoring, backups, high availability, DR, migration, auto-scaling, and security.

Our Product and Services Growth Initiatives

Our growth initiatives are driven by two significant secular trends - continued transition from disk to flash, and the cloud-driven adoption of cloud-native applications and the cloud operating model.

Our multi-faceted cloud business objectives include: (i) to be a leader in enabling cloud-native applications; (ii) enable portability of data services and applications across on-premise and cloud-environments; (iii) deliver the full cloud operating model - on-premises or in and across public clouds; and (iv) lead the transition from disk to flash in the hyperscalers and cloud providers.

Our focus across four growth initiatives described below enables us to participate in a \$60B+ fast growing storage and storage as-a-service Total Addressable Market (TAM).

Grow our subscription services business and drive differentiation with as-a-Service and Cloud operating model

We are leading in the storage as-a-service market. We are outperforming the market because we are focused on providing these services through our technology rather than merely creating a financial and professional services construct.

We pioneered the Evergreen upgradable architecture that brings the benefits of the cloud operating model to an on-premises storage purchase. *Pure as-a-Service* extends the Evergreen architecture and subscription to deliver storage to customers as capacity and performance SLAs in a much more flexible, optimized and efficient manner.

Deliver hybrid cloud architecture and data services for modern applications

We are extending our leadership position in delivering the cloud operating model and enabling cloud-native applications. We are empowering our customers to run and operate storage as-a-service, for both traditional and modern applications. We are committed to delivering a hybrid cloud architecture and advancing in the high-growth space of cloud-native applications. Our *Portworx* product is the leader in the enterprise container data space, providing customers a secure solution to both their primary container storage needs, as well as their critical data workflows like backup, DR and migration.

Portworx, along with *Cloud Block Store*, allows us to help customers make their hybrid-cloud real by enabling them to run and deploy both traditional and cloud-native apps on-premise and in-cloud with the same process and operations.

Our announcements in September 2021 of Pure Fusion and PDS extend our promise to deliver a true hybrid cloud architecture to hybrid environments. Pure Fusion extends the cloud operating model by automating the delivery of our storage offerings with a Kubernetes-delivered control plane. PDS creates another first mover advantage as we enable IT departments of our customers to provide and manage sophisticated data services with rapid deployment, scaling, management and self-service onboarding for their line of business users.

Gain market share in the core block All-Flash market through innovative leadership

We aim to take market share and outgrow the competition in the core all-flash block market with a proven “Simplicity at Scale” strategy, our highly differentiated customer experience with our Evergreen construct, and additional enterprise and service provider features and capabilities. Our core technology is also charting the path in the hyperscale and large enterprise environments for mainstream flash adoption which were previously dominated by mechanical disk.

Expand All-Flash into new used cases served by disk today

We continue to drive industry disruption by further expanding flash into historical disk use cases, leveraging our flash software leadership, currently with QLC. We see a tremendous growth opportunity as Flash economics coupled with the growth in unstructured data disrupt the current hybrid and mechanical disk market.

Our extended advantage stems from three technology differentiators: Our leadership with direct-to-NAND software, our integrated hardware/software direct flash modules, and our data reduction capabilities. Because of our highly sophisticated Flash management software requiring less NAND, we drive significant efficiency advantages over SSDs by eliminating over-provisioning, extending endurance and requiring far less common equipment.

Modern unstructured data workloads, including artificial intelligence/machine learning (AI/ML), genomics, Internet of Things (IoT), self-driving vehicles, and analytics, are some of the largest generators of data. They require not just performance and scale, but dozens of applications working with that data along the way as it is collected, indexed, processed and analyzed. It requires unifying unstructured data access, which is inherent in our *FlashBlade* product, across file and object protocols, across input/output (I/O) types, and across application demands.

FlashBlade, combined with our multi-year advantage in flash technology and our leadership with *Portworx*, puts us in a unique position to win at the confluence of the growth of unstructured data and modern applications.

Our Customers

Our global customer base is over 10,000 at the end of fiscal 2022. Both large enterprises and smaller organizations with limited IT expertise or budgets benefit from using our technology. We have deployed our products and subscription services to customers across multiple industry verticals and geographies. We define a customer as an entity that purchases our products and services either from one of our channel partners or from us directly.

Our enterprise business model supports the largest global organizations, including hyperscalers and managed service providers (MSPs). Today, we are in over 50% of Fortune 500 companies, and the loyalty of our customers is reflected in our market-leading, certified customer Net Promoter Score (NPS) of 85.2 in 2021.

Sales and Marketing

Sales. We sell our products and subscription services using a direct sales force and our channel partners. Our sales organization is supported by sales engineers with deep technical expertise and responsibility for pre-sales technical support, solutions engineering and technical training. Our channel partners sell and market our products and subscription services in partnership with our direct sales force. This joint sales approach provides us with the benefit of direct relationships with 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 invest in our channel partners.

Technology Alliances. We work closely with technology partners that help us deliver an ecosystem of world-class solutions to our customers and ensure the efficient deployment and support of their environments. Our technology partners include application partners such as VMWare, Microsoft, Oracle and SAP, cloud partners such as AWS, Microsoft Azure, Google, and IBM, data protection partners such as Cohesity, Commvault and Veeam and infrastructure partners such as Cisco and NVIDIA. 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 and demand generation for our sales force and channel partners. Our marketing effort consists primarily of product, field, channel, solutions, digital marketing and public relations.

Research and Development

Our research and development efforts are focused on innovation, building new features and functionality for our existing products and subscription services, developing software, and building 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. Our research and development teams are primarily based in Mountain View, California, Bellevue, Washington, Prague, Czech Republic, Vancouver, Canada and Bangalore, India. 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 continue investing globally in significant resources for our ongoing research and development efforts.

Manufacturing

Our contract manufacturers manufacture, assemble, test and package our products in accordance with our specifications. We provide our contract manufacturers with 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. We continue to face various supply-chain challenges which ultimately could negatively impact our contract manufacturers and suppliers to source parts and build and deliver our products in a timely manner. Our supply chain challenges also include pricing pressure for certain materials as well as logistics. We work closely with our contract manufacturers to meet our product delivery requirements and to manage the manufacturing process and quality control.

Seasonality

We generally experience seasonality as sales of our products and subscription services are usually lower during the first quarter of our fiscal year and highest during the last quarter of our fiscal year. As a result, we expect that our business and results of operations will fluctuate from quarter to quarter.

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 include legacy vendors, such as Dell EMC, Hitachi Vantara, HP Enterprise, IBM, and NetApp, each of which offer a broad range of systems targeting various use cases and end markets and have the technical and financial resources to bring competitive products to market.

In addition, we compete against cloud providers and vendors of hyperconverged products. Some large-scale cloud providers, known for developing storage systems internally, offer alternatives to our products for a variety of customer workloads. Our market attracts new startups and more highly specialized vendors, as well as other vendors that may continue to acquire or bundle products that compete with our offerings. 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 and service innovation, features and enhancements, including ease of use, performance, reliability, scalability, and security;
- Product and service pricing and total cost of ownership;

- Product interoperability with customer networks and backup software;
- Product designs that help customers reduce their carbon footprint and contribute to meeting their environmental sustainability and savings goals;
- Global sales and distribution capability, including an ability to build and maintain senior customer relationships;
- Ability to take advantage of improvements in industry standard components; and
- Customer support and service.

We believe we compete favorably with our competitors on these factors as we continue to take market share. 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 2,000 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.

Human Capital Resources

Our People and Organization

We are committed to demonstrating our core values—customer-first, persistence, creativity, teamwork, and ownership — and we believe that the interplay of strategy, organization, talent, and culture enables us to achieve outstanding results for all of our stakeholders.

Our workforce is distributed over 39 countries and we employ over 4,200 employees globally - approximately 3,000 in the U.S. and over 1,200 internationally as of the end of fiscal 2022. Our business growth presents us with the opportunity to attract talent and provide competitive employee value propositions in terms of work environment, pay, benefits, professional development and career growth opportunities that help meet the varying needs of our workforce, although we face competition to retain our highly skilled technical and functional employees.

Our human capital strategy is developed by our executive committee and led by our Chief Human Resources Officer (CHRO). The CHRO delivers human capital reports to our board of directors and compensation and talent committee on a quarterly basis.

Diversity, Equity, and Inclusion (DEI)

We acknowledge that our industry and our company have a long journey ahead of us on DEI. Our efforts to attract and retain diverse talent have enabled us to gradually improve gender and ethnic representation in recent years. We monitor the career progression ratio of female and under-represented groups versus the overall workforce quarterly to ensure equitable promotion practices. Our performance management process contemplates specific steps to ensure that talent differentiation happens for the groups of impact to our business and we conduct internal pay equity analyses to ensure appropriate pay is provided to everyone. Approximately 1,200 of our employees are members of at least one of the six Employee Resource Groups that meet monthly and continue to be the fabric of our inclusive culture.

We are pleased that our performance in our DEI efforts is trending in the right direction, and we remain committed to sustaining our focus on diverse talent sourcing and hiring to achieve healthy representation in candidate slates and interviewer panels and the talent we employ.

Attracting, Developing and Retaining Talent

In fiscal 2022, we grew headcount by approximately 10%, predominantly to advance our innovation, customer experience, and sales coverage.

We are advancing our talent management practices with emphasis on holistic performance management, succession and career planning, and leadership and skills development. Nearly 100% of our employees conduct periodic self-evaluations of their individual goals, strengths, career aspirations, and development focus areas, and engage in periodic touchpoints with their leaders. Moreover, we strongly differentiate rewards and are transparent with our employees in terms of how their impact is perceived.

In the past year, we continued to expand our learning and development program offerings and remained focused on building our leaders of tomorrow with a suite of digital learning, skills development workshops, coaching and mentoring offerings for all employees globally.

Our Culture as a Competitive Advantage

A myriad of employee listening tools and data sources indicate that our high employee engagement is a key enabler of the positive customer experience and strong net promoter scores. Our employee engagement scores in November 2021 ranked higher than the top quartile of companies in the high-tech industry, signaling a strong culture of pride, satisfaction, and belonging that drives our employees to stay and recommend us as a great place to work. Our bi-annual Employee Voice Survey focuses on measuring employee engagement, organization, team and manager effectiveness, equity, inclusion and belonging, career development and mental health. Our employee NPS has been consistently high since we started this survey a few years ago. Through our Speak Up Policy, Code of Conduct, and Culture of Compliance survey, employees are empowered to use their voice and be transparent without fear of retaliation.

Total Rewards

We provide competitive and fair compensation and innovative benefit offerings. We regularly benchmark our programs against the market to ensure we are delivering competitive salaries, variable pay and equity awards as well as health and welfare benefits to employees. We offer a comprehensive and tailored set of benefits to employees and their families, including wellness programs and parental and adoption leave.

Readying Ourselves for the Future of Work

Looking to a post-COVID world, we are shifting to a hybrid workforce where offices will offer more collaborative spaces and working from home will become part of the regular week.

Environmental, Social and Governance (ESG)

We are committed to advancing our responsible ESG practices and impact across three key pillars: our technology, our operations, and our people. Our board provides oversight of each pillar through its committees, with the Audit and Risk Committee overseeing Environment, the Compensation and Talent Committee overseeing Social and the Nominating and Corporate Governance Committee overseeing Governance. In addition, the board receives an annual update on ESG practices and our progress in tracking towards our goals.

Senior management sponsors the integration of ESG priorities throughout our business operations. Our Head of Social Impact and Sustainability, along with an Environmental Steering Committee composed of cross-functional stakeholders, meets monthly to discuss and communicate business priorities, communications and disclosures related to Sustainability and ESG.

In 2021, we embarked on quantifying our greenhouse gas (GHG) footprint. In 2022, we published our inaugural ESG report. We remain committed to progressing on each of our key ESG initiatives, creating value with minimal environmental harm. For more information about our key ESG initiatives, see our ESG report at <https://www.purestorage.com/company/corporate-social-responsibility.html>.

Available Information

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.

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. In addition, 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.

Trademark Notice

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Item 1A. Risk Factors.

Investing in our Class A common stock, which we refer to as our "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 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 common stock could decline and investors might lose all or part of their investment.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties, many of which are beyond our control. Some of the principal risks associated with our business include the following:

- Our business, operating results, cash flows and financial condition may be adversely impacted by a rising rate of inflation.
- We have experienced and expect to continue to experience supply chain challenges which has caused and may continue to cause delays in the shipments of our products, and increased costs of certain components as well as logistics related costs. These supply chain challenges may adversely affect our relationships with current and prospective customers and our results of operations.
- If our security measures, or those maintained on our behalf, are compromised now, or in the future, or the security, confidentiality, integrity or availability of our information technology, software services, networks, products, communications or data is compromised, limited, or fails, our business could experience a material adverse impact.
- If we fail to develop and introduce new or enhanced products successfully, our ability to attract and retain customers could be harmed and reduce our revenue.
- If we fail to manage our transition to subscription offerings successfully, our revenues and results of operation may be harmed.
- Our products are highly technical and may contain defects or bugs, which could cause data unavailability, loss, breach or corruption that might, in turn, result in liability and harm to our reputation and business.
- The rapidly evolving market for data storage products makes it difficult to forecast demand for our products.
- Our business may be harmed by trends in the overall external storage market.
- We face intense competition from established companies and new entrants.
- Many of our competitors have long-standing relationships with key decision makers at current and prospective customers, which may inhibit our ability to compete.
- We intend to continue focusing on revenue growth and increasing our market penetration and international presence by investing heavily in our business, which may put pressure on near-term profitability.
- Our gross margins are impacted by a variety of factors and vary from period to period, making them difficult to predict with certainty.
- 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.
- The sales prices of our products and services may fluctuate or decline, which may reduce our gross profits, revenue growth, and adversely impact our financial results.

Risks Related to Our Business and Industry

Our business, operating results, and cash flows may be adversely impacted by a rising rate of inflation.

Due to supply chain constraints and labor shortages, including as a result of the ongoing COVID-19 pandemic, there have been recent significant inflationary trends in the cost of components, labor and freight costs and other expenses. These inflationary pressures could affect wages, the cost and our ability to obtain components, the price of our products and services, our ability to meet customer demand, our gross margins and operating profit. Inflation may further exacerbate other risks discussed in this “Risk Factors” section, such as risks related to our sales and marketing efforts and our ability to attract, motivate and retain sales, engineering and other key personnel. If we are unable to successfully manage the effects of inflation, our business, operating results, cash flows and financial condition may be adversely affected.

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

We rely on a limited number of contract manufacturers to manufacture our products, which 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, including due to the COVID-19 pandemic or the Russian invasion of Ukraine, our ability to timely ship products to our customers will be impaired, potentially on short notice, and our competitive position, reputation and financial results could be harmed. If we are required, for whatever reason, 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 exacerbate other risk factors and 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 our 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. If we are unable to obtain components from our existing suppliers, we may need to obtain these components through secondary sources or markets which could result in higher costs, delays and/or components which do not meet our quality requirements. While we actively monitor and manage our supply chain, we cannot anticipate the potential impact that new or current restrictions due to COVID-19, manufacturing constraints or the Russian invasion of Ukraine, may have on the manufacturing and shipment of our products.

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

- the inability to obtain an adequate supply of key components, including flash;
- 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, discontinuing the manufacture of components or increasing the price of components.

Further, some of the components in our products are sourced from component suppliers outside the United States, including from China. The portion of our products that are sourced outside the United States may subject us to additional logistical risks or risks associated with complying with local rules and regulations in foreign countries. Significant changes to existing international trade agreements could lead to sourcing or logistics disruption resulting from import delays or the imposition of increased tariffs on our sourcing partners. For example, there have been discussions regarding potential significant changes to U.S. trade policies, legislation, treaties and tariffs, and the United States and Chinese governments have announced import tariffs by both countries. If any new legislation and/or regulations are implemented, if existing trade agreements are renegotiated or terminated, or if tariffs are imposed on foreign-sourced or U.S. goods, it may be inefficient and expensive for us to alter our business operations in order to adapt to or comply with such changes. Such operational changes could have a material adverse effect on our business, financial condition, results of operations or cash flows.

As a result of these risks, we cannot assure investors that we will be able to obtain a sufficient supply 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. 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 components at competitive prices. Any of the foregoing disruptions could exacerbate other risk factors and increase our costs and decrease our gross margins, harming our business, operating results and financial condition.

If we do not manage the supply of our products and their components efficiently, our results of operation could be adversely affected.

Managing the supply of our products and underlying components is complex and has become increasingly difficult, in part, due to supply chain constraints, component quality and inflationary pressure. 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 orders 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. 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 exacerbate other risk factors and 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.

Our business, operating results, cash flows and financial condition have been affected by the COVID-19 pandemic, including the resulting global economic uncertainty and measures taken in response to the pandemic, the impacts of which will depend on ongoing and future developments, which are highly uncertain and difficult to predict.

The COVID-19 pandemic has resulted in significant global social and business disruption and economic contraction. The pandemic has impacted our business and has also put unprecedented strains on governments, health care systems, educational institutions, businesses and individuals around the world. The ongoing impact on the global population and the magnitude and duration of the COVID-19 pandemic is difficult to assess or predict. It is even more difficult to predict the ongoing impact on the global economic market, which will be highly dependent, among other things, upon the actions of governments, businesses and other organizations in response to the pandemic and the effectiveness of those actions.

The extent and continued impact of the COVID-19 pandemic on our business and operational and financial performance is uncertain and depends on many factors, including the duration and spread of the outbreak; the availability and effectiveness of vaccines; government responses to restrictions and regulations related to the pandemic; impact on our customers and our sales efforts and cycles; impact on our customer, industry or employee events; impact of supply chain constraints, component quality and inflation, and effect on our partners, vendors and suppliers, much of which is uncertain and outside of our control. Potential negative impacts of these external factors include, but are not limited to, material adverse effects on demand for our products and services, including due to budget constraints and other uncertainties; our ability to gain new customers; our employee productivity; our supply chain and sales and distribution channels; collectability of customer accounts; our ability to execute strategic plans; impairments; and our profitability and cost structure.

Further, the COVID-19 pandemic has enhanced, and may further exacerbate, other risks discussed in this “Risk Factors” section, particularly risks associated with demand, market trends, supply chain, relationship building and sales efforts, as well as risks affected by the shift to our workforce largely working from home. We are continuing to monitor the pandemic and intend to continue taking appropriate steps in accordance with the recommendations and requirements of relevant authorities.

The rapidly evolving market for data storage products makes it difficult to forecast demand for our products.

The market for data storage products is rapidly evolving. Changes in the application requirements, data center infrastructure trends and the broader technology landscape result in evolving customer requirements for capacity, scalability and other enterprise features of storage systems. Our future financial performance depends on our ability to adapt to competitive dynamics and emerging customer demands and trends. The introduction of all-flash storage products by incumbent vendors and changes or advances in alternative technologies or adoption of cloud storage offerings that do not utilize our storage platform could adversely affect the demand for our products. Offerings from large public cloud providers are expanding quickly and serve as alternatives to our products for a variety of customer workloads. Since these providers are known for developing storage systems internally, this trend reduces the demand for storage systems developed by original equipment manufacturers, such as us. It is difficult to predict with any precision customer adoption rates of new offerings, customer demand for our products or the future growth rate and size of our addressable market. A slowing or reduction in demand for our data storage products caused by technological challenges, alternative technologies and products or any other reason would result in a lower revenue growth rate or decreased revenue, either of which would negatively impact our business and operating results.

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 substantial growth in the past few years due to a combination of technology transitions, increased storage efficiency, competitive pricing dynamics and changing economic and business environments. Customers are rethinking how they consume IT, increasing spending toward the public cloud, software as a service, hyperconverged and converged infrastructure and software-defined storage. Any failure on our part to accurately predict trends, successfully update our product offerings or to adapt our sales programs to meet changing customer demands could harm our business, operating results and financial condition. The future impact of these trends on both the short-term and long-term growth of the overall external storage market is uncertain. Reductions in the overall external storage market or the specific markets in which we compete would harm our business and operating results.

We face intense competition from established companies and new entrants.

We face intense competition from a number of established companies that sell competitive storage products, including Dell EMC, HP Enterprise, Hitachi Vantara, IBM, NetApp and others. Our competitors may have:

- greater name and brand 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 compete against cloud providers and vendors of hyperconverged products, which combine compute, networking and storage. These providers are growing and expanding their product offerings, potentially displacing some demand for our products. In addition, some of our competitors offer bundled products and services in order to reduce the initial cost of their storage products. Further, some of our competitors offer their storage products either at significant discounts or even for free in competing against us.

Many competitors have developed or acquired competing storage technologies with features or data reduction technologies that directly compete with our products or have introduced business programs designed, among other things, to compete with our innovative programs, such as our *Evergreen Storage* model. We expect our competitors to continue to improve their products, reduce their prices and introduce new features, services and technologies that may, or may claim to, offer greater value compared to our products. In addition, these developments may render our products or technologies obsolete or less competitive. These and other competitive pressures may prevent us from competing successfully against our current or future competitors.

Many of our competitors have long-standing relationships with key decision makers at current and prospective customers, which may inhibit our ability to compete.

Many of our competitors benefit from established brand awareness and long-standing relationships with key decision makers at our current and prospective customers. Our competitors often leverage these existing relationships to discourage customers from evaluating or purchasing our products. Additionally, most of our prospective customers have existing storage products supplied by our competitors who have an advantage in retaining the customer because, among other things, the incumbent vendor already understands the customer's IT infrastructure, user demands and needs, or the customer is concerned about actual or perceived costs of switching to a new vendor and technology, particularly during the uncertainty created by COVID-19. If 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 would adversely affect our business and operating results.

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

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 negative or misleading 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.

If we fail to successfully maintain or grow our relationships with 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 our partners, including value-added resellers, service providers and systems integrators. In addition to selling our products, our partners may offer installation, post-sale service and support 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 provided to our customers, could harm our business, operating results and financial condition.

Our 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. 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 sales cycles can be long, unpredictable and expensive, making it difficult for us to predict future sales.

Our sales efforts involve educating our customers about the use and benefits of our products and often involves an evaluation process that can result in a lengthy sales cycle, particularly for larger customers. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce any sales. COVID-19 has impacted our sales efforts, such as limiting our ability to travel for or host in-person meetings or events. In addition, product purchases are frequently subject to budget constraints, multiple approvals and unplanned administrative and other delays. Some of our customers make large concentrated purchases to complete or upgrade specific data storage deployments. As a consequence, our quarterly revenue and operating results may fluctuate from quarter to quarter. 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 revenue from a product sale is not recognized until performance obligations are satisfied, a substantial portion of our sales late in a quarter may negatively impact the recognition of the associated revenue. 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. These factors, among others, make it difficult for us to predict when customers will purchase our products, 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.

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

Sales to U.S. federal, state, local and foreign governmental agencies may in the future account for a significant portion of our revenue and sales to governmental agencies impose additional challenges and risks to our sales efforts. 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, including in connection with an extended federal government shutdown, 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. Finally, 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.

Risks Related to Our Products and Subscription Services Offerings

If we fail to develop and introduce new or enhanced products successfully, our ability to attract and retain customers 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, functionality and reliability and that meet the expectations of our customers, which is a complex and uncertain process. We believe that we must continue to dedicate significant resources to our research and development efforts, and innovate business models such as *Pure as-a-Service* to maintain or expand our competitive position. Our investments may take longer to generate revenue or may generate less revenue than we anticipate. The introduction of new products by our competitors, or the emergence of alternative technologies or 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 and encourage our customers to adopt new products and features. 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 our customers' needs in a timely or cost-effective fashion, we may lose market share and our operating results could be adversely affected.

If we fail to execute our transition to subscription offerings successfully, our revenues and results of operation may be harmed.

We are now offering all of our products and services on a subscription basis, including our hardware and software products through *Pure as-a-Service* and *Cloud Data Services*. These business models are relatively new to the storage market and will continue to evolve, and we may not be able to compete effectively, drive continued revenue growth or maintain the profitability with these business models. These business models require different accounting of our customer transactions, such as changing how we recognize revenue and capitalize commissions, among other things. Continued market acceptance of subscription offerings will be dependent on our ability to create a seamless customer experience and to optimally price our products in light of marketplace conditions, our costs and customer demand. Subscription offerings will cause us to incur incremental operational, technical, legal and other costs. Additionally, the subscription models offered by us and our competitors may unfavorably impact the pricing of and demand for our on-premise offerings, which could reduce our revenues and profitability. If we do not successfully execute our business strategy, which includes subscription offerings, or anticipate the needs of our customers, our financial results could be negatively impacted.

Our products are highly technical and may contain defects or bugs, which could cause data unavailability, loss, breach or corruption that might, in turn, result in liability 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 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. We have, from time to time, identified vulnerabilities in our products. Despite our efforts to detect and remediate actual and potential vulnerabilities in our systems, we cannot be certain that we will be able to address any such vulnerabilities, in whole or part, and there may be delays in developing and deploying patches and other remedial measures to adequately address vulnerabilities. We may also incur unexpected costs associated with replacing defective hardware or ensuring that hardware remains interoperable and upgradable. Any of these errors, defects, bugs or security vulnerabilities may leave us, our products and our customers susceptible to exploitation, including by malicious actors. Any errors, defects or security vulnerabilities in our products could result in a loss of revenue, injury to our reputation, 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. We may not be able to enforce provisions in our contracts relating to warranty disclaimers and liability limitations. Defending a lawsuit, regardless of its merit, would be costly and could divert management's attention and adversely affect the market's perception of us and our products. Our business liability insurance coverage may be inadequate with respect to a claim and future coverage may not be available 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.

If we are unable to ensure that our products interoperate with third party operating systems, software applications and hardware, we may lose or fail to increase our market share.

Our products must interoperate with our customers' infrastructure, specifically networks, servers, software and operating systems, which are offered by a wide variety of vendors. When new or updated versions of these operating systems or applications are introduced, we may need to develop updated versions of our software so that our products continue to interoperate properly. We may not deliver or maintain interoperability quickly, cost-effectively or at all as 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 an IT environment. The servers, network, software and other components and systems deployed by our customers must comply with established industry standards in order to interoperate and function efficiently together. We depend on companies that provide other systems in this ecosystem to conform to prevailing industry standards. These companies are often 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, sales 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 by our customers, 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.

Risks Related to Our Operating Results or Financial Condition

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

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.

Our strategy is to continue investing in marketing, sales, support and research and development. We believe continuing to invest heavily in our business is critical to our future success and meeting our growth objectives. We anticipate that our operating costs and expenses will continue to increase in absolute terms. Even if we achieve or maintain significant revenue growth, we may continue to experience losses, forgoing near-term profitability on a U.S. GAAP basis.

Our gross margins are impacted by a variety of factors and vary from period to period, making them difficult to predict with certainty.

Our gross margins fluctuate from period to period due primarily to product costs, customer mix and product mix. A variety of factors may cause our gross margins to fluctuate and make them difficult to predict, including, but not limited to:

- 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 components, including flash and DRAM, and freight;
- new product introductions and enhancements with higher product costs;
- excess inventory levels or purchase obligations 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 chain constraints, accommodate unforeseen demand or support new product introductions; and
- inflation and other adverse economic pressures.

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, a portion of which are outside of our control. As a result, comparing our results on a period-to-period basis may not be meaningful.

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;
- the impact on timing and amount of revenue recognized resulting from the cancellation of unfulfilled orders by our customers or our inability to fulfill orders;
- fluctuations or seasonality in demand and prices for our products;
- our ability to control the costs of the components we use or to timely adopt subsequent generations of components;
- disruption in our supply chains, shipping logistics, 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 new products and product enhancements that meet customer requirements and to effectively manage product transitions;
- changes in the competitive dynamics of our markets, including new entrants or discounting of product prices;
- our ability to control or mitigate costs, including our operating expenses, to support business growth and our continued expansion;

- the impact of inflation on labor and other costs, other adverse economic conditions and the impact of public health epidemics or pandemics, such as the COVID-19 pandemic; and
- future accounting pronouncements and changes in accounting policies.

The occurrence of any one of these factors could negatively affect our operating results in any particular quarter.

The sales prices of our products and services may fluctuate or decline, which may reduce our gross profits, revenue growth, and adversely impact our financial results.

The sales prices of our products and services may fluctuate or decline for a variety of reasons, including competitive pricing pressures, discounts, the introduction of competing products or services or promotional programs, a change in our mix of products and services, cost of components, supply chain constraints and inflation and other adverse economic conditions. 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 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 prices for our products will decrease over product life cycles. If we are required to decrease our prices to be competitive and are not able to offset this decrease by increases in the volume of sales or the sales of new products with higher margins, our gross margins and operating results could be adversely affected.

We have experienced growth in prior periods, and we may not be able to sustain future growth effectively or at all.

We have significantly expanded our overall business, customer base, headcount, channel partner relationships and operations in prior periods, and we anticipate that we will continue to expand and experience growth in future periods. For example, we delivered year-over-year revenue growth of 29% for fiscal 2022 and our headcount increased from over 3,400 at the end of fiscal 2020 to over 3,800 employees at the end of fiscal 2021, and to over 4,200 employees at the end of fiscal 2022. Our future operating results will depend to a large extent on our ability to successfully sustain our growth and manage our continued expansion. To sustain and manage our growth successfully, we believe that we must, among other things, effectively allocate resources and operate our business across a wide range of priorities.

We expect that our future growth will continue to place 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. Investors should not consider our revenue growth in prior quarterly or annual periods as indicative of our future performance. In future periods, we may not 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. If we are unable to manage our growth successfully, we may not be able to take advantage of market opportunities or release new products or enhancements 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 impact our growth and affect our business and operating results.

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

Existing customers may not renew their subscription services agreements after the initial period and, given changing customer purchasing preferences, 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 products, customer support and pricing 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. 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 subscription services 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 of subscription services are not immediately reflected in full in our results of operations.

Our revenue from subscription services has been increasing as a percentage of total revenue over time. We are also increasing the number of our subscription-based offerings, such as *Pure as-a-Service*, though it is more difficult to predict the rate at which customers will adopt, and the rate at which our revenue will grow from these new offerings. We recognize subscription services revenue ratably over the term of the relevant period. As a result, much of the subscription services revenue we report each quarter is derived from agreements that we sold in prior quarters. Consequently, a decline in new or renewed subscription services 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 subscription services is not reflected in full in our results of operations until future periods. It is also difficult for us to rapidly increase our subscription services revenue through additional sales in any period, as revenue from renewals must be recognized ratably over the applicable service period.

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 support business initiatives, 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 we undertake 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. 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.

Risks Related to Our Operations

If our security measures, or those maintained on our behalf, are compromised now, or in the future, or the security, confidentiality, integrity or availability of our information technology, software services, networks, products, communications or data is compromised, limited, or fails, our business could experience a material adverse impact, including without limitation, a material interruption to our operations, harm to our reputation, a loss of customers, significant fines, penalties and liabilities, or breach or triggering of data protection laws, privacy policies or other obligations.

In the ordinary course of our business, we collect, store, transmit and otherwise process proprietary, confidential and sensitive data including by using 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, on occasion, include personally identifiable information. Additionally, we design and sell products that allow our customers to store their data. The security of our own networks and the intrusion protection features of our products are both critical to our operations and business strategy.

Cyberattacks, malicious internet-based activity and online and offline fraud are prevalent and continue to increase. These threats are becoming increasingly difficult to detect. The threats to information systems and information may include: traditional computer “hackers,” social engineering schemes (for example, attempts to induce fraudulent invoice payments or divert money to us), software bugs, malicious code (such as viruses and worms), personnel misconduct or error, faulty password management, theft, denial-of-service attacks (such as credential stuffing), advanced persistent threat intrusions, as well as attacks from nation-state and nation-state supported actors. We may also be the subject of phishing attacks, viruses, malware installation, server malfunction, software or hardware failures, loss of data or other computer assets, adware and other similar issues. Additionally, ransomware attacks, including those from organized criminal threat actors, nation-states and nation-state supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions, delays, or outages in our operations, disruptions in our services, loss of data, loss of income, significant extra expense to restore data or systems, reputational loss and the diversion of funds. To alleviate the financial, operational and reputational impact of a ransomware attack, it may be preferable to make extortion payments, but we may be unwilling or unable to do so (including, for example, if applicable laws or regulations prohibit such payments). Similarly, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our platform, systems and network or the systems and networks of third parties that support us and our business.

We devote significant resources to network security, authentication technologies, data encryption and other security measures designed to protect our systems and data, including to secure the transmission and storage of data and prevent third-party access to our data or accounts, but there can be no assurance that our security measures or those of our service providers, partners and other third parties upon whom we rely will be effective in protecting against a security incident or the materially adverse impacts that may arise from a security incident. Any destructive or intrusive breach of our internal systems could result in the information stored on our networks, including, without limitation, source code for our products and services, or the networks and systems of third parties upon whom we rely 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 our and our 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 were to occur and we were unable to protect our products, systems and data, or if we were perceived to have such a security incident, 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, including, without limitation, class action litigation, and other possible liabilities. A security incident could also result in government enforcement actions that could include investigations, fines, penalties, audits and inspections, additional reporting requirements and/or oversight, temporary or permanent bans on all or some processing of personal information.

Moreover, applicable data protection laws, contracts, policies and other data protection obligations may require us to notify relevant stakeholders of security incidents, including affected individuals, customers, regulators, and credit reporting agencies. Such disclosures are costly and the disclosures or the failure to comply with such requirements could lead to material adverse impacts such as negative publicity, loss of customer confidence in our services our security measures, investigations and private or government claims. Security incidents that impact our information technology systems could also result in breaches of our contracts (some of which may not have liability limitations and/or require us to indemnify affected parties) and could lead to litigation with customers, partners or other relevant stakeholders. These proceedings could force us to spend money in defense or settlement, divert management’s time and attention, increase our costs of doing business and adversely affect our reputation or otherwise adversely affect our business.

If we are unable to attract, motivate and retain sales, engineering and other key personnel, including our management team, we may not be able to increase our revenue and our business, operating results and financial condition could be harmed.

Our ability to increase our revenue depends on our ability to attract, motivate, 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. 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 may need a significant amount of time to train new employees before they are effective and efficient in performing their jobs. Further, the COVID-19 pandemic has introduced new challenges regarding workforce planning, employee expectations regarding the ability to work from home or remotely and maintaining employee productivity, as well as higher employee turnover and slower hiring rates. If we are unable to adequately address these challenges, our ability to recruit and retain employees and to ensure employee productivity could be negatively affected. From time to time, there may be changes in our management team, which could create short term uncertainty. All of our employees, including members of our management team and 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 or if they are unable to work effectively or at all due to the COVID-19 pandemic, our business and operating results could suffer.

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

We need to continue to expand and optimize our sales organization 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. We must design and implement effective sales incentive programs, and it can take time before new sales representatives are fully trained and productive. We must adapt our sales processes for new sales and marketing approaches, including those required by our shift to subscription services and the changes resulting from the pandemic. 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 these investments or increase our revenue and our business and operating results could 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 our company culture has been a critical contributor to our success. Our culture fosters innovation, creativity, teamwork, passion for customers and focus on execution, and facilitates critical knowledge transfer and knowledge sharing. In particular, we believe that the difference between our sales, support and engineering cultures and those of incumbent vendors, is a key competitive advantage and differentiator for our customers and partners. As we grow and change or are required to adapt to changes in business operations as a result of the COVID-19 pandemic, 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.

Our long-term success depends, in part, on sales outside of the United States, which subjects us to costs and risks associated with international operations.

We maintain operations outside of the United States, which we have been expanding and intend to continue to expand in the future. As a company headquartered in the United States, conducting and expanding international operations subjects us to costs and risks that we may not generally face in the United States, including:

- exposure to foreign currency exchange rate risk;
- difficulties in collecting payments internationally;
- managing and staffing international operations;
- public health pandemics or epidemics, such as the COVID-19 pandemic;
- establishing relationships with channel partners in international locations;

- increased travel, infrastructure and legal compliance costs associated with international locations;
- requirements to comply with a wide variety of laws and regulations associated with international operations, including taxes and customs;
- significant fines, penalties and collateral consequences if we or our partners 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, war 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.

Our international operations, as well as U.S. tax reform, could expose us to potentially adverse tax consequences.

Changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. 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.

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. Given proposed tax legislation and other global tax developments, we continue to evaluate our corporate structure and intercompany relationships. Future changes to U.S. and global tax laws may adversely impact our effective tax rate.

Our intercompany relationships are, and after the implementation of any changes to our corporate 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.

Third-party claims that we infringe their intellectual property rights could be costly and harm our business.

There is a substantial amount of intellectual property litigation in the data storage industry, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding our intellectual property rights. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. We have been, and may in the future be, subject to claims that we infringe upon the intellectual property rights of other intellectual property holders, particularly as we grow and face increasing competition.

Any intellectual property rights claim 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, prevent us from manufacturing and selling our products 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 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, which may give 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 with our customers, suppliers and channel partners pursuant to which we have agreed to defend, indemnify and hold them harmless from damages and costs which may arise from claims of 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 claims 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, business 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 2,000 issued patents and patent applications in the United States and foreign countries. We cannot assure investors that future patents issued to us, if any, will give 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. Our issued and future patents may not provide sufficiently broad protection or may not be enforceable. Further, the laws of certain foreign countries do not provide the same level of protection of corporate proprietary information and assets such as intellectual property, trademarks, trade secrets, know-how and records, as the laws of the United States. For instance, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. As a result, we may encounter significant problems in protecting and defending our intellectual property or proprietary rights abroad.

Changes to the intellectual property law 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, among other intellectual property rights. We cannot be certain that the steps we have taken will prevent theft, unauthorized use or the reverse engineering of our proprietary information and other intellectual property, including technical data, manufacturing processes, data sets or other sensitive information. Moreover, others may independently develop technologies that are competitive to ours or that 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 than us to defend intellectual property infringement claims and enforce their intellectual property rights. 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.

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 if re-engineering cannot be accomplished on a timely basis, any of which could harm our business, operating results and financial condition.

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 been subject to the EU General Data Protection Regulation, or GDPR, since May 2018 and to the California Consumer Privacy Act (CCPA) since January 2020. These and potentially other future privacy regulations may require us to make further changes to our policies and procedures in the future beyond what we have already done. 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. We made changes to our data protection compliance program in relation to data privacy regulations and will continue to monitor the implementation and evolution of global data protection regulations, but if we are not compliant with such privacy regulations, we may be subject to significant fines and our business may be harmed. In addition, the CCPA places additional requirements on the handling of personal data and is currently subject to a revision and update process. The potential effects of this legislation are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses. Customers may choose to implement technological solutions to comply with such regulations that impact the performance and competitiveness of our products and solutions.

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. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit competitiveness and adoption of our products by current and future customers. 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 or its various components, 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.

We may acquire other businesses which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our operating results.

We may, from time to time, acquire complementary products, technologies or businesses, such as our acquisitions of Portworx in October 2020 and Compuverde AB in April 2019. 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 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 will be realized. 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.

Risks Related to Our Credit Facility and Notes

Restrictive covenants in the agreement governing our senior secured revolving credit facility may restrict our ability to pursue business strategies.

In August 2020, we entered into a Credit Agreement with a consortium of financial institutions and lenders that provides for a five-year, senior secured revolving credit facility of \$300.0 million (Credit Facility). We can borrow, repay and re-borrow funds under this Credit Facility at any time, subject to customary borrowing conditions, for general corporate purposes and working capital.

The agreement governing our senior secured revolving Credit Facility limits our ability, among other things, to: incur additional secured indebtedness; sell, transfer, license or dispose of assets; consolidate or merge; enter into transactions with our affiliates; and incur liens. In addition, our senior secured revolving Credit Facility contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long term best interest, such as, subject to permitted exceptions, making capital expenditures in excess of certain thresholds, making investments, loans and other advances, and prepaying any additional indebtedness while our indebtedness under our senior secured revolving Credit Facility is outstanding. Our failure to comply with financial and other restrictive covenants could result in an event of default, which if not cured or waived, could result in the lenders requiring immediate payment of all outstanding borrowings or foreclosing on collateral pledged to them to secure the indebtedness.

We may be required to expend a significant amount of funds to settle conversions of the Notes or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest. In addition, if a make-whole fundamental change (as defined in the indenture for the Notes) occurs prior to the maturity date of the Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes in connection with such make-whole fundamental change. Upon a conversion or repurchase of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion or repurchase (other than paying cash in lieu of delivering any fractional share), we will be required to make significant cash payments in respect of the Notes being converted or repurchased. In addition, the consideration received upon the unwind or termination of the capped call transactions may not completely offset, and may be substantially less than, any cash payments in excess of the principal amount of the Notes we are required to make upon conversion of the Notes.

In addition, our ability to repurchase or to pay cash upon conversion of the Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversion of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes.

Servicing our debt will require a significant amount of cash.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the amounts payable under the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may still incur substantially more debt or take other actions that would diminish our ability to make payments on the Notes when due.

We and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our future debt instruments, some of which may be secured debt, like the Credit Facility. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the Notes when due. Furthermore, the indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes and the indenture. These and other provisions in the indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to holders of the Notes.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

If the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than by paying cash in lieu of delivering any fractional share), we may settle all or a portion of our conversion obligation in cash, which could adversely affect our liquidity. In addition, the consideration received upon the unwind or termination of the capped call transactions may not completely offset, and may be substantially less than, any cash payments in excess of the principal amount of the Notes we are required to make upon conversion of the Notes. Even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The capped call transactions may affect the value of the Notes and our common stock.

In connection with the Notes, we entered into capped call transactions with certain financial institutions (the option counterparties). The capped call transactions are expected generally to reduce the potential dilution upon any conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of the Notes, with such reduction and/or offset subject to a cap. However, for conversions prior to maturity, the capped call transactions would be settled at their fair value, which may be substantially less than the value of the consideration in excess of the principal amount of the Notes delivered upon such conversion.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties and/or their respective affiliates purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock. This activity could have increased (or reduced the size of any decrease in) the market price of our common stock or the Notes at that time.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions (and are likely to do so during any observation period related to a conversion of notes or following any repurchase of notes by us on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the price of our common stock or the Notes.

The potential effect, if any, of these transactions and activities on the price of our common stock or the Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

Risks Related to Our Common Stock

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

The trading price of our common stock has been, and will likely continue to be, highly volatile. Since shares of our 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 \$8.76 to \$36.00, through March 29, 2022. 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;
- issuance or new or updated research or reports by securities analysts, including the publication of unfavorable reports or change in recommendation or downgrading of our common stock;
- 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, including the impact of the COVID pandemic;
- major catastrophic events;
- sales of large blocks of our stock; or
- departures of key personnel.

In several recent situations where the price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. 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.

We cannot guarantee that our share repurchase program will enhance shareholder value, and share repurchases could affect the price of our common stock.

Since August 2019, our board of directors has authorized a total of \$600.0 million in share repurchases, funded from available working capital, including up to \$250.0 million authorized in March 2022. The repurchase authorization has no fixed end date. Although our board of directors has authorized a share repurchase program, this program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The share repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves.

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 common stock will likely be influenced by research and reports that securities or industry analysts publish about us or our business. If one or more of these analysts downgrades our stock, lowers their price target, or publishes unfavorable or inaccurate 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 common stock if the market price of our common stock increases.

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 price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the trading price of our 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:

- 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 common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be 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.

General Risk Factors

Adverse economic conditions may harm our revenues and profitability.

Our operations and performance depend in part on worldwide economic conditions and the economic health of our current and prospective customers. We have experienced inflation, global economic uncertainty, civil unrest and political and fiscal challenges in the United States and abroad and may continue to experience these events in the future, which can arise suddenly and affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our products and services. For example, the global macroeconomic environment could be negatively affected by the Russian invasion of Ukraine and the related sanctions and disruptions, the growth rate in the economy of the European Union, China, or the United States, trade relations between the United States and China, the impact of public health epidemics or pandemics, such as the COVID-19 pandemic, political uncertainty in the Middle East and other geopolitical events. Additionally, the United Kingdom's exit from the European Union is disruptive and remains subject to the successful conclusion of a final withdrawal agreement between the parties. In the absence of such an agreement, there would be no transitional provisions and any exit from the European Union could lead to adverse economic consequences. Weak economic conditions 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 of our products and services.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events, and to interruption by man-made factors such as war, computer viruses or terrorism or by the impact of public health epidemics or pandemics, such as the COVID-19 pandemic.

We and our suppliers have operations in locations, including our headquarters in California, that are subject to earthquakes, fires, floods and other natural catastrophic events, such as severe weather and geological events, which could disrupt our operations or the operations of our 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. Our business interruption insurance may be insufficient to compensate us for losses due to a significant natural disaster or due to man-made factors. Any natural catastrophic events may also prevent our employees from being able to reach our offices in any jurisdiction around the world, and therefore impede our ability to conduct business as usual.

In addition, man-made factors, such as acts of war, terrorism or malicious computer viruses, and public health epidemics or pandemics, such as the COVID-19 pandemic or the Russian invasion of Ukraine, 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.

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 Africa, Asia, Australia, Europe, and North and South America. We lease all of our facilities and do not own any real property. 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 8 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, which we refer to as our "common stock", trades publicly on the New York Stock Exchange (NYSE) under the ticker symbol "PSTG."

Holders of Record

As of March 29, 2022, there were 38 holders of record of our 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.

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.

Purchases of Equity Securities by the Issuer

The following table summarizes our stock repurchase activity for the fourth quarter of fiscal 2022 (in thousands except for price per share):

Period	Average Price Paid per Share	Total Number of Shares Purchased as Part of Share Repurchase Program ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program ⁽¹⁾
November 1, 2021 - November 28, 2021	\$ 28.02	980	\$ 42,045
November 29, 2021 - December 26, 2021	\$ 31.90	427	\$ 28,436
December 27, 2021 - February 6, 2022	\$ 27.73	1,025	\$ —

⁽¹⁾ In February 2021, our board of directors authorized additional share repurchases of up to \$200.0 million of our outstanding common stock under our share repurchase program. In March 2022, our board of directors authorized additional share repurchases of up to \$250.0 million of our outstanding common stock. See "Liquidity and Capital Resources—Share Repurchase Program" included under Part II, Item 7 in this Annual Report.

The following table summarizes our shares of restricted common stock that were delivered by certain employees upon vesting of equity awards to satisfy tax withholding requirements for the fourth quarter of fiscal 2022 (in thousands except for price per share):

Period	Average Price per Share Delivered	Total Number of Shares Delivered to Satisfy Tax Withholding Requirements	Approximate Dollar Value of Shares Delivered to Satisfy Tax Withholding Requirements
November 1, 2021 - November 28, 2021	\$ —	—	\$ —
November 29, 2021 - December 26, 2021	\$ 32.09	68	\$ 2,165
December 27, 2021 - February 6, 2022	\$ —	—	\$ —

Trading Plans

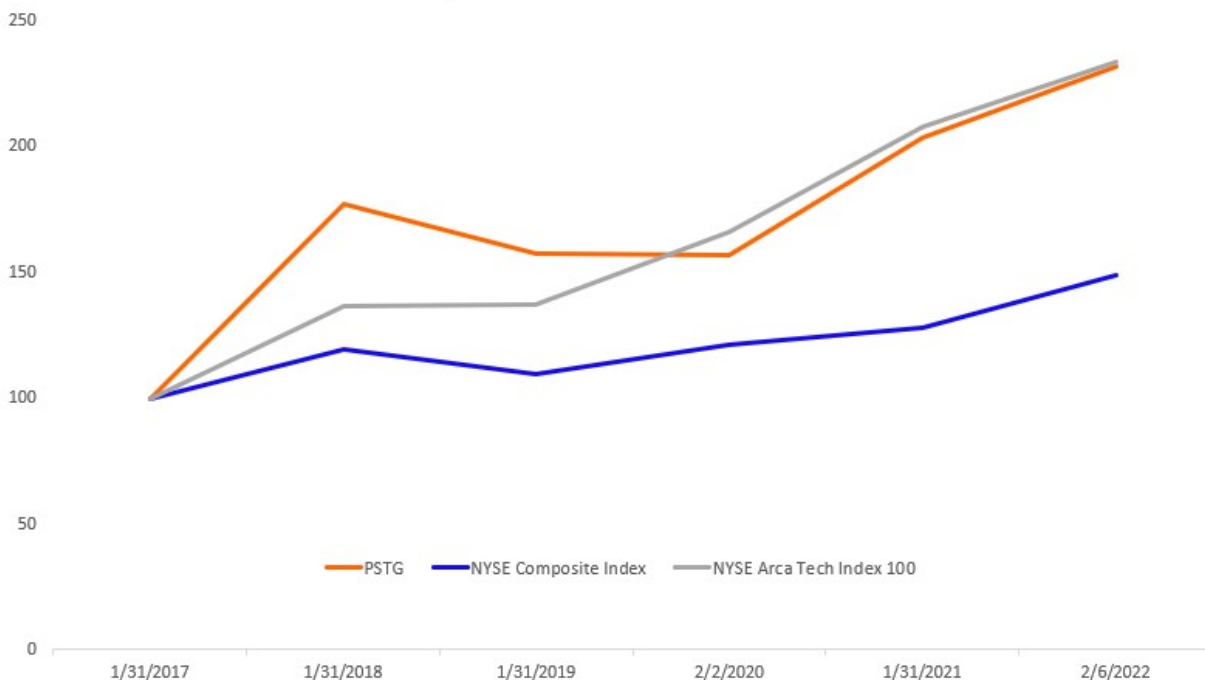
Our insider trading policy permits directors, officers, and other employees covered under the policy to establish, subject to certain conditions and limitations set forth in the policy, written trading plans which are intended to comply with Rule 10b5-1 under the Exchange Act, which permits automatic trading of our common stock or trading of our 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 and Cumulative Total Return

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 common stock relative to the cumulative total returns of the NYSE Composite Index and NYSE Arca Tech 100 Index for the five years ended February 6, 2022. The graph assumes that \$100 (with reinvestment of all dividends) was invested in our common stock and in each index on January 31, 2017 and assumes the reinvestment of any dividends. The returns shown are based on historical results and are not intended to suggest future performance.

Comparison of Cumulative Total Return



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 the first Sunday after January 30.

Overview

Data is foundational to our customers' digital transformation, and we are focused on delivering innovative and disruptive data storage technologies, products and services that enable customers to maximize the value of their data.

We are a global leader in data storage and management with a mission to redefine the storage experience by simplifying how people consume and interact with data. Our vision integrates our foundation of simplicity and reliability with three major market trends that are impacting all organizations large and small: (1) adoption of the cloud operating model everywhere; (2) the increase of modern cloud-native applications; and (3) the shift to modernizing today's data infrastructure with all-flash.

Our products and subscription services support a wide range of structured and unstructured data, at scale and across any data workloads in hybrid and public cloud environments, and include mission-critical production, test and development, analytics, disaster recovery, and backup and recovery.

COVID-19, Supply Chain and Inflation

We continue to actively monitor, evaluate and respond to developments relating to the COVID-19 pandemic. During fiscal 2022, our operating margin benefited, in part from reduced travel, limited physical marketing events, and slower hiring while we navigated through the various challenges that arose from COVID-19 restrictions.

We expect our operating expenses will increase in fiscal 2023 as a result of business operations beginning to normalize from COVID-19, and due to the overall effects of inflation. Expected increases in operating expenses include higher wages and personnel related costs, costs impacting our supply chain such as material and logistics costs, and increased travel.

Global supply chain disruptions and the higher inflationary environment remain unpredictable and our past results may not be indicative of future performance. See "Risk Factors" in Part I, Item 1A. for additional details.

Components of Results of Operations

Revenue

We derive revenue primarily from the sale of our storage infrastructure products, *FlashArray* and *FlashBlade*, and subscription services which include our *Evergreen Storage* subscription, our unified subscription that includes *Pure as-a-Service* and *Cloud Block Store*, and *Portworx*. Subscription services revenue also include our professional services offerings such as installation and implementation consulting services.

Provided that all other revenue recognition criteria have been met, we typically recognize product revenue upon transfer of control to our customers and the satisfaction of our performance obligations. Products are typically shipped directly by us to customers, and our channel partners generally 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 generally recognize revenue from subscription services ratably over the contractual service period and professional services as delivered. We expect our subscription services revenue to increase and continue to grow faster than our product revenue as more customers choose to consume our storage solutions as a service and our existing subscription customers renew and expand their consumption and service levels.

Cost of Revenue

Cost of product revenue primarily consists of costs paid to our third-party contract manufacturers, which includes the costs of our raw material components, and personnel costs associated with our supply chain operations. Personnel costs consist of salaries, bonuses and stock-based compensation expense. Our cost of product revenue also includes allocated overhead costs, inventory write-offs, amortization of intangible assets pertaining to developed technology, and freight. Allocated overhead costs consist of certain employee benefits and facilities-related costs. We expect our cost of product revenue to increase in absolute dollars as our product revenue increases.

Cost of subscription services revenue primarily consists of personnel costs associated with delivering our subscription and professional services, part replacements, allocated overhead costs and depreciation of infrastructure used to deliver our subscription services. We expect our cost of subscription services revenue to increase in absolute dollars, as our subscription services 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 employee benefits and facilities-related costs.

Research and Development. Research and development expenses consist primarily of employee compensation and related expenses, prototype expenses, depreciation associated with assets acquired for research and development, data center and cloud services costs, third-party engineering and contractor support costs, as well as allocated overhead. We expect our research and development expenses to increase in absolute dollars and it may slightly decrease as a percentage of revenue.

Sales and Marketing. Sales and marketing expenses consist 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 expenses to increase in absolute dollars and it may slightly decrease as a percentage of revenue as we continue to realize efficiencies from scaling our business.

General and Administrative. General and administrative expenses consist primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources, IT and fees for third-party professional services as well as amortization of intangible assets pertaining to defensive technology patents and allocated overhead. We expect our general and administrative expenses to increase in absolute dollars.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income related to cash, cash equivalents and marketable securities, interest expense related to our debt and gains (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 current 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

Basis of Presentation

We operate using a 52/53 week fiscal year ending on the first Sunday after January 30. Fiscal 2020 and 2021 were both 52-week years that ended on February 2, 2020 and January 31, 2021, respectively. Fiscal 2022 was a 53-week year that ended on February 6, 2022. Unless otherwise stated, all dates refer to our fiscal years.

Year Over Year Comparisons

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

Revenue

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
(in thousands)								
Product revenue	\$ 1,238,654	\$ 1,144,098	\$ (94,556)	(8)%	\$ 1,144,098	\$ 1,442,338	\$ 298,240	26 %
Subscription services revenue	404,786	540,081	135,295	33 %	540,081	738,510	198,429	37 %
Total revenue	\$ 1,643,440	\$ 1,684,179	\$ 40,739	2 %	\$ 1,684,179	\$ 2,180,848	\$ 496,669	29 %

Total revenue increased in fiscal 2022 by \$496.7 million, or 29%, compared to fiscal 2021, driven by sales to new and existing enterprise, commercial and public sector customers, with particular strength in the United States, across our entire product and solutions portfolio and key geographies. The increase in product revenue during fiscal 2022 compared to fiscal 2021 was driven by increased sales from our entire portfolio of *FlashArray* and *FlashBlade* solutions, including sales of *FlashArray//C* to a large hyperscaler customer, and repeat sales to existing customers. The increase in subscription services revenue was largely driven by increases in sales of both our *Evergreen Storage* subscription services, and our unified subscription that includes *PaaS* and *Cloud Block Store*, as well as increased *Portworx* revenue.

Total revenue increased in fiscal 2021 by \$40.7 million, or 2%, compared to fiscal 2020. The decrease in product revenue during fiscal 2021 compared to fiscal 2020 was largely driven by headwinds caused by the COVID-19 pandemic, despite sales growth from our *FlashBlade* and *FlashArray//C* offerings and purchases from new customers. The increase in subscription services revenue was primarily driven by increases in sales of our *Evergreen Storage* subscription services, and our unified subscription that includes *PaaS* and *Cloud Block Store*, as well as increased recognition of deferred subscription services revenue contracts.

During fiscal 2022 compared to fiscal 2021, total revenue in the United States grew by 32% from \$1.2 billion to \$1.6 billion and total rest of the world revenue grew by 23% from \$488.8 million to \$600.8 million. During fiscal 2021 compared to fiscal 2020, total revenue in the United States grew slightly by 1% to \$1.2 billion and total rest of the world revenue grew by 7% from \$458.5 million to \$488.8 million.

Subscription Annual Recurring Revenue (ARR)

We use Subscription ARR as a key business metric to evaluate the performance of our subscription services. Subscription ARR should be viewed independently of revenue, deferred revenue and remaining performance obligations and is not intended as a substitute for any of these items.

Subscription ARR is calculated as the total annualized contract value of all active customer subscription agreements, including our *Evergreen Storage* subscription contracts, at the end of the fiscal quarter, plus on-demand revenue during the current fiscal quarter ended multiplied by four. Contract values are established prior to any adjustments made in accordance with ASC 606.

The following table sets forth our Subscription ARR for the periods presented (dollars in thousands):

	At the End of		Year-over-Year Growth
	Fiscal 2021	Fiscal 2022	%
Subscription annual recurring revenue	\$ 647,917	\$ 848,776	31 %

Deferred Revenue

Deferred revenue primarily consists of amounts that have been invoiced but have not yet been recognized as revenue including performance obligations pertaining to subscription services. 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 dates.

Changes in total deferred revenue during the periods presented are as follows (in thousands):

	Fiscal Year Ended	
	2021	2022
Beginning balance	\$ 697,288	\$ 843,697
Additions	703,800	937,510
Recognition of deferred revenue	(557,391)	(701,335)
Ending balance	\$ 843,697	\$ 1,079,872

Revenue recognized during fiscal 2021 and 2022 from deferred revenue at the beginning of each respective period was \$353.1 million and \$442.7 million.

Remaining Performance Obligations

Total remaining performance obligations (RPO) which is total contracted but not recognized revenue was \$1.4 billion at the end of fiscal 2022. RPO consists of both deferred revenue and non-cancelable amounts that are expected to be invoiced and recognized as revenue in future periods. Product orders are generally cancelable until delivery has occurred, and as such unfulfilled product orders are excluded from RPO. Cancelable orders will fluctuate depending on numerous factors and have increased year over year. Of the \$1.4 billion contracted but not recognized revenue at the end of fiscal 2022, we expect to recognize approximately 47% over the next 12 months, and the remainder thereafter. RPO is expected to increase as our subscription services business grows over time.

Cost of Revenue and Gross Margin

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
(in thousands)								
Product cost of revenue	\$ 359,238	\$ 348,986	\$ (10,252)	(3)%	\$ 348,986	\$ 471,565	\$ 122,579	35 %
Product stock based compensation	3,732	4,001	269	7 %	4,001	6,334	2,333	58 %
Total expenses	\$ 362,970	\$ 352,987	\$ (9,983)	(3)%	\$ 352,987	\$ 477,899	\$ 124,912	35 %
% of Product revenue	29 %	31 %			31 %	33 %		
Subscription services								
Subscription services cost of revenue	\$ 132,513	\$ 167,289	\$ 34,776	26 %	\$ 167,289	\$ 209,190	\$ 41,901	25 %
Subscription services stock based compensation	14,403	14,979	576	4 %	14,979	21,240	6,261	42 %
Total expenses	\$ 146,916	\$ 182,268	\$ 35,352	24 %	\$ 182,268	\$ 230,430	\$ 48,162	26 %
% of Subscription services revenue	36 %	34 %			34 %	31 %		
Total cost of revenue	\$ 509,886	\$ 535,255	\$ 25,369	5 %	\$ 535,255	\$ 708,329	\$ 173,074	32 %
% of Revenue	31 %	32 %			32 %	32 %		
Gross Margin								
Product gross margin	71 %	69 %			69 %	67 %		
Subscription services gross margin	64 %	66 %			66 %	69 %		
Total gross margin	69 %	68 %			68 %	68 %		

Cost of revenue increased by \$173.1 million, or 32%, for fiscal 2022 compared to fiscal 2021. The increase in product cost of revenue was primarily attributable to increased sales. Other factors include higher component and logistics costs due to supply chain environment, and an increase in the amortization of acquired intangible assets. The increase in subscription services cost of revenue was primarily attributable to supporting our growing installed base including *PaaS* and *Portworx*.

The decline in product gross margin for fiscal 2022 compared to fiscal 2021 was impacted by the sale of *FlashArray//C* to a larger hyperscaler customer, and to a lesser extent higher component and logistics costs due to supply chain environment, as well as increased sales of *FlashArray//C* and *FlashBlade* products which generally have a modestly lower gross margin compared to our other *FlashArray* products. The increase in subscription services gross margin for fiscal 2022 compared to fiscal 2021 was driven by increased sales of unified subscription services, *PaaS* and *Cloud Block Store*, higher renewals in *Evergreen Storage* subscriptions, and increasing economies of scale.

Cost of revenue increased by \$25.4 million, or 5%, for fiscal 2021 compared to fiscal 2020. The decrease in product cost of revenue was primarily attributable to the corresponding decline in product revenue due to headwinds caused by the COVID-19 pandemic, partially offset by increased costs in our manufacturing operations associated with increased headcount and an increase in the amortization of acquired intangible assets. The increase in subscription services cost of revenue was primarily attributable to higher costs in our customer support organization.

The decline in product gross margin for fiscal 2021 compared to fiscal 2020 was primarily attributable to lower component costs for certain key raw materials that we use for our solutions and increased sales of larger *FlashArray* systems in fiscal 2021. The increase in subscription services gross margin for fiscal 2021 compared to fiscal 2020 was driven by increased renewals in *Evergreen Storage* subscriptions and increased sales of unified subscription services, *PaaS* and *Cloud Block Store*.

Operating Expenses

Research and Development

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
(in thousands)								
Research and development	\$ 326,004	\$ 363,247	\$ 37,243	11 %	\$ 363,247	\$ 439,671	\$ 76,424	21 %
Stock based compensation	107,658	117,220	9,562	9 %	117,220	142,264	25,044	21 %
Total expenses	\$ 433,662	\$ 480,467	\$ 46,805	11 %	\$ 480,467	\$ 581,935	\$ 101,468	21 %
% of Total revenue	26 %	29 %			29 %	27 %		

Research and development expense increased by \$101.5 million, or 21%, during fiscal 2022 compared to fiscal 2021, primarily driven by a \$71.0 million increase in employee compensation and related costs, which included a \$25.0 million increase in stock-based compensation expense. The remainder of the increase was primarily attributable to a \$14.2 million increase in data center and cloud services costs and a \$9.3 million increase in depreciation expense from property and equipment due, in part, to revising our estimated useful lives of test equipment and certain computer equipment and software during the first quarter of fiscal 2021.

Research and development expense increased by \$46.8 million, or 11%, during fiscal 2021 compared to fiscal 2020, as we continued to innovate and develop technologies to both enhance and expand our solution portfolio. The increase was primarily driven by a \$56.5 million increase in employee compensation and related costs, including a \$9.6 million increase in stock-based compensation expense, and a \$10.1 million increase in data center and cloud services costs. These increases were partially offset by a \$22.4 million decrease in depreciation expense primarily due to revising our estimated useful lives of test equipment and certain computer equipment and software during fiscal 2021.

Sales and Marketing

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
(in thousands)								
Sales and marketing	\$ 660,462	\$ 650,766	\$ (9,696)	(1)%	\$ 650,766	\$ 727,562	\$ 76,796	12 %
Stock based compensation	67,560	65,248	(2,312)	(3)%	65,248	71,439	6,191	9 %
Total expenses	\$ 728,022	\$ 716,014	\$ (12,008)	(2)%	\$ 716,014	\$ 799,001	\$ 82,987	12 %
% of Total revenue	44 %	43 %			43 %	37 %		

Sales and marketing expense increased by \$83.0 million, or 12%, during fiscal 2022 compared to fiscal 2021, primarily due to an increase of \$62.7 million in employee compensation and related costs, which included a \$24.7 million increase in sales commission expense, and a \$14.3 million increase in marketing and travel spend due to the gradual reduction in COVID-19 restrictions.

Sales and marketing expense decreased by \$12.0 million, or 2%, during fiscal 2021 compared to fiscal 2020, primarily due to a decrease of \$63.0 million in marketing and travel spend as a result of the COVID-19 pandemic, partially offset by an increase of \$37.7 million in employee compensation and related costs as we continue to invest in certain areas within sales and marketing and expand our international presence, including an \$8.2 million increase in sales commission expense. The remainder of the increase was primarily attributable to a \$7.2 million increase in outside services expenses and a \$4.2 million increase in subscription costs.

General and Administrative

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
<i>(in thousands)</i>								
General and administrative	\$ 129,801	\$ 141,581	\$ 11,780	9 %	\$ 141,581	\$ 144,295	\$ 2,714	2 %
Stock based compensation	33,352	40,896	7,544	23 %	40,896	45,686	4,790	12 %
Total expenses	\$ 163,153	\$ 182,477	\$ 19,324	12 %	\$ 182,477	\$ 189,981	\$ 7,504	4 %
% of Total revenue	10 %	11 %			11 %	9 %		

General and administrative expense increased by \$7.5 million, or 4%, during fiscal 2022 compared to fiscal 2021. The increase was primarily driven by an increase of \$16.4 million in employee compensation and related costs driven by increased headcount, partially offset by a \$8.5 million decrease in office and facilities related costs primarily attributable to the exit of certain facilities in fiscal 2021.

General and administrative expense increased by \$19.3 million, or 12%, during fiscal 2021 compared to fiscal 2020. The increase was primarily driven by an increase of \$21.4 million in employee compensation and related costs, including a \$7.5 million increase in stock-based compensation expense related, in part, to certain performance restricted stock awards, partially offset by a \$3.7 million decrease in office and facilities related costs.

Restructuring and Other

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
<i>(in thousands)</i>								
Restructuring and other	\$ —	\$ 30,999	\$ 30,999	2 %	\$ 30,999	\$ —	\$ (30,999)	(100) %
% of Total revenue	— %	2 %			2 %	— %		

During fiscal 2021, we incurred incremental costs of \$8.9 million directly related to the COVID-19 pandemic. These costs primarily included the write-off of marketing commitments no longer deemed to have value for the remainder of the fiscal year and estimated non-recoverable costs for internal events that could not be held. In addition, we expensed \$9.9 million relating to the cease use of certain lease facilities and recognized \$12.2 million in one-time involuntary termination benefit costs related to workforce realignment plans.

Other Income (Expense), Net

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
<i>(in thousands)</i>								
Other income (expense), net	\$ (3,383)	\$ (9,127)	\$ (5,744)	(171) %	\$ (9,127)	\$ (30,098)	\$ (20,971)	(230) %
% of Total revenue	— %	(1) %			(1) %	(1) %		

Other income (expense), net decreased during fiscal 2022 compared to fiscal 2021 primarily attributable to an increase in net foreign exchange losses as the U.S. dollar strengthened relative to certain foreign currencies, a decrease in interest income resulting from a lower interest rate environment, and higher interest expense due to borrowings under our revolving credit facility. The outstanding balance of the revolver was paid in the first quarter of fiscal 2023.

Other income (expense), net decreased during fiscal 2021 compared to fiscal 2020 primarily attributable to a decrease in interest income of \$9.8 million from our cash, cash equivalents and marketable securities resulting from a lower interest rate environment and, to a lesser extent, higher interest expense due to borrowings under our revolving credit facility, partially offset by a \$6.0 million reduction in net foreign exchange losses.

Provision for Income Taxes

	Fiscal Year Ended		Change		Fiscal Year Ended		Change	
	2020	2021	\$	%	2021	2022	\$	%
(in thousands)								
Provision for income taxes	\$ 6,321	\$ 11,916	\$ 5,595	89 %	\$ 11,916	\$ 14,763	\$ 2,847	24 %
% of Total revenue	— %	1 %			1 %	1 %		

Provision for income taxes increased during fiscal 2022 compared to fiscal 2021 primarily attributable to an increase in foreign income taxes.

Provision for income taxes increased during fiscal 2021 compared to fiscal 2020 primarily attributable to an increase in foreign income taxes and the release of the valuation allowance related to unrealized gains on available-for-sale securities from fiscal 2020.

Liquidity and Capital Resources

At the end of fiscal 2022, we had cash, cash equivalents and marketable securities of \$1.4 billion. Our cash and cash equivalents primarily consist of bank deposits and money market accounts. Our marketable securities generally consist of highly rated debt instruments of the U.S. government and its agencies, debt instruments of highly rated corporations, debt instruments issued by foreign governments, asset-backed securities, and municipal bonds.

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. The following table sets forth our non-cancelable contractual obligations and commitments associated with agreements that are enforceable and legally binding at the end of fiscal 2022. Obligations under contracts that we can cancel without a significant penalty are not included.

	Payment Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Debt obligations ⁽¹⁾	\$ 844,835	\$ 6,111	\$ 586,144	\$ 252,580	\$ —
Future lease commitments ⁽²⁾	150,613	40,172	64,031	28,623	17,787
Purchase obligations ⁽³⁾	289,019	236,959	50,406	1,654	—
Total	\$ 1,284,467	\$ 283,242	\$ 700,581	\$ 282,857	\$ 17,787

(1) Consists of (i) principal and interest payments on our convertible senior notes due 2023, (ii) principal, interest, and unused commitment fees on our August 2020 revolving credit facility based on debt outstanding and rates in effect at February 6, 2022, and (iii) principal and interest on a five year loan.

(2) Represents aggregate future minimum lease payments under non-cancelable operating and finance leases.

(3) Includes primarily non-cancelable inventory purchase commitments, software service and sponsorship contracts, and hosting arrangements. Purchase orders are not included as they represent authorizations to purchase rather than binding agreements.

Our future capital requirements will depend on many factors including our sales growth, the timing and extent of spending to support development efforts, the expansion of international operation activities, the addition or closure of office space, the timing of new product introductions and the continuing market acceptance of our products and services, the volume and timing of our share repurchases, and the timing and settlement election of the Notes. The downstream effects of the pandemic and global supply chain disruptions have also resulted in higher inflation which we believe will continue to persist for some time and may impact our cash expenditures for employee compensation and other operating expenses. We may continue to enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We may seek additional equity or debt financing in the future.

Convertible Senior Notes

In April 2018, we issued \$575.0 million of 0.125% convertible senior notes due 2023 (the Notes), in a private placement and received proceeds of \$562.1 million, after deducting the underwriters' discounts and commissions. The Notes are unsecured obligations that do not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries. The Notes mature on April 15, 2023 unless repurchased or redeemed by us or converted in accordance with their terms prior to the maturity date. The Notes are convertible for up to 21,884,155 shares of our common stock at an initial conversion rate of approximately 38.0594 shares of common stock per \$1,000 principal amount, which is equal to an initial conversion price of approximately \$26.27 per share of common stock, subject to adjustment.

Holders may surrender their Notes for conversion at their option at any time prior to the close of business on the business day immediately preceding October 15, 2022, only under the following circumstances: (i) during any fiscal quarter if the last reported sales price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day, (ii) during the five business day period after any five consecutive trading day period (the measurement period), in which the trading price per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the Notes on each such trading day, (iii) if we call any or all of the Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, or (iv) upon the occurrence of specified corporate events. On or after October 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at any time regardless of the foregoing circumstances. Upon conversion, holders will receive cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We currently intend to settle the principal of the Notes in cash.

In connection with the offering of the Notes, we entered into capped call transactions with certain financial institutions that provide us with the option to purchase up to a total of 21,884,155 shares of our common stock to offset the dilution and/or any cash payments we are required to make in excess of the principal amount of the Notes upon conversion of the Notes at maturity with such offset subject to a cap of \$39.66 per share. However, for conversions prior to maturity, the capped call transactions would be settled at their fair value, which may not completely offset, and may be substantially less than, the value of the consideration in excess of the principal amount of the Notes delivered upon such conversion. See further discussion about our Notes in Note 7 in Part II, Item 8 of this report.

Revolving Credit Facility

In August 2020, we entered into a Credit Agreement with a consortium of financial institutions and lenders that provides for a five-year, senior secured revolving credit facility of \$300.0 million (Credit Facility). Proceeds from the Credit Facility may be used for general corporate purposes and working capital. The Credit Facility expires, absent default or early termination by us, on the earlier of (i) August 24, 2025 or (ii) 91 days prior to the stated maturity of the convertible senior notes unless, on such date and each subsequent day until the convertible senior notes are paid in full, the sum of our cash, cash equivalents and marketable securities and the aggregate unused commitments then available to us exceed \$625.0 million. The annual interest rates applicable to loans under the Credit Facility are, at our option, equal to either a base rate plus a margin ranging from 0.50% to 1.25% or LIBOR (based on one, three, or six-month interest periods), subject to a floor of 0%, plus a margin ranging from 1.50% to 2.25%. Interest on revolving loans is payable quarterly in arrears with respect to loans based on the base rate and at the end of an interest period in the case of loans based on LIBOR (or at each three-month interval, if the interest period is longer than three months). We are also required to pay a commitment fee on the unused portion of the commitments ranging from 0.25% to 0.40% per annum, payable quarterly in arrears that commenced on September 30, 2020. Loans under the Credit Facility are collateralized by substantially all of our assets and subject to certain restrictions and two financial ratios measured as of the last day of each fiscal quarter: a Consolidated Leverage Ratio not to exceed 4.5:1 and an Interest Coverage Ratio not to be less than 3:1.

We were in compliance with all covenants under the Credit Facility at the end of fiscal 2022 and in February 2022, we repaid, in full, the \$250.0 million outstanding under the Credit Facility.

Letters of Credit

At the end of fiscal 2021 and 2022, we had outstanding letters of credit in the aggregate amount of \$6.7 million in connection with our facility leases. The letters of credit are collateralized by restricted cash and mature on various dates through August 2029.

Share Repurchase Program

In August 2019, our board of directors approved a stock repurchase program to repurchase up to \$150.0 million of our common stock and in February 2021, an additional \$200.0 million of our common stock, both of which were completed by the end of fiscal 2022. In March 2022, our board of directors authorized the repurchase of up to an additional \$250.0 million of our common stock. The authorization allows us to repurchase shares of our common stock opportunistically and will be funded from available working capital. Repurchases may be made at management's discretion from time to time on the open market through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing. The share repurchase program does not obligate us to acquire any of our common stock, has no end date, and may be suspended or discontinued by us at any time without prior notice. During fiscal 2021, we repurchased and retired 9,526,556 shares of common stock at an average purchase price of \$14.17 per share for an aggregate repurchase price of \$135.0 million. During fiscal 2022, we repurchased and retired 8,489,168 shares of common stock at an average purchase price of \$23.56 per share for an aggregate repurchase price of \$200.0 million.

The following table summarizes our cash flows for the periods presented (in thousands):

	Fiscal Year Ended		
	2020	2021	2022
Net cash provided by operating activities	\$ 189,574	\$ 187,641	\$ 410,127
Net cash used in investing activities	(324,711)	(418,109)	(153,283)
Net cash provided (used) by financing activities	49,246	200,237	(127,792)

Operating Activities

Net cash provided by operating activities during fiscal 2022 was primarily driven by cash collections from sales of our product and subscription services and improved operating leverage, partially offset by payments to our contract manufacturers, employee compensation, and general corporate operating expenditures. Net cash provided by operating activities substantially increased year-over-year primarily due to increased sales of our product and subscription services, including improved timing of cash collections, partially offset by the timing of vendor payments and full payment of the deferred employer portion of social security payroll tax under the CARES Act during fiscal 2022.

Net cash provided by operating activities during fiscal 2021 was primarily driven by cash collections from sales of our product and subscription services including certain invoices with extended payment terms and deferral of the employer portion of social security payroll tax under the CARES Act, partially offset by payments to our contract manufacturers, employee compensation, and general corporate operating expenditures.

Net cash provided by operating activities during fiscal 2020 was primarily driven by cash collections related to the sales of our product and subscription services, partially offset by payments to our contract manufacturers, employee compensation, and general corporate operating expenditures.

Investing Activities

Net cash used in investing activities during fiscal 2022 of \$153.3 million was driven by capital expenditures of \$102.3 million, and net purchases of marketable securities of \$50.4 million.

Net cash used in investing activities during fiscal 2021 of \$418.1 million was driven by net cash paid for our acquisition of Portworx of \$339.6 million in October 2020, and capital expenditures of \$95.0 million, partially offset by net sales of marketable securities of \$21.5 million.

Net cash used in investing activities during fiscal 2020 of \$324.7 million resulted from net purchases of marketable securities of \$176.3 million, capital expenditures of \$87.8 million, net cash paid for acquisitions of \$51.6 million, and intangible assets acquired of \$9.0 million.

Financing Activities

Net cash used in financing activities of \$127.8 million during fiscal 2022 was primarily driven by share repurchases of \$200.2 million, and \$10.8 million in tax withholdings on vesting of equity awards, partially offset by \$48.7 million of proceeds from the exercise of stock options, and \$36.6 million of proceeds from issuance of common stock under our employee stock purchase plan (ESPP).

Net cash provided by financing activities of \$200.2 million during fiscal 2021 was primarily driven by \$251.9 million of net proceeds from borrowings primarily under our revolving credit facility, \$59.4 million of proceeds from the exercise of stock options, and \$32.4 million of proceeds from issuance of common stock under our ESPP, partially offset by share repurchases of \$135.2 million and \$8.3 million in tax withholdings on vesting of equity awards.

Net cash provided by financing activities of \$49.2 million during fiscal 2020 was due to \$43.3 million of proceeds from issuance of common stock under our ESPP and \$42.9 million of proceeds from the exercise of stock options, partially offset by repurchases of our common stock for \$15.0 million under the share repurchase program, the repayment of \$11.6 million of debt assumed in connection with our acquisition of Compuverde, and \$10.4 million in tax withholdings on vesting of restricted stock.

Off-Balance Sheet Arrangements

Through the end of fiscal 2022, 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.

Critical Accounting Policy 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 generate revenue primarily from two sources: (1) product revenue which includes the sale of integrated storage hardware and embedded operating system software and (2) subscription services revenue which includes *Evergreen Storage* subscriptions, our unified subscription that includes *Pure as-a-Service* and *Cloud Block Store*, and *Portworx*. Subscription services revenue also include our professional services offerings such as installation and implementation consulting services.

We typically recognize product revenue upon transfer of control to our customers. Products are typically shipped directly by us to customers.

Our subscription services revenue is derived from the services we perform in connection with the sale of subscription services and is recognized ratably over the contractual term, which generally ranges from one to six years. The majority of our product solutions are sold with an *Evergreen Storage* subscription service agreement, which typically commences upon transfer of control of the corresponding products to our customers. Costs for subscription services are expensed when incurred. In addition, our *Evergreen Storage* subscription provides our customers with a new controller based upon certain contractual terms. The new controller represents a separate performance obligation that is included within the *Evergreen Storage* subscription service agreement and the allocated revenue is recognized upon shipment of the controller.

Our subscription services also include the right to receive unspecified software updates and upgrades on a when-and-if-available basis, software bug fixes, replacement parts and other services related to the underlying infrastructure, as well as access to our cloud-based management and support platform. We also sell professional services such as installation and implementation consulting services and the related revenue is recognized as services are performed.

We recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services. This is achieved through applying the following five-step approach:

- *Identification of the contract, or contracts, with a customer*
- *Identification of the performance obligations in the contract*
- *Determination of the transaction price*
- *Allocation of the transaction price to the performance obligations in the contract*
- *Recognition of revenue when, or as, we satisfy a performance obligation*

When applying this five-step approach, we apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience and/or published credit and financial information pertaining to the customer. To the extent a customer contract includes multiple promised goods or services, we determine whether promised goods or services should be accounted for as a separate performance obligation. The transaction price is determined based on the consideration which we will be entitled to in exchange for transferring goods or services to the customer. We allocate the transaction price to each performance obligation for contracts that contain multiple performance obligations based on a relative standalone selling price (SSP). SSP is determined based on the price at which the performance obligation is sold separately, or if not observable through past transactions, is estimated taking into account available information such as market conditions and internally approved pricing guidelines related to performance obligations.

Recent Accounting Pronouncement

Refer to "Recent Accounting Pronouncement" 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, highly rated debt instruments of the U.S. government, its agencies, debt instruments of highly rated corporations, debt instruments issued by foreign governments, and asset-backed securities. At the end of fiscal 2021 and 2022, we had cash, cash equivalents and marketable securities of \$1.3 billion and \$1.4 billion. 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 fluctuation in interest rates, which may affect our interest income and the fair 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 \$10.0 million as of the end of fiscal 2022.

Foreign Currency Exchange Risk

Our sales contracts are primarily denominated in U.S. dollars with a proportionally 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% for 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 the end of fiscal 2022 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 provision for income taxes of approximately \$4.1 million at the end of fiscal 2022.

Item 8. Financial Statements and Supplementary Data.

**PURE STORAGE, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Pure Storage, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pure Storage, Inc. and its subsidiaries (the "Company") as of January 31, 2021 and February 6, 2022, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for each of the three years in the period ended February 6, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2021 and February 6, 2022, and the results of its operations and its cash flows for each of the three years in the period ended February 6, 2022, 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) (PCAOB), the Company's internal control over financial reporting as of February 6, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 6, 2022 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition—Determination of Standalone Selling Prices — Refer to Note 2 of the Financial Statements.

Critical Audit Matter Description

The Company generates revenue from product revenue and subscription services revenue. For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative standalone selling price. The standalone selling price is determined based on the price at which the performance obligation is sold separately, or if not observable through past transactions, is estimated taking into account available information such as market conditions and internally approved pricing guidelines related to performance obligations. The determination of the standalone selling price requires management to make significant estimates and judgments related to market conditions and pricing guidelines.

We identified the determination of standalone selling price as a critical audit matter because of the significant judgments made by management in estimating standalone selling price when the price at which the performance obligation sold separately is not available. This required a high degree of auditor judgment and an increased extent of effort to perform qualitative evaluations of the audit evidence related to management's determination of the standalone selling price.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to standalone selling price included the following, among others:

- We tested the effectiveness of controls over the Company's methodology and determination of standalone selling price.
- We evaluated the appropriateness of the Company's methodology used to determine standalone selling price by comparing to historical analysis completed by the Company and practices observed in the industry.
- We tested the underlying data that served as the basis for the Company's analysis and the mathematical accuracy of such analysis and verified the consistent application of the methodology of establishing standalone selling price.
- We evaluated the reasonableness of the Company's overall conclusion of standalone selling price.
- We tested the allocation of the transaction price among performance obligations based on relative standalone selling price.

/s/ Deloitte & Touche LLP

San Jose, California
April 6, 2022

We have served as the Company's auditor since 2013.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Pure Storage, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Pure Storage, Inc. and subsidiaries (the "Company") as of February 6, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 6, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended February 6, 2022, of the Company and our report dated April 6, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

San Jose, California
April 6, 2022

PURE STORAGE, INC.
Consolidated Balance Sheets
(in thousands, except per share data)

	At the End of Fiscal	
	2021	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 337,147	\$ 466,199
Marketable securities	916,388	947,073
Accounts receivable, net of allowance of \$1,033 and \$945	460,879	542,144
Inventory	46,733	38,942
Deferred commissions, current	57,183	81,589
Prepaid expenses and other current assets	89,836	116,232
Total current assets	1,908,166	2,192,179
Property and equipment, net	163,041	195,282
Operating lease right-of-use assets	134,668	111,763
Deferred commissions, non-current	130,741	164,718
Intangible assets, net	76,648	62,646
Goodwill	358,736	358,736
Restricted cash	10,544	10,544
Other assets, non-current	36,896	39,447
Total assets	\$ 2,819,440	\$ 3,135,315
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 67,530	\$ 70,704
Accrued compensation and benefits	160,817	205,431
Accrued expenses and other liabilities	61,754	78,511
Operating lease liabilities, current	32,231	35,098
Deferred revenue, current	438,321	562,576
Total current liabilities	760,653	952,320
Long-term debt	755,814	786,779
Operating lease liabilities, non-current	120,361	93,479
Deferred revenue, non-current	405,376	517,296
Other liabilities, non-current	27,230	31,105
Total liabilities	2,069,434	2,380,979
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, par value of \$0.0001 per share— 20,000 shares authorized; no shares issued and outstanding	—	—
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; 278,363 and 292,633 Class A shares issued and outstanding	28	29
Additional paid-in capital	2,307,580	2,470,943
Accumulated other comprehensive income (loss)	7,410	(8,365)
Accumulated deficit	(1,565,012)	(1,708,271)
Total stockholders' equity	750,006	754,336
Total liabilities and stockholders' equity	\$ 2,819,440	\$ 3,135,315

See the accompanying notes to the consolidated financial statements.

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

	Fiscal Year Ended		
	2020	2021	2022
Revenue:			
Product	\$ 1,238,654	\$ 1,144,098	\$ 1,442,338
Subscription services	404,786	540,081	738,510
Total revenue	<u>1,643,440</u>	<u>1,684,179</u>	<u>2,180,848</u>
Cost of revenue:			
Product	362,970	352,987	477,899
Subscription services	146,916	182,268	230,430
Total cost of revenue	<u>509,886</u>	<u>535,255</u>	<u>708,329</u>
Gross profit	1,133,554	1,148,924	1,472,519
Operating expenses:			
Research and development	433,662	480,467	581,935
Sales and marketing	728,022	716,014	799,001
General and administrative	163,153	182,477	189,981
Restructuring and other	—	30,999	—
Total operating expenses	<u>1,324,837</u>	<u>1,409,957</u>	<u>1,570,917</u>
Loss from operations	(191,283)	(261,033)	(98,398)
Other income (expense), net	(3,383)	(9,127)	(30,098)
Loss before provision for income taxes	(194,666)	(270,160)	(128,496)
Provision for income taxes	6,321	11,916	14,763
Net loss	<u>\$ (200,987)</u>	<u>\$ (282,076)</u>	<u>\$ (143,259)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.79)</u>	<u>\$ (1.05)</u>	<u>\$ (0.50)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>252,820</u>	<u>267,824</u>	<u>285,882</u>

See the accompanying notes to the consolidated financial statements.

PURE STORAGE, INC.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Fiscal Year Ended		
	2020	2021	2022
Net loss	\$ (200,987)	\$ (282,076)	\$ (143,259)
Other comprehensive income (loss), net of tax:			
Unrealized net gains (losses) on available-for-sale securities	6,510	3,213	(15,107)
Reclassification adjustment for net gains on available-for-sale securities included in net loss	(723)	(1,252)	(668)
Change in unrealized net gains (losses) on available-for-sale securities	5,787	1,961	(15,775)
Comprehensive loss	<u>\$ (195,200)</u>	<u>\$ (280,115)</u>	<u>\$ (159,034)</u>

See the accompanying notes to consolidated financial statements.

PURE STORAGE, INC.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at the end of fiscal 2019	243,524	\$ 24	\$ 1,820,043	\$ (338)	\$ (1,081,949)	\$ 737,780
Issuance of common stock upon exercise of stock options	7,770	1	42,930	—	—	42,931
Stock-based compensation expense	—	—	226,705	—	—	226,705
Vesting of restricted stock units	9,215	1	(1)	—	—	—
Net issuance of restricted stock	624	—	—	—	—	—
Tax withholding on vesting of restricted stock	—	—	(10,379)	—	—	(10,379)
Common stock issued under employee stock purchase plan	3,743	—	43,298	—	—	43,298
Repurchases of common stock	(868)	—	(15,017)	—	—	(15,017)
Other comprehensive income	—	—	—	5,787	—	5,787
Net loss	—	—	—	—	(200,987)	(200,987)
Balance at the end of fiscal 2020	264,008	\$ 26	\$ 2,107,579	\$ 5,449	\$ (1,282,936)	\$ 830,118
Issuance of common stock upon exercise of stock options	9,734	1	59,509	—	—	59,510
Stock-based compensation expense	—	—	242,685	—	—	242,685
Vesting of restricted stock units	11,241	1	(1)	—	—	—
Cancellation and forfeiture of restricted stock	(317)	—	—	—	—	—
Tax withholding on vesting of equity awards	(490)	—	(8,258)	—	—	(8,258)
Common stock issued under employee stock purchase plan	3,714	—	32,439	—	—	32,439
Repurchases of common stock	(9,527)	—	(135,175)	—	—	(135,175)
Equity awards assumed in an acquisition	—	—	8,802	—	—	8,802
Other comprehensive income	—	—	—	1,961	—	1,961
Net loss	—	—	—	—	(282,076)	(282,076)
Balance at the end of fiscal 2021	278,363	\$ 28	\$ 2,307,580	\$ 7,410	\$ (1,565,012)	\$ 750,006
Issuance of common stock upon exercise of stock options	5,955	—	48,543	—	—	48,543
Stock-based compensation expense	—	—	289,185	—	—	289,185
Vesting of restricted stock units	12,955	1	(1)	—	—	—
Cancellation and forfeiture of restricted stock	(62)	—	—	—	—	—
Tax withholding on vesting of equity awards	(454)	—	(10,835)	—	—	(10,835)
Common stock issued under employee stock purchase plan	4,365	—	36,641	—	—	36,641
Repurchases of common stock	(8,489)	—	(200,170)	—	—	(200,170)
Other comprehensive loss	—	—	—	(15,775)	—	(15,775)
Net loss	—	—	—	—	(143,259)	(143,259)
Balance at the end of fiscal 2022	292,633	\$ 29	\$ 2,470,943	\$ (8,365)	\$ (1,708,271)	\$ 754,336

See the accompanying notes to the consolidated financial statements.

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

	Fiscal Year Ended		
	2020	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (200,987)	\$ (282,076)	\$ (143,259)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	89,710	70,042	83,151
Amortization of debt discount and debt issuance costs	27,179	29,070	31,577
Stock-based compensation expense	226,705	242,344	286,963
Impairment of long-lived assets	—	7,505	471
Other	1,336	7,340	13,075
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(79,442)	410	(81,247)
Inventory	2,393	(8,690)	4,118
Deferred commissions	(24,231)	(48,721)	(58,383)
Prepaid expenses and other assets	(16,734)	(33,982)	(25,788)
Operating lease right-of-use assets	26,511	28,804	29,952
Accounts payable	(18,856)	(14,364)	6,711
Accrued compensation and other liabilities	20,296	76,972	58,961
Operating lease liabilities	(25,377)	(27,318)	(32,351)
Deferred revenue	161,071	140,305	236,176
Net cash provided by operating activities	<u>189,574</u>	<u>187,641</u>	<u>410,127</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(87,847)	(94,975)	(102,287)
Acquisitions, net of cash acquired	(51,594)	(339,641)	—
Purchase of intangible assets	(9,000)	—	—
Purchases of marketable securities	(795,580)	(573,959)	(617,043)
Sales of marketable securities	200,251	171,530	200,482
Maturities of marketable securities	419,059	423,936	366,165
Other	—	(5,000)	(600)
Net cash used in investing activities	<u>(324,711)</u>	<u>(418,109)</u>	<u>(153,283)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from exercise of stock options	42,899	59,339	48,709
Proceeds from issuance of common stock under employee stock purchase plan	43,298	32,439	36,641
Proceeds from borrowings, net of issuance costs	—	251,892	—
Principal payments on borrowing and finance lease obligations	—	—	(2,137)
Repayment of debt assumed from acquisition	(11,555)	—	—
Tax withholding on vesting of equity awards	(10,379)	(8,258)	(10,835)
Repurchases of common stock	(15,017)	(135,175)	(200,170)
Net cash provided by (used in) financing activities	<u>49,246</u>	<u>200,237</u>	<u>(127,792)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(85,891)</u>	<u>(30,231)</u>	<u>129,052</u>
Cash, cash equivalents and restricted cash, beginning of year	463,813	377,922	347,691
Cash, cash equivalents and restricted cash, end of year	<u>\$ 377,922</u>	<u>\$ 347,691</u>	<u>\$ 476,743</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR			
Cash and cash equivalents	\$ 362,635	\$ 337,147	\$ 466,199
Restricted cash	\$ 15,287	\$ 10,544	\$ 10,544
Cash, cash equivalents and restricted cash, end of year	<u>\$ 377,922</u>	<u>\$ 347,691</u>	<u>\$ 476,743</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest	\$ 718	\$ 2,279	\$ 5,019
Cash paid for income taxes	\$ 4,824	\$ 10,522	\$ 12,662
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 32,785	\$ 36,980	\$ 36,648
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION			
Property and equipment purchased but not yet paid	\$ 6,814	\$ 10,979	\$ 7,441
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 14,937	\$ 57,471	\$ 7,517
Fair value of equity awards assumed in an acquisition	\$ —	\$ 8,802	\$ —

See the accompanying notes to the consolidated financial statements.

PURE STORAGE, INC.

Notes to 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 headquartered in Mountain View, California and have wholly owned subsidiaries throughout the world.

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

Basis of Presentation and Principles of Consolidation

We operate using a 52/53 week fiscal year ending on the first Sunday after January 30. Fiscal 2020 and 2021 were both 52-week years that ended on February 2, 2020 and January 31, 2021, respectively. Fiscal 2022 was a 53-week year that ended on February 6, 2022. Unless otherwise stated, all dates refer to our fiscal years.

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.

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 and assumptions due to risks and uncertainties. Such estimates include, but are not limited to, the determination of standalone selling price for revenue arrangements with multiple performance obligations when the price at which the performance obligation sold separately or observable past transactions are not available, useful lives of intangible assets and property and equipment, the period of benefit for deferred contract costs for commissions, stock-based compensation, provision for income taxes including related reserves, fair value of equity assumed, intangible and tangible assets acquired and liabilities assumed for business combinations. 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, marketable securities, and accounts receivable. At the end of fiscal 2021 and 2022, the majority 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 cash and cash equivalents and marketable securities are financially sound and, accordingly, are subject to minimal credit risk.

We define a customer as an entity that purchases our products and services from one of our channel partners or from us directly. A substantial amount of our revenue and accounts receivable are derived from the United States across a multitude of industries. We perform ongoing evaluations to determine partner and customer credit.

One customer represented 10 percent or more of total accounts receivable at the end of fiscal 2021. Also, one channel partner represented more than 10 percent or more of total accounts receivable at the end of fiscal 2022. No channel partner or customer represented more than 10 percent of revenue for fiscal 2020, 2021 or 2022.

We rely on a limited number of contract manufacturers and suppliers of components for our products. In instances where contract manufacturers and suppliers fail to perform their obligations, we may be unable to find alternative contract manufacturers and 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 accounts, purchased with an original maturity of three months or less.

Marketable Securities

We classify our marketable securities as available-for-sale (AFS) 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 estimated fair value and record unrealized gains and losses in accumulated other comprehensive income (loss), which is reflected as a component of stockholders' equity. We evaluate our AFS debt securities with an unamortized cost basis in excess of estimated fair value to determine what amount of that difference, if any, is caused by expected credit losses. Credit-related impairment losses, not to exceed the amount that fair value is less than the amortized cost basis, are recognized through an allowance for credit losses with changes in the allowance for credit losses recognized as a charge to other income (expense), net, in the consolidated statements of operations. Any remaining impairment is included in accumulated other comprehensive income (loss) as a component of stockholders' equity. Realized gains and losses from the sale of marketable securities 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 partners and 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 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:

	Fiscal Year Ended		
	2020	2021	2022
	(in thousands)		
Allowance for doubtful accounts, beginning balance	\$ 660	\$ 542	\$ 1,033
Provision, net of cash received	(80)	496	(18)
Write-offs	(38)	(5)	(70)
Allowance for doubtful accounts, ending balance	<u>\$ 542</u>	<u>\$ 1,033</u>	<u>\$ 945</u>

Restricted Cash

Restricted cash is comprised of cash collateral for letters of credit related to our leases and for a vendor credit card program. At the end of fiscal 2021 and 2022, we had restricted cash of \$10.5 million.

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 net realizable value. 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 fiscal 2020, 2021 and 2022.

Property and Equipment, Net

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—4 years, computer equipment and software—4 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.

In accordance with our accounting practices, we review the estimated useful lives of our property and equipment on an ongoing basis. In the first quarter of fiscal 2021, management determined that the estimated useful lives of its test equipment and certain computer equipment and software required revision. The estimated useful lives of test equipment and certain computer equipment and software were revised to 4 years. Previously, the estimated useful lives of these assets ranged from 2 to 3 years. The change in estimated useful lives was accounted for as a change in estimate and recognized on a prospective basis effective February 3, 2020. The effect of this change in estimate resulted in a reduction to depreciation expense of \$23.6 million during fiscal 2021.

Business Combinations

We allocate the purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair values of the assets acquired and liabilities assumed is recorded as goodwill. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the estimated fair value of the assets acquired and liabilities assumed, with the corresponding offset to goodwill. The results of operations of an acquired business is included in our consolidated financial statements from the date of acquisition. Acquisition-related expenses are expensed as incurred.

Goodwill

Goodwill represents the excess of the purchase price consideration over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed in a business combination. Goodwill is evaluated for impairment annually in the fourth quarter of our fiscal year as a single reporting unit, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. We may elect to qualitatively assess whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. If we opt not to qualitatively assess, a quantitative goodwill impairment test is performed. The quantitative test compares our reporting unit's carrying amount, including goodwill, to its fair value calculated based on our enterprise value. If the carrying amount exceeds its fair value, an impairment loss is recognized for the excess. We did not recognize any impairment of goodwill in any of the periods presented in the consolidated financial statements.

Purchased Intangible Assets

Purchased intangible assets with finite lives are stated at cost, net of accumulated amortization. We amortize our intangible assets on a straight-line basis over an estimated useful life of three to seven 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.

Convertible Senior Notes

In accounting for the issuance of our convertible senior notes (the Notes), we separated the Notes into liability and equity components. The carrying amount of the liability component was determined by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was calculated by deducting the fair value of the liability component from the principal amount of the Notes as a whole. The difference between the principal amount of the Notes and the liability component (the debt discount) is amortized to interest expense in the consolidated statements of operations using the effective interest method over the term of the Notes. The equity component of the Notes is included in additional paid-in capital in the consolidated balance sheets and is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the transaction costs related to the issuance of the Notes, we allocated the total amount incurred to the liability and equity components using the same proportions as the initial carrying value of the Notes. Transaction costs attributable to the liability component were netted with the principal amount of the Notes in the consolidated balance sheets and are being amortized to interest expense in the consolidated statements of operations using the effective interest method over the term of the Notes. Transaction costs attributable to the equity component were netted with the equity component of the Notes in additional paid-in capital in the consolidated balance sheets.

Deferred Commissions

Deferred commissions consist of incremental costs paid to our sales force to obtain customer contracts. Deferred commissions related to product revenue are recognized upon transfer of control to customers and deferred commissions related to subscription services revenue are amortized over an expected useful life of six years. We determine the expected useful life based on an estimated benefit period by evaluating our technology development life cycle, expected customer relationship period and other factors. We classify deferred commissions as current and non-current on our consolidated balance sheets based on the timing of when we expect to recognize the expense. Amortization of deferred commissions is included in sales and marketing expense in the consolidated statements of operations.

Leases

We determine if an arrangement contains a lease at inception and classify leases as an operating or finance lease at commencement date. Lease liabilities are recognized at the present value of the future lease payments at commencement date. The interest rate implicit in our operating and finance leases is not readily determinable, and therefore an incremental borrowing rate is estimated to determine the present value of future payments. The estimated incremental borrowing rate factors in a hypothetical interest rate on a collateralized basis with similar terms, payments, and economic environments. The lease right-of-use (ROU) asset is determined based on the lease liability initially established and reduced for any prepaid lease payments and any lease incentives. We account for the lease and non-lease components of operating and finance lease contract consideration as a single lease component.

Certain of the operating lease agreements contain rent concession, rent escalation, and option to renew provisions. Rent concession and rent escalation provisions are considered in determining the lease cost. Lease cost under our operating leases is recognized on a straight-line basis over the lease term commencing on the date we have the right to use the leased property. For finance leases, we recognize amortization expense of the finance lease ROU asset on a straight-line basis over the shorter of its useful life or lease term and record interest expense for finance lease liabilities based on the incremental borrowing rate. We generally use the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that an extension or termination option will be exercised. Assets recognized and the short and long-term lease liabilities from finance leases are included in property and equipment, net, accrued expenses and other liabilities and other liabilities, non-current in the consolidated balance sheets.

In addition, certain of our operating lease agreements contain tenant improvement allowances from our landlords. These allowances are accounted for as lease incentives and reduce our ROU asset and lease cost over the lease term.

For short-term leases with lease term no longer than twelve months, and do not include an option to purchase the underlying asset that we are reasonably certain to exercise, we recognize rent expense in our consolidated statements of operations on a straight-line basis over the lease term and record variable lease payments as incurred.

Deferred Revenue

Deferred revenue primarily consists of amounts that have been invoiced but have not yet been recognized as revenue and performance obligations pertaining to subscription services. 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 dates.

Revenue Recognition

We generate revenue from two sources: (1) product revenue which includes the sale of integrated storage hardware and embedded operating system software and (2) subscription services revenue which includes *Evergreen Storage* subscriptions, our unified subscription that includes *Pure as-a-Service* and *Cloud Block Store*, and *Portworx*. Subscription services revenue also include our professional services offerings such as installation and implementation consulting services.

We typically recognize product revenue upon transfer of control to our customers. Products are typically shipped directly by us to customers.

Our subscription services revenue is recognized ratably over the contractual term, which generally ranges from one to six years. The majority of our product solutions are sold with an *Evergreen Storage* subscription service agreement, which typically commences upon transfer of control of the corresponding products to our customers. Costs for subscription services are expensed when incurred. In addition, our *Evergreen Storage* subscription provides our customers with a new controller based upon certain contractual terms. The controller refresh represents a separate performance obligation that is included within the *Evergreen Storage* subscription service agreement and the allocated revenue is recognized upon shipment of the controller.

Our *Evergreen Storage* subscription services also include the right to receive unspecified software updates and upgrades on a when-and-if-available basis, software bug fixes, replacement parts and other services related to the underlying infrastructure, as well as access to our cloud-based management and support platform. We also sell professional services such as installation and implementation consulting services and the related revenue is recognized as services are performed.

We recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration we expect to be entitled in exchange for those goods or services. This is achieved through applying the following five-step approach:

- *Identification of the contract, or contracts, with a customer*
- *Identification of the performance obligations in the contract*
- *Determination of the transaction price*
- *Allocation of the transaction price to the performance obligations in the contract*
- *Recognition of revenue when, or as, we satisfy a performance obligation*

When applying this five-step approach, we apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience and/or published credit and financial information pertaining to the customer. To the extent a customer contract includes multiple promised goods or services, we determine whether promised goods or services should be accounted for as a separate performance obligation. The transaction price is determined based on the consideration which we will be entitled to in exchange for transferring goods or services to the customer. For contracts that contain multiple performance obligations, we allocate the transaction price to each performance obligation based on a relative standalone selling price. The standalone selling price is determined based on the price at which the performance obligation is sold separately, or if not observable through past transactions, is estimated taking into account available information such as market conditions and internally approved pricing guidelines related to performance obligations.

Warranty

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. Our *Evergreen Storage* subscription 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 *Evergreen Storage* subscription agreements. As such, the warranty reserve at the end of fiscal 2022 was not material.

Research and Development

Research and development costs are expensed as incurred. Research and development costs consist primarily of employee compensation and related expenses, prototype expenses, to the extent there is no alternative use for that equipment, depreciation of equipment used in research and development, third-party engineering and contractor support costs, data center and cloud services costs as well as allocated overhead costs.

Capitalized Internal-Use Software Costs

We expense costs to develop software that is externally marketed 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 related software development costs have been expensed as incurred.

We capitalize (i) costs incurred to develop or modify software solely for our internal use, including hosted applications used to deliver our support services, and (ii) certain implementation costs incurred in a hosting arrangement that is a service contract 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 used to perform the intended function. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Software development costs are capitalized to property, plant and equipment and amortized using the straight-line method over an estimated useful life of four years. Software development costs capitalized to property and equipment were \$0.7 million and \$7.8 million for fiscal 2021 and 2022.

Software implementation costs are capitalized to either prepaid and other current assets or other assets, non-current on our consolidated balance sheet and amortized over the terms of the associated hosting arrangements. Software implementation costs capitalized were \$1.9 million and \$3.5 million for fiscal 2021 and 2022. Related amortization expense for software implementation costs was \$0.1 million and \$0.5 million during fiscal 2021 and 2022.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses were \$13.3 million, \$8.1 million and \$15.3 million for fiscal 2020, 2021 and 2022.

Stock-Based Compensation

Stock-based compensation includes expenses related to restricted stock units (RSUs), performance restricted stock units (PRSUs), restricted stock, stock options and purchase rights issued to employees under our employee stock purchase plan (ESPP). RSUs, PRSUs and restricted stock are measured at the fair market value of the underlying stock at the grant date. We determine the fair value of purchase rights issued to employees under our ESPP and our stock options under our equity plans 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.

We recognize stock-based compensation expense for stock-based awards with only service conditions 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). 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.

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.

Recent Accounting Pronouncement Not Yet Adopted

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain convertible instruments, amends guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share (EPS) calculations as a result of these changes. The standard will be effective for us beginning February 7, 2022 and can be applied on either a fully retrospective or modified retrospective basis. We will adopt this standard in the first quarter of fiscal 2023 using the modified retrospective basis. The estimated cumulative effect of the accounting change on the Notes on February 7, 2022 will increase the carrying amount of the Notes by approximately \$35.2 million, reduce accumulated deficit by approximately \$98.1 million, and reduce additional paid-in capital by approximately \$133.3 million. Future interest expense of the Notes will be lower as a result of adoption of this guidance and diluted net loss per share will be computed using the if-converted method for the Notes, which may be potentially dilutive.

Note 3. Financial Instruments

Fair Value Measurements

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 1* - Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- *Level 2* - 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 3* - 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.

Cash Equivalents, Marketable Securities and Restricted Cash

We measure our cash equivalents, marketable securities and restricted cash at fair value on a recurring basis. 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 or quoted market prices for similar instruments.

The following tables summarize our cash equivalents, marketable securities and restricted cash by significant investment categories and their classification within the fair value hierarchy at the end of fiscal 2021 and 2022 (in thousands):

	At the End of Fiscal 2021						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Marketable Securities	Restricted Cash
Level 1							
Money market accounts	\$ —	\$ —	\$ —	\$ 49,984	\$ 39,440	\$ —	\$ 10,544
Level 2							
U.S. government treasury notes	339,253	3,241	(1)	342,493	15,340	327,153	—
U.S. government agencies	56,729	516	—	57,245	—	57,245	—
Corporate debt securities	425,115	4,176	(33)	429,258	—	429,258	—
Foreign government bonds	21,486	307	—	21,793	—	21,793	—
Asset-backed securities	79,924	1,015	—	80,939	—	80,939	—
Total	\$ 922,507	\$ 9,255	\$ (34)	\$ 981,712	\$ 54,780	\$ 916,388	\$ 10,544

At the End of Fiscal 2022

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Marketable Securities	Restricted Cash
Level 1							
Money market accounts	\$ —	\$ —	\$ —	\$ 29,275	\$ 18,731	\$ —	\$ 10,544
Level 2							
U.S. government treasury notes	336,303	512	(2,176)	334,639	—	334,639	—
U.S. government agencies	49,153	49	(193)	49,009	—	49,009	—
Corporate debt securities	491,728	384	(4,731)	487,381	200	487,181	—
Foreign government bonds	12,333	37	(17)	12,353	—	12,353	—
Asset-backed securities	60,361	111	(453)	60,019	—	60,019	—
Municipal bonds	\$ 3,950	\$ —	\$ (78)	\$ 3,872	—	3,872	—
Total	\$ 953,828	\$ 1,093	\$ (7,648)	\$ 976,548	\$ 18,931	\$ 947,073	\$ 10,544

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

	At the End of Fiscal 2022	
	Amortized Cost	Fair Value
Due within one year	\$ 373,547	\$ 374,017
Due in one to five years	576,151	569,216
Due in five to ten years	3,930	3,840
Total	\$ 953,628	\$ 947,073

Unrealized losses on our debt securities have not been recorded into income because we do not intend to sell nor is it more likely than not that we will be required to sell these investments prior to recovery of their amortized cost basis. The decline in fair value of our debt securities is largely due to changes in credit spreads as a result of market conditions. The credit ratings associated with our debt securities are mostly unchanged, are highly rated and the issuers continue to make timely principal and interest payments. As a result, there were no credit or non-credit impairment charges recorded in fiscal 2020, 2021, and 2022. The following table presents gross unrealized losses and fair values for those investments that were in a continuous unrealized loss position at the end of fiscal 2021 and 2022, aggregated by investment category (in thousands):

	At the End of Fiscal 2021					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government treasury notes	\$ 8,301	\$ (1)	\$ —	\$ —	\$ 8,301	\$ (1)
Corporate debt securities	32,996	(33)	—	—	32,996	(33)
Total	\$ 41,297	\$ (34)	\$ —	\$ —	\$ 41,297	\$ (34)

	At the End of Fiscal 2022					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government treasury notes	\$ 193,359	\$ (2,176)	\$ —	\$ —	\$ 193,359	\$ (2,176)
U.S. government agencies	24,388	(193)	—	—	24,388	(193)
Corporate debt securities	374,223	(4,708)	1,182	(23)	375,405	(4,731)
Foreign government bonds	4,098	(17)	—	—	4,098	(17)
Asset-backed securities	37,608	(453)	—	—	37,608	(453)
Municipal bonds	3,872	(78)	—	—	3,872	(78)
Total	\$ 637,548	\$ (7,625)	\$ 1,182	\$ (23)	\$ 638,730	\$ (7,648)

Realized gains or losses on sale of marketable securities were not significant for all periods presented.

Other Financial Instruments

We measure the fair value of our Notes on a quarterly basis and we determined the fair value of the Notes at the end of fiscal 2021 and 2022 to be a Level 2 measurement due to its limited trading activity. Refer to Note 7 for the net carrying amounts and estimated fair value of the Notes at the end of fiscal 2021 and 2022.

Note 4. Business Combinations

Fiscal 2021 - Acquisition of Portworx Inc.

In October 2020, we acquired all outstanding stock of Portworx Inc. (Portworx), a privately-held container storage company that provides a Kubernetes data services platform for cloud native applications. The transaction costs associated with the acquisition were not material and expensed as incurred. The total purchase consideration for the acquisition of Portworx was \$352.9 million, which consisted of the following (in thousands):

Cash	\$	344,049
Fair value of options assumed		8,802
Total	\$	<u>352,851</u>

We assumed certain unvested and outstanding stock options for Portworx's common stock. These stock options were converted into 1.9 million stock options for shares of our common stock. The fair value of the exchanged options determined using the Black-Scholes option pricing model was \$26.8 million, of which \$8.8 million attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value of \$18.0 million was allocated to future services and is being expensed over the remaining service periods as stock-based compensation expense. In addition, we assumed 2.0 million RSUs outstanding with a fair value of \$31.8 million that is being recognized as stock-based compensation expense over a four year vesting period.

The following table summarizes the fair values of assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

	Amount	Estimated Useful Life
Goodwill	\$ 321,152	
Identified intangible assets:		
Developed technology	21,273	5 years
Customer relationships	6,459	7 years
Trade name	3,623	3 years
Cash	4,407	
Net liabilities assumed	(4,063)	
Total	\$ <u>352,851</u>	

Goodwill generated from this acquisition was primarily attributable to the assembled workforce and expected post-acquisition synergies from combining Portworx container data services with our data services platform to expand our capabilities to support Kubernetes and containers. Goodwill was not deductible for tax purposes. The fair values of developed technology, customer relationships and trade name were derived by applying the excess earnings method, with-and-without method, and the relief-from-royalty method, respectively, all of which are under the income approach whose underlying inputs are considered Level 3. The fair values assigned to assets acquired and liabilities assumed were based on management's estimates and assumptions.

In connection with the Portworx acquisition, we recorded a net deferred tax asset of \$14.7 million. However, this amount was offset by a valuation allowance, thus, resulting in a net zero deferred tax asset during fiscal 2021. We continue to maintain a valuation allowance for our U.S. federal and state deferred tax assets.

In addition, cash payments to certain former shareholders of Portworx totaling \$32.2 million are being made over three years subject to continuous employment and are recognized as an operating expense. The remaining unpaid amount was \$13.5 million at the end of fiscal 2022.

The results of Portworx have been included in our consolidated statements of operations since the acquisition date and are not material. Pro forma results of operations have not been presented because the acquisition was not material to our results of operations.

Fiscal 2020 - Acquisition of Compuverde AB

In April 2019, we acquired Compuverde AB (Compuverde), a privately-held developer of file software solutions for enterprises and cloud providers based in Sweden. Acquisition-related costs were not material and expensed as incurred.

The purchase consideration was \$47.9 million in cash (net of cash acquired) after repayment of \$11.6 million of debt assumed. The purchase price was allocated as follows: \$38.4 million in developed technology which is being amortized over seven years, \$26.6 million of goodwill, \$11.7 million in net liabilities assumed, and \$5.4 million in deferred tax liability. The deferred tax liability was primarily a result of the difference in the book basis and tax basis related to the developed technology. Goodwill was primarily attributable to the assembled workforce and synergies from integrating Compuverde's technology with our data platform to expand our file capabilities and was not deductible for tax purposes.

In addition, cash payments to former shareholders of Compuverde totaling \$15.9 million were made over a two-year period that ended during fiscal 2022 and recognized as operating expense.

Restricted stock units in the amount of \$3.0 million were issued to Compuverde employees in June 2019, subject to continuous employment and are being recognized as stock-based compensation over the related vesting period.

The results of Compuverde have been included in our consolidated statements of operations since the acquisition date and are not material. Pro forma results of operations have not been presented because the acquisition was not material to our results of operations.

Note 5. Balance Sheet Components

Inventory

Inventory consists of the following (in thousands):

	At the End of Fiscal	
	2021	2022
Raw materials	\$ 4,991	\$ 15,734
Finished goods	41,742	23,208
Inventory	\$ 46,733	\$ 38,942

Property and Equipment, Net

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

	At the End of Fiscal	
	2021	2022
Test equipment	\$ 238,069	\$ 266,672
Computer equipment and software	183,763	206,053
Furniture and fixtures	8,484	8,652
Leasehold improvements	44,444	47,443
Capitalized software development costs	755	8,528
Total property and equipment	475,515	537,348
Less: accumulated depreciation and amortization	(312,474)	(342,066)
Property and equipment, net	\$ 163,041	\$ 195,282

Depreciation and amortization expense related to property and equipment was \$80.4 million, \$57.1 million and \$65.9 million for fiscal 2020, 2021 and 2022, respectively.

Intangible Assets, Net

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

	At the End of Fiscal					
	2021			2022		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount	Gross Carrying Value	Accumulated Amortization	Net Carrying Amount
Technology patents	\$ 19,125	\$ (11,722)	\$ 7,403	\$ 19,125	\$ (13,544)	\$ 5,581
Developed technology	77,373	(17,499)	59,874	80,166	(30,304)	49,862
Customer relationships	6,459	(308)	6,151	6,459	(1,246)	5,213
Trade name	3,623	(403)	3,220	3,623	(1,633)	1,990
Intangible assets, net	<u>\$ 106,580</u>	<u>\$ (29,932)</u>	<u>\$ 76,648</u>	<u>\$ 109,373</u>	<u>\$ (46,727)</u>	<u>\$ 62,646</u>

Intangible assets amortization expense was \$9.3 million, \$13.0 million and \$16.8 million for fiscal 2020, 2021 and 2022, respectively. At the end of fiscal 2022, the weighted-average remaining amortization period was 2.0 years for technology patents, 3.9 years for developed technology, 5.6 years for customer relationships, and 1.6 years for trade name. We recorded amortization of technology patents in general and administrative expenses due to their defensive nature, developed technology in cost of product revenue, and customer relationships and trade name in sales and marketing expenses in the consolidated statements of operations.

At the end of fiscal 2022, future expected amortization expense for intangible assets is as follows (in thousands):

Fiscal Years Ending	Future Expected Amortization Expense
2023	\$ 16,197
2024	15,776
2025	14,991
2026	12,396
2027	2,673
Thereafter	613
Total	<u>\$ 62,646</u>

Goodwill

As of the end of fiscal 2021 and 2022, goodwill was \$358.7 million. There were no impairments to goodwill during fiscal 2021 and 2022.

Accrued Expenses and Other Liabilities

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

	At the End of Fiscal	
	2021	2022
Taxes payable	\$ 4,097	\$ 6,312
Accrued marketing	15,638	13,257
Accrued cloud and outside services	2,874	6,135
Supply chain-related accruals	7,461	6,991
Accrued service logistics and professional services	3,122	6,244
Acquisition earn-out	9,600	5,211
Customer deposits from contracts with customers	—	10,409
Other accrued liabilities	18,962	23,952
Total accrued expenses and other liabilities	<u>\$ 61,754</u>	<u>\$ 78,511</u>

Note 6. Deferred Revenue and Commissions

Deferred Commissions

Changes in total deferred commissions during the periods presented are as follows (in thousands):

	Fiscal Year Ended	
	2021	2022
Beginning balance	\$ 139,204	\$ 187,924
Additions	183,151	217,595
Recognition of deferred commissions	(134,431)	(159,212)
Ending balance	\$ 187,924	\$ 246,307

During fiscal 2020, 2021 and 2022, we recognized sales commission expenses of \$142.5 million, \$150.2 million, and \$175.9 million, respectively. Of the \$246.3 million total deferred commissions balance at the end of fiscal 2022, we expect to recognize approximately 33% as sales commission expense over the next 12 months and the remainder thereafter.

There was no impairment related to capitalized commissions for fiscal 2020, 2021 or 2022.

Deferred Revenue

Changes in total deferred revenue during the periods presented are as follows (in thousands):

	Fiscal Year Ended	
	2021	2022
Beginning balance	\$ 697,288	\$ 843,697
Additions	703,800	937,510
Recognition of deferred revenue	(557,391)	(701,335)
Ending balance	\$ 843,697	\$ 1,079,872

During fiscal 2021 and 2022, we recognized approximately \$353.1 million and \$442.7 million, respectively, in revenue pertaining to deferred revenue as of the beginning of each period.

Remaining Performance Obligations

Total contracted but not recognized revenue was \$1.4 billion at the end of fiscal 2022. Contracted but not recognized revenue consists of both deferred revenue and non-cancelable amounts that are expected to be invoiced and recognized as revenue in future periods. The value of orders that are contracted but have not been fulfilled and that can be canceled by customers, are excluded from remaining performance obligations. Of the \$1.4 billion contracted but not recognized revenue at the end of fiscal 2022, we expect to recognize approximately 47% over the next 12 months, and the remainder thereafter.

Note 7. Debt

Convertible Senior Notes

In April 2018, we issued \$575.0 million in principal amount of 0.125% convertible senior notes due 2023, in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act and received proceeds of \$562.1 million, after deducting the underwriters' discounts and commissions. The Notes are governed by an indenture (the Indenture) between us, as the issuer, and U.S. Bank National Association, as trustee. The Notes are our senior unsecured obligations. The Indenture does not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries. The Notes mature on April 15, 2023 unless repurchased or redeemed by us or converted in accordance with their terms prior to the maturity date. Interest is payable semi-annually in arrears on April 15 and October 15 of each year.

The Notes are convertible for up to 21,884,155 shares of our common stock at an initial conversion rate of approximately 38.0594 shares of common stock per \$1,000 principal amount, which is equal to an initial conversion price of approximately \$26.27 per share of common stock, subject to adjustment. Holders of the Notes may surrender their Notes for conversion at their option at any time prior to the close of business on the business day immediately preceding October 15, 2022, only under the following circumstances:

- during any fiscal quarter if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the measurement period), in which the trading price per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the Notes on each such trading day;
- if we call any or all of the Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

On or after October 15, 2022 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at any time regardless of the foregoing circumstances. Upon conversion, holders will receive cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We intend to settle the principal of the Notes in cash.

The conversion price will be subject to adjustment in some events. Following certain corporate events that occur prior to the maturity date or following our issuance of a notice of redemption, we will increase the conversion rate for a holder who elects to convert its Notes in connection with such corporate event or during the related redemption period in certain circumstances. Additionally, upon the occurrence of a corporate event that constitutes a "fundamental change" per the Indenture, holders of the Notes may require us to repurchase for cash all or a portion of the Notes at a purchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid contingent interest.

Subsequent to April 19, 2021, we may redeem for cash all or any portion of the Notes, at our option, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending not more than two trading days immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Notes.

Upon the issuance of the Notes, we recorded total debt issuance costs of \$12.9 million, of which \$9.8 million was allocated to the Notes and \$3.1 million was allocated to additional paid-in capital.

The Notes consisted of the following (in thousands):

	At the End of Fiscal	
	2021	2022
Liability:		
Principal	\$ 575,000	\$ 575,000
Less: debt discount, net of amortization	(64,515)	(35,641)
Less: debt issuance costs, net of amortization	(4,671)	(2,580)
Net carrying amount of the Notes	<u>\$ 505,814</u>	<u>\$ 536,779</u>
Stockholders' equity recorded at issuance:		
Allocated value of the conversion feature		\$ 136,333
Less: debt issuance costs		(3,068)
Additional paid-in capital		<u>\$ 133,265</u>

The total estimated fair values of the Notes at the end of fiscal 2021 and 2022 were \$649.0 million and \$681.8 million. The fair values were determined based on the closing trading price per \$100 of the Notes as of the last day of trading of fiscal 2021 and 2022. The fair value of the Notes is primarily affected by the trading price of our common stock and market interest rates. Based on the closing price of our common stock of \$26.38 on the last day of fiscal 2022, the if-converted value of the Notes of \$577.3 million was greater than its principal amount. At the end of fiscal 2022, the remaining term of the Notes is 14 months.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Fiscal Year Ended	
	2021	2022
Amortization of debt discount	\$ 26,863	\$ 28,874
Amortization of debt issuance costs	1,944	2,091
Total amortization of debt discount and debt issuance costs	<u>28,807</u>	<u>30,965</u>
Contractual interest expense	718	732
Total interest expense related to the Notes	<u>\$ 29,525</u>	<u>\$ 31,697</u>
Effective interest rate of the liability component	<u>5.6 %</u>	<u>5.6 %</u>

In connection with the offering of the Notes, we paid \$64.6 million to enter into capped call transactions with certain of the underwriters and their affiliates (the Capped Calls), whereby we have the option to purchase up to a total of 21,884,155 shares of our common stock to offset the dilution and/or any cash payments we are required to make in excess of the principal amount upon conversion of the Notes at maturity, with such offset subject to a cap of \$39.66 per share (which represents a premium of 100% over the last reported sales price of our common stock on April 4, 2018), subject to certain adjustments (the Cap Price). However, for conversions prior to maturity, the Capped Calls would be settled at their fair value, which may not completely offset, and may be substantially less than, the value of the consideration in excess of the principal amount of the Notes delivered upon such conversion. The cost of the Capped Calls was accounted for as a reduction to additional paid-in capital on the consolidated balance sheet.

Impact on Earnings Per Share

The Notes will not impact our diluted earnings per share until the average market price of our common stock exceeds the conversion price of \$26.27 per share, as we intend to settle the principal amount of the Notes in cash upon conversion. We are required under the treasury stock method to compute the potentially dilutive shares of common stock related to the Notes for periods we report net income. Upon conversion at maturity, there will be no economic dilution from the Notes until the average market price of our common stock exceeds the Cap Price of \$39.66 per share as the exercise of the Capped Calls would offset any dilution from the Notes from the conversion price up to the Cap Price. However, for conversions prior to maturity, the Capped Calls would be settled at their fair value, which is expected to substantially, but not completely, offset the economic dilution from the Notes from the conversion price up to the Cap Price. Capped Calls are excluded from the calculation of diluted earnings per share, as they would be anti-dilutive under the treasury stock method.

Revolving Credit Facility

In August 2020, we entered into a Credit Agreement with a consortium of financial institutions and lenders that provides for a five-year, senior secured revolving credit facility of \$300.0 million (Credit Facility). Proceeds from the Credit Facility may be used for general corporate purposes and working capital. The Credit Facility expires, absent default or early termination by us, on the earlier of (i) August 24, 2025 or (ii) 91 days prior to the stated maturity of the Notes unless, on such date and each subsequent day until the Notes are paid in full, the sum of our cash, cash equivalents and marketable securities and the aggregate unused commitments then available to us exceed \$625.0 million.

The annual interest rates applicable to loans under the Credit Facility are, at our option, equal to either a base rate plus a margin ranging from 0.50% to 1.25% or LIBOR (based on one, three or six-month interest periods), subject to a floor of 0%, plus a margin ranging from 1.50% to 2.25%. Interest on revolving loans is payable quarterly in arrears with respect to loans based on the base rate and at the end of an interest period in the case of loans based on LIBOR (or at each three-month interval if the interest period is longer than three months). We are also required to pay a commitment fee on the unused portion of the commitments ranging from 0.25% to 0.40% per annum, payable quarterly in arrears.

In September 2020, we drew down \$250.0 million under the Credit Facility which remained outstanding at the end of fiscal 2022. The outstanding loan bore weighted-average interest at the one-month LIBOR of approximately 1.65% and 1.60% resulting in interest expense of \$1.4 million and \$4.1 million during fiscal 2021 and 2022. In February 2022, we repaid, in full, the \$250.0 million outstanding under the Credit Facility.

Loans under the Credit Facility are collateralized by substantially all of our assets and subject to certain restrictions and two financial ratios measured as of the last day of each fiscal quarter: a Consolidated Leverage Ratio not to exceed 4.5:1 and an Interest Coverage Ratio not to be less than 3:1. We were in compliance with all covenants under the Credit Facility at the end of fiscal 2022.

Note 8. Commitments and Contingencies

Leases

At the end of fiscal 2022, we had various non-cancelable operating and finance lease commitments for office facilities. Refer to Note 9—Leases for additional information regarding lease commitments.

Contractual Purchase Obligations

At the end of fiscal 2022, we had \$289.0 million of non-cancelable contractual purchase obligations primarily related to inventory purchase commitments, software service and sponsorship contracts, and hosting arrangements. We have various manufacturing contracts with vendors in the conduct of the normal course of business. In order to manage future demand for its products, we enter into agreements with manufacturers and suppliers to procure inventory based upon certain criteria and timing.

Letters of Credit

At the end of fiscal 2021 and 2022, we had outstanding letters of credit in the aggregate amount of \$6.7 million, in connection with our facility leases. The letters of credit are collateralized by restricted cash and mature on various dates through August 2029.

Legal Matters

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 we expect to 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 the end of fiscal 2022.

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 9. Leases

We lease office facilities under non-cancelable operating lease agreements expiring through July 2032. Our lease agreements do not contain any material residual value guarantees or restrictive covenants. During fiscal 2021, we ceased use of certain leased facilities that resulted in the recognition of certain exit costs - see Note 10 for further information. In fiscal 2022, we entered into an agreement with a third party vendor to finance lease certain test equipment. The amount of test equipment acquired under the finance lease was not material.

The components of lease costs were as follows (in thousands):

	Fiscal Year Ended	
	2021	2022
Fixed operating lease cost	\$ 37,411	\$ 37,598
Variable lease cost ⁽¹⁾	9,168	10,228
Short-term lease cost (12 months or less)	5,734	4,178
Total lease cost	\$ 52,313	\$ 52,004

⁽¹⁾ Variable lease cost predominantly included common area maintenance charges.

At the end of fiscal 2021, the weighted-average remaining lease term for our operating leases was 5.2 years, and the weighted-average discount rate for our operating leases was 5.8%. At the end of fiscal 2022, the weighted-average remaining lease term for our operating leases is 4.5 years, and the weighted-average discount rate for our operating leases was 5.7%. Future lease payments under our non-cancelable operating leases at the end of fiscal 2022 are as follows (in thousands):

Fiscal Years Ending	Operating Leases
2023	\$ 38,627
2024	33,565
2025	28,980
2026	20,314
2027	8,266
Thereafter	17,787
Total future lease payments	\$ 147,539
Less: imputed interest	(18,962)
Present value of lease liabilities	\$ 128,577

Note 10. Restructuring and Other

During fiscal 2021, we ceased use of certain leased facilities and recorded an impairment charge of \$7.5 million for operating lease right-of-use assets and leasehold improvements for these leases. In addition, we recognized a liability of \$2.4 million for the remaining lease costs that will continue to be incurred without benefit to us.

During fiscal 2021, we effected workforce realignment plans to streamline our operations and recognized \$12.2 million of restructuring costs related to one-time involuntary termination benefit costs. The restructuring charges are included in restructuring and other expenses in our consolidated statement of operations. There was no remaining liability for unpaid amounts at the end of fiscal 2022.

During fiscal 2021, we incurred incremental costs of \$9.8 million directly related to the COVID-19 pandemic. These costs primarily included the write-off of marketing commitments no longer deemed to have value for the remainder of fiscal 2021, estimated non-recoverable costs for internal events that could not be held, and hazard related premiums to support manufacturing operations. Of these costs, \$8.9 million is included in restructuring and other expenses and \$0.9 million is included in cost of revenue in our consolidated statements of operations for fiscal 2021.

Note 11. Stockholders' Equity

Preferred Stock

We have 20,000,000 authorized shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors. At the end of fiscal 2022, 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, which we refer to as our "common stock", and Class B common stock. We have 2,000,000,000 authorized shares of Class A common stock and 250,000,000 authorized shares of Class B common stock, with each class having a par value of \$0.0001 per share. At the end of fiscal 2022, 292,632,893 shares of Class A common stock were issued and outstanding.

Common Stock Reserved for Issuance

At the end of fiscal 2022, we had reserved shares of common stock for future issuance as follows:

Shares underlying outstanding stock options	12,268,938
Shares underlying outstanding restricted stock units	28,712,878
Shares reserved for future equity awards	17,402,448
Shares reserved for future employee stock purchase plan awards	5,283,083
Total	<u>63,667,347</u>

Share Repurchase Program

In August 2019, our board of directors approved a stock repurchase program to repurchase up to \$150.0 million of our common stock, which was completed in the fourth quarter of fiscal 2021. In February 2021, our board of directors authorized the repurchase of up to an additional \$200.0 million of our common stock, which was completed in the fourth quarter of fiscal 2022. In March 2022, our board of directors authorized the repurchase of up to an additional \$250.0 million of our common stock. The authorization allows us to repurchase shares of our common stock opportunistically and will be funded from available working capital. Repurchases may be made at management's discretion from time to time on the open market through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing. The share repurchase program does not obligate us to acquire any of our common stock, has no end date, and may be suspended or discontinued by us at any time without prior notice. As of April 5, 2022, \$231.9 million of the repurchase authorization remained available.

We record the difference between cash paid for stock repurchases and underlying par value as a reduction to additional paid-in capital, to the extent the repurchases does not cause this balance to be reduced below zero, at which point the difference would be recorded as a reduction to accumulated deficit. During fiscal 2020, we repurchased and retired 867,657 shares of common stock at an average purchase price of \$17.29 per share for an aggregate repurchase price of \$15.0 million. During fiscal 2021, we repurchased and retired 9,526,556 shares of common stock at an average purchase price of \$14.17 per share for an aggregate repurchase price of \$135.0 million. During fiscal 2022, we repurchased and retired 8,489,168 shares of common stock at an average purchase price of \$23.56 per share for an aggregate repurchase price of \$200.0 million.

Note 12. Equity Incentive Plans

Equity Incentive Plans

We maintain two equity incentive plans: the 2009 Equity Incentive Plan (the 2009 Plan) and the 2015 Equity Incentive Plan (the 2015 Plan). The 2015 Plan serves as the successor to our 2009 Plan and provides for grants of incentive stock options to our employees and non-statutory stock options, stock appreciation rights, restricted stock, RSUs, performance stock awards, performance cash awards, and other forms of stock awards to our employees, directors and consultants. 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. Our equity awards generally vest over a two to four year period and expire no later than ten years from the date of grant.

We initially reserved 27,000,000 shares of our 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 each fiscal year, for a period of not more than ten years, commencing on February 1, 2016, 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 Evergreen Increase). In March 2022, our board of directors approved an amendment and restatement of the 2015 Plan to clarify the effect of our change to a 52/53 week fiscal year in September 2019 on the Evergreen Increase.

We net-share settle equity awards held by certain employees by withholding shares upon vesting to satisfy tax withholding obligations. The shares withheld to satisfy employee tax withholding obligations are returned to our 2015 Plan and will be available for future issuance. Payments for employees' tax obligations to the tax authorities are recognized as a reduction to additional paid-in capital and reflected as a financing activity in our consolidated statements of cash flows.

2015 Amended and Restated Employee Stock Purchase Plan

Our 2015 Employee Stock Purchase Plan was amended and restated in fiscal 2020 (2015 ESPP). A total of 3,500,000 shares of common stock was initially reserved for issuance under the 2015 ESPP and an additional 5,000,000 shares of common stock were added in connection with the amendment and restatement. 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 common stock.

Our board of directors (or a committee thereof) has the authority to establish the length and terms of the offering periods and purchase periods and the purchase price of the shares of common stock which may be purchased under the plan. The current offering terms allow eligible employees to purchase shares of our common stock at a discount through payroll deductions of up to 30% of their eligible compensation, subject to a cap of 3,000 shares on any purchase date, a dollar cap of \$7,500 per purchase period (instituted in February 2019), or \$25,000 in any calendar year (as determined under applicable tax rules). The current terms also allow for a 24-month offering period beginning March 16th and September 16th of each year, with each offering period consisting of four 6 month purchase periods, subject to a reset provision. Further, currently, on each purchase date, eligible employees may purchase our common stock at a price per share equal to 85% of the lesser of the fair market value of our common stock (1) on the first trading day of the applicable offering period or (2) the purchase date.

Under the reset provision currently authorized, 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), resulting in a modification charge to be recognized over the new offering period. During fiscal 2020 and 2021, multiple ESPP resets resulted in total modification charges of \$13.6 million and \$23.8 million to be recognized over their new offering periods. There was no ESPP reset during fiscal 2022.

During fiscal 2020, 2021 and 2022, we recognized \$24.5 million, \$25.8 million and \$35.4 million, of stock-based compensation expense related to our 2015 ESPP. At the end of fiscal 2022, total unrecognized stock-based compensation cost related to our 2015 ESPP was \$9.9 million, which is expected to be recognized over a weighted-average period of approximately 0.8 years.

Stock Options

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

	Options Outstanding		Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
	Number of Shares	Weighted-Average Exercise Price		
Balance at the end of fiscal 2021	18,558,974	\$ 9.60	4.3	\$ 251,503
Options exercised	(5,954,724)	8.15		
Options forfeited/canceled	(335,312)	11.50		
Balance at the end of fiscal 2022	12,268,938	\$ 10.25	3.5	\$ 198,266
Vested and exercisable at the end of fiscal 2022	11,565,305	\$ 10.73	3.2	\$ 180,978

The aggregate intrinsic value of options vested and exercisable at the end of fiscal 2022 is calculated based on the difference between the exercise price and the closing price of \$26.38 of our common stock on the last day of fiscal 2022. The aggregate intrinsic value of options exercised during fiscal 2020, 2021 and 2022 was \$106.6 million, \$118.8 million and \$105.1 million.

The total grant date fair value of options vested during fiscal 2020, 2021 and 2022 was \$34.2 million, \$20.1 million and \$16.5 million.

During fiscal 2020, 2021 and 2022, we recognized \$15.8 million, \$8.6 million and \$7.7 million, of stock-based compensation expense related to stock options. At the end of fiscal 2022, total unrecognized employee stock-based compensation cost related to outstanding options was \$7.5 million, which is expected to be recognized over a weighted-average period of 1.6 years.

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. The assumptions used for the periods presented are as follows:

	Fiscal Year Ended		
	2020	2021	2022
Employee Stock Options			
Expected term (in years)	n/a	5.65	n/a
Expected volatility	n/a	52.07%	n/a
Risk-free interest rate	n/a	0.3%	n/a
Dividend rate	n/a	—	n/a
Fair value of common stock	n/a	\$15.79	n/a
Employee Stock Purchase Plan			
Expected term (in years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	42% - 47%	52% - 113%	44% - 61%
Risk-free interest rate	1.7% - 2.5%	0.1% - 0.4%	0.1% - 0.2%
Dividend rate	—	—	—
Fair value of common stock	\$17.76 - \$20.87	\$9.07 - \$15.26	\$23.63 - \$26.69

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

Fair Value of Common Stock—We use the market closing price of our 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—The expected volatility for ESPP purchase rights is based on the historical volatility of our common stock for a period equivalent to the expected term of the 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.

RSUs and PRSUs

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

	<u>Number of RSUs and PRSUs Outstanding</u>	<u>Weighted-Average Grant Date Fair Value</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Unvested balance at the end of fiscal 2021	30,830,082	\$ 15.77	\$ 712,657
Granted	17,173,968	23.42	
Vested	(12,955,468)	17.07	
Forfeited	(6,335,704)	16.60	
Unvested balance at the end of fiscal 2022	<u>28,712,878</u>	\$ 19.53	\$ 757,446

During fiscal 2022, we granted 1,600,373 shares of PRSUs, at a target percentage of 100%, with both performance and service vesting conditions payable in common stock, from 0% to 150% of the target number granted, contingent upon the degree to which the performance condition is met. A total of 2,028,355 shares were earned at the end of fiscal 2022 based on the performance condition achieved and these shares are subject to service conditions through the vesting periods.

The aggregate fair value, as of the respective vesting dates, of RSUs and PRSUs that vested during fiscal 2020, 2021 and 2022 was \$164.1 million, \$183.4 million and \$322.2 million.

During fiscal 2020, 2021 and 2022, we recognized \$161.8 million, \$199.1 million and \$242.1 million in stock-based compensation expense related to RSUs and PRSUs. At the end of fiscal 2022, total unrecognized employee compensation cost related to unvested RSUs and PRSUs was \$503.2 million, which is expected to be recognized over a weighted-average period of 2.7 years.

Restricted Stock

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

	<u>Number of Restricted Stock Outstanding</u>	<u>Weighted-Average Grant Date Fair Value</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Unvested balance at the end of fiscal 2021	557,836	\$ 19.06	\$ 12,903
Vested	(440,687)	18.78	
Forfeited	(62,172)	20.22	
Unvested balance at the end of fiscal 2022	<u>54,977</u>	\$ 20.02	\$ 1,450

All unvested shares of restricted stock are subject to cancellation to the extent vesting conditions are not met. The aggregate fair value of restricted stock that vested during fiscal 2020, 2021 and 2022 was \$24.2 million, \$18.3 million and \$10.4 million.

During fiscal 2020, 2021 and 2022, we recognized \$24.6 million, \$9.3 million and \$1.8 million in stock-based compensation expense related to restricted stock. At the end of fiscal 2022, total unrecognized employee compensation cost related to unvested restricted stock was not material, which is expected to be recognized over a weighted-average period of approximately 0.1 years.

Stock-Based Compensation Expense

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

	Fiscal Year Ended		
	2020	2021	2022
Cost of revenue—product	\$ 3,732	\$ 4,001	\$ 6,334
Cost of revenue—subscription services	14,403	14,979	21,240
Research and development	107,658	117,220	142,264
Sales and marketing	67,560	65,248	71,439
General and administrative	33,352	40,896	45,686
Total stock-based compensation expense	<u>\$ 226,705</u>	<u>\$ 242,344</u>	<u>\$ 286,963</u>

The tax benefit related to stock-based compensation expense for all periods presented was not material.

Note 13. 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. Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. Diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents, including our outstanding stock options, common stock related to unvested RSUs and PRSUs, unvested restricted stock, our Notes to the extent dilutive, and common stock issuable pursuant to the ESPP. These potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-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):

	Fiscal Year Ended		
	2020	2021	2022
Net loss	\$ (200,987)	\$ (282,076)	\$ (143,259)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>252,820</u>	<u>267,824</u>	<u>285,882</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.79)</u>	<u>\$ (1.05)</u>	<u>\$ (0.50)</u>

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):

	Fiscal Year Ended		
	2020	2021	2022
Stock options to purchase common stock	31,315	23,180	15,686
Unvested RSUs and PRSUs	24,374	31,980	32,491
Unvested restricted stock	2,614	1,145	257
Shares related to convertible senior notes	21,884	21,884	21,884
Shares issuable pursuant to the ESPP	1,031	2,148	2,122
Total	<u>81,218</u>	<u>80,337</u>	<u>72,440</u>

Note 14. Other Income (Expense), Net

Other income (expense), net consists of the following (in thousands):

	Fiscal Year Ended		
	2020	2021	2022
Interest income ⁽¹⁾	\$ 27,241	\$ 17,442	\$ 9,371
Interest expense ⁽²⁾	(27,897)	(31,403)	(36,677)
Foreign currency transactions (losses) gains	(3,396)	2,507	(5,235)
Other income	669	2,327	2,443
Total other income (expense), net	\$ (3,383)	\$ (9,127)	\$ (30,098)

(1) Interest income includes interest income related to our cash, cash equivalents and marketable securities and non-cash interest income (expense) related to accretion (amortization) of the discount (premium) on marketable securities.

(2) Interest expense includes non-cash interest expense related to amortization of the debt discount and debt issuance costs and the contractual interest expense related to our debt.

Note 15. Income Taxes

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

	Fiscal Year Ended		
	2020	2021	2022
Domestic	\$ (212,672)	\$ (312,119)	\$ (192,058)
International	18,006	41,959	63,562
Total	\$ (194,666)	\$ (270,160)	\$ (128,496)

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

	Fiscal Year Ended		
	2020	2021	2022
Current:			
State	\$ 538	\$ 442	\$ 592
Foreign	7,774	8,006	12,525
Total	\$ 8,312	\$ 8,448	\$ 13,117
Deferred:			
Federal	\$ (1,559)	\$ (218)	\$ —
State	(198)	—	—
Foreign	(234)	3,686	1,646
Total	\$ (1,991)	\$ 3,468	\$ 1,646
Provision for income taxes	\$ 6,321	\$ 11,916	\$ 14,763

The reconciliation of income taxes at the federal statutory income tax rate to the provision for income taxes is as follows (in thousands):

	Fiscal Year Ended		
	2020	2021	2022
Tax at federal statutory rate	\$ (40,880)	\$ (56,734)	\$ (26,984)
State tax, net of federal benefit	210	349	468
Stock-based compensation expense	(6,683)	(604)	(19,658)
Research and development tax credits	(11,033)	(14,138)	(16,783)
U.S. taxes on foreign income	—	14,021	25,059
Foreign rate differential	2,935	2,282	(1,698)
Change in valuation allowance	61,050	63,146	48,270
Non-deductible expenses	—	—	4,381
Other	722	3,594	1,708
Provision for income taxes	<u>\$ 6,321</u>	<u>\$ 11,916</u>	<u>\$ 14,763</u>

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 components of our deferred tax assets and liabilities were as follows (in thousands):

	At the End of Fiscal	
	2021	2022
Deferred tax assets:		
Net operating loss carryforwards	\$ 308,250	\$ 369,904
Tax credit carryover	104,247	134,085
Accruals and reserves	22,263	22,625
Deferred revenue	69,886	66,242
Stock-based compensation expense	28,310	25,247
Depreciation and amortization	120	—
Charitable contribution carryforwards	229	290
Interest expense limitation (163(j))	110	—
ASC 842 lease liabilities	33,302	28,577
Other	—	1,589
Total deferred tax assets	<u>\$ 566,717</u>	<u>\$ 648,559</u>
Valuation allowance	(484,437)	(554,553)
Total deferred tax assets, net of valuation allowance	<u>\$ 82,280</u>	<u>\$ 94,006</u>
Deferred tax liabilities:		
Depreciation and amortization	\$ —	\$ (12,992)
Deferred commissions	(41,526)	(53,219)
Convertible debt	(8,147)	(4,642)
ASC 842 right-of-use assets	(29,183)	(24,608)
Acquired intangibles and goodwill	(8,727)	(6,850)
Intercompany interest	—	(874)
Other	(2,230)	—
Total deferred tax liabilities	<u>\$ (89,813)</u>	<u>\$ (103,185)</u>
Net deferred tax liabilities	<u>\$ (7,533)</u>	<u>\$ (9,179)</u>

At the end of fiscal 2022, the undistributed earnings of \$134.2 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.

At the end of fiscal 2022, we had net operating loss carryforwards for federal income tax purposes of approximately \$1.5 billion and state income tax purposes of approximately \$858.7 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 \$98.7 million and \$88.0 million at the end of fiscal 2022. 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 \$98.6 million and \$70.1 million, respectively, during fiscal 2021 and 2022.

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):

	Fiscal Year Ended		
	2020	2021	2022
Gross unrecognized tax benefits—beginning balance	\$ 18,891	\$ 28,570	\$ 39,571
Decreases related to tax positions taken during prior years	(34)	(345)	(173)
Increases related to tax positions taken during prior years	408	1,881	1,201
Increases related to tax positions taken during current year	9,305	9,465	10,983
Gross unrecognized tax benefits—ending balance	\$ 28,570	\$ 39,571	\$ 51,582

At the end of fiscal 2022, our gross unrecognized tax benefit was approximately \$51.6 million, \$3.5 million of which if recognized, would have an impact on the effective tax rate.

At the end of fiscal 2022, 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. The tax returns for fiscal years 2009 and forward remain open to examination by the major jurisdictions in which we are subject to tax. The tax returns for 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 16. Segment Information

Our chief operating decision maker is our Chief Executive Officer. Our chief operating decision maker reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, we have a single reportable segment.

Disaggregation of Revenue

The following table depicts the disaggregation of revenue by geographic area based on the billing address of our customers and is consistent with how we evaluate our financial performance (in thousands):

	Fiscal Year Ended		
	2020	2021	2022
United States	\$ 1,184,923	\$ 1,195,428	\$ 1,580,022
Rest of the world	458,517	488,751	600,826
Total revenue	<u>\$ 1,643,440</u>	<u>\$ 1,684,179</u>	<u>\$ 2,180,848</u>

Long-Lived Assets by Geographic Area

Long-lived assets, which are comprised of property and equipment, net, by geographic area are summarized as follows (in thousands):

	At the End of Fiscal	
	2021	2022
United States	\$ 152,859	\$ 187,228
Rest of the world	10,182	8,054
Total long-lived assets	<u>\$ 163,041</u>	<u>\$ 195,282</u>

Note 17. 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 85% of their eligible compensation, subject to certain limitations. We currently match 50% of employees' contributions up to a maximum of \$4,000 annually. Matching contributions immediately vest. Our contributions to the plan were \$8.6 million, \$10.2 million and \$11.1 million during fiscal 2020, 2021 and 2022.

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 (CEO) and Chief Financial Officer (CFO), 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 CEO and CFO concluded that, as of the end of fiscal 2022, 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 CEO and CFO, 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 the end of fiscal 2022.

The effectiveness of our internal control over financial reporting as of the end of fiscal 2022 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 fourth quarter of fiscal 2022 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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

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 2022 annual meeting of stockholders (2022 Proxy Statement), which will be filed not later than 120 days after the end of our fiscal year ended February 6, 2022.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to our 2022 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 2022 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 2022 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Our independent public accounting firm is Deloitte & Touche LLP, San Jose, CA, PCAOB ID No. 34

The information required by this item is incorporated herein by reference to our 2022 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

The documents set forth below are filed herewith or incorporated herein by reference to the location indicated.

Exhibit Index

Exhibit Number	Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
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 .	—	—	—	—
4.3	Indenture dated as of April 9, 2018 by and between Pure Storage, Inc. and U.S. Bank National Association, as Trustee	8-K	001-37570	4.1	4/10/2018
4.4	Form of Global Note, representing Pure Storage, Inc.'s 0.125% Convertible Senior Notes due 2023 (included as Exhibit A to the Indenture incorporated by reference as Exhibit 4.3 hereto)	8-K	001-37570	4.1	4/10/2018
4.5	Description of Registrant's Securities.	10-K	001-37570	4.5	3/27/2020
10.1+	Pure Storage, Inc. Amended and Restated 2009 Equity Incentive Plan.	S-1	333-206312	10.2	8/12/2015
10.2+	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
10.3*+	Pure Storage, Inc. 2015 Equity Incentive Plan.	—	—	—	—
10.4+	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
10.5+	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
10.6+	Form of Restricted Stock Award Grant Notice and Award Agreement under the Pure Storage, Inc. 2015 Equity Incentive Plan.	8-K	001-37570	10.1	3/16/2018
10.7+	Pure Storage, Inc. Amended and Restated 2015 Employee Stock Purchase Plan	10-Q	001-37570	10.1	8/30/2019
10.8+	Form of Indemnity Agreement, by and between Pure Storage, Inc. and each director and executive officer.	S-1	333-206312	10.7	9/9/2015
10.9+	Offer Letter, by and between Pure Storage, Inc. and Charles Giancarlo, dated August 22, 2017.	10-Q	001-37570	10.1	12/8/2017
10.10+	Transition Services, Separation & Release Agreement by and between Pure Storage, Inc. and Paul Mountford dated as of November 3, 2020.	10-Q	001-37570	10.14	12/9/2020
10.11+	Offer Letter by and between Pure Storage, Inc. and Kevan Kryslar, dated November 15, 2019	10-Q	001-37570	10.2	12/9/2019
10.12+	Pure Storage, Inc. Change in Control Severance Benefit Plan.	10-Q	001-37570	10.12	12/9/2020
10.13	Credit Agreement, dated as of August 24, 2020 by and among Pure Storage, Inc., the Lenders party thereto and Barclays Bank PLC, as administrative agent, issuing bank and swingline lender.	10-Q	001-37570	10.13	9/11/2020

Exhibit Number	Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
10.14+	Pure Storage, Inc. Employee Cash Incentive Plan.	8-K	001-37570	10.2	3/16/2018
10.15*+	Consulting Agreement dated December 15, 2021 between Pure Storage, Inc. and Mark Garrett	—	—	—	—
10.16*+	Offer Letter by and between Pure Storage, Inc. and Ajay Singh, dated December 8, 2020	—	—	—	—
10.17*+	Offer Letter by and between Pure Storage, Inc. and Mona Chu, dated February 28, 2022	—	—	—	—
21.1*	Subsidiaries of the Registrant.	—	—	—	—
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.	—	—	—	—
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.	—	—	—	—
99.1	Form of Confirmation for Capped Call Transactions.	8-K	001-37570	99.1	4/10/2018
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	—	—	—	—
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101)	—	—	—	—

* Filed herewith.

** Furnished herewith.

+ Indicates management contract or compensatory plan.

Item 16. Form 10-K Summary.

None.

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: April 6, 2022

PURE STORAGE, INC.

By: _____ /s/ Charles Giancarlo
Charles Giancarlo
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitute and appoint Charles Giancarlo, Kevan Kryslar, and John Colgrove 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/ Charles Giancarlo Charles Giancarlo	Chief Executive Officer, Chairman and Director <i>(Principal Executive Officer)</i>	April 6, 2022
/s/ Kevan Kryslar Kevan Kryslar	Chief Financial Officer <i>(Principal Financial Officer)</i>	April 6, 2022
/s/ Mona Chu Mona Chu	Vice President and Chief Accounting Officer <i>(Principal Accounting Officer)</i>	April 6, 2022
/s/ Scott Dietzen Scott Dietzen	Vice Chairman and Director	April 6, 2022
/s/ John Colgrove John Colgrove	Chief Visionary Officer and Director	April 6, 2022
/s/ Andrew Brown Andrew Brown	Director	April 6, 2022
/s/ John Murphy John Murphy	Director	April 6, 2022
/s/ Jeff Rothschild Jeff Rothschild	Director	April 6, 2022
/s/ Roxanne Taylor Roxanne Taylor	Director	April 6, 2022
/s/ Susan Taylor Susan Taylor	Director	April 6, 2022
/s/ Greg Tomb Greg Tomb	Director	April 6, 2022
/s/ Mallun Yen Mallun Yen	Director	April 6, 2022

Pure Storage, Inc.
2015 Equity Incentive Plan

Adopted by the Board of Directors: August 19, 2015
Approved by the Stockholders: September 2, 2015
IPO Date: October 7, 2015
Amended by the Board of Directors: March 29, 2022

1. General.

(a) Purpose. The Plan, through the grant of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate, and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

(b) Eligible Award Recipients. Employees, Directors and Consultants are eligible to receive Awards.

(c) Available Awards. The Plan provides for the grant of the following Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

2. Administration.

(a) Administration by Board. The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine: (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement or in the written terms of a Performance Cash Award, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or the time at which cash or shares of Common Stock may be issued in settlement thereof).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not materially impair a Participant's rights under the Participant's then-outstanding Award without the Participant's written consent, except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or bringing the Plan or Awards granted under the Plan into compliance with the requirements for Incentive Stock Options or ensuring that they are exempt from, or compliant with, the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan or an Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding "incentive stock options" or (C) Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided, however*, that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such rules, procedures and sub-plans related to the operation and administration of the Plan as are necessary or appropriate under local laws and regulations to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are made to ensure or facilitate compliance with the laws or regulations of the relevant foreign jurisdiction).

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have

been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) Delegation to an Officer. The Board may delegate to one (1) or more Officers the authority to do one or both of the following (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Stock Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 13(w)(iii) below.

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. Shares Subject to the Plan.

(a) Share Reserve. Subject to Section 9(a) relating to Capitalization Adjustments, and the following sentence regarding the annual increase, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards will not exceed 27,000,000 shares (the "**Share Reserve**").

In addition, the Share Reserve will automatically increase on the first day of each fiscal year, for a period of not more than ten years from the date the Plan is approved by the stockholders of the Company, commencing on February 1 in the calendar year following the calendar year in which the IPO Date occurs, in an amount equal to 5% of the total number of shares of Capital Stock outstanding on the last day of the calendar month prior to the date of such automatic increase. Notwithstanding the foregoing, the Board may act prior to the first day of a given fiscal year to provide that there will be no increase in the Share Reserve for such fiscal year or that the increase in the Share Reserve for such year will be a lesser number of shares of Common Stock than would otherwise occur pursuant to the preceding sentence. For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a). Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) Reversion of Shares to the Share Reserve. If a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan. If any shares of Common Stock issued pursuant to a Stock Award

are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

(c) Incentive Stock Option Limit. Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be 135,000,000 shares of Common Stock.

(d) Section 162(m) Limitations. Subject to the provisions of Section 9(a) relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, the following limitations shall apply.

(i) A maximum of 3,000,000 (6,000,000 in the year of hire) shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date the Stock Award is granted may be granted to any one Participant during any one calendar year. Notwithstanding the foregoing, if any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date the Stock Award are granted to any Participant during any calendar year, compensation attributable to the exercise of such additional Stock Awards will not satisfy the requirements to be considered “qualified performance-based compensation” under Section 162(m) of the Code unless such additional Stock Award is approved by the Company’s stockholders.

(ii) A maximum of 3,000,000 (6,000,000 in the year of hire) shares of Common Stock subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

(iii) A maximum of US\$5,000,000 may be granted as a Performance Cash Award to any one Participant during any one calendar year.

(e) Source of Shares. The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. Eligibility.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a “parent corporation” or a “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any “parent” of the Company, as such term is defined in Rule 405 of the Securities Act, unless (i) the stock underlying such Stock Awards is treated as “service recipient stock” under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction), (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from Section 409A of the Code, or (iii) the Company, in consultation with its legal counsel, has determined that such Stock Awards comply with the distribution requirements of Section 409A of the Code.

(b) Ten Percent Stockholders. A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

5. Provisions Relating to Options and Stock Appreciation Rights.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of ten years from the date of its grant or such shorter period specified in the Award Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Section 409A and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) Purchase Price for Options. The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if an Option is a Nonstatutory Stock Option, by a “net exercise” arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay

the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (or pursuant to subsections (ii) and (iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided in the Plan, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations Section 1.421-1(b)(2) or comparable local law. If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company (or a third party designated by the Company, each a “*Company Designee*”), in a form approved by the Company (or a Company Designee), designate a third party who, on the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, upon the death of the Participant, the executor or administrator of the Participant’s estate or the Participant’s legal heirs will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date 3 months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

(h) Extension of Termination Date. If the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) equal to the applicable post termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, and (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the sale of any Common Stock received on exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of a period of months (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service for a reason other than death, then the Option or SAR may be exercised (x) in its entirety including shares that the Participant was not otherwise entitled to exercise as of the date of termination of Continuous Service in the event of a termination under (i) above, or (y) to the extent the Participant was entitled to exercise such Option or SAR as of the date of death in the event of a termination under (ii) above by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date 18 months following the date of death (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date of such termination of Continuous Service.

(l) Non-Exempt Employees. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the U.S. Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the U.S. Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the U.S. Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

6. Provisions of Stock Awards other than Options and SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock may be (x) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (y) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will determine in its sole discretion, so long as

Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

(v) Dividends. A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board will deem appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Dividend Equivalents. Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) Performance Awards.

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award (covering a number of shares not in excess of that set forth in Section 3(d) above) that is payable (including that may be granted, may vest or may be exercised) contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the Participant's completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to

what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award (for a dollar value not in excess of that set forth in Section 3(d) above) that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

(iii) Board Discretion. The Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement or the written terms of a Performance Cash Award.

(iv) Section 162(m) Compliance. Unless otherwise permitted in compliance with the requirements of Section 162(m) of the Code with respect to an Award intended to qualify as “performance-based compensation” thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (a) the date 90 days after the commencement of the applicable Performance Period, and (b) the date on which 25% of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee will certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where such Performance Goals relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction of, or completion of any Performance Goals, the number of shares of Common Stock, Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee, in its sole discretion, will determine.

(d) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than 100% of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. Covenants of the Company.

(a) Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Awards.

(b) Compliance with Law. The Company will seek to obtain from each regulatory commission or agency, as necessary, such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise or vesting of the Stock Awards; *provided, however*, that this undertaking will not require the Company to register under the Securities Act or other securities or applicable laws, the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary or advisable for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise or vesting of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable law.

(c) No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to any Participant to advise such holder as to the tax treatment of such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. Miscellaneous.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock pursuant to Awards will constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(c) Stockholder Rights. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state or foreign jurisdiction in which the Company or the Affiliate is domiciled or incorporated, as the case may be.

(e) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and

without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds US\$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that such Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) Withholding Obligations. Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means through the Company or a Company Designee: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding such amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(i) Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or

settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) Compliance with Section 409A of the Code. Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant's "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(l) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of an event constituting Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company.

9. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Sections 3(d), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of

such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service; *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Corporate Transaction. The following provisions will apply to Stock Awards in the event of a Transaction unless otherwise provided in the Stock Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. Except as otherwise stated in the Stock Award Agreement, in the event of a Transaction, then, notwithstanding any other provision of the Plan, each Stock Award shall terminate and be cancelled to the extent not vested or exercised prior to the effective time of the Transaction unless the Board elects to take one or more of the following actions with respect to such Stock Award:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the stockholders of the Company pursuant to the Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Transaction; *provided, however*, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Transaction, which exercise is contingent upon the effectiveness of such Transaction;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) cancel or arrange for the cancellation of the Stock Award, to the extent not vested or not exercised prior to the effective time of the Transaction, in exchange for such cash consideration or no consideration as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero (US\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of Common Stock in connection with the Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a Stock Award.

(d) **Change in Control.** A Stock Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

10. Plan Term; Earlier Termination or Suspension of the Plan.

The Board may suspend or terminate the Plan at any time. No Incentive Stock Options may be granted after the tenth anniversary of the earlier of (i) the date the Plan is adopted by the Board (the “*Adoption Date*”), or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

11. Existence of the Plan; Timing of First Grant or Exercise.

The Plan will come into existence on the Adoption Date; *provided, however*, that no Award may be granted prior to the IPO Date. In addition, no Stock Award will be exercised (or, in the case of a Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Award, or Other Stock Award, no Stock Award will be granted) and no Performance Cash Award will be settled unless and until the Plan has been approved by the stockholders of the Company, which approval will be within 12 months after the date the Plan is adopted by the Board.

12. Choice of Law.

The law of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state’s conflict of laws rules.

13. Definitions. As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) “*Affiliate*” means, at the time of determination, any “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 of the Securities Act. The Board will have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.

(b) “*Award*” means a Stock Award or a Performance Cash Award.

(c) “*Award Agreement*” means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(d) “*Board*” means the Board of Directors of the Company.

(e) “*Capital Stock*” means each and every class of common stock of the Company, regardless of the number of votes per share.

(f) “*Capitalization Adjustment*” means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Adoption Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(g) “*Cause*” will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means,

with respect to a Participant, the occurrence of any of the following events: (i) such Participant's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States, any state thereof, or any applicable foreign jurisdiction; (ii) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company or any Affiliate; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or any Affiliate or of any statutory duty owed to the Company or any Affiliate; (iv) such Participant's unauthorized use or disclosure of the Company's or any Affiliate's confidential information or trade secrets; or (v) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause will be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or such Participant for any other purpose.

(h) “*Change in Control*” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, (C) on account of the acquisition of securities of the Company by any individual who is, on the IPO Date, either an executive officer or a Director (either, an “*IPO Investor*”) and/or any entity in which an IPO Investor has a direct or indirect interest (whether in the form of voting rights or participation in profits or capital contributions) of more than 50% (collectively, the “*IPO Entities*”) or on account of the IPO Entities continuing to hold shares that come to represent more than 50% of the combined voting power of the Company's then outstanding securities as a result of the conversion of any class of the Company's securities into another class of the Company's securities having a different number of votes per share pursuant to the conversion provisions set forth in the Company's Amended and Restated Certificate of Incorporation; or (D) solely because the level of Ownership held by any Exchange Act Person (the “*Subject Person*”) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than 50% of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction; *provided, however*, that a merger, consolidation or similar transaction will not constitute a Change in Control under this prong of the definition if the outstanding voting securities representing more than 50% of the combined voting power of the surviving Entity or its parent are owned by the IPO Entities;

(iii) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than 50% of the combined voting power of the voting securities of which are Owned by stockholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition; *provided, however*, that a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries will not constitute a Change in Control under this prong of the definition if the outstanding voting securities representing more than 50% of the combined voting power of the acquiring Entity or its parent are owned by the IPO Entities; or

(iv) the stockholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company will otherwise occur, except for a liquidation into a parent corporation.

Notwithstanding the foregoing definition or any other provision of the Plan, the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company and the definition of Change in Control (or any analogous term) in an individual written agreement between the Company or any Affiliate and the Participant will supersede the foregoing definition with respect to Awards subject to such agreement; *provided, however*, that if no definition of Change in Control or any analogous term is set forth in such an individual written agreement, the foregoing definition will apply.

(i) “*Code*” means the U.S. Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(j) “*Committee*” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(k) “*Common Stock*” means, as of the IPO Date, the Class A common stock of the Company, having one vote per share.

(l) “*Company*” means Pure Storage, Inc., a Delaware corporation.

(m) “*Consultant*” means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company’s securities to such person.

(n) “*Continuous Service*” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Company or an Affiliate, will not terminate a Participant’s Continuous Service; *provided, however*, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the

Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in an Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(o) “*Corporate Transaction*” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least 90% of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(p) “*Covered Employee*” will have the meaning provided in Section 162(m)(3) of the Code.

(q) “*Director*” means a member of the Board.

(r) “*Disability*” means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(s) “*Employee*” means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an “Employee” for purposes of the Plan.

(t) “*Entity*” means a corporation, partnership, limited liability company or other entity.

(u) “*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) “*Exchange Act Person*” means any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that “Exchange Act Person” will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to a registered public offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the IPO Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities.

(w) “*Fair Market Value*” means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(x) “*Incentive Stock Option*” means an option granted pursuant to Section 5 of the Plan that is intended to be, and qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(y) “*IPO Date*” means the date of the underwriting agreement between the Company and the underwriter(s) managing the initial public offering of the Common Stock, pursuant to which the Common Stock is priced for the initial public offering.

(z) “*Non-Employee Director*” means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (“*Regulation S-K*”), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a “non-employee director” for purposes of Rule 16b-3.

(aa) “*Nonstatutory Stock Option*” means any Option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option.

(ab) “*Officer*” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(ac) “*Option*” means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(ad) “*Option Agreement*” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(ae) “*Optionholder*” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(af) “*Other Stock Award*” means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(ag) “*Other Stock Award Agreement*” means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(ah) “*Outside Director*” means a Director who either (i) is not a current employee of the Company or an “affiliated corporation” (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an “affiliated corporation” who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an “affiliated corporation,” and does not receive remuneration from the Company or an “affiliated corporation,” either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an “outside director” for purposes of Section 162(m) of the Code.

(aj) “*Own,*” “*Owned,*” “*Owner,*” “*Ownership*” means a person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(aj) “*Participant*” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(ak) “*Performance Cash Award*” means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(al) “*Performance Criteria*” means the one or more criteria that the Board will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Board: (i) earnings (including earnings per share and net earnings); (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) earnings before interest, taxes, depreciation, amortization and legal settlements; (v) earnings before interest, taxes, depreciation, amortization, legal settlements and other income (expense); (vi) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense) and stock-based compensation; (vii) earnings before interest, taxes, depreciation, amortization, legal settlements, other income (expense), stock-based compensation and changes in deferred revenue; (viii) total stockholder return; (ix) return on equity or average stockholder’s equity; (x) return on assets, investment, or capital employed; (xi) stock price; (xii) margin (including gross margin); (xiii) income (before or after taxes); (xiv) operating income; (xv) operating income after taxes; (xvi) pre-tax profit; (xvii) operating cash flow; (xviii) sales or revenue targets; (xix) increases in revenue or product revenue; (xx) expenses and cost reduction goals; (xxi) improvement in or attainment of working capital levels; (xxii) economic value added (or an equivalent metric); (xxiii) market share; (xxiv) cash flow; (xxv) cash flow per share; (xxvi) share price performance; (xxvii) debt reduction; (xxviii) implementation or completion of projects or processes (including, without limitation, clinical trial initiation, clinical trial enrollment, clinical trial results, new and supplemental indications for existing products, regulatory filing submissions, regulatory filing acceptances, regulatory or advisory committee interactions, regulatory approvals, and product supply); (xxix) stockholders’ equity; (xxx) capital expenditures; (xxxi) debt levels; (xxxii) operating profit or net operating profit; (xxxiii) workforce diversity; (xxxiv) growth of net income or operating income; (xxxv) billings; (xxxvi) bookings; (xxxvii) employee retention; (xxxviii) user satisfaction; (xxxix) the number of users, including but not limited to unique users; (xl) budget management; (xli) partner satisfaction; (xlii) entry into or completion of strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; and (xlili) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Board.

(am) “*Performance Goals*” means, for a Performance Period, the one or more goals established by the Board for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Board (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Board will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of any “extraordinary items” as determined under generally accepted accounting principles; (6) to exclude the dilutive effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common stockholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company’s bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effects of any other unusual, non-recurring gain or loss or other extraordinary item; and (13) to exclude the effects of entering into or achieving milestones involved in licensing arrangements. In addition, the Board retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement or the written terms of a Performance Cash Award.

(an) “*Performance Period*” means the period of time selected by the Board over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Board.

(ao) “*Performance Stock Award*” means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(ap) “*Plan*” means this Pure Storage, Inc. 2015 Equity Incentive Plan.

(aq) “*Restricted Stock Award*” means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(ar) “*Restricted Stock Award Agreement*” means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(as) “*Restricted Stock Unit Award*” means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(at) “*Restricted Stock Unit Award Agreement*” means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

- (au)** “*Rule 16b-3*” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.
- (av)** “*Securities Act*” means the U.S. Securities Act of 1933, as amended.
- (aw)** “*Stock Appreciation Right*” or “*SAR*” means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.
- (ax)** “*Stock Appreciation Right Agreement*” means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.
- (ay)** “*Stock Award*” means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award or any Other Stock Award.
- (az)** “*Stock Award Agreement*” means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.
- (ba)** “*Subsidiary*” means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.
- (bb)** “*Ten Percent Stockholder*” means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.
- (bc)** “*Transaction*” means a Corporate Transaction or a Change in Control.

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this “**Agreement**”) is made effective as of December 15, 2021 (“**Effective Date**”) by and between PURE STORAGE, INC. and its successors or assignees (“**Company**”) and Mark Garrett (“**Consultant**”) and shall continue for 12 months from the Effective Date (the “**Termination Date**”). The Agreement shall terminate on the Termination Date immediately without any notice. Any extensions must be made in writing and executed by the Parties. Company and Consultant may be referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

1. **ENGAGEMENT OF SERVICES.** Company may from time to time submit a Statement of Work (“**SOW**”) to Consultant substantially in the form of **Exhibit A** to this Agreement. Subject to the terms of this Agreement, Consultant will provide the services set forth in each SOW accepted by Consultant (the “**Project(s)**”) by the completion dates set forth therein. The manner and means that Consultant chooses to complete the Projects are in Consultant’s sole discretion and control. Consultant shall perform the services necessary to complete the Projects in a timely and professional manner consistent with industry standards and at a location, place and time that Consultant deems appropriate. Company agrees to provide the equipment, tools, and other materials as may be necessary for Consultant to complete the Projects, and will make its facilities and equipment available to Consultant when necessary. Company understands that addition or removal of Consultant resources from engagements may take thirty (30) days to effectuate.

2. COMPENSATION.

2.1 Fees. Company will pay Consultant the fee specified in each SOW as Consultant’s sole compensation for the Project, provided such Project meets the terms of the SOW and this Agreement and is of a quality consistent with industry standards. Consultant shall be responsible for all expenses incurred in performing services under this Agreement, except as set forth in the SOW. Upon termination of this Agreement for any reason prior to completion of an SOW, Company will pay Consultant fees and expenses on the basis stated in the SOW for work which is then in progress, within thirty (30) days of the later of Consultant’s invoice and the effective date of such termination.

2.2 Invoicing. Unless otherwise provided in the applicable SOW, (a) payment to Consultant of undisputed fees will be due thirty (30) days following Company’s receipt of an invoice which contains accurate records of the work performed sufficient to document the invoiced fees; and (b) Consultant will submit invoices to Company upon completion of the milestones specified in the applicable SOW or, if no such milestones are specified, on a monthly basis for services performed in the previous month.

3. **CONTRACTOR RELATIONSHIP.** Consultant’s relationship with Company will be that of an independent contractor, and nothing in this Agreement should be construed to create a partnership, joint venture, or employer-employee relationship. Consultant (a) is not the agent of Company; (b) is not authorized to make any representation, contract, or commitment on behalf of Company; (c) will not be entitled to any of the benefits that Company makes available to its employees, such as group insurance, profit-sharing or retirement benefits (and waives the right to receive any such benefits); and (d) will be solely responsible for all tax returns and payments required to be filed with or made to any federal, state, or local tax authority with respect to Consultant’s performance of services and receipt of fees under this Agreement. If applicable, Company will report amounts paid to Consultant by filing Form 1099 with the Internal Revenue Service, as required by law. Consultant agrees to accept exclusive liability for complying with all applicable state and federal laws, including laws governing self-employed individuals, if applicable, such as laws related to payment of taxes, social security, disability, and other contributions based on fees paid to Consultant under this Agreement. Company will not withhold or make payments for social security, unemployment insurance or disability insurance contributions, or obtain workers’ compensation insurance on Consultant’s behalf. Consultant hereby agrees to indemnify and defend Company against any and all such taxes or contributions, including penalties and interest. Consultant agrees to provide proof of payment of appropriate taxes on any fees paid to Consultant under this Agreement upon reasonable request of Company.

4. INTELLECTUAL PROPERTY RIGHTS.

4.1 Confidential Information. Consultant agrees that during the term of this Agreement and thereafter, it (a) will not use or permit the use of Confidential Information (defined below) in any manner or for any purpose not

expressly set forth in this Agreement; (b) will not disclose, lecture upon, publish, or permit others to disclose, lecture upon, or publish any such Confidential Information to any third party, except as otherwise provided for in this Agreement; (c) will limit access to Confidential Information to third parties who need to know such information in connection with their work for or with Company; and (d) will not remove any tangible embodiment of any Confidential Information from Company's premises without Company's prior written consent. "Confidential Information" includes, but is not limited to, all information related to Company's business and its actual or anticipated research and development, including without limitation (i) trade secrets, inventions, mask works, ideas, processes, formulas, computer source and object codes, data, databases and data collections, programs, other works of authorship, know-how, improvements, discoveries, developments, designs and techniques; (ii) information regarding products or plans for research and development, marketing, sales and business plans, budgets, financial statements, licenses, contracts, prices and costs, suppliers, and customers; (iii) information regarding the skills and compensation of Company's employees, Consultants, and any other service providers of Company; (iv) the existence of any business discussions, negotiations, or agreements between Company and any third party; and (v) all such information related to any third party that is disclosed to Company or to Consultant during the course of Company's business ("**Third Party Information**").

Notwithstanding the foregoing, it is understood that Consultant is free to use information which is generally known in the trade or industry, information which is not gained as a result of a breach of this Agreement, and Consultant's own skill, knowledge, know-how, and experience and to offer opinions and advice to prospects and customers about the benefits and capabilities of the Company's current or future products or service offerings, whether or not such information is publicly available. Additionally, Consultant may use or disclose Confidential Information on a limited basis for the sole purpose of performing the services set out in the SOW and which advocates the Company's interests with certain external parties such as prospects and customers.

4.2 Competitive or Conflicting Engagements. Consultant agrees, during the term of this Agreement, not to enter into a contract or accept an obligation that is inconsistent or incompatible with Consultant's obligations under this Agreement. Consultant further warrants that there is no other existing contract, obligation or duty on Consultant's part that is inconsistent with this Agreement. Consultant further agrees not to disclose to Company, bring onto Company's premises, or induce Company to use any confidential information that belongs to anyone other than Company or Consultant. Section 4.2 does not preclude Consultant from working with other companies. However, Consultant agrees that during the term of this Agreement, Consultant may not accept any engagements from/with, work assignments from/with, or SOWs to perform services for a Competitor of Company.

4.3 Inventions and Intellectual Property Rights. As used in this Agreement, the term "Invention" means any ideas, concepts, information, materials, processes, data, programs, know-how, improvements, discoveries, developments, designs, artwork, formulae, other copyrightable works, and techniques and all Intellectual Property Rights therein. The term "Intellectual Property Rights" means all trade secrets, copyrights, trademarks, mask work rights, patents and other intellectual property rights recognized by the laws of any country.

4.4 Background Technology. As used in this Agreement, the term "Background Technology" means all Inventions developed by Consultant other than in the course of providing services to Company hereunder and all Inventions acquired or licensed by Consultant that Consultant uses in performing services under this Agreement or incorporates into Work Product (defined below). Consultant will disclose any Background Technology in the SOW in which Consultant proposes to use or incorporate into Work Product, and shall not use or incorporate such Background Technology into the Work Product without the prior written consent of Company. If no Background Technology is disclosed in an SOW, Consultant warrants that it will not use Background Technology or incorporate it into Work Product provided pursuant thereto.

4.5. Disclosure of Work Product. As used in this Agreement, the term "Work Product" means any Invention that is solely or jointly conceived, made, reduced to practice, or learned by Consultant in the course of any services performed for Company or with the use of materials of Company during the term of this Agreement. For purposes of this Agreement, and all SOWs hereunder, Work Product is defined to also include all deliverables being provided to Company under this Agreement and all SOWs hereunder. Consultant agrees to disclose promptly in writing to Company, or any person designated by Company, all Work Product.

4.7. Ownership of Work Product. Consultant agrees that any and all Work Product, and all Inventions and all worldwide Intellectual Property Rights therein, shall be the sole and exclusive property of Company. It is expressly

understood by Consultant that SOWs under this Agreement will result in Consultant creating deliverables that will qualify as works made for hire under 17 USC Section 101 and that ownership of all such works shall vest in Company.

4.8 Assignment of Work Product. If Consultant has any rights to the Work Product that are not owned by Company upon creation or embodiment, Consultant irrevocably assigns to Company all right, title and interest worldwide in and to such Work Product. Except as set forth below, Consultant retains no rights to use the Work Product and agrees not to challenge the validity of Company's ownership in the Work Product.

4.9. License to or Waiver of Other Rights. If Consultant has any right to the Work Product that cannot be assigned to Company by Consultant, Consultant unconditionally and irrevocably grants to Company during the term of such rights, an exclusive, even as to Consultant, irrevocable, perpetual, worldwide, fully paid and royalty- free license, with rights to sublicense through multiple levels of sublicensees, to **reproduce**, make derivative works of, distribute, publicly perform and publicly display in any form or medium, whether now known or later developed, make, use, sell, import, offer for sale and exercise any and all such rights. If Consultant has any rights to the Work Product that cannot be assigned or licensed to Company, Consultant unconditionally and irrevocably waives the enforcement of such rights, and all claims and causes of action of any kind against Company or related to Company's customers, with respect to such rights, and agrees, at Company's request and expense, to consent to and join in any action to enforce such rights.

4.10. Assistance. Consultant agrees to assist Company in every way, both during and after the term of this Agreement, to obtain and enforce United States and foreign Intellectual Property Rights relating to Work Product in all countries. In the event Company is unable to secure Consultant's signature on any document needed in connection with such purposes, Consultant hereby irrevocably designates and appoints Company and its duly authorized officers and agents as its agent and attorney in fact, which appointment is coupled with an interest, to act on its behalf to execute and file any such documents and to do all other lawfully permitted acts to further such purposes with the same legal force and effect as if executed by Consultant.

5. CONSULTANT REPRESENTATIONS AND WARRANTIES. Consultant hereby represents and warrants that (a) the Work Product will be an original work of Consultant and any third parties will have executed assignment of rights reasonably acceptable to Company prior to being allowed to participate in the development of the Work Product; (b) the Work Product will fully conform to the requirements and terms set forth in the SOW; (c) to the best of his/her knowledge, neither the Work Product nor any element or development thereof will infringe or misappropriate the Intellectual Property Rights of any third party; (d) neither the Work Product nor any element thereof will be subject to any restrictions or to any mortgages, liens, pledges, security interests, or encumbrances; (e) Consultant will not grant, directly or indirectly, any rights or interest whatsoever in the Work Product to third parties; (f) Consultant has full right and power to enter into and perform this Agreement without the consent of any third party; (g) Consultant will comply with all laws and regulations applicable to Consultant's obligations under this Agreement, will refrain from any unethical conduct, and will maintain high standards of professionalism; and (h) should Company permit Consultant to use any of Company's equipment, or facilities during the term of this Agreement, such permission shall be gratuitous and Consultant (i) shall be responsible for any injury to any person (including death) or damage to property arising out of use of such equipment or facilities; (ii) shall perform all services during Company's normal business hours, unless Company otherwise specifically requests; and (iii) shall comply with Company's then- current access policies and procedures, including those pertaining to safety, security, anti-harassment, and confidentiality.

6. TERMINATION. Unless previously terminated for the reasons set forth below in Sections 6.1 and 6.2 of this Agreement, the term of this Agreement shall commence on the Effective Date and shall terminate on the Termination Date.

6.1 Termination without Cause. Either Party may terminate this Agreement without cause upon five (5) days' written notice to the other Party. In the event of termination of this Agreement, the Company will pay Consultant only those fees and expenses related to services actually performed during such notice period, as specified in the SOW.

6.2 Termination with Cause. Either party may terminate this Agreement immediately in the event that the other party has materially breached the Agreement and fails to cure such breach within five (5) days of receipt of notice

by the non-breaching party, setting forth in reasonable detail the nature of the breach. Company may also terminate this Agreement immediately in its sole discretion in the event of Consultant's material breach of the section titled Intellectual Property Rights. Company will pay Consultant only those fees and expenses related to services actually performed during such notice period, as specified in the SOW.

6.3 Return of Company Property. Upon termination of the Agreement or upon Company's request at any other time, Consultant will deliver to Company all of Company's property, equipment, and documents, together with all copies thereof, and any other material containing or disclosing any Work Product, Third Party Information or Confidential Information of Company and certify to Company in writing that Consultant has fully complied with this obligation. Consultant further agrees that any property situated on Company's premises and owned by Company is subject to inspection by Company personnel at any time with or without notice.

6.4 Survival. The following provisions shall survive termination of this Agreement: Sections and Subsections titled Intellectual Property Rights, Consultant Representations and Warranties, Indemnification, Return of Company Property, Survival, and General Provisions.

7. RESERVED.

8. GENERAL PROVISIONS.

8.1 Governing Law and Venue. This Agreement and any action related thereto will be governed, and interpreted by and under the laws of the State of California, without giving effect to any conflicts of laws principles that require the application of the law of a different state. Consultant hereby expressly consents to the personal jurisdiction and venue in the state and federal courts for the county in which Company's principal place of business is located for any lawsuit filed there against Consultant by Company arising from or related to this Agreement.

8.2 Severability. If any provision of this Agreement is, for any reason, held to be invalid or unenforceable, the other provisions of this Agreement will remain enforceable and the invalid or unenforceable provision will be deemed modified so that it is valid and enforceable to the maximum extent permitted by law.

8.3 No Assignment. This Agreement, and Consultant's rights and obligations herein, may not be assigned, subcontracted, delegated, or otherwise transferred by Consultant without Company's prior written consent, and any attempted assignment, subcontract, delegation, or transfer in violation of the foregoing will be null and void. The terms of this Agreement shall be binding upon assignees.

8.4 Notices. Each party must deliver all notices or other communications required or permitted under this Agreement in writing to the other party at the address listed on the signature page, by courier, by certified or registered mail (postage prepaid and return receipt requested), or by a nationally-recognized express mail service. Notice will be effective upon receipt or refusal of delivery. If delivered by certified or registered mail, any such notice will be considered to have been given five (5) business days after it was mailed, as evidenced by the postmark. If delivered by courier or express mail service, any such notice shall be considered to have been given on the delivery date reflected by the courier or express mail service receipt. Each party may change its address for receipt of notice by giving notice of such change to the other party.

8.5 Injunctive Relief. Consultant acknowledges that, because its services are personal and unique and because Consultant will have access to Confidential Information of Company, any breach of this Agreement by Consultant would cause irreparable injury to Company for which monetary damages would not be an adequate remedy and, therefore, will entitle Company to injunctive relief (including specific performance). The rights and remedies provided to each party in this Agreement are cumulative and in addition to any other rights and remedies available to such party at law or in equity.

8.6 Waiver. Any waiver or failure to enforce any provision of this Agreement on one occasion will not be deemed a waiver of any other provision or of such provision on any other occasion.

8.7 Export. Consultant agrees not to export, directly or indirectly, any U.S. technical data acquired from Company or any products utilizing such data, to countries outside the United States, in violation of the United States export laws or regulations.

8.8 Entire Agreement; Modification. This Agreement and any SOWs attached hereto together constitute the entire agreement between the Consultant and Pure and supersedes in its entirety any and all oral or written agreements previously existing between Consultant and Pure with respect to the subject matter hereof. For clarity, the pre-existing indemnity agreement between the Company and Consultant will apply, on its terms, during the duration of this Agreement. This Agreement may only be amended in a writing signed by duly authorized representatives of the parties.

Pure Storage, Inc.

By: /s/ Kevan Kryslar

Title: Chief Financial Officer

Date: December 15, 2021

Address: 650 Castro Street
Mountain View, CA 94041

Consultant: Mark Garrett

By: /s/ Mark Garrett

Date: December 15, 2021

EXHIBIT A
STATEMENT OF WORK

Consultant: Mark Garrett Date: December 15, 2021 Statement of Work #: One (1)

This Statement of Work forms part of the Consultant Agreement dated December 15, 2021 by and between Pure Storage, Inc. ("**Pure**") and Mark Garrett ("**Consultant**").

DESCRIPTION OF SERVICES; SERVICE FEES

- A. Consultant will consult on financial, sales, support and related activities of the Company as may be reasonably requested by the Company, until the Termination Date or unless terminated earlier pursuant to Section 6 of the Agreement ("Consulting Period").
- B. Consultant will be paid \$25,000 in cash per quarter payable in arrears ("Cash Payment"). Other than the Cash Payment and continued vesting of outstanding equity awards, Consultant will receive no additional fees or remuneration for the services performed under this Agreement.
- C. The Company will reimburse Consultant, in accordance with the Company's Global Travel & Expense Policy, for all reasonable expenses incurred by Consultant in performing the services requested by the Company pursuant to this Agreement.
- D. Notwithstanding anything to the contrary set forth in the Company's Non-Employee Director Compensation Policy ("Policy") or in any agreement for an equity award made pursuant to the Policy, Consultant will be deemed to remain in Continuous Service for purposes of any equity awards held by Consultant under the 2009 Equity Incentive Plan and the 2015 Equity Incentive Plan until the Termination Date. Consultant's Continuous Service will terminate on the Termination Date.

Pure Storage, Inc.

By: /s/ Kevan Kryslar
Title: Chief Financial Officer
Date: December 15, 2021

Consultant: Mark Garrett

By: /s/ Mark Garrett
Date: December 15, 2021

YOUR OFFER TO JOIN PURE!

December 08, 2020

Ajay Singh

Ajay,

Pure Storage, Inc. ("Pure" or the "Company") is on a mission to create and deliver the modern data experience and we're excited to offer you the opportunity to join us in this endeavor as our **Chief Product Officer**.

In this role, you will be responsible for leading our global research and development organization to stunning levels of success in product portfolio development, customer adoption, market share growth, and overall financial business performance. You will report directly to me, Charles Giancarlo, and will be based in Mountain View, CA at 650 Castro Street.

CASH COMPENSATION

We are pleased to offer you an annual salary of \$550,000.00, less payroll deductions and withholdings. You will be paid semi-monthly.

You are eligible to earn an incentive bonus equal to 80% of your annual base salary, subject to the terms and conditions of the corporate incentive bonus plan, including any plan rules/requirements relating to a particular period, in effect from time to time. Pure Storage's performance period is based on the company's fiscal year that runs from February to January. Because your start date is after November 1, 2020, our cut off date for participation in the FY21 bonus program, your next eligibility will be to participate in the FY22 plan starting February 2021.

NEW HIRE EQUITY

We will recommend to Pure's Compensation Committee that you be granted an award of restricted stock units ("RSU") with a value of \$7,000,000.00.

The number of RSUs will be determined by dividing the value above by the prior 30 trading-day average of the NYSE closing price of the Company's common stock, ending on the 15th of the month in which the grant is made, but not at a price less than \$16.00. Shares will be rounded to the nearest whole share.

This RSU award will vest as follows: 1/4th of the total units on the first anniversary of the grant date, with 1/16th of the total units vesting quarterly thereafter. The grant date is expected to be the earliest of the following dates after your start date: March 20, June 20, September 20 or December 20, provided that your start date is on or prior to the 15th day of that month (or the next business day if the 15th falls on a weekend or holiday); otherwise your grant date will be on the next earliest grant date. This award will be subject to the terms and conditions of the 2015 Equity Incentive Plan and your applicable award agreement.

PERFORMANCE SHARES EQUITY

The Pure Storage board of directors sets executive performance targets at the beginning of the fiscal year, and you will be eligible to receive a performance restricted stock unit ("PSU") grant with a target value of \$3,250,000 for the FY22 cycle that will take place early next fiscal year.

The target PSU award value will be converted to shares in a manner to be determined by Pure's Compensation Committee and applied to all participants of the Performance Share Unit plan at Pure. This award will be subject to the terms and conditions of the 2015 Equity Incentive Plan and your applicable award agreement. The actual shares earned will be determined once company performance is determined following the close of the FY22 performance year.

Actual shares earned will vest over three years, with 1/3rd vesting in March 2022 and the remainder vesting quarterly thereafter based on your continued employment with Pure Storage.

ADDITIONAL TERMS

Included in this offer is a one-time Sign-on Bonus of \$1,200,000.00, which will be paid, less payroll deductions and withholdings, within two payroll periods of your start date. If your employment is terminated for any reason other than a layoff within the first 12 months of continuous service, you agree to repay the net Sign-on Bonus amount received.

BENEFITS

You will be eligible for the standard Pure benefits as the Company adopts them pursuant to the terms of the applicable benefit plan.

CHANGE IN CONTROL

In September 2015, we adopted a Change in Control Severance Benefit Plan (the Severance Plan). Employees with the title of vice president or above, including each of our named executive officers, are eligible participants under the Severance Plan. Under the Severance Plan, each eligible participant whose employment is involuntarily terminated within the period starting three months prior to a change in control of the company and ending on the 12-month anniversary of the change in control, will receive (i) a lump sum cash payment equal to six months of the participant's then-current base salary, (ii) a lump sum cash payment equal to six months of the participant's then-current annual target bonus, (iii) up to six months of company-paid health insurance coverage, and (iv) accelerated vesting of 100% of the shares subject to each time-based vesting equity award held by such participant. These payments and benefits are subject to a "best after tax" provision in the case the case they would trigger excise tax penalties and loss of deductibility under Sections 280G and 4999 of the Code.

CONFIDENTIAL INFORMATION

We work hard to keep all things Pure, literally. We expect that in your work at Pure, you not use or disclose any confidential information, including trade secrets, of any former employer or other person or company to whom you have an obligation of confidentiality. Rather, you may use only that information which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. By accepting employment with Pure, you agree that you have disclosed to us any contract you have signed that may restrict your activities on behalf of Pure.

EMPLOYEE PROPRIETARY INFORMATION AGREEMENT (EPIA)

As a condition of starting employment with Pure, you will be asked to sign, return, and comply with the Employee Proprietary Information Agreement (EPIA), which outlines the prohibited, unauthorized use or disclosure of Pure's confidential information, among other obligations. The EPIA will be provided to you once you have access to the on-boarding portal.

You may terminate your employment with Pure at any time and for any reason whatsoever simply by notifying us. Likewise, Pure may terminate your employment at any time, with or without cause or advance notice. Your employment at-will status can only be modified in a written agreement signed by you and a Pure officer.

To ensure the rapid and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this offer, your employment with the Company, or the termination of your employment, shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §§1-16, to the fullest extent permitted by law, by final, binding and confidential arbitration in Palo Alto, California conducted by JAMS, Inc. ("JAMS") or its successor, under JAMS' then applicable rules and

procedures for employment disputes. The JAMS Employment Arbitration Rules and Procedures are available for review on JAMS' web site at <http://www.jamsadr.com/rules-employment-arbitration/> and a hard copy of the rules will be provided to you upon request. Questions of whether a claim is subject to arbitration under this agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator.

By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this section, whether by you or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. This paragraph shall not apply to an action or claim brought in court pursuant to the California Private Attorneys General Act of 2004, as amended. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of all Claims and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all administrative fees in excess of the amount of those administrative fees you would have been required to pay if the Claims were decided in a court of law. You may be represented by your own attorney, at your expense. Nothing in this offer letter or this section is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitration may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

This offer is contingent upon the successful completion of background and reference checks and satisfactory proof of your right to work in the United States. We may need your help to complete this process, so please assist as needed and complete any documentation to meet these conditions.

This letter, together with your Employee Proprietary Information Agreement, forms the complete and exclusive statement of the terms of your employment with Pure. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by a Pure officer.

If you voluntarily resign or your employment with Pure is terminated for any reason other than a layoff within the first 12 months of continuous service, by signing this letter, you authorize Pure to deduct any outstanding amounts owed by you to Pure from your final paycheck.

WE LOOK FORWARD TO WELCOMING YOU ABOARD

Please confirm your acceptance of this offer of employment at the Company under the terms above by providing your e-signature on this document.

This offer is contingent on you starting on or before January 5, 2021 at which point you must be free and clear of any obligations to your prior employer that would preclude your unrestricted employment by the Company and have completed the requirements above.

We look forward to having you join our team and the impact we know you will make as we continue to build, innovate, and grow!

Sincerely,

/s/ Charles Giancarlo

Charles Giancarlo, CEO, Pure Storage

Accepted: 12/9/2020

/s/ Ajay Singh

Ajay Singh

February 28, 2022

Dear Mona:

Pure Storage, Inc. (Pure or the Company) is on a mission to create and deliver the modern data experience and we're thrilled to offer you the opportunity to join us in our endeavor as our Chief Accounting Officer.

In this role, you will report to our CFO and will be working closely with our CEO, our board of directors and our executive team. This role will be based in our California headquarters, subject to Pure's Global Interim Remote Work Policy, as may be amended.

Compensation

We are pleased to offer you an annual salary of \$350,000.00, less payroll deductions and withholdings. You will be paid semi-monthly and you will be eligible for the standard Pure benefits as the Company adopts them pursuant to the terms of the applicable benefit plan.

You are eligible to earn an incentive bonus equal to 60% of your annual base salary, subject to company financial and individual performance, as well as the terms and conditions of the Corporate Bonus Plan, including any applicable plan requirements relating to a particular plan period.

We will recommend to the Compensation Committee of the Company that you be granted an award of restricted stock units (RSU) with a value of USD 3,250,000. The number of RSUs will be determined by dividing the value above, by the prior 30-trading day average of the NYSE closing price of the Company's common stock, ending on the 15th of the month in which the grant is made. Shares will be rounded to the nearest whole share.

This RSU award will vest quarterly over four-years at a rate of 1/16th per quarter. The grant date is expected to be the earliest of the following dates after your start date: March 20, June 20, September 20 or December 20, provided that your start date is on or prior to the 15th day of that month (or the next business day if the 15th falls on a weekend or holiday); otherwise your grant date will be on the next earliest grant date. This award will be subject to the terms and conditions of the 2015 Equity Incentive Plan and your applicable award agreement.

We are pleased to offer you a one-time sign-on bonus (Sign-On Bonus) of \$565,000 (less payroll deductions and withholdings), which will be paid within two pay periods of your start date. If your employment is terminated for any reason other than a layoff within the first 12 months of continuous service, you agree to repay in full the Sign-On Bonus (the amount to be recovered will be limited to the net after tax amount you received). If your employment is terminated for any reason other than a layoff after 12 months but before the completion of 24 months of continuous service, you agree to repay a pro rata amount of the Sign-On Bonus. For each full month after month 12, your repayment obligation will be reduced by 1/12th. There will be no repayment obligation after the completion of the 24 months of continuous service.

Benefits

You will be eligible for the standard Pure benefits as the Company adopts them pursuant to the terms of the applicable benefit plan.

Change in Control

In September 2015, we adopted a Change in Control Severance Benefit Plan (the Severance Plan), as may be amended. You will be eligible for the benefits of a Vice President under the Severance Plan.

Confidential Information

We work hard to keep all things Pure, literally. We expect that in your work at Pure, you not use or disclose any confidential information, including trade secrets, of any former employer or other person or company to whom you have an obligation of confidentiality. Rather, you may use only that information which is generally known and used by persons

with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company. You agree that you will not bring onto Company premises any unpublished documents or property belonging to any former employer or other person to whom you have an obligation of confidentiality. By accepting employment with Pure, you agree that you have disclosed to us any contract you have signed that may restrict your activities on behalf of Pure.

Compliance with Health Policies and Regulations

Your employment with Pure is contingent upon compliance with Pure's policies and applicable regulations relating to the health and well-being of our employees, partners, and customers, including Pure's policy, Compliance with the U.S. Government COVID-19 Vaccination Mandate.

Employee Proprietary Information Agreement

As a condition of starting employment with Pure, you will be asked to sign, return, and comply with the Employee Proprietary Information Agreement (EPIA), which outlines the prohibited, unauthorized use or disclosure of Pure's confidential information, among other obligations. The EPIA will be provided to you once you have access to the on-boarding portal.

You may terminate your employment with Pure at any time and for any reason whatsoever simply by notifying us. Likewise, Pure may terminate your employment at any time, with or without cause or advance notice. Your employment at-will status can only be modified in a written agreement signed by you and a Pure officer.

To ensure the rapid and economical resolution of disputes that may arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims, or causes of action, in law or equity, including but not limited to statutory claims, arising from or relating to the enforcement, breach, performance, or interpretation of this offer, your employment with the Company, or the termination of your employment, shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. §§1-16, to the fullest extent permitted by law, by final, binding and confidential arbitration in Palo Alto, California conducted by JAMS, Inc. ("JAMS") or its successor, under JAMS' then applicable rules and procedures for employment disputes. The JAMS Employment Arbitration Rules and Procedures are available for review on JAMS' web site at <http://www.jamsadr.com/rules-employment-arbitration/> and a hard copy of the rules will be provided to you upon request. Questions of whether a claim is subject to arbitration under this agreement shall be decided by the arbitrator. Likewise, procedural questions which grow out of the dispute and bear on the final disposition are also matters for the arbitrator.

By agreeing to this arbitration procedure, both you and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. In addition, all claims, disputes, or causes of action under this section, whether by you or the Company, must be brought in an individual capacity, and shall not be brought as a plaintiff (or claimant) or class member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences regarding class claims or proceedings are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class shall proceed in a court of law rather than by arbitration. This paragraph shall not apply to an action or claim brought in court pursuant to the California Private Attorneys General Act of 2004, as amended. The arbitrator shall: (a) have the authority to compel, pursuant to the California Arbitration Act and California Code of Civil Procedure Section 1283.05, adequate discovery for the resolution of all Claims including discovery from third parties, and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The Company shall pay all administrative fees in excess of the amount of those administrative fees you would have been required to pay if the Claims were decided in a court of law. You may be represented by your own attorney, at your expense. Nothing in this offer letter or this section is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitration may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

Additional Terms

This offer is contingent upon the successful completion of background and reference checks and satisfactory proof of your right to work in the United States. We may need your help to complete this process, so please assist as needed and complete any documentation to meet these conditions. Please be advised that due to the COVID-19 pandemic, background checks may not be completed before your start date.

This letter, together with your EPIA, forms the complete and exclusive statement of the terms of your employment with Pure. It supersedes any other agreements or promises made to you by anyone, whether oral or written. Changes in your employment terms, other than those changes expressly reserved to the Company's discretion in this letter, require a written modification signed by a Pure officer.

If you voluntarily resign or your employment with Pure is terminated for any reason other than a layoff within the first 12 months of continuous service, by signing this letter, you authorize Pure to deduct any outstanding amounts owed by you to Pure from your final paycheck.

We recognize this is an important decision for you, and we hope you have decided to join us in our mission and grow your career with Pure. If you wish to accept employment at the Company under the terms described above, please provide your e-signature on or before March 1, 2022.

This offer is contingent on you starting on or before March 14, 2022 at which point you must be free and clear of any obligations to your prior employer that would preclude your unrestricted employment by the Company and have completed the requirements above.

We look forward to having you join our team and the impact we know you will make as we continue to build, innovate, and grow!

Sincerely,

/s/ Kevan Kryslar
Kevin Kryslar, CFO

Accepted: 3/1/22

/s/ Mona Chu
Mona Chu

SUBSIDIARIES OF THE REGISTRANT

The following is a list of significant and other subsidiaries of Pure Storage, Inc.

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Portworx Inc.	Delaware
Pure Crowns Sweden Holding AB	Sweden
Pure Storage Australia Pty Ltd	Australia
Pure Storage Austria, GmbH	Austria
Pure Storage Belgium BVBA	Belgium
Pure Storage do Brasil Solucoes e Servicos de Armazenamento de Dados Ltda	Brazil
Pure Storage Canada Limited	Canada
Pure Storage Czech Republic s.r.o.	Czech Republic
Pure Storage France SARL	France
Pure Storage Germany GmbH	Germany
Pure Storage Holdings, Inc.	Delaware
Pure Storage HK Ltd	Hong Kong
Pure Storage India Private Limited	India
Pure Storage International, Inc.	Delaware
Pure Storage International Limited	Ireland
Pure Storage Italy, SRL	Italy
Pure Storage Japan KK	Japan
Pure Storage Korea Co Ltd	South Korea
Pure Storage LLC	Delaware
Pure Storage Malaysia SDN BHD	Malaysia
Pure Storage Mexico S. de R.L. de C.V.	Mexico
Pure Storage Netherlands BV	Netherlands
Pure Storage New Zealand Limited	New Zealand
Pure Storage Poland sp. z o.o.	Poland
Pure Storage Singapore Pte Ltd	Singapore
Pure Storage South Africa (Pty) Ltd	South Africa
Pure Storage Spain, SLU	Spain
Pure Storage Sweden AB	Sweden
Pure Storage Switzerland GmbH	Switzerland
Pure Storage Bilgi Teknolojileri Limited Şirketi	Turkey
Pure Storage Ltd (UK)	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-207315, 333-210417, 333-220396, 333-223927, 333-230248, 333-233587, 333-237418, 333-249199, and 333-254682 on Form S-8 of our reports dated April 6, 2022, relating to the consolidated financial statements of Pure Storage, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended February 6, 2022.

/S/ DELOITTE & TOUCHE LLP

San Jose, California

April 6, 2022

**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, Charles H. Giancarlo, 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: April 6, 2022

By: /s/ Charles H. Giancarlo
Charles H. Giancarlo
Chief Executive Officer
(Principal Executive Officer)

**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, Kevan Kryslar, 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: April 6, 2022

By: /s/ Kevan Kryslar
Kevan Kryslar
Chief Financial Officer
(Principal Financial Officer)

**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, Charles H. Giancarlo, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 February 6, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pure Storage, Inc.

Date: April 6, 2022 By: /s/ Charles H. Giancarlo
Charles H. Giancarlo
Chief Executive Officer
(Principal Executive Officer)

I, Kevan Kryslar, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 February 6, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Pure Storage, Inc.

Date: April 6, 2022 By: /s/ Kevan Kryslar
Kevan Kryslar
Chief Financial Officer
(Principal Financial Officer)

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of Section 18 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.