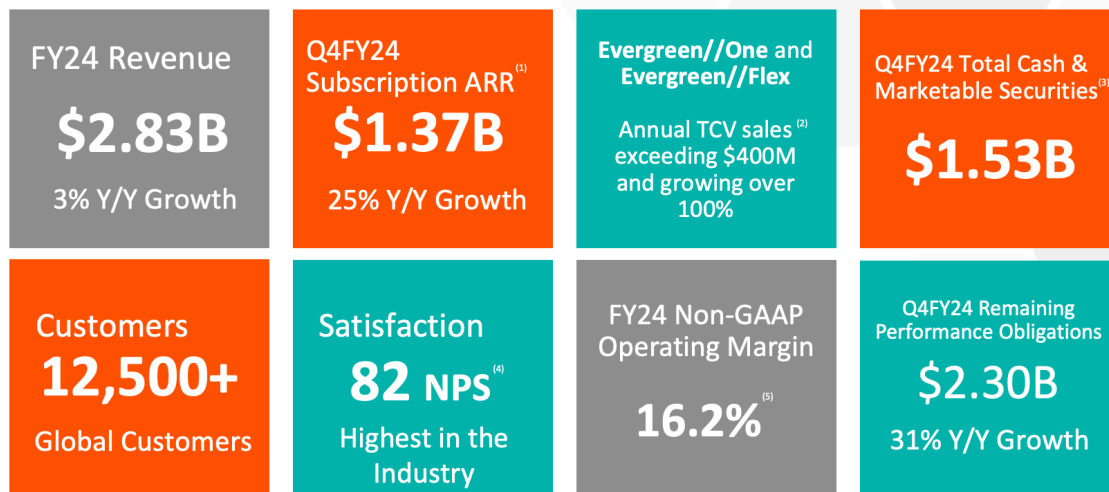


## PURE STORAGE FQ4 2024 EARNINGS

STEVE McDOWELL, CHIEF ANALYST  
FEBRUARY 29, 2024

### CONTEXT

In its fiscal Q4 2024 earnings [release](#), Pure Storage exceeded revenue and operating profit guidance, demonstrating strong financial performance and market demand for its products and services.



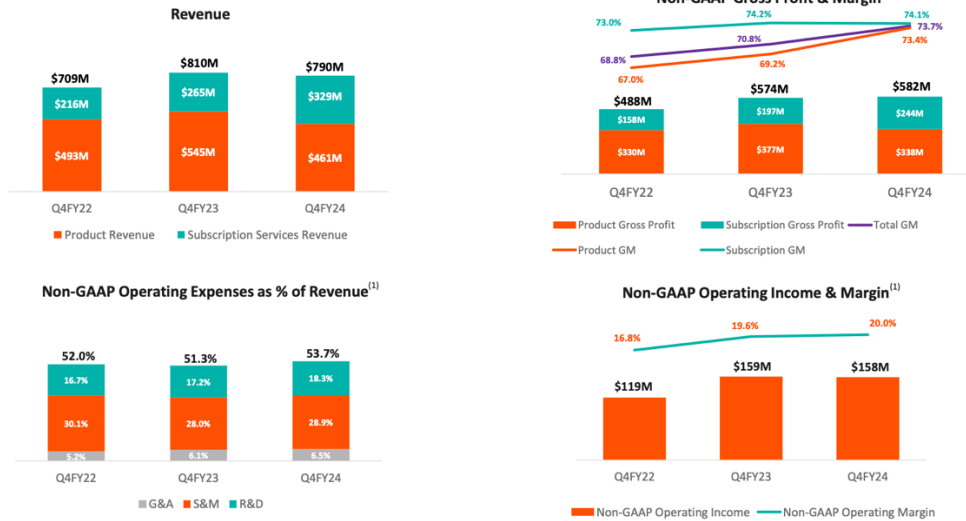
One of the most exciting aspects of Pure's earnings is the growth of its subscription-based business, now accounting for more than 40% of its total revenue.

Let's take a look at the earnings overall.

### FISCAL PERFORMANCE

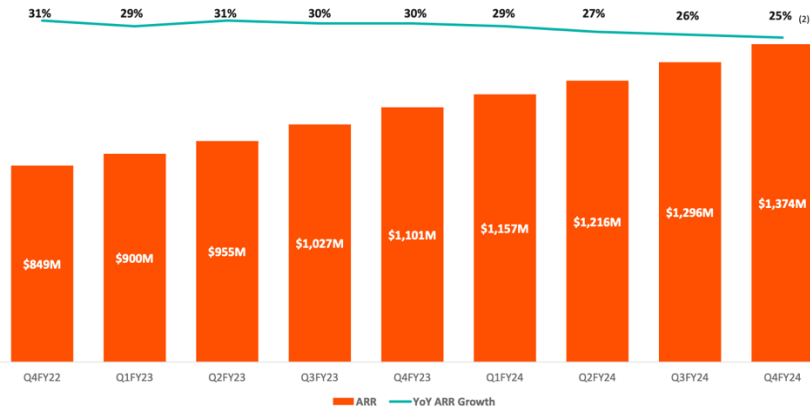
Key points regarding Pure Storage's fiscal performance in the quarter include:

## Q4 Select Financial Measures



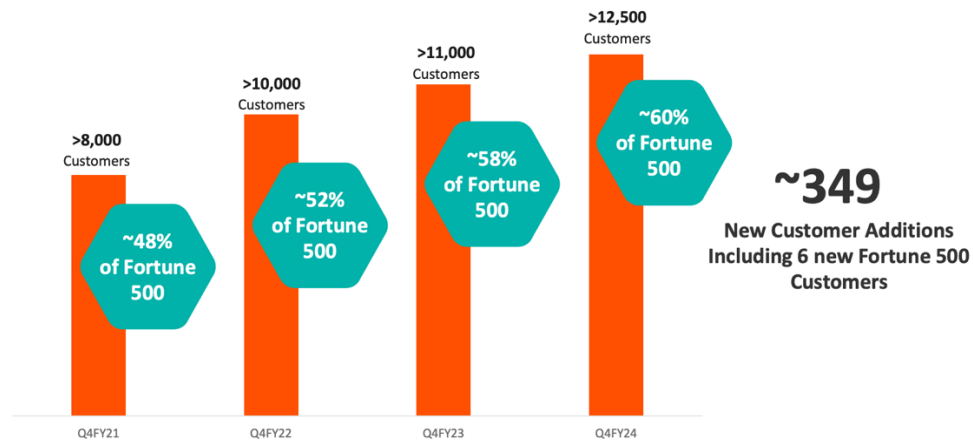
- Revenue Growth:** Pure Storage exceeded revenue guidance, delivering \$789.8 million in the fourth quarter, a 3% decrease year-over-year. For the full year, Pure generated revenue of \$2.8 billion, a 3% increase from the previous year.
- Subscription Services Revenue:** Subscription services revenue grew significantly to \$328.9 million, now representing 42% of total revenue, totaling \$1.2 billion, up 26% year-on-year.
- Total Contract Value Sales:** The company saw over \$400 million in total contract value sales for Evergreen//One and Evergreen//Flex, more than doubling the figures from the previous year. This growth demonstrates the market's strong acceptance of Pure Storage's subscription models.
- Operating Margin:** Pure Storage reported an operating margin of approximately 16% for fiscal 2024, above the original guide of 15%. This was attributed to strong gross margins across their data storage platform, reflecting the value of their solutions and disciplined investing.
- Gross Margin:** The company reported a total gross margin strength of 73.7% in Q4 and 73.2% for the year, with product and subscription services contributing to this performance. The product gross margin was 73.4%, and subscription services gross margin was 74.1% in Q4.
- Annual Recurring Revenue (ARR):** Subscription Services ARR grew 25% to approximately \$1.4 billion, indicating strong traction for Pure Storage's consumption and subscription-based service offerings.

## Subscription Annual Recurring Revenue <sup>(1)</sup>



7. **Customer Growth:** Pure Storage expanded its customer base by acquiring 349 new customers during Q4, including six new Fortune 500 customers, serving slightly over 60% of the Fortune 500 by the end of the quarter.

## Customers



8. **Cash Flow and Capital Expenditures:** Cash flow from operations was approximately \$244 million during the quarter and roughly \$678 million for fiscal 2024. Capital expenditures for the year were nearly \$200 million, representing about 6.9% of revenue for fiscal 2024, driven by sales growth of Evergreen//One and investments in new headquarters and product innovations.
9. **Stock Repurchase:** In Q4, Pure Storage repurchased 585,000 shares of stock, returning approximately \$21.4 million to shareholders. Nearly 4.7 million shares were repurchased for the year, returning almost \$136 million in capital to shareholders.

Pure Storage's fiscal performance during the quarter shows strong demand for its storage solutions, successful expansion of its subscription services, and disciplined financial management.

## HIGHLIGHTS

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The non-fiscal highlights for Pure Storage in FQ4 and fiscal 2024, noted during its earnings call, include:

1. **Solid Q4 Performance and Sales Momentum:** Pure Storage ended the fiscal year with strong sales momentum, indicating balanced performance across different theaters and their product portfolio. This momentum, especially in customer interest towards its platform strategy, boosts the company's confidence for the upcoming year.
2. **Expansion of the Evergreen Portfolio:** The company expanded its Evergreen portfolio, significantly increasing subscription services revenue to over 40% of total revenue. This indicates a successful shift towards more predictable and recurring revenue streams.
3. **Significant Growth in Evergreen Sales:** Fiscal 2024 saw the total contract value (TCV) sales for Evergreen//One and Evergreen//Flex surpass \$400 million, more than doubling the figures from the previous year. This is the result of strong customer adoption and the effectiveness of Pure Storage's subscription models.
4. **FlashBlade Sales Milestone:** FlashBlade, Pure Storage's platform for modern file and object data requirements, exceeded \$2 billion in total sales since its launch, underscoring its market leadership and acceptance of high-performance and cost-efficient applications.
5. **Rapid Growth of New Product Lines:** The newly launched E family of products achieved the fastest sales growth of any Pure product, signaling that flash storage is becoming increasingly competitive with traditional HDD-based systems.
6. **Strategic Enterprise Deals:** Pure Storage secured several strategic enterprise deals in Q4 based on its platform strategy, reliability, and the ability to meet diverse storage needs in a consistent environment. This includes a significant eight-figure deal with a Fortune 500 financial services firm and another with one of the largest specialized GPU cloud providers for AI.
7. **Platform Strategy Success:** Pure Storage's data storage platform strategy, especially with large enterprises and managed service providers, highlights the company's innovative approach to consolidating data storage under a single operating and management environment.

These highlights reflect Pure Storage's continued growth, innovation, and strategic positioning in the data storage market, setting a positive outlook for the company's future.

## OUTLOOK & GUIDANCE

For its fiscal year 2025, Pure Storage provided guidance and outlook that reflects confidence in its business model, strategy, and market position.

Q1FY25 Guidance	
Revenue	\$680 Million
Revenue YoY Growth Rate	15.4%
Non-GAAP Operating Income <sup>(1)</sup>	\$68M
Non-GAAP Operating Margin <sup>(1)</sup>	10%

FY25 Guidance	
Revenue	\$3.1 Billion
Revenue YoY Growth Rate	10.5%
TCV Sales for Evergreen//One & Evergreen//Flex Subscription Service Offerings	\$600M
TCV Sales for Evergreen//One & Evergreen//Flex Subscription Service Offerings YoY Growth Rate	Approximately 50%
Non-GAAP Operating Income <sup>(1)</sup>	\$532M
Non-GAAP Operating Margin <sup>(1)</sup>	17%

Critical elements of Pure Storage's guidance and outlook include:

1. **Double-Digit Revenue Growth:** Pure Storage expects to return to double-digit revenue growth in FY '25, projecting a growth rate of 10.5% to reach \$3.1 billion. This expectation is based on the company's strong product portfolio, platform strategy, and robust customer demand for its Evergreen and Portworx subscription offerings.
2. **Evergreen//One and Evergreen//Flex TCV Sales:** The company anticipates approximately 50% growth in total contract value (TCV) sales for its Evergreen//One and Evergreen//Flex service offerings, expected to be \$600 million. This growth indicates strong demand for Pure Storage's subscription-based and consumption models.
3. **Operating Profit and Margin:** Pure Storage expects FY '25 operating profit to be \$532 million, with an operating margin of 17%. This aligns with the company's

longer-term goal of expanding its operating margin by one to two percentage points each year, signifying a commitment to driving profitable growth while expanding its market presence.

4. **Q1 FY '25 Expectations:** For the first quarter of FY '25, Pure Storage anticipates revenue of \$680 million, representing a 15.4% increase compared to Q1 of the previous year. The expected operating profit for Q1 is \$68 million, or an operating margin of 10%.
5. **Subscription Services and Consumption Growth:** The guidance reflects the expectation of continued strong growth from Evergreen//One Storage-as-a-Service and Evergreen//Flex offerings. Pure Storage's shift towards a subscription-based revenue model is seen as a critical driver of its future growth.
6. **Capital Expenditure:** While not explicitly detailed in the provided summary, Pure Storage's strategic investments in innovation, engineering, and sales capacity are expected to support the anticipated growth and market expansion.
7. **Stock Repurchase Program:** Pure Storage announced a new share repurchase authorization of an additional \$250 million, demonstrating confidence in the company's future and a commitment to returning value to shareholders.

The company remains cautiously optimistic about the macroeconomic environment. Still, it is well-positioned to capitalize on the increasing demand for high-performance, sustainable storage solutions, particularly in the growing importance of artificial intelligence and data-intensive applications.

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## ANALYSIS

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Pure Storage, Inc.'s fiscal Q4 and full-year 2024 performance and outlook for fiscal 2025 show a company strategically positioned for sustained growth and market leadership. Pure Storage's solid FQ4 performance, characterized by robust sales momentum and a balanced execution across its product portfolio, highlights the effectiveness of its platform strategy and the increasing market demand for its innovative solutions.

The expansion of the Evergreen portfolio and the significant growth in subscription services revenue, now accounting for over 40% of total revenue, is a nice milestone in its transition towards a more predictable, recurring revenue model. This transition is further evidenced by the doubling of total contract value sales for Evergreen//One and Evergreen//Flex to over \$400 million, showing strong customer adoption and confidence in Pure Storage's offerings.

The industry recognizes the need for consumption-based infrastructure offerings, with every major storage provider offering a solution in the space. At the same time, there's often a significant gap between bringing a product market and finding sustained success.

HPE is perhaps the most successful, shifting its entire focus to delivering nearly all its products as a service with its pivot towards HPE GreenLake. Among the rest of the market, Dell offers Apex, NetApp has Keystone, and Lenovo has TruScale. Apart from HPE, however, none of these competitors report the same growth and impact from subscription revenue as Pure Storage. This is something to watch in each of those upcoming earnings results.

Pure's subscription growth shouldn't overshadow its growth and acceptance of its traditional storage offerings. During the earnings call, Pure CEO Charlie Giancarlo pointed out that Pure's FlashBlade products have crossed the \$2 billion threshold in sales. Its E-series offerings are also finding success in bringing flash storage into the near-line storage space.

Overall, Pure Storage's fiscal 2024 performance and its outlook for its fiscal 2025 show a company that is not only navigating the challenges of a dynamic market landscape but also seizing the opportunities presented by technological advancements and shifting customer preferences.

The growth revealed in its latest earnings is a clear result of Pure's innovation and market adaptability. Pure Storage remains well-positioned to lead the transformation towards service-oriented models while also continuing to innovate and grow its traditional on-prem offerings. It's a compelling story.



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