

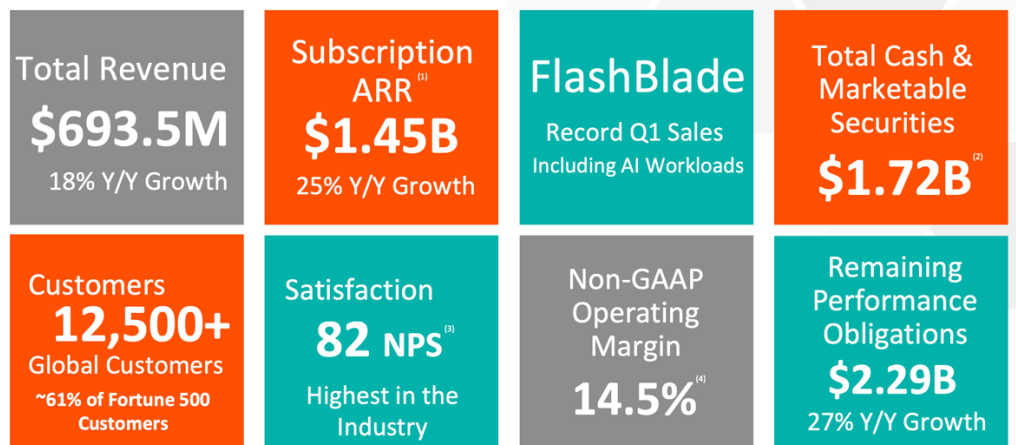
## PURE STORAGE FQ1 2025 EARNINGS

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### CONTEXT

Pure Storage's [Q1 FY2025 earnings](#) show a positive tone for the year, showcasing a remarkable return to double-digit revenue growth and solidifying its strategic position in the competitive data storage market. With an 18% year-over-year revenue increase, the company has demonstrated its ability to leverage emerging opportunities, particularly in AI-driven workloads and hyperscaler environments.

#### Q1FY25 Pure Storage At A Glance



(1) Subscription ARR is a key business metric that refers to total annualized contract value of all active subscription agreements on the last day of the quarter, plus on-demand revenue for the quarter multiplied by four.  
(2) Consists of cash in banks, cash equivalents (highly liquid investments with an original maturity of three months or less), and available-for-sale securities.

### FISCAL PERFORMANCE

Pure Storage's financial performance during Q1 FY2025 was strong, marked by several key metrics:

Financial Metrics	Guidance	Actuals
Subscription Annual Recurring Revenue <sup>(1)</sup>		\$1.45 Billion
Revenue	\$680 Million	\$693.5 Million
Non-GAAP Operating Income <sup>(2)</sup>	\$68 Million	\$100 Million
Non-GAAP Operating Margin <sup>(2)</sup>	10%	14.5%
Operating Cash Flow		\$221.5 Million

### 1. Revenue Growth:

- The company achieved 18% revenue growth year-over-year, reaching \$693 million for the quarter.

### 2. Profitability:

- Operating profit for the quarter was \$100 million, a record high for Q1.
- The operating margin stood at 14.5%, reflecting efficient cost management and strong revenue performance.

### 3. Subscription Services:

- Annual recurring revenue (ARR) from subscription services grew by 25% to over \$1.4 billion.
- Including noncancelable subscription contracts where the effective service date has not started, the ARR growth was 26%.

### 4. Total Contract Value (TCV):

- Storage-as-a-Service offerings achieved \$56 million in TCV sales during Q1.
- The company expects 50% growth in TCV sales for its Storage-as-a-Service offerings, targeting \$600 million for FY2025.

### 5. Geographical Revenue:

- U.S. revenue for Q1 was \$489 million.
- International revenue was \$204 million.

### 6. Customer Acquisition:

- Pure Storage acquired 262 new customers during the quarter.
- The company now serves 61% of the Fortune 500.

#### 7. **Gross Margins:**

- The total gross margin was 73.9%.
- The product gross margin was 72.8%.
- The subscription service's gross margin was 74.9%.

#### 8. **Cash and Investments:**

- Pure Storage had \$1.7 billion in cash and investments at the end of Q1.
- Cash flow from operations was \$222 million.

#### 9. **Capital Expenditures:**

- Capital expenditures for the quarter were \$49 million, representing approximately 7% of revenue.

#### 10. **Employee Count:**

- The company had approximately 5,500 employees at the end of the quarter.

Overall, Pure Storage demonstrated robust financial performance, with strong revenue and profitability growth and expanded customer base, all while maintaining a solid financial position.

## **NON-FINANCIAL HIGHLIGHTS**

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During Q1 FY2025, Pure Storage achieved several notable non-financial highlights:

### **Q1FY25 Highlights**

- 1** Strong start to the year. Q1 revenue outperformed, reflecting revenue growth of 18% year-over-year.
- 2** Enterprise strength for new and existing customers across our entire data storage platform.
- 3** Record Q1 for FlashBlade sales, including AI workloads.
- 4** Subscription Services ARR grew 25% to over \$1.4B.
- 5** Operating profit of \$100 million and operating margin of 14.5%; record high for a Q1.

### 1. **AI-Driven Opportunities:**

- The company identified three significant AI-driven market opportunities:
  1. High-performance data storage for large public or private GPU farms.
  2. Specialized Storage for enterprise inference engines or RAG environments.
  3. Upgrading all enterprise storage to a storage cloud simplifies data access and management.

### 2. **Unified Purity Platform:**

- Pure Storage's unified Purity platform successfully addressed various storage needs without requiring different operating systems, facilitating seamless data management across diverse environments.

### 3. **Strategic Deals:**

- The platform's ease of use and environmental benefits helped secure strategic enterprise deals, including a notable win with a managed service provider specializing in high-performance computing.

### 4. **Hyperscaler Engagements:**

- Significant progress was made in discussions with hyperscalers, advancing to testing and commercial discussions. Pure Storage is optimistic about securing a design win this year.

### 5. **Product Highlights:**

- The FlashBlade product line achieved a record Q1, showing strong adoption across geographies and various AI workloads.
- The E Family of products continued its strong growth, contributing to discussions with hyperscalers.

These non-financial highlights underscore Pure Storage's strategic focus on innovation, customer satisfaction, and environmental sustainability, positioning the company for continued success in the rapidly evolving data storage market.

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## **OUTLOOK & GUIDANCE**

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Pure Storage's outlook and guidance for the future are optimistic, underpinned by strong performance and strategic opportunities.

## Revenue Growth Rate Perspectives

10.5%	FY25 revenue growth rate guidance
~4%	Net impact of Evergreen//One and Evergreen//Flex strength*
Mid-teens	FY25 annual revenue growth rate, absent headwinds

Here are the key points:

1. **Q2 FY2025 Guidance:**

- **Revenue:** The company expects Q2 revenue to be approximately \$755 million.
- **Operating Profit:** Expected to be around \$125 million, with an operating margin of 16.6%.

2. **Full-Year FY2025 Guidance:**

- Pure Storage reiterates its full-year FY2025 revenue and operating margin guidance, indicating confidence in sustained growth and profitability throughout the fiscal year.

3. **Market Position:**

- The company believes it is well-positioned in all the segments it competes in and expects to continue gaining market share.
- Pure Storage sees long-term trends favoring high-technology data storage systems over commoditized storage, which aligns with its strategic direction.

4. **AI and Hyperscaler Opportunities:**

- Pure Storage expects substantial opportunities in AI-driven storage solutions and hyperscaler environments.
- The company is optimistic about securing a design win with hyperscalers for their traditional storage environments and sees AI as a catalyst for broader enterprise storage upgrades.

5. **Energy Efficiency and Environmental Impact:**

- With an increasing focus on energy efficiency, Pure Storage's technology is expected to appeal to hyper scalers and enterprise data centers

looking to reduce power and cooling costs, particularly as AI workloads increase.

#### **6. Customer Demand and Engagement:**

- Strong customer demand, especially for AI workloads and FlashBlade solutions, is expected to drive growth.
- The company anticipates significant new advances in its platform strategy, which will be announced at the Accelerate Customer and Partner Conference.

#### **7. Subscription Services:**

- Pure Storage aims for 50% growth in Total Contract Value (TCV) sales for its Storage-as-a-Service offerings, including Evergreen One and Evergreen Flex, targeting \$600 million in TCV sales for FY2025.

#### **8. Investment and Innovation:**

- The company plans to continue investing in innovation and product development, focusing on enhancing its unified Purity platform and expanding its product offerings.

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## **ANALYSIS**

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Pure Storage delivered an impressive performance in Q1 FY2025, marking a return to double-digit revenue growth with an 18% increase year over year. This highlights its ability to capitalize on emerging opportunities, particularly in AI-driven workloads and hyperscaler environments.

The company's guidance for Q2 and the full fiscal year provides a confident outlook, with expectations of continued revenue growth and strong operating margins. Its proactive engagement with hyper scalers and the anticipated design win within this segment is promising.

Financially, Pure Storage is in a solid position, with \$1.7 billion in cash and investments and strong operating cash flow. The company's ability to generate significant revenue from subscription services, evidenced by a 25% growth in annual recurring revenue, highlights the success of its as-a-service offerings and provides a stable, recurring revenue base.

Pure's earnings showcase a company executing well on its current strategy and is well-positioned to take advantage of key industry trends in AI, cloud, and hyperscaler markets. Its innovative platform, commitment to energy efficiency, and strong financial health suggest that it will continue to be a strong competitor, outperforming the broader market.



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