Pure Storage:

LONG IDEA

PURESTORAGE®

Industry Top-Down: Technology Hardware/Storage/Peripherals

- Pure Storage is growing much faster than the industry (top and bottom line) , while maintaining a substantial premium, still with a PEG of around 1. It also had the biggest positive change in estimates for FY1 and FY2.

Ticker	Company Name	Revenue Growth FY1	Revenue Growth FY2	EG F1	EG F2	EG F3	PE FY1	PE FY2	PE FY3	PEG F1	PEG F2	PEG F3	Percent Change in FY1 EPS Estimates	Percent Change in FY2 EPS Estimates
CRSR	Corsair Gaming Inc	5.50%	12.76%	8.26%	20.18%	18.45%	13.14	10.94	9.23	1.59	0.54	0.50	0.69	1.98
BRC	Brady Corp	13.99%	4.05%	14.91%	14.70%	0.21%	15.06	13.13	13.10	1.01	0.89	61.02	-4.40	-2.51
NVDA	NVIDIA Corp	29.03%	17.22%	26.45%	19.66%	23.25%	44.11	36.86	29.91	1.67	1.87	1.29	7.65	7.06
SMCI	Super Micro Computer Inc	27.31%	10.08%	30.34%	23.98%	29.76%	12.97	10.47	8.07	0.43	0.44	0.27	0.15	0.31
HPQ	HP Inc	4.01%	-0.57%	12.95%	3.48%	5.71%	8.06	7.79	7.37	0.62	2.24	1.29	2.60	1.02
STX	Seagate Technology Holdings PLC	12.87%	5.47%	57.70%	11.48%	10.84%	10.36	9.29	8.38	0.18	0.81	0.77	-0.04	5.81
MRCY	Mercury Systems Inc	8.76%	8.79%	3.72%	9.00%	9.56%	25.61	23.50	21.45	6.89	2.61	2.24	-1.50	-4.64
SYNA	Synaptics Inc	28.88%	11.02%	56.88%	7.76%	0.26%	17.49	16.23	16.19	0.31	2.09	62.76	15.42	12.80
DELL	Dell Technologies Inc	3.56%	1.94%	8.02%	7.56%	6.84%	7.52	6.99	6.54	0.94	0.92	0.96	-3.81	-6.11
HPE	Hewlett Packard Enterprise Co	3.07%	2.98%	7.16%	5.91%	5.42%	7.96	7.52	7.13	1.11	1.27	1.32	3.73	1.86
ZBRA	Zebra Technologies Corp	5.51%	5.98%	6.16%	13.22%	0.51%	21.41	18.91	18.81	3.48	1.43	36.80	-0.62	0.40
NTAP	NetApp Inc	10.02%	6.66%	26.61%	7.12%	13.61%	16.81	15.69	13.81	0.63	2.21	1.01	1.62	-0.58
EVRI	Everi Holdings Inc	9.69%	6.39%	-15.88%	14.92%	15.28%	17.14	14.92	12.94	-1.08	1.00	0.85	1.10	0.24
WDC	Western Digital Corp	11.04%	10.83%	74.73%	18.73%	-7.44%	6.15	5.18	5.59	0.08	0.28	-0.75	-8.06	-3.09
PSTG	Pure Storage Inc	19.48%	16.00%	29.00%	25.76%	19.23%	39.45	31.37	26.31	1.10	1.22	1.37	23.40	18.55
AVG	Industry Average	12.85%	7.97%	23.13%	13.56%	10.10%	17.55	15.25	13.66	1.26	1.32	11.45	2.53	2.21

Biggest postitive change in estimates

Company Overview

Pure Storage, Inc. NYSE

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PSTG 31.13 USD -1.04 (-3.23%)	31.13 USD 0.00 (+0.00%)	Fri May 27th 2022	Information Technology	Technology Hardware, Storage and Peripherals	$9.29B	36.2x	2,500,271	4.36%	43.79%
Last Updated • Fri Apr 08 4:00PM EDT	After Market • Fri Apr 08 6:30PM EDT	Next Earnings Date	Sector	Industry	Market Cap	Forward P/E	Volume	Total Return (3M)	Total Return (1Y)

Snapshot Chart

Key Data

Dividend Yield	-	Avg Volume (10D)	3.83M
Beta (5Y Monthly)	1.46	Volatility (1Y)	42.37
Shares Outstanding	298.50M	Short Interest %	5.94%
Industry			Technology Hardware, Storage and Peripherals
Competitors			NTAP NTNX FFIV HPE WDC

Performance Returns

	1M	3M	YTD	1Y
Price	6.72%	4.36%	-4.36%	43.79%
Total	6.72%	4.36%	-4.36%	43.79%

Valuation

	LTM	NTM
P/E	-	36.2x
EV/Sales	4.0x	3.4x
EV/EBITDA	246.4x	22.7x
Price/Book	12.3x	

Capital Structure

Market Cap	$9.29B
Total Debt	$915.36M
Cash & Inv.	$1.41B
Enterprise Value	$8.79B

News

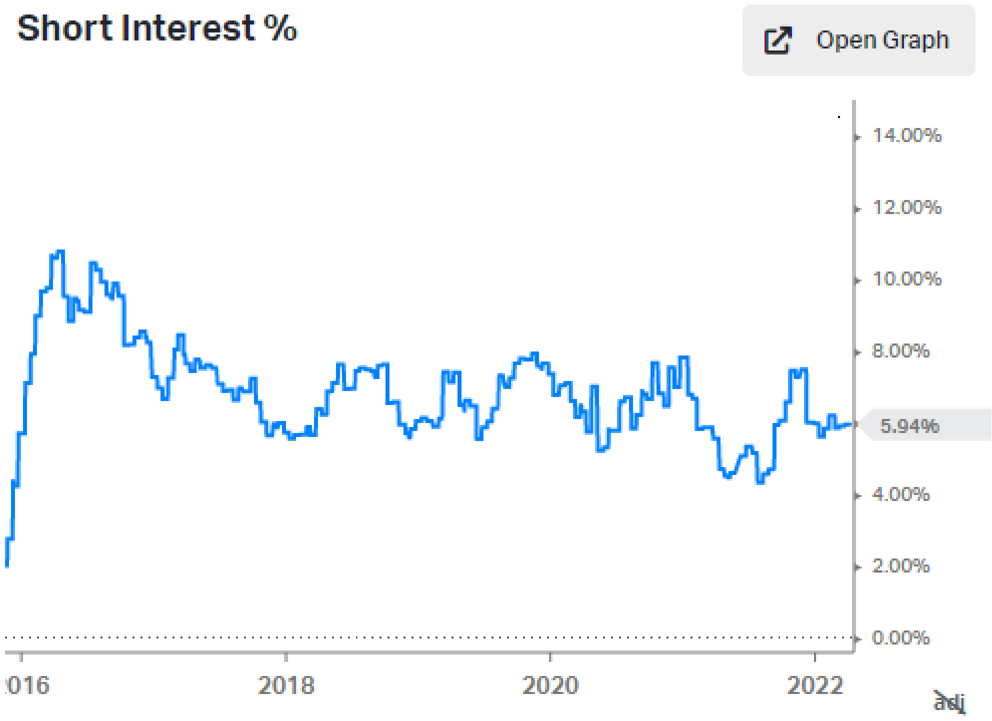
Pure Storage (PSTG) is a Top-Ranked Momentum Stock: Should You Buy?	Yahoo •	Apr 07 '22
Why Pure Storage Stock Jumped 36% in March	Yahoo •	Apr 05 '22
Why Is Pure Storage (PSTG) Up 18.1% Since Last Earnings Report?	Yahoo •	Apr 01 '22
Pure Storage Enables Organizations To Drive Out Direct Carbon Usage In Their Data Storage Systems By Up To 80%	Yahoo •	Mar 29 '22
Pure as-a-Service Sees Strong Customer Adoption Globally, Underscores Pure's Commitment to Delivering Simple, Flexible, and Transparent Storage Solutions	Yahoo •	Mar 22 '22

Analyst Estimates

	FY 2023	FY 2024	FY 2025
Sales	$2.61B	$3.03B	$3.46B
YoY Chg	19.48%	16.39%	14.04%
EPS	0.86	1.11	1.29
YoY Chg	29.19%	29.24%	16.21%

Company Overview

Business Description: Pure Storage offers enterprise flash data storage products and services. Has fairly low short interest and no anomalies in institutional holdings (Maybe that ARK owns 5%, or the CTO that owns 5%).



Shareholders

Name	Equities	%
Greylock Management Corp.	26,838,635	9.26%
The Vanguard Group, Inc.	26,771,480	9.23%
Champlain Investment Partners LLC	17,317,710	5.97%
Fidelity Management & Research Co. LLC	17,156,282	5.92%
ARK Investment Management LLC	15,254,370	5.26%
T. Rowe Price Associates, Inc. (Investment Management)	14,817,260	5.11%
John Colgrove	14,196,431	4.90%
First Trust Advisors LP	8,794,991	3.03%
BlackRock Fund Advisors	6,509,640	2.25%
Two Sigma Advisers LP	4,988,400	1.72%

Managers

Name	Title	Age	Since
Charles Giancarlo	Chairman & Chief Executive Officer	63	2018
Kevan Krysler	Chief Financial Officer	50	2019
John Colgrove	Director & Chief Technology Officer	58	2017
Cathleen Southwick	Chief Information Officer	-	2018
Michael Fitzgerald	Vice President-Operations	-	2019
Matthew Danziger	Investor Relations Contact	-	-
Niki Armstrong	Secretary, Vice President & General Counsel	-	2021
Kevin Delane	Vice President-Worldwide Sales	-	2017
Jason Rose	Chief Marketing Officer	-	2020
Matt Kixmoeller	Vice President-Strategy	-	2009

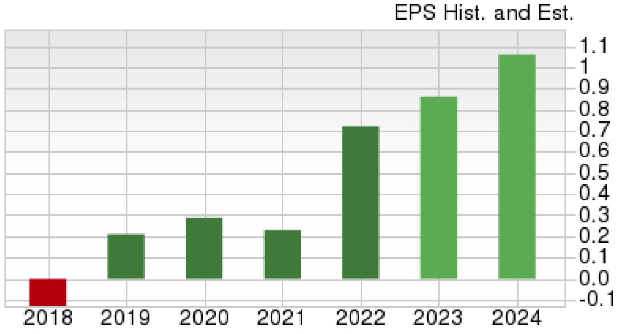
Quantitative Analysis – Operational leverage

- **Forecasted EPS growth is 1.5x Revenue growth, indicating operational leverage and economies of scale.**

Earnings Matrix - Reported & Estimates

Sales | EBITDA | EBIT | EPS | EPS GAAP

	FY 2022	FY 2023	FY 2024	FY 2025
1Q Apr	$412.71M	$522.70M	$619.37M	-
2Q Jul	$496.83M	$609.41M	$711.09M	-
3Q Oct	$562.74M	$673.44M	$777.32M	-
4Q Jan	$708.57M	$801.36M	$915.72M	-
Year	$2.18B	$2.61B	$3.03B	$3.46B
Growth	29.49%	19.48%	16.39%	14.04%



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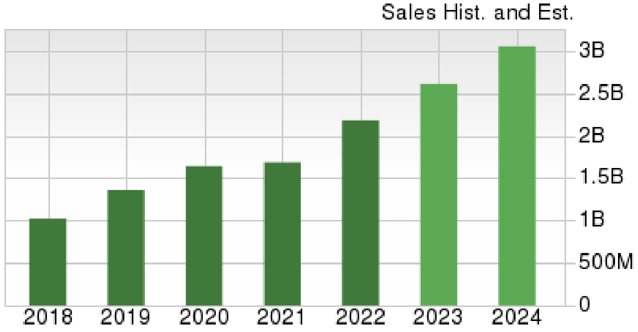
1Q Apr	-	0.05	0.10	-
2Q Jul	0.14	0.17	0.22	-
3Q Oct	0.22	0.25	0.31	-
4Q Jan	0.36	0.39	0.45	-
Year	0.67	0.86	1.11	1.29
Growth	300.00%	29.19%	29.24%	16.21%



Quantitative Analysis – Revenue Mix

- Subscription services, a higher margin business, is becoming a larger part of the mix. This has important implications both for the operational leverage and valuation, as this company quickly moves from hardware to software multiples.

Sales per Business

	2020		2021		Delta
Cloud Data Infrastructure Products	1 238.65	75.4%	1 144.10	67.9%	-7.63%
Subscription Services	404.79	24.6%	540.08	32.1%	+33.42%

USD in Million

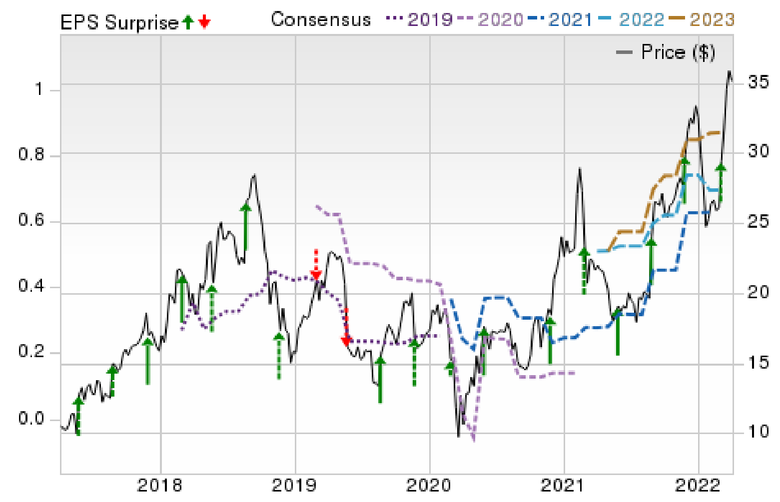
Sales per region

	2020		2021		Delta
United States	1 184.92	72.1%	1 195.43	71%	+0.89%
Rest of the World	458.52	27.9%	488.75	29%	+6.59%

USD in Million

Qualitative analysis – Last Quarter and Estimates, KPI’s

Price, Consensus & Surprise



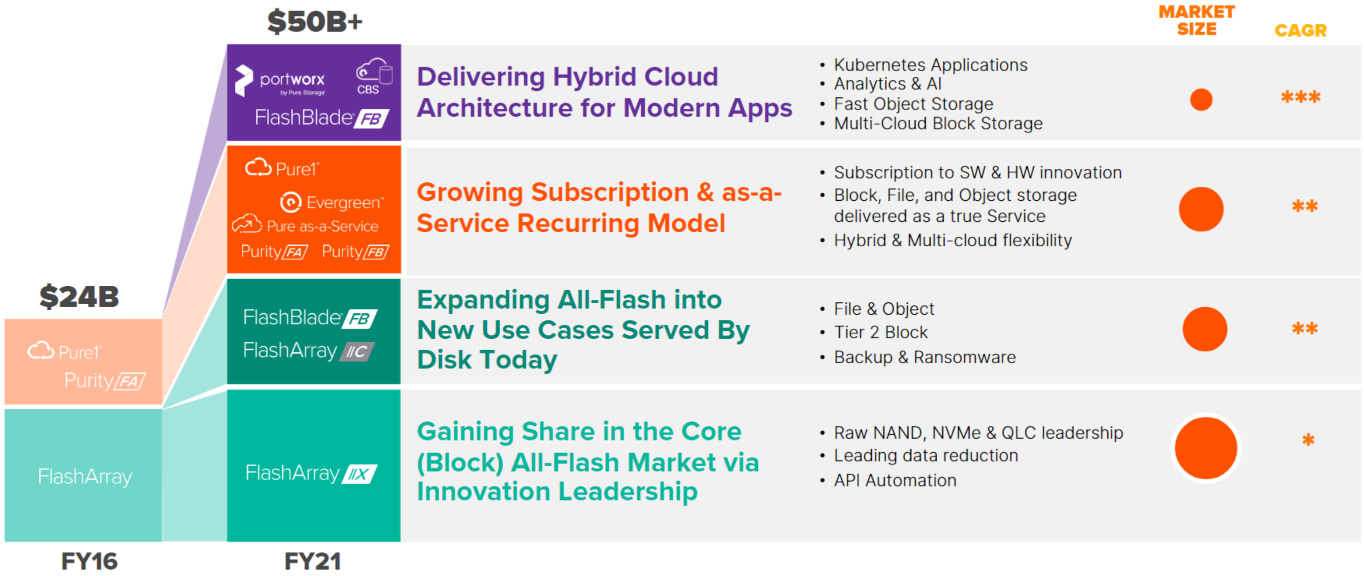
Guidance

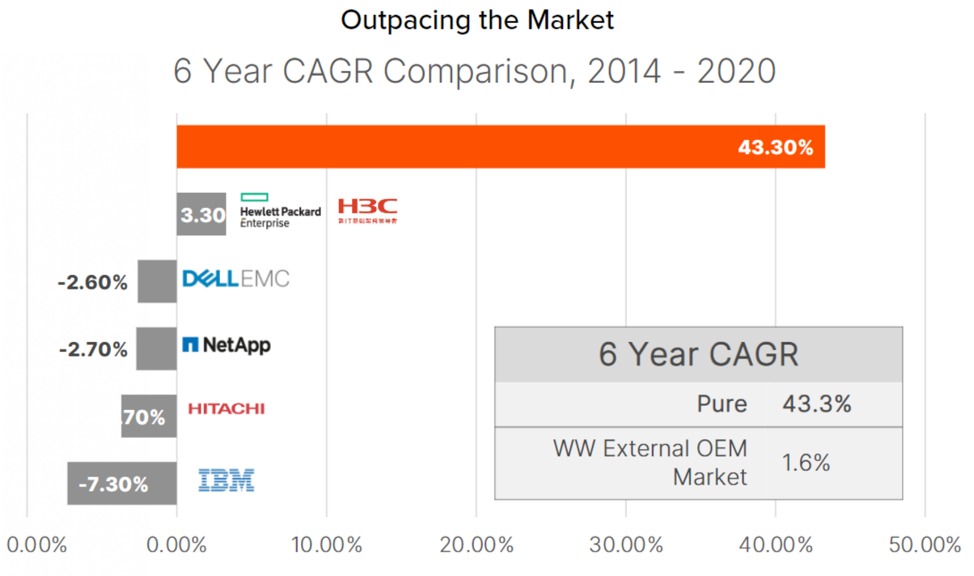
	Q1 FY23	FY23
Revenue	Approx. $ 520 Million	Approx. $ 2.6 Billion Est. 19%-20% Y/Y Growth
Non-GAAP Operating Income[(1)]	$ 16 Million	$ 300 Million
Non-GAAP Operating Margin[(1)]	Approx. 3%	Approx. 11.5%

- Pure Storage press release (NYSE:PSTG): Q4 Non-GAAP EPS of $0.36 beats by $0.10.
- Revenue of $708.6M (+41.0% Y/Y) beats by $77.67M.
- Guidance Q1 FY23: Revenue Approx. $520 Million (vs. consensus $517.65M); Non-GAAP Operating Income $16 Million; Non-GAAP Operating Margin Approx. 3%
- Guidance FY23: Revenue Approx. $2.6 Billion (vs. consensus $2.52B); Est. 19%-20% Y/Y Growth; Non-GAAP Operating Income $300 Million; Non-GAAP Operating Margin Approx. 11.5%

Qualitative analysis – TAM and Competitive Advantage

- Pure Storage is operating in a $50B+ growing market (they had $2B in sales last year), significantly outpacing the industry and taking market share.



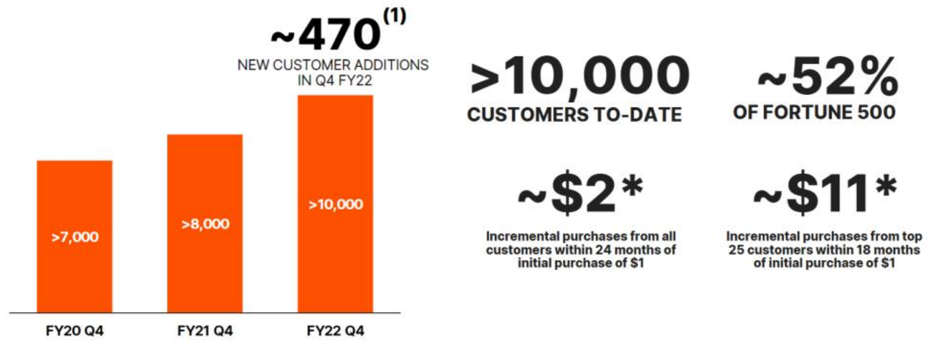


- *"Pure's highly differentiated technology enjoys a strong sustainable competitive advantage. Many of Pure's advantages stem from core software architecture decisions that are practically impossible to retrofit into pre-existing software." – Q4 Earnings Call*

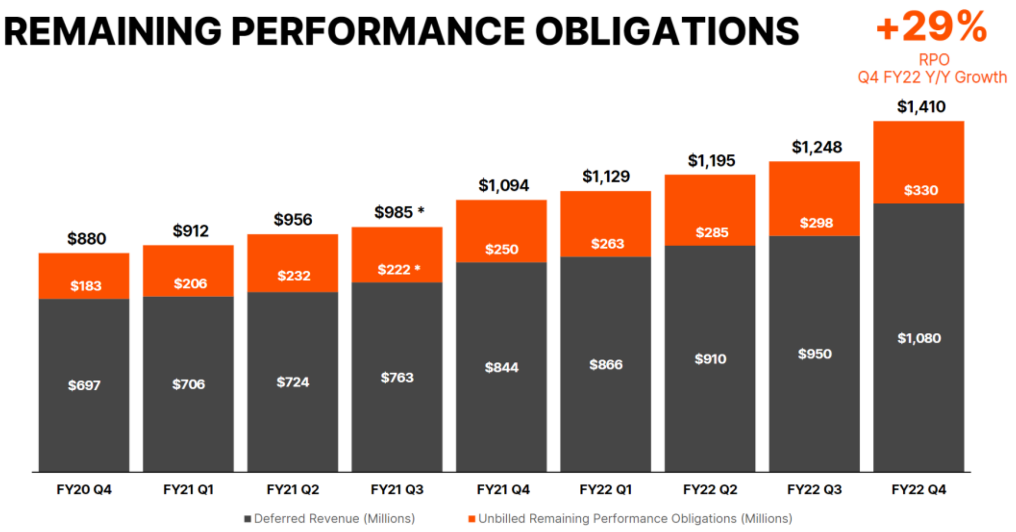
Qualitative analysis – KPI's

- 470 new customer additions in Q4.
- Most customers are spending 2x after 2 years, the top 25 are spending 11x after 18 months!!
- ARR grew 31% YoY to $850 million.
- Subscription NDR (ARR of the same customers) exceeded 120%.
- +29% growth in RPO's YoY.

TOTAL AND NEW CUSTOMERS

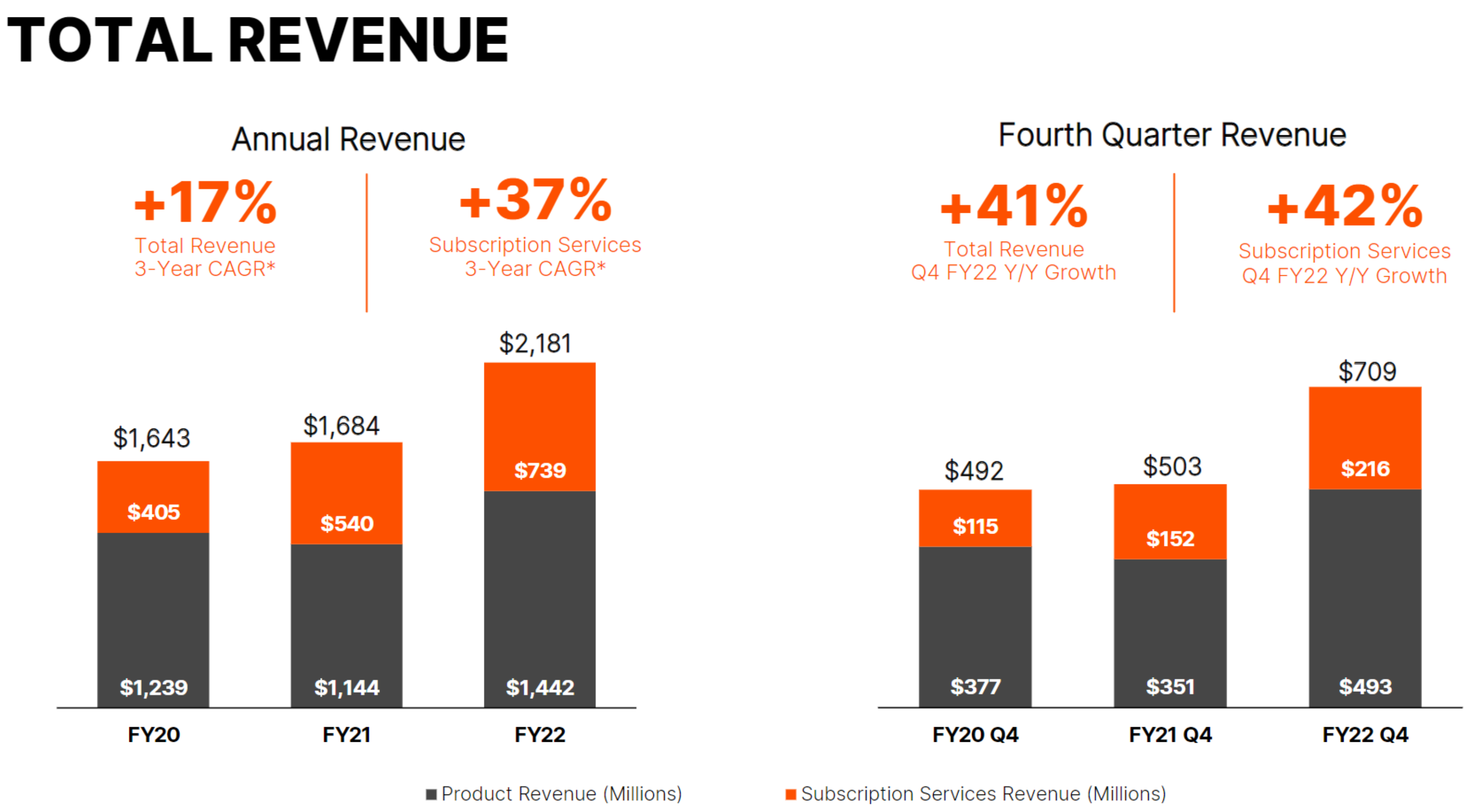


REMAINING PERFORMANCE OBLIGATIONS



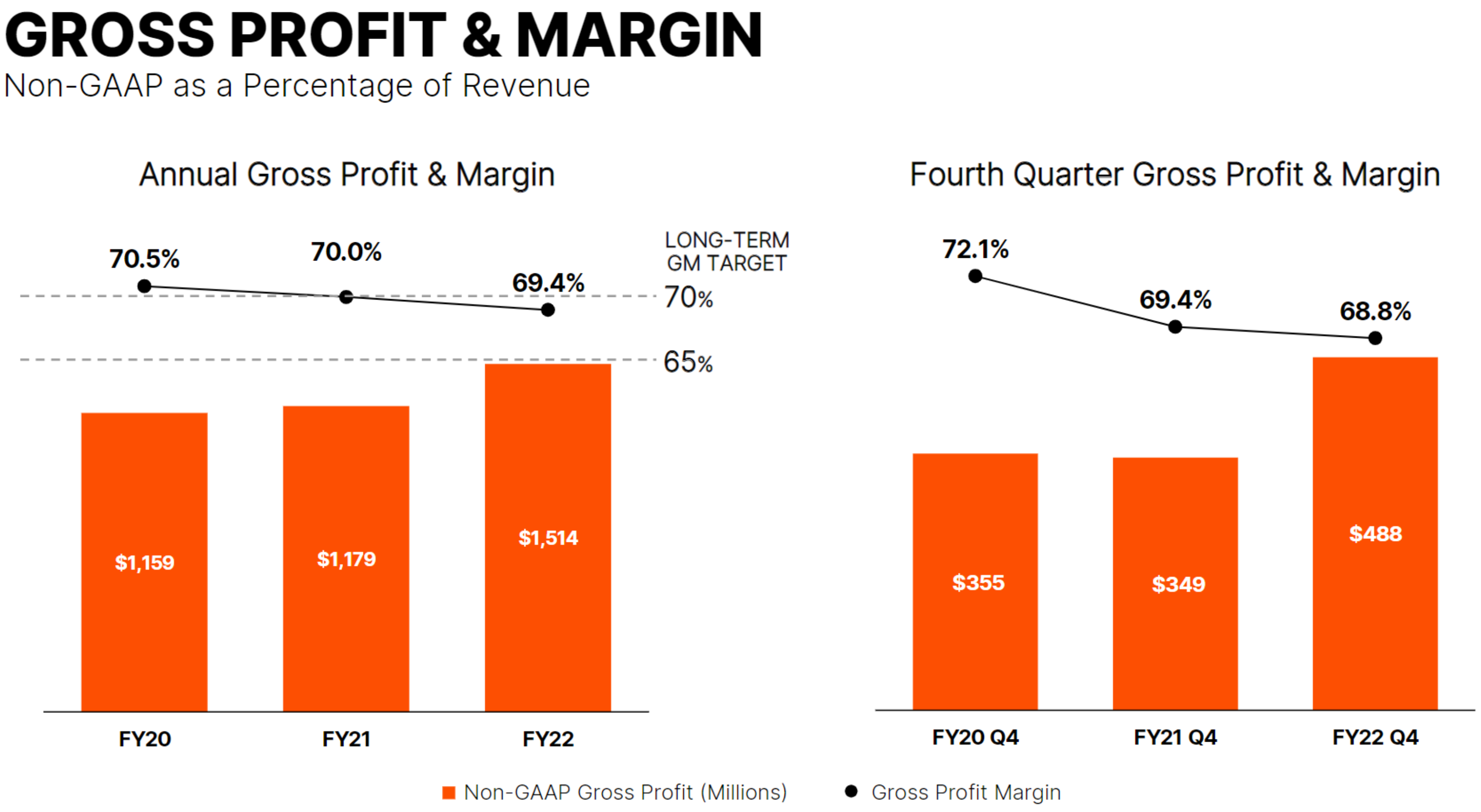
Qualitative analysis – KPI's

- Subscription Services revenue growing significantly faster than total revenue on a yearly basis and becoming a bigger part of the mix. Last quarter they grew at similar rates because product revenue growth was especially strong at +41%.



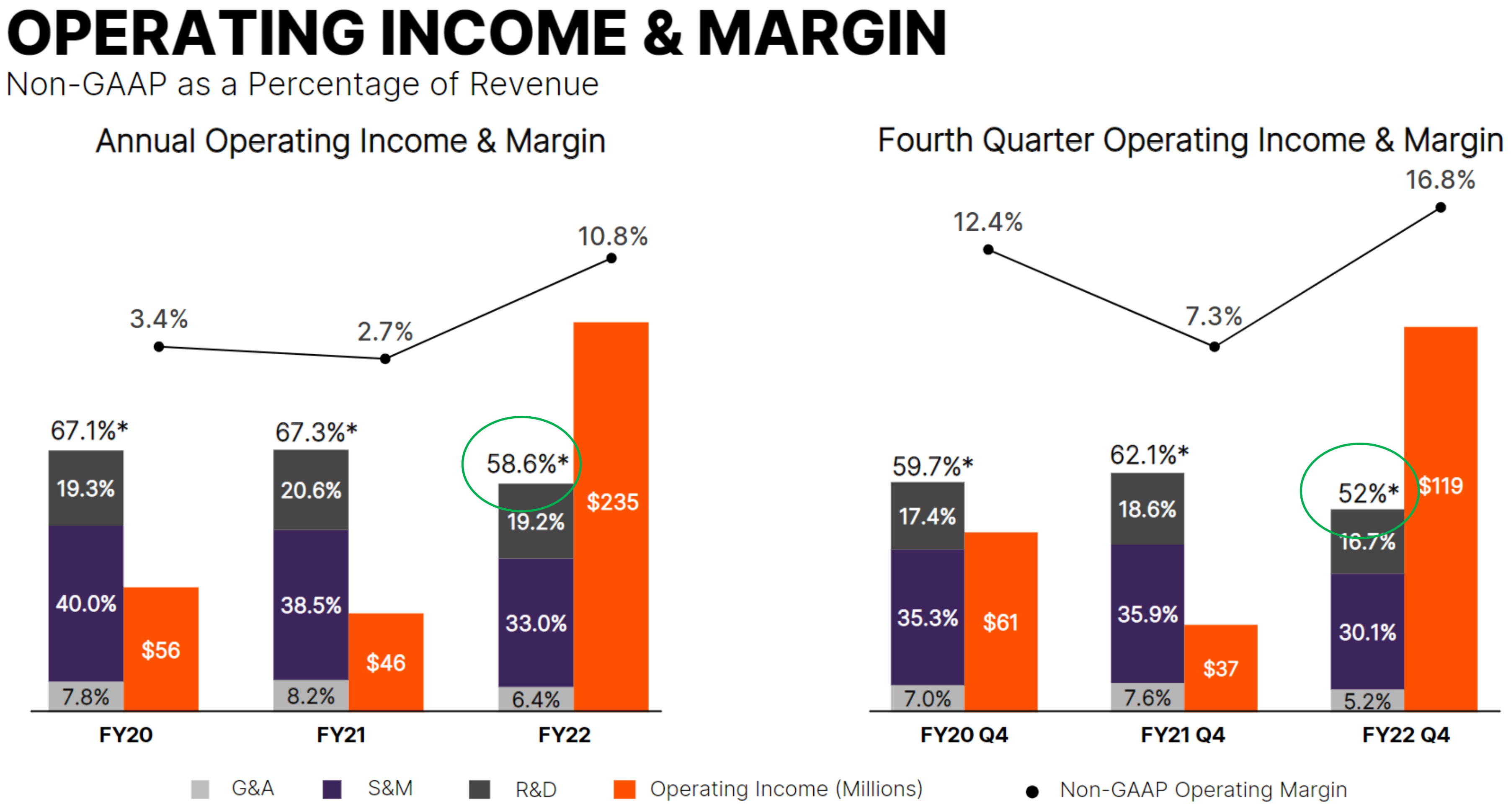
Qualitative analysis – KPI's

- Gross margin sits comfortably within their high long-term targets at 68.8% and is closer to that of a software company. To compare ; Seagate: 29% ; Dell: 21% ; HP: 20%



Qualitative analysis – KPI's

- At the operating income level, they have recently become profitable and are quickly increasing their margins, while also spending less percentage of their revenue.



Catalysts

- Earnings Call May 25th. → expect revenue above expectations and EPS way above guidance due to improving margins and revenue mix. Possible multiples expansion. Look at ARR, RPO's and added customers.
- Seagate Earnings April 28th.
- IBM Earnings April 19th (Their data center business could be leading indicator)
- Dell Earnings May 26th
- HP Earnings May 26th
- New product pipeline confirmed for this year: *"This past December, we announced FlashArray//XL, which delivers 5.5 petabytes of capacity in up to 80% less space and power than competitive all-flash solutions and it's off to a great start.* ***Our product pipeline for FY '23 is no less ambitious, and I am incredibly excited about the year ahead."*** *– Q4 Earnings Call*

Catalysts – Other Partnerships/ Weaker Catalysts

- On Feb 10, 2022, Pure Storage collaborated with Amazon Web Services ("AWS").
- On Feb 2, 2022, Pure Storage teamed up with Kyndryl. With this collaboration, Kyndryl will become a delivery partner for Pure Storage and will help in expanding integrated solutions and drive business outcomes for clients.
- On Jan 24, 2022, Pure Storage collaborated with Meta Platforms to support the latter's new-age AI Research SuperCluster (RSC) project. Meta will leverage Pure Storage's robust and scalable storage capabilities to power RSC as part of this partnership.
- On Jan 4, 2022, Pure Storage announced that demand for its solutions for public sector are likely to benefit from the U.S. government's infrastructure modernization plans. The company serves 40% of domestic federal agencies which includes three branches of the U.S. Department of Defense.

Catalysts – Earnings

- The last 3 earnings calls have been very positive catalysts, triggering +10% daily moves, and strong price action the following days. So, this remains our main catalyst.

EARNINGS DATE	PRE EARNINGS CLOSE	POST EARNINGS OPEN	PRICE MOVEMENT WITHIN ONE TRADING DAY					
			OPEN	HIGH	LOW	CLOSE	CLOSE%	MAX%
May 25, 2022 AC	To Be Calculated After Earnings Date							
March 2, 2022 AC	$26.50	15.05%	$30.49	$32.50	$29.51	$29.89	12.79%	22.64%
Nov. 23, 2021 AC	$27.28	8.02%	$29.47	$31.88	$28.78	$30.95	13.45%	16.86%
Aug. 25, 2021 AC	$20.95	11.74%	$23.41	$24.99	$23.29	$23.84	13.79%	19.28%

Risks

- Weak hardware sales, less spending from enterprise.
- Valuation, clearly an industry favorite. Failure to meet expectations could lead to de-rating.

Price target

- Stock is trading at $31 per share. I expect them to beat by 10% in revenue, so $575m for the quarter. Leading to a 35 % beat in EPS, so 0.0675 EPS for the quarter and 0.79 TTM EPS . Keep in mind, last 3 beats were 37%, 70% and 165%. Albeit, from low EPS guidance as they became profitable. With a trailing P/E of 50 (there is no TTM PE currently) , we get to a share price of $40

Earnings Matrix - Reported & Estimates

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	FY 2022	FY 2023	FY 2024	FY 2025
1Q Apr	$ 412.71M	$ 522.70M	$ 619.37M	-
2Q Jul	$ 496.83M	$ 609.41M	$ 711.09M	-
3Q Oct	$ 562.74M	$ 673.44M	$ 777.32M	-
4Q Jan	$ 708.57M	$ 801.36M	$ 915.72M	-
Year	$ 2.18B	$ 2.61B	$ 3.03B	$ 3.46B
Growth	29.49%	19.48%	16.39%	14.04%

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1Q Apr	-	0.05	0.10	-
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Year	0.67	0.86	1.11	1.29
Growth	300.00%	29.19%	29.24%	16.21%

Gatekeeping

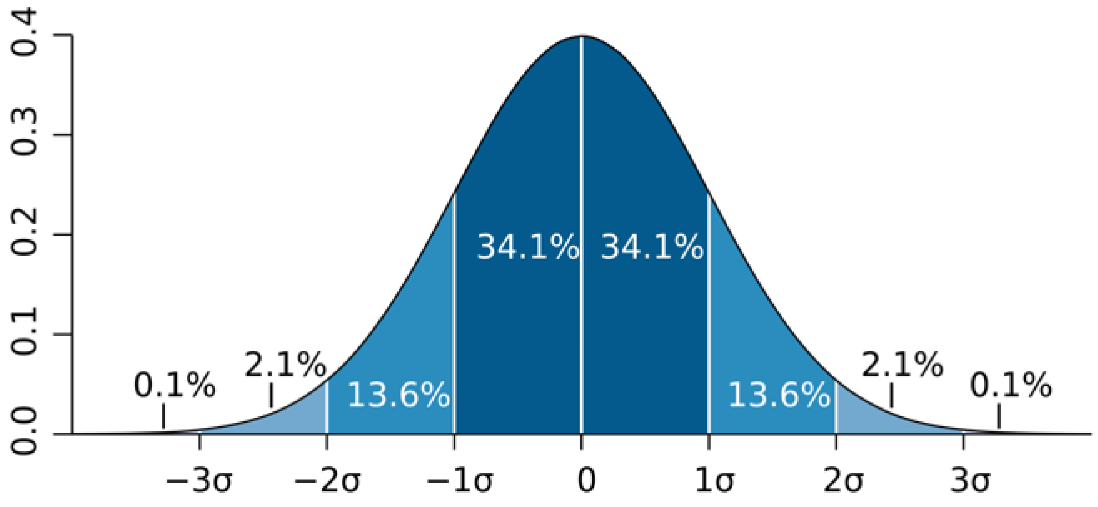
- Given the most recent price action, I would be inclined to wait until the risk-off settles and this stock finds support. If you were really eager to trade this right now, I would be inclined to do an ATM calendar strategy

Volatility Assessment

- Our price target would be within a 1Std Dev move in our option time horizon.

Stock Price:	31.13

Implied Volatility Assessment		1 Std Dev = 68%		2 Std Dev = 95%	
Timeframe	Implied Volatility	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Annual	48.93%	15.90	46.36	0.67	61.59
Monthly	14.13%	26.73	35.53	22.34	39.92
Weekly	6.79%	29.02	33.24	26.91	35.35
Daily	2.56%	30.33	31.93	29.54	32.72
Option Time Horizon	29.43%	21.97	40.29	12.81	49.45



Trade Structure

Unfortunately, there are no June options available, so if we would have to buy 3 August $31 calls for $3.8 and sell 2 May 20th $31 calls for $2 . I would be inclined to replace those August calls with June as soon as they become available. Still, with this strategy you would get 1960$ profit for every $740 outline, making it a risk reward of 2.6:1. And that's without assuming we can transform it into a vertical afterwards.

PSTG

Pure Storage Inc Cl A

SPREAD: Single   STRIKES: 10

EXPIRATION: Apr 14 M (5d)   May 20 M (41d)   **Aug 19 M (132d)**   Nov 18 M (223d)   Dec 16 M (251d)   Jan 20 2023 M (286d)   Jan 19 2024 M (650d)

CALLS								PUTS						
IMP VOLATILITY	VOLUME	OPEN INT	THETA	DELTA	BID	ASK	STRIKE	BID	ASK	DELTA	THETA	OPEN INT	VOLUME	IMP VOLATILITY
55.48%	0	31	-0.01	0.73	5.90	6.30	27	1.60	1.90	-0.27	-0.01	4	0	52.18%
53.71%	0	36	-0.01	0.69	5.20	5.60	28	1.90	2.30	-0.31	-0.01	16	0	52.14%
54.37%	0	35	-0.01	0.65	4.60	5.10	29	2.30	2.70	-0.35	-0.01	0	0	51.47%
53.01%	3	2,401	-0.01	0.61	4.10	4.50	30	2.75	3.00	-0.39	-0.01	17	0	48.85%
52.52%	0	3	-0.01	0.57	3.60	4.00	31	3.20	3.60	-0.43	-0.01	0	5	49.85%
51.50%	0	37	-0.01	0.53	3.10	3.50	32	3.70	4.10	-0.48	-0.01	22	1	48.90%
51.32%	0	962	-0.01	0.49	2.70	3.10	33	4.30	4.70	-0.52	-0.01	30	0	48.76%
49.97%	0	198	-0.01	0.45	2.35	2.65	34	4.90	5.40	-0.56	-0.01	26	0	49.45%
50.16%	5	919	-0.01	0.41	2.00	2.35	35	5.60	6.00	-0.60	-0.01	12	0	48.29%
49.89%	0	212	-0.01	0.37	1.75	2.05	36	6.30	6.80	-0.63	-0.01	0	0	49.44%