

REDUCING DEPRECIATION EXPENSES

Through Evergreen Storage Subscriptions.

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EXECUTIVE SUMMARY

Pure Storage customers have the ability to extend their depreciation schedule to a much longer than typical period of time (up to 7+ years) and positively affect their organization's earnings per share (EPS). Today's CFO's are continually looking for ways to drive additional value in the organization, and by extending the useful life of storage they can improve each year's EPS. This extended depreciation schedule and associated expense reduction is made possible by our groundbreaking Evergreen™ Storage ownership model. Evergreen Storage is a comprehensive life-cycle program that provides customers with a favorable experience during technology acquisition, ongoing management, and technology refresh. It eliminates the traditional refresh cycle through a technology platform and business model that keeps data in place, with storage hardware and software upgrading around it. Pure's Evergreen Storage model replaces the traditional series of depreciating equipment purchases with a non-stop and ever improving storage service, on your premises.

“Evergreen Storage has been well received by our executives, particularly our CFO, who can plan ahead without any major bumps in the road.

The three-year upgrades that come as part of the Pure Evergreen Storage model also help.”

MIKE CHRISTENSEN

GLOBAL IT MANAGER

AGR

HOW CAN PURE STORAGE'S LONGER USEFUL LIFE REDUCE DEPRECIATION EXPENSE?

By elongating the useful life and extending the enterprise storage life cycle to as much as 10 years, using standard straight line depreciation methods, depreciation expenses can be reduced by as much as 70% per year as shown in Figure 1.

DEPRECIATION SCHEDULE	ANNUAL DEPRECIATION EXPENSES	% SAVINGS COMPARED
TYPICAL 3 YEAR	\$33	-
5 YEAR	\$20	40%
8 YEAR	\$12.5	62%
10 YEAR	\$10	70%

FIGURE 1: Extended Depreciation for Lower Annualized Expenses

THE CFO VIEW: FULLY DEPRECIATED AND AMORTIZED EXPENSES

Since Pure has predictable costs and delivers equipment with a longer useful life, the annual series of cash flow expenses can be charted into a smoothed stream of amortized and depreciated expenses (for CAPEX and multi-year maintenance) incurred in each period, coupled with any in-period operating cash flow expenses. In this example, we can apply an 8-year depreciation schedule to the Pure Storage since it is Evergreen, while keeping a traditional 3-year schedule for traditional storage. The result is illustrated in Figure 2.

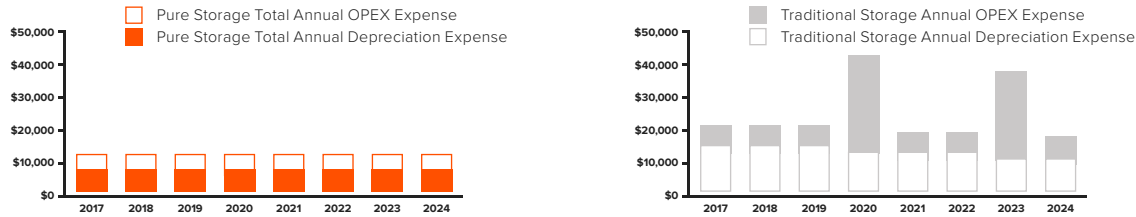


FIGURE 2: The Finance View of Evergreen

“Our finance department had a hard time trying to figure out how to depreciate the hardware where we used to do five years and now we're looking at seven, eight, nine or even 10 years of depreciation cycle.”

ALEX PATENT

VP GLOBAL INFRASTRUCTURE

NIELSEN COMPANY

“Our finance team loves it when it costs are flat and predictable.”

WADE SENDALL

VICE PRESIDENT OF IT

THE BOSTON GLOBE

With traditional storage solutions we see that the in-period expenses are quite large owing to the short depreciation schedule, and quite volatile owing to the large data migration expenses incurred when the storage is replaced. In contrast, with Pure Storage the in-period expenses are much lower and are completely flat and predictable, very much like a subscription service. This is very helpful to CFOs looking to manage revenues and expenses in order to achieve desired planning outcomes.

For more information on how Pure achieves this TCO savings,

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CONCLUSION

With Evergreen Storage, Pure offers customers a self-funding subscription to the latest storage software and hardware that never stops running and never stops improving. It operates like a SaaS block storage service, but for an onpremises storage appliance – for the first time ever. Customers buy their flashstorage once and then stay modern and up-to-date – in place - for as long as they remain under a valid Evergreen subscription. The result is storage with a much longer than normal useful life, enabling finance teams to extend their depreciation schedules from the typical 3-5 years to 7-10 years or more. In doing so they can reduce their annual depreciation expenses by up to 70%, and in effect raise earnings per share while at the same time modernizing the storage environment for much greater speed, agility, and efficiency to support the needs of the business.

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