

Everpure: Funding the Next Growth Vectors

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Company: Everpure, Inc. (NYSE: P; formerly Pure Storage, Inc.)

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The allocation question

On September 23, Everpure set out a broader growth plan for the years ahead. Management described four vectors: Core and Core AI; Modern Data Software; Scale AI; and Hyperscale Solutions. The company said the newer vectors were expected to contribute about 20% of revenue by fiscal 2030 and offered a preliminary fiscal 2028 outlook. It also reaffirmed its fiscal 2027 outlook and described capital allocation across organic investment, strategic acquisitions and returns of excess capital. These were management's plans and targets, not results. The release did not disclose how many dollars, engineers or sales resources were committed to each vector. (E7.)

The leadership challenge was therefore one of allocation and sequencing. Everpure had a growing storage business, rising demand signals from hyperscalers and AI-focused customers, an expanded data-management ambition, and a recent acquisition to integrate. Each opportunity competed for product, engineering, supply, sales and management capacity. The public record did not establish which opportunity had the highest incremental return-or how much investment each would require.

From storage platform to broader data management

Everpure had grown out of Pure Storage, a supplier of enterprise flash-storage products and related services. The company described its architecture as an integrated platform spanning FlashArray and FlashBlade products, subscription offerings, cloud-native products and data-management capabilities. Evergreen services supported recurring revenue and customer upgrades. In February 2026, the company changed its legal name to Everpure; its ticker later changed from PSTG to P. (E1, E2, E4.)

The broader strategy reflected two related shifts. First, AI workloads raised demand for storage capacity and performance, while large hyperscalers were developing or scaling their own systems. Second, companies increasingly managed data across private infrastructure and public clouds, creating a potential market for software that discovers, organizes, protects and moves data across environments. These shifts could increase demand for Everpure's products and software. They could also intensify competition from established infrastructure suppliers and cloud platforms. (E1, printed pp. 3-10.)

In May, Everpure completed its acquisition of 1touch, a data-management company whose capabilities included data discovery, classification, contextualization and enrichment. Everpure paid \$125.9 million in cash. The preliminary purchase allocation included \$19.5 million in identifiable intangible assets and \$101.2 million in goodwill. The acquisition was not material to consolidated results, and the company did not disclose standalone revenue, customer retention, pipeline or synergy measures for 1touch. (E5, Note 3.)

Strong growth, uneven signals

Everpure entered its planning discussion with rapid reported growth. Fiscal 2026 revenue was \$3.663 billion, up 16%. Product revenue was \$1.972 billion, up 16%, while subscription-services revenue was \$1.691 billion, up 15%. **Calculated from reported values**, services represented 46.2% of FY26 revenue and products 53.8%. The company attributed product growth to enterprise products and hyperscaler royalties, and service growth to subscriptions and renewals; it did not report revenue by the four newly described vectors. (E1, MD&A p. 45.)

The second quarter of fiscal 2027 was stronger. Revenue was \$1.186 billion, up 38% year over year. Product revenue was \$686.8 million, up 54%; subscription-services revenue was \$499.1 million, up 20%. Annual recurring revenue was \$2.134 billion, up 20%, and remaining performance obligations were \$4.1 billion, up 44%. ARR and RPO were company metrics with different definitions and timing from recognized revenue; neither was equivalent to cash or a shipment schedule. (E5, printed pp. 2 and 30; E6.)

Profit and cash-flow measures told different stories. Q2 GAAP gross margin was 68.4%, and GAAP operating income was \$63.2 million, a 5.3% margin. The company reported non-GAAP operating income of \$230 million, or 19.4%. Operating cash flow was negative \$136 million and free cash flow negative \$238 million for the quarter. At quarter-end, cash and marketable securities totaled \$1.008 billion. Inventory had risen to \$106.3 million from \$75.9 million at FY26 year-end. (E5, printed pp. 1-5 and 20; E6.)

These measures did not point to a single obvious funding posture. Q2 growth and recurring revenue could support investment. The difference between GAAP and adjusted operating results, negative quarterly cash flow, inventory growth and supply commitments argued for attention to cash conversion and execution risk. H1 cash from operations was positive \$43.8 million, while capital expenditures were \$169.7 million. **Calculated**, H1 cash from operations less capex was negative \$125.9 million; this half-year figure should not be confused with the separate Q2 cash-flow measures. (E5, printed p. 5.)

The Q2 filing also disclosed that conditions during the quarter triggered an approximately \$1.1 billion commitment to acquire component supply through calendar 2027. Everpure could make purchases itself or through approved contract manufacturers, but was required to purchase amounts those manufacturers did not. This was a commitment to future supply purchases, not an immediate cash outflow. It also constrained how readily Everpure could reduce supply exposure if demand fell short. Separately, the FY2026 10-K reported \$565.8 million of non-cancelable purchase obligations at FY26 year-end, including \$418.8 million due within twelve months. The filing does not support adding that year-end balance to the Q2 component commitment as if they were distinct, incremental amounts. (E5, printed pp. 17-18, Note 8; E1, printed pp. 49-51.)

The hyperscale opportunity and its risks

Everpure's August release announced a second design win with a top-five hyperscaler. Management presented this as an important growth signal. It did not name the customer or provide expected shipment volume, royalty rate, contract duration, revenue, margin or timing. The 10-Q cautioned that design wins require substantial investment and do not guarantee purchases. Under supply arrangements, the company could be required to buy components even if demand fell below expectations or contracted levels. Component costs had risen, and pricing actions could reduce demand or cause customer losses. (E5, printed pp. 45-48; E6.)

The market was active across several architectures. NetApp reported first-quarter FY27 all-flash-array net revenue growth of 47% and described a hybrid-cloud portfolio. HPE reported storage growth of about 10% in its fiscal third quarter, and Dell reported Q2 storage revenue of \$4.850 billion, up 26%. The periods, segments and definitions differ; these figures are evidence of competitive activity, not comparable market shares or margins. NVIDIA's AI-storage ecosystem listed Everpure among multiple suppliers, which indicated ecosystem presence but did not establish a contract or sales. (C1-C4.)

Management's long-term frame

The September 23 release grouped Everpure's strategy into four growth vectors:

1. **Core and Core AI:** the established FlashArray/FlashBlade business and extensions for AI workloads.
2. **Modern Data Software:** data management, data protection, cloud-native software and intelligence capabilities, including 1touch.
3. **Scale AI:** large-scale systems for AI-native firms and neocloud providers.
4. **Hyperscale Solutions:** products and licensing arrangements for very large cloud providers.

Management said these vectors would use a common technology platform and forecast faster growth and operating leverage. It reaffirmed FY27 revenue guidance of \$5.03-\$5.07 billion and non-GAAP operating income of \$940-\$960 million. It also provided preliminary FY28 revenue guidance of \$7.0-\$7.3 billion and non-GAAP operating income of \$1.7-\$1.9 billion. **Calculated from the midpoint of the ranges**, the FY28 revenue outlook implied roughly 42% growth over the FY27 midpoint; the non-GAAP operating-income midpoint was about 89% higher. Both figures were forward-looking guidance, not audited results or evidence of vector-level economics. The company did not disclose a binding funding allocation or a dollar return hurdle by vector. (E7.)

Everpure also had other uses for capital. Its board's \$1.8 billion share-repurchase authorization had \$176 million remaining at Q2 end, and the company had repurchased 2.214 million shares for \$153 million during the first half. The authorization was not an obligation to repurchase. (E5, printed p. 20.)

Four possible approaches

The alternatives below are constructed for analysis; Everpure did not identify them as board proposals.

- **Core-first:** deepen investment in the established product and subscription platform, supply readiness and AI-related extensions. This builds on current scale and may reinforce the foundation used by other offerings, while risking slower development of newer software and hyperscale opportunities.
- **Modern Data Software first:** prioritize software productization and go-to-market capabilities, including integration of 1touch with existing data-management offerings. This could expand the role of software and services, while requiring proof of customer adoption, renewal, channel fit and stand-alone economics that the company had not disclosed.
- **Scale AI and Hyperscale first:** direct more product, engineering and supply capacity toward large AI-native and hyperscaler deployments. This could position Everpure for rapidly expanding demand, while exposing it to long qualification cycles, customer concentration, component commitments and uncertain conversion from design wins to shipments.
- **Stage-gated portfolio:** support all four vectors while releasing additional investment against evidence such as customer conversion, product adoption, recurring-revenue expansion, gross-profit contribution, cash conversion and supply availability. This retains options and allows weak projects to be adjusted, but may slow opportunities that reward early scale and could complicate accountability across teams.

The public information available at 6:00 p.m. ET did not reveal the marginal investment or expected marginal return for any of these paths. Nor did it show whether an announced design win had begun to generate meaningful shipments, whether customers were adopting new software, or what integration milestones 1touch had reached.

Decision assignment

At the September 23 planning point, how should Everpure allocate its incremental investment, senior attention and operating capacity across the four growth vectors while preserving financial flexibility?

Choose a path or design a combination. Explain what evidence would trigger the next investment tranche, what risks would limit exposure, and what measures would distinguish durable customer adoption from temporary demand or shipment timing. If you use a dollar budget, return hurdle, adoption target, probability or financial forecast, label it as a classroom assumption and show how it affects your recommendation. The available information does not establish a correct ranking of the vectors.

Source note

The case uses sources publicly available by September 23, 2026, 6:00 p.m. ET. Sources are listed in the Everpure source register: FY2026 Form 10-K (E1); name-change Form 8-K (E2); ticker-change release (E4); FY27 Q2 Form 10-Q (E5); Q2 earnings release (E6); Sept. 23 analyst-meeting release (E7); and competitor/industry sources (C1-C4). Calculated values are marked in the text. The four alternatives are author-constructed for teaching, not reported management or board plans. No post-cutoff outcome is included.