Risk Factors Comparison 2024-04-01 to 2023-04-03 Form: 10-K

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Our business is subject to numerous risks and uncertainties, many of which are beyond our control. Some of the principal risks associated with our business include the following: • Our business, operating results, and cash flows may be adversely impacted by uncertain macroeconomic conditions **and** ~~, including, among other~~ -- **the uncertain geopolitical environment** ~~issues, high inflation, rising interest rates, the current banking crisis and a slowdown in demand~~ . • Our sales cycles can be long, unpredictable and expensive, particularly during a global economic slowdown, making it difficult for us to predict future sales. • We face intense competition from established companies and **others** ~~new entrants~~ . • If we do not manage the supply of our products and their components efficiently, our results of operation could be adversely affected. • If we fail to develop and introduce new or enhanced ~~products~~ **storage offerings** successfully, our ability to attract and retain customers could be harmed. • If we fail to execute our transition to subscription offerings successfully, our revenues and results of operation may be harmed **. • We expect sales of our Evergreen / / One and Evergreen / / Flex subscription and consumption offerings will continue to grow and represent a larger percentage of our total sales. With a traditional CapEx sale, a large portion of revenue is recognized as product revenue as the order is fulfilled. Revenue for our Evergreen / / One and Evergreen / / Flex offerings is recognized over a period of time, and the majority of revenue is included in subscription services revenue. As such, we expect the sales growth of our Evergreen / / One and Evergreen / / Flex offerings to have a near- term downward impact on both product and total revenue growth** . • If our security measures are compromised, or the security, confidentiality, integrity or availability of our information technology or data is compromised, our business could experience a material adverse impact. • Our gross margins are impacted by a variety of factors and vary from period to period, making them difficult to predict with certainty. • Our operating results may fluctuate significantly, which could make our future results difficult to predict and could cause our operating results to fall below expectations. • The sales prices of our products and services may fluctuate or decline, which may reduce our gross profits, revenue growth, and adversely impact our financial results. Risks Related to Our Business and Industry **Our operations and performance depend in part on worldwide economic conditions and the economic health of our current and prospective customers.** Recent **macroeconomic and geopolitical** events ~~and trends~~ , including ~~high~~ inflation, rising interest rates, ~~and the current banking crisis, as well as~~ supply chain constraints ~~and~~ **,** labor shortages ~~and~~ **,** geopolitical tensions **such as those** involving China **and Israel** , ~~are affecting~~ **and political and fiscal challenges in the United States and abroad, have, and may continue to have, an adverse effect on the** budgets ~~and~~ **,** confidence and demand ~~among~~ **of** our customers, particularly in the United States where we derive the majority of our revenue. ~~While we have little to no exposure to regional, midsize or small banks, these~~ **These** pressures create a great deal of uncertainty and affect customer demand and our margins, costs and operations. Macroeconomic conditions can and do further exacerbate other risks discussed in this " Risk Factors " section, such as risks related to our sales and marketing efforts. If we are unable to successfully manage the effects of these pressures, our business, operating results, cash flows and financial condition may be adversely affected. Our sales efforts involve educating our customers about the use and benefits of our ~~products~~ **Platform** and often involves an evaluation process that can result in a lengthy sales cycle, particularly for larger customers and especially in an economic slowdown. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce any sales. Macroeconomic concerns and the pandemic have impacted our sales efforts, such as by shifting customer priorities and reducing in- person meetings ~~or~~ **and** events. In addition, ~~product~~ purchases are frequently subject to **our customers'** budget constraints, multiple approvals and unplanned administrative and other delays. Some of our customers make large concentrated purchases to complete or upgrade specific data storage deployments. As a ~~consequence~~ **result** , our ~~quarterly~~ revenue and operating results **have and** may **continue to** fluctuate from quarter to quarter. A substantial portion of our quarterly sales typically occurs during the last several weeks of the quarter, which we believe largely reflects customer buying patterns of products similar to ours and other **technology** products ~~in the technology industry~~ generally. Since revenue from a product sale is not recognized until performance obligations are satisfied, a substantial portion of our sales late in a quarter may negatively impact the recognition of the associated revenue. Furthermore, our products come with a 30- day money back guarantee, allowing a customer to return a product within 30 days of receipt if the customer is not satisfied with its purchase for any reason. These factors, among others, make it difficult for us to predict when customers will purchase our products, which may adversely affect our operating results and cause our operating results to fluctuate. In addition, if sales expected from a specific customer for a particular quarter are not realized in that quarter or at all, our operating results may suffer. Our business may be harmed by trends in the overall ~~external~~ **data** storage market. Despite ongoing data growth, the ~~external~~ **data** storage market in which we compete has not experienced substantial growth in the past few years due to a combination of technology transitions, increased storage efficiency, competitive pricing dynamics and changing economic and business environments. Some customers are shifting spending toward the public cloud and software as a service, as well as other storage deployment models. **If we fail** ~~Any failure on our part~~ to accurately predict trends, successfully update our product offerings or ~~to~~ adapt our sales programs to meet changing customer demands and priorities **,** ~~could harm~~ our business, operating results and financial condition **could be harmed** . The ~~future~~ impact of these trends on **future** ~~both the short- term and long- term~~ growth of the overall ~~external~~ **data** storage market is uncertain. Reductions in the overall ~~external~~ **data** storage market or the specific markets in which we compete would harm our business and operating results. The evolving market for data storage products makes it difficult to forecast demand for our ~~products~~ **Platform** . The market for data storage products is rapidly evolving. Changes in the application requirements, data center infrastructure trends and the broader technology landscape result in evolving customer requirements for capacity, scalability and other enterprise features of storage systems. Our future financial performance depends on our ability to adapt to competitive dynamics and emerging customer demands and trends. We continue to expand **and evolve** our **Platform** ~~large capacity data storage products~~ to compete directly with hard disk systems, and that strategy may take longer **than we anticipate** or may not **succeed** ~~be successful~~ due to unforeseen factors **. We may be unable to continue capturing significant storage workloads for AI environments** . The enhancement of all- flash storage products by incumbent vendors and changes or advances in alternative technologies or adoption of cloud storage offerings that do not utilize our ~~storage platform~~ **Platform** could adversely affect the demand for our ~~products~~ **Platform** . Offerings from large public cloud providers are expanding quickly and serve as alternatives to our ~~products~~ **Platform** for a variety of customer workloads. Since these providers are known for developing storage systems internally, this trend reduces the demand for storage systems developed by original equipment manufacturers, such as us. It is difficult to predict ~~with any precision~~ customer adoption rates of new offerings, customer demand for our ~~products~~ **Platform** or the future growth rate and size of our addressable market. **Reduced** ~~A slowing or reduction in~~ demand for our **Platform** ~~data storage products~~ caused by technological challenges, alternative technologies and products or any other reason would result in a lower revenue growth rate or decreased revenue, either of which would negatively impact our business and operating results. We face intense competition from a number of established companies that sell competitive storage products, including Dell EMC, HP Enterprise, Hitachi Vantara, IBM, **and** NetApp ~~and others~~ . Our competitors may have: • greater name and brand recognition and longer operating histories; • larger sales and marketing and customer support budgets and resources; • broader distribution and established relationships with distribution partners and customers; • the ability to bundle storage products with other products and services to address customers' requirements; • greater resources to make acquisitions; • larger and more mature product and intellectual property portfolios; and • substantially greater financial, technical and other resources. We also compete against cloud providers and vendors of hyperconverged products, which combine compute, networking and storage. These providers are growing and expanding their product offerings, potentially displacing some demand for our products. In addition, some of our competitors offer bundled products and services in order to reduce the initial cost of their storage products. Further, some of our competitors offer their storage products either at significant discounts or even for free in competing against us. Many **of our** competitors have developed or acquired ~~competing~~ storage technologies with features or data reduction technologies that directly compete with our ~~products~~ **Platform** or have introduced business programs designed, among other things, to compete with our innovative programs, such as our Evergreen Storage model. We expect our competitors to continue to improve their products, reduce their prices and introduce new **offerings** ~~features, services and technologies~~ that may, or may claim to, offer greater value compared to our ~~products~~ **Platform** . ~~In addition, these~~ **These** developments may render our products or technologies obsolete or less competitive. These and other competitive pressures may prevent us from competing successfully against our ~~current or future~~ competitors. Many of our competitors have long- standing relationships with key decision makers at current and prospective customers, which may inhibit our ability to compete. Many of our competitors benefit from established brand awareness and long- standing relationships with key decision makers at our current and prospective customers. Our competitors often leverage these existing relationships to discourage customers from evaluating or purchasing our ~~products~~ **Platform** . Additionally, most of our prospective customers have existing storage products supplied by our competitors who have an advantage in retaining the customer because, among other things, the incumbent vendor already understands the customer' s IT infrastructure, user demands and needs, or the customer is concerned about actual or perceived costs of switching to a new vendor and technology. If we are unable to ~~successfully~~ sell our ~~products~~ **Platform** to new customers or persuade ~~our~~ **existing** customers to continue purchasing our ~~products~~ **Platform** , we will not be able to maintain or increase our market share and revenue, which would adversely affect our business and operating results. We rely on contract manufacturers to manufacture our products, and if we fail to manage our relationships with our contract manufacturers successfully, our business could be negatively impacted. We rely on a limited number of contract manufacturers to manufacture our products, which reduces our control over the assembly process and exposes us to risks, such as reduced control over quality assurance, costs and product supply. If we fail to manage our relationships with these contract manufacturers effectively, or if these contract manufacturers experience delays, disruptions, capacity constraints or quality control problems, our ability to timely ship products to our customers will be impaired, potentially on short notice, and our competitive position, reputation and financial results could be harmed. If we are required, for whatever reason, to change contract manufacturers or assume internal manufacturing operations, we may lose revenue, incur increased costs and damage our customer relationships. Qualifying a new contract manufacturer and commencing production is expensive and time- consuming. We may need to increase our component purchases, contract manufacturing capacity and internal test and quality functions if we experience increased demand. The inability of our contract manufacturers to provide us with adequate supplies of high- quality products could exacerbate other risk factors and cause a delay in our order fulfillment, and our business, operating results and financial condition may be harmed. We rely on a limited number of suppliers, and in some cases single- source suppliers, and any disruption or termination of our supply arrangements could delay shipments of our products and could harm our relationships with current and prospective customers. We rely on a limited number of suppliers and, in some cases, on single- source suppliers, for several key components of our products, and we have not generally entered into agreements for the long- term purchase of these components. If we are unable to obtain components from our existing suppliers, we may need to obtain these components through secondary sources or markets ~~which could result in higher costs, delays and / or components which do not meet our quality requirements~~ . **Our** ~~While we actively monitor and manage our supply chain, we cannot anticipate the potential impact that a variety of factors, such as COVID- 19 restrictions, may have on the manufacturing and shipment of our products. This~~ reliance on a limited number of suppliers and the lack of any guaranteed sources of supply exposes us to several risks, including: • the inability to obtain **, or delay in obtaining,** an adequate supply of key components, including flash; • price volatility for the components of our products; • failure of a supplier to meet our quality or production requirements; • failure of a supplier of key components to remain in business or adjust to market conditions; and • consolidation among suppliers, resulting in some suppliers exiting the industry, discontinuing the manufacture of components or increasing the price of components. Further, **we source** some of ~~the~~ **our product** components ~~in our products are sourced~~ from ~~component~~ suppliers outside the United States, including from China **, which** ~~. The portion of our products that are sourced outside the United States may subject~~ **subjects** us to additional logistical risks ~~or~~ **and** risks associated with complying with local rules and regulations in foreign countries. Significant changes to existing international trade agreements could ~~lead to sourcing or logistics disruption resulting~~ --- **result** ~~from~~ **in** import delays or the imposition of increased tariffs on our sourcing partners **, which could lead to sourcing or logistics disruptions to our business** . For example, there have been, and may continue to be, significant changes to U. S. trade policies, legislation, treaties and tariffs, including announcements of import tariffs and export restrictions. As new legislation and / or regulations are implemented, existing trade agreements are renegotiated or terminated, and trade restrictions and tariffs are imposed on foreign- sourced or U. S. goods, it may be inefficient and expensive for us to alter our business operations in order to adapt to or comply with such changes. Such operational changes could have a material adverse effect on our business, financial condition, results of operations or cash flows. As a result of these risks, we cannot assure investors that we will be able to obtain a sufficient supply of ~~these~~ key **product** components in the future or that the cost of these components will not increase. If our **component** supply ~~of components~~ is disrupted or delayed, or if we need to replace our ~~existing~~ suppliers, there can be no assurance that additional components will be available when required or that components will be available on **favorable** terms ~~that are favorable to us~~, which could extend our **manufacturing** lead times, increase the costs of our components and harm our business, operating results and financial condition. We may not be able to continue to procure components at reasonable prices, which may impact our business negatively or require us to enter into longer- term contracts to obtain components. Any of the foregoing disruptions could exacerbate other risk factors ~~and~~ **,** increase our costs and decrease our gross margins, harming our business, operating results and financial condition. Managing the supply of our products and underlying components is complex and has become increasingly difficult, in part, due to supply chain constraints, component quality and inflationary pressure. Our third- party contract manufacturers procure components and build our products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. ~~These~~ **Our** forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analyses from our sales and marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, ~~from time to time~~ we may issue orders for components and products that are non- cancelable and non- returnable. Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to make accurate forecasts and effectively manage the supply of our products and components. If we ~~ultimately determine that we~~ have excess supply, we may ~~have to~~ reduce our prices and write down or write off excess or obsolete inventory, which in turn could result in lower gross margins. Alternatively, insufficient supply levels may lead to shortages that exacerbate other risk factors and result in delayed revenue, reduced product margins or ~~loss~~ **lost** ~~of~~ sales opportunities altogether. If we are unable to effectively manage our supply and inventory, our results of operations could be adversely affected. If we fail to successfully maintain or grow our relationships with partners, our business, operating results and financial condition could be harmed. Our future success is highly dependent upon our ability to establish and maintain successful relationships with our partners, including value- added resellers, service providers and systems integrators. In addition to selling our ~~products~~ **Platform** , our partners may offer installation, post- sale service and support in their local markets. In markets where we rely on partners more heavily, we have less contact with our customers and less control over the sales process and the quality and responsiveness of our partners. As a result, it may be more difficult for us to ensure the proper delivery and installation of our ~~products~~ **Platform** or the quality or responsiveness of the support and services being offered. Any failure on our part to effectively identify, train and manage our channel partners and to monitor their sales activity, as well as the customer support and services provided to our customers, could harm our business, operating results and financial condition. Our partners may choose to discontinue offering our **Platform** ~~products and services~~ or may not devote sufficient attention and resources toward selling our **Platform** ~~products and services~~ . We typically enter into non- exclusive, written agreements with our channel partners. These agreements generally have a one- year, self- renewing term, have no minimum sales commitment and do not prohibit our channel partners from offering **competing** products and services ~~that compete with ours~~ . Additionally, our competitors **may** provide incentives to our existing and potential channel partners to use, purchase or offer their products and services or to prevent or reduce sales of our products and services. The occurrence of any of these events could harm our business, operating results and financial condition. Our brand name and ~~our~~ business may be harmed by ~~the~~ **our competitors'** marketing strategies ~~of our competitors~~ . ~~We believe that building~~ **Building** and maintaining brand recognition and customer goodwill is critical to our success. **On** ~~Our efforts in this area have, on~~ occasion, **our competitors'** ~~been hampered by the~~ marketing efforts ~~of our competitors, which~~ have included negative or misleading statements about us and our ~~products~~ **Platform** . If we are unable to effectively respond to ~~the~~ **our competitors'** marketing efforts ~~of our competitors~~ and protect our brand and customer goodwill now or in the future, our business will be adversely affected. Sales to ~~U. S. federal, state, local and foreign~~ governments are subject to a number of challenges and risks that may adversely impact our business. Sales to ~~U. S. federal, state, local and foreign~~ governmental agencies may in the future account for a significant portion of our revenue and sales to governmental agencies ~~impose~~ --- **pose** additional challenges and risks to our sales efforts. ~~Government~~ **Governments** ~~certification~~ **have and may continue to impose restrictions or** requirements **that must be complied with** ~~applicable to our products may change and~~ in **order for us** ~~doing so restrict our ability~~ to sell **to certain** ~~into the U. S. federal government~~ **governmental customers** ~~sector until we have attained the revised certification~~ . Government demand and payment for our **Platform** ~~products and services~~ may be impacted by public sector budgetary cycles and funding ~~authorizations~~ **reductions or delays** , **such as** ~~including in connection with~~ an extended federal government shutdown, **which may** ~~with funding reductions or delays~~ adversely ~~affecting~~ --- **affect** public sector demand for our **Platform** ~~products and services~~ . We sell our ~~products~~ **offerings** to governmental agencies through our channel partners, and these agencies may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our ~~future~~ results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our ~~products~~ **Platform** , which would adversely impact our revenue and results of operations, or institute fines or civil or criminal liability if the audit uncovers improper or illegal activities. Finally, governments may require certain products to be manufactured in the United States and other relatively high- cost manufacturing locations, and we may not manufacture all products in locations that meet these requirements, affecting our ability to sell ~~these products~~ to **certain** governmental agencies. Risks Related to Our **Platform** ~~Products and Subscription Services Offerings~~ We operate in a dynamic environment characterized by rapidly changing technologies and industry standards and technological obsolescence. To compete successfully, we must design, develop, market and sell new or enhanced ~~products~~ **storage offerings** that provide increasingly higher levels of performance, capacity, functionality and reliability and ~~that~~ meet ~~the~~ **our customers'** expectations ~~of our customers~~ , which is a complex and uncertain process. We believe that we must continue to dedicate significant resources to our research and development efforts and innovate business models such as Evergreen / / One to **improve** ~~maintain or expand~~ our competitive position. We continue to expand our large capacity data storage ~~products~~ **offerings** to compete directly with hard disk systems. Our investments may take longer to generate revenue or may generate less revenue than we anticipate. The introduction of new ~~products~~ **storage offerings** by our competitors, or the emergence of alternative technologies or industry standards could render our **Platform** ~~existing or future products~~ obsolete or less competitive. As we introduce new or enhanced ~~products~~ **Platform offerings** , we must successfully manage ~~product~~ **their** ~~launches~~ -- **launch** and ~~transitions to the next-generations of our products and encourage our customers~~ - **customer** ~~to adopt~~ **adoption** ~~new products and features~~ . If we are not able to successfully manage the development and release of new or enhanced ~~products~~ **Platform offerings** , our business, operating results and financial condition could be harmed. Similarly, if we fail to introduce new or enhanced ~~products~~ **Platform offerings** , such as new or improved software features, that meet our customers' needs in a timely or cost- effective fashion, we may lose market share and our operating results could be adversely affected. We ~~are now offering~~ --- **offer** ~~all of~~ our **Platform** ~~products and services~~ on a subscription basis, including our hardware and software products through Evergreen / / One and Cloud Data Services. ~~These business models~~ **Our subscription offerings** are relatively new to the storage market and will continue to evolve, and we may not be able to compete effectively, drive continued revenue growth or maintain ~~the~~ profitability with these business models. ~~These business models~~ **Our subscription offerings** require different accounting of our customer transactions, such as changing how we recognize revenue and capitalize commissions, among other things. In addition, **our subscription offerings** ~~these business models may~~ require compliance with additional regulatory, legal and trade licensing requirements in some countries **and entail incremental operational, technical, legal and other costs** . Continued market acceptance of subscription offerings ~~will be dependent~~ **depends** on our ability to create a seamless customer experience and ~~to~~ optimally price our ~~products~~ **offerings** in light of ~~marketplace~~ **market** conditions, our costs and customer demand. ~~Subscription offerings will cause us to incur incremental operational, technical, legal and other costs.~~ Additionally, ~~the~~ subscription models ~~offered by us and our competitors~~ may unfavorably impact the pricing of and demand for our on- premise offerings, which could reduce our revenues and profitability. If we do not successfully execute our ~~business~~ **subscription offering** strategy ~~, which includes subscription offerings, or anticipate the needs of our customers~~ , our financial results could be negatively impacted. Our ~~products are~~ **Platform is** highly technical and may contain defects or bugs, which could cause data unavailability, loss, breach or corruption that might, in turn, result in liability and harm to our reputation and business. Our products **and software** are highly technical and complex and are often used to store information critical to our customers' business operations. Our ~~products~~ **Platform** may contain errors, defects or security vulnerabilities that could result in data unavailability, loss, corruption or other harm to our customers. Some errors in our ~~products~~ **Platform** may only be discovered after they have been installed and used by customers. We have, from time to time, identified vulnerabilities in our ~~products~~ **Platform** . Despite our efforts to detect and remediate actual and potential vulnerabilities in our systems, we cannot be certain that we will be able to address any such vulnerabilities, in whole or part, and there may be delays in developing and deploying patches and other remedial measures to adequately address vulnerabilities. We may also incur unexpected costs ~~associated with~~ replacing defective hardware or ensuring that hardware remains interoperable and upgradable. Any of these errors, defects, bugs or security vulnerabilities may leave us, our products and our customers susceptible to exploitation, including by malicious actors. Any errors, defects or security vulnerabilities in our ~~products~~ **Platform** could result in a loss of revenue, injury to our reputation, loss of customers or increased service and warranty costs, ~~any of~~ which could adversely affect our business and operating results. In addition, errors or failures in the products of third- party technology vendors may be attributed to us and may harm our reputation. We could face claims for product liability, tort or breach of warranty. We may not be able to enforce provisions in our contracts relating to warranty disclaimers and liability limitations. Defending a lawsuit, regardless of its merit, would be costly and could divert management' s attention and adversely affect the market' s perception of us ~~and our products~~ . Our business liability insurance coverage may be inadequate with respect to a claim and future coverage may not be available on acceptable terms or at all. **Any of** ~~These~~ **these** ~~product- related~~ issues could result in claims against us, and our business, operating results and financial condition could be harmed. If we are unable to ensure that our products interoperate with third party operating systems, software applications and hardware, we may lose or fail to increase our market share. Our products must interoperate with our customers' infrastructure, specifically networks, servers, software and operating systems, which are offered by a wide variety of vendors. When new or updated versions of these operating systems or applications are introduced, we may need to develop updated versions of our software so that our products continue to interoperate properly. We may not deliver or maintain interoperability quickly, cost- effectively or at all as these efforts require capital investment and engineering resources. If we fail to maintain compatibility of our products with these infrastructure components, our customers may not be able to fully utilize our ~~products~~ **Platform** , and we may, among other consequences, lose or fail to increase our market share and experience reduced demand for our ~~products~~ **Platform** , which may harm our business, operating results and financial condition. Our ~~products~~ **Platform** must conform to industry standards in order to be accepted by customers ~~in our markets~~. Generally, our products comprise only a part of an IT environment. The servers, network, software and other components and systems deployed by our customers must comply with established industry standards in order to interoperate and function efficiently together. We depend on companies that provide other systems in this ecosystem to conform to prevailing industry standards. These companies are often significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly and competing standards may emerge that ~~may be preferred by~~ our customers **prefer** . If larger companies do not conform to the same industry standards that we do, or if competing standards emerge, sales of our ~~products~~ **Platform** could be adversely affected, which may harm our business. Our ability to successfully market and sell our ~~products~~ **Platform** is dependent in part on ease of use and the quality of our customer experience ~~offerings~~ , and any failure to offer high- quality technical services and support could harm our business. Once our ~~products are deployed by our~~ customers **deploy our Platform** , ~~customers~~ **they** depend on our customer experience organization to drive non- disruptive upgrades and resolve technical issues ~~relating to our products~~. Our ability to provide effective technical services is largely dependent on our ability to attract, train and retain qualified personnel, as well as to engage with qualified support partners that provide a similar level of customer support. In addition, our sales process is highly dependent on our ~~product and business~~ reputation and on recommendations from our existing customers. Although our ~~products are~~ **Platform is** designed to be interoperable with existing servers and systems, we may need to provide customized installation and configuration services to our customers before our ~~products become~~ **Platform is** fully operational in their environments. Any failure to maintain or a market perception that we do not maintain, high- quality technical services and support could harm our reputation, our ability to sell our ~~products~~ **Platform** to existing and prospective customers and our business. Risks Related to Our Operating Results or Financial Condition We intend to continue focusing on revenue growth and increasing our market penetration and international presence by investing in our business, which may put pressure on near- term profitability. Our operating expenses largely are based on anticipated revenue, and a high percentage of our expenses are, and will continue to be, fixed in the short term. If we fail to adequately increase revenue and manage costs, we may not achieve or maintain profitability in the future. As a result, our business could be harmed, and our operating results could suffer. Our strategy is to continue investing in marketing, sales, support and research and development. We believe continuing to invest heavily in our business is critical to our future success and meeting our growth objectives. We anticipate that our operating ~~costs and~~ expenses will continue to increase in absolute terms. Even if we achieve or maintain significant revenue growth, we may experience losses, forgoing near- term profitability on a U. S. GAAP basis. Our gross margins fluctuate from period to period due primarily to product costs, customer mix and product mix. A variety of factors may cause our gross margins to fluctuate and make them difficult to predict, including, but not limited to: • sales and marketing initiatives, discount levels, rebates and competitive pricing; • changes in customer, geographic or product mix, including mix of product configurations; • the cost of components, including flash and DRAM, and freight; • new product introductions and enhancements with higher product costs; • excess inventory levels or purchase obligations as a result of changes in demand forecasts or product transitions; • an increase in product returns, product warranty, order rescheduling and cancellations; • the timing of technical support service contracts and contract renewals; • inventory stocking requirements to mitigate supply chain constraints, accommodate unforeseen demand or support new product introductions; and • inflation and other adverse economic pressures. If we are unable to manage these factors effectively, our gross margins may decline, and fluctuations in gross margins may make it difficult to manage our business and achieve or maintain profitability, which could materially harm our business, operating results and financial condition. Our operating results may fluctuate due to a variety of factors, a portion of which are outside of our control. As a result, comparing our results on a period- to- period basis may not be meaningful. Factors that are difficult to predict and that could cause our operating results to fluctuate include: • the timing and magnitude of orders, shipments and acceptance of our products in any quarter, including product returns, order rescheduling and cancellations by our customers; • the impact on timing and amount of revenue recognized resulting from the cancellation of unfulfilled orders by our customers or our inability to fulfill orders; • fluctuations or seasonality in demand and prices for our products; • our ability to control the costs of the components we use or to timely adopt subsequent generations of components; • disruption in our supply chains, shipping logistics, component availability and related procurement costs; • reductions in customers' budgets for IT purchases; • changes in industry standards in the data storage industry; • our ability to develop, introduce and ship new **Platform offerings** ~~products and product enhancements~~ that meet customer requirements and to effectively manage product transitions; • changes in the competitive dynamics of our markets, including new entrants or **price** discounting ~~of product prices~~ ; • our ability to control or mitigate costs, including our operating expenses, to support business growth and our continued expansion; • the impact **on our revenue mix from changes in our customers' purchasing behavior due to their cost of capital; • the impact** of inflation on labor and other costs, other adverse economic conditions and the impact of public health epidemics or pandemics; and • future accounting pronouncements and changes in accounting policies. The occurrence of any one of these factors could negatively affect our operating results in any particular quarter. The sales prices of our ~~products~~ **Platform offerings may fluctuate or decline, which may adversely affect our gross margins** and ~~services~~ **operating results. The sales prices of our offerings** may fluctuate or decline for a variety of reasons, including competitive pricing pressures, discounts, the introduction of competing products or services or promotional programs, a change in our mix of products and services, cost of components, supply chain constraints ~~and~~ **,** inflation and other adverse economic conditions ~~. Uncertain macroeconomic conditions have impacted NAND pricing which could result in lower sales prices~~ . Competition continues in the markets in which we participate, and we expect competition to increase in the future, thereby leading to increased pricing pressures. Larger competitors may reduce the price of products or services that compete with ours or may bundle them with other products and services. Additionally, although we price our **offerings** ~~products and services~~ predominantly in U. S. dollars, currency fluctuations in certain countries and regions may negatively impact actual prices that partners and customers are willing to pay in those countries and regions. Furthermore, we anticipate that the prices for our products will decrease over product life cycles. If we are required to decrease our prices to be competitive and are not able to offset this decrease by increases in the volume of sales or the sales of new products with higher margins, our gross margins and operating results could be adversely affected. We have experienced growth in prior periods, and we may not be able to sustain future growth effectively or at all. We have significantly expanded our overall business, customer base, headcount, channel partner relationships and operations in prior periods, and we anticipate that we will continue to expand and experience growth in future periods ~~. For example, we delivered year- over- year revenue growth of 26 % for fiscal 2023 and our headcount increased from over 3, 800 at the end of fiscal 2021 to over 4, 200 employees at the end of fiscal 2022, and to over 5, 100 employees at the end of fiscal 2023~~ . Our future operating results will depend to a large extent on our ability to successfully sustain our growth and manage our continued expansion. To sustain and manage our growth successfully, we believe that we must, among other things, effectively allocate resources and operate our business across a wide range of priorities. We expect that our future growth will continue to place strain on our managerial, administrative, operational, financial and other resources. We will incur costs associated with this future growth prior to realizing the anticipated benefits, and the return on these investments may be lower **than** , ~~may~~ **or** develop **slower** ~~more slowly~~ than **,** we expect or may never materialize. Investors should not consider our revenue growth in prior ~~quarterly or annual~~ periods as indicative of our future performance. In future periods, we may not achieve similar percentage revenue growth rates as we have achieved in some past periods. If we are unable to maintain adequate revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. If we are unable to manage our growth successfully, we may not be able to take advantage of market opportunities or release new **Platform offerings** ~~products or enhancements~~ in a timely manner, and we may fail to satisfy ~~customers~~ - **customer** ~~'~~ expectations, maintain product quality, execute on our business plan or adequately respond to competitive pressures, each of which could adversely impact our growth and affect our business and operating results. If we are unable to sell renewals of our subscription services to our customers, our future revenue and operating results will be harmed. Existing customers may not renew their subscription services agreements after the initial period and, given changing customer purchasing preferences, we may not be able to accurately predict our renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their available budget and the level of their satisfaction with our ~~products~~ **Platform** , customer support and pricing compared to ~~that offered by~~ our competitors. If our customers renew their contracts, they may renew on terms that are less economically beneficial to us. If our customers do not renew their agreements or renew on less favorable terms, our revenue may grow more slowly than expected, if at all. We expect that ~~revenue~~ **sales** from ~~subscription services will increase as a percentage of total revenue over time, and because we recognize this revenue over the term of the relevant contract period, downturns or~~ **our** ~~upturns in sales of subscription services are not immediately reflected in full in our results of operations. Our revenue from subscription services has been increasing as a percentage of total revenue over time. We are also increasing the number of our subscription- based offerings, such as~~ Evergreen / / One **and Evergreen / / Flex subscription and consumption offerings will increase as a percentage of our total sales over time and will have a near- term downward impact on both product and total revenue growth. Our sales from our Evergreen / / One and Evergreen / / Flex subscription and consumption offerings have been increasing as a percentage of total sales** , ~~though it~~ **and we expect this trend to continue. With a traditional CapEx sale, a large portion of revenue** is **recognized as product** ~~more difficult to predict the rate at which customers will adopt, and the rate at which our~~ revenue **when** ~~will grow from these~~ -- **the** ~~new~~ **order is fulfilled. By contrast, revenue for our Evergreen / / One and Evergreen / / Flex subscription and consumption** offerings **is** ~~. We recognize~~ **recognized over the term of the relevant contract period and the majority of revenue is included in** subscription services revenue ~~ratably~~ **. As our Evergreen / / One and Evergreen / / Flex subscription and consumption offerings grow, it may negatively impact both quarter-** over **- quarter and year- over- year product and total** ~~the term of the relevant period. As a result, much of the subscription services~~ revenue **growth rate comparisons** ~~we report each quarter is derived from agreements that we sold in prior quarters. Consequently, a decline in new or renewed subscription services agreements in any one quarter will not be fully reflected in revenue in that quarter but will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales of subscription services is not reflected in full in our results of operations until future periods. It is also difficult for us to rapidly increase our subscription services revenue through additional sales in any period, as revenue from renewals must be recognized ratably over the applicable service period~~ . We may require additional capital to support business growth, and this capital might not be available on acceptable terms, or at all. We intend to continue **investing in** ~~to make investments to support~~ our business growth and may require additional funds to support business initiatives, including the need to develop new ~~products~~ **Platform offerings** or enhance our existing ~~products~~ **Platform offerings** , enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we undertake in the future could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to support our business growth and to respond to business challenges could be significantly limited and our prospects and financial condition could be harmed. We are exposed to the credit risk of some of our customers, which could harm our business, operating results and financial condition. Most of our sales are made on an open credit basis. We monitor individual customer payment capability when we grant open credit arrangements and may limit these open credit arrangements based on perceived creditworthiness. We also maintain allowances we believe are adequate to cover exposure for doubtful accounts. Although we have programs in place that are designed to monitor and mitigate these risks, we cannot assure investors these programs will be effective in managing our credit risks, especially as we expand our business internationally. If we are unable to adequately control these risks, our business, operating results and financial condition could be harmed. Risks Related to Our Operations If our security measures, or those maintained on our behalf, are compromised ~~now, or in the future~~ , or the security, confidentiality, integrity or availability of our information technology, software, services, networks, products, communications or data is compromised, limited, or fails, our business could experience a material adverse impact, including without limitation, a material interruption to our operations, harm to our reputation, a loss of customers, significant fines, penalties and liabilities, or breach or triggering of data protection laws, privacy policies or other obligations. In the ordinary course of our business, we collect, store, transmit and otherwise process proprietary, confidential and sensitive data, including by using our internal systems, networks and servers, which may include intellectual property, our proprietary business information and that of our customers, suppliers and business partners and sales data, which may, on occasion, include personally identifiable information. Additionally, we design and sell products that allow our customers to store their data. The security of our own networks and the intrusion protection features of our products are both critical to our operations and business strategy. Cyberattacks, malicious internet- based activity and online and offline fraud are prevalent and continue to increase. These threats are becoming increasingly difficult to detect. The threats to information systems and information may include: traditional computer " hackers, " social engineering schemes (for example, attempts to induce fraudulent invoice payments or divert money ~~to~~ **from** us), software bugs, malicious code (such as viruses and worms), personnel misconduct or error, faulty password management, theft, denial- of- service attacks (such as credential stuffing), advanced persistent threat intrusions, as well as attacks from nation- state and nation- state supported actors. We may also be the subject of phishing attacks, ~~viruses,~~ malware installation, server malfunction, software or hardware failures, loss of data or other computer assets, adware and other similar issues. Additionally, ransomware attacks, including those from organized criminal threat actors, nation- states and nation- state supported actors, are becoming increasingly prevalent and severe and ~~can~~ **could** lead to significant interruptions, delays, or outages in our operations, disruptions in our services, loss of data, loss of income, significant extra expense to restore data or systems, reputational loss and the diversion of funds. To alleviate the financial, operational and reputational impact of a ransomware attack, it may be preferable to make extortion payments, but we may be unwilling or unable to do so (including, for example, if applicable laws or regulations prohibit such payments). Similarly, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our platform, systems and network or the systems and networks of third parties that support us and our business. We devote significant resources to network security, authentication technologies, data encryption and other security measures designed to protect our systems and data, including to secure the transmission and storage of data and prevent third- party access to our data or accounts, but there can be no assurance that our security measures or those of our service providers, partners and other third parties upon whom we rely will be effective in protecting against a security incident or the materially adverse impacts that may arise from a security incident. Any destructive or intrusive breach of our internal systems could result in the information stored on our networks, including, without limitation, source code for our products and services or the networks and systems of third parties upon whom we rely being accessed, publicly disclosed, lost or stolen. Additionally, an effective attack on our products could disrupt the proper functioning of our products, allow unauthorized access to sensitive, proprietary or confidential information of ours or our customers, disrupt or temporarily interrupt our and our customers' operations or cause other destructive outcomes, including the theft of information sufficient to engage in fraudulent transactions. The risk that these types of events could seriously harm our business is likely to increase as we expand our network of channel partners, resellers and authorized service providers and operate in more countries. The economic costs to us to eliminate or alleviate ~~cyber or other security~~ **cybersecurity risks** ~~problems, viruses, worms, malicious software systems~~ and ~~security~~ vulnerabilities could be significant and may be difficult to anticipate or measure because the damage may differ based on the identity and motive of the programmer or hacker, which are often difficult to identify. If any of these types of security **incidents** ~~breaches were to occur~~ **occurs** and we ~~were~~ **are** unable to protect our products, systems and data, or if we ~~were~~ **are** perceived to have such a security incident, our relationships with our business partners and customers could be materially damaged, our reputation and brand could be materially harmed, use of our products could decrease and we could be exposed to a risk of loss or litigation, including, without limitation, class action litigation, and other possible liabilities. A security incident could also result in government enforcement actions that could include investigations, fines, penalties, audits and inspections, additional reporting requirements and / or oversight, temporary or permanent bans on all or some processing of personal information. Moreover, applicable data protection laws, contracts, policies and other data protection obligations may require us to notify relevant stakeholders of security incidents, including affected individuals, customers, regulators, and credit reporting agencies. Such disclosures are costly and the disclosures or the failure to comply with such requirements could lead to material adverse impacts such as negative publicity, loss of customer confidence in our services our security measures, investigations and private or government claims. Security incidents that impact our information technology systems could also result in breaches of our contracts (some of which may not have liability limitations and / or require us to indemnify affected parties) and could lead to litigation with customers, partners or other relevant stakeholders. These proceedings could force us to spend money in defense or settlement, divert management' s time and attention, increase our costs of doing business and adversely affect our reputation or otherwise adversely affect our business. If we are unable to attract, motivate and retain sales, engineering and other key personnel, including our management team, we may not be able to increase our revenue and our business, operating results and financial condition could be harmed. Our ability to increase our revenue depends on our ability to attract, motivate, and retain qualified sales, engineering and other key employees, including our management. These positions may require candidates with specific backgrounds in software and the storage industry, and competition for employees with such expertise is intense. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. To the extent that we are successful in hiring to fill these positions, we may need a significant amount of time to train new employees before they are effective and efficient in performing their jobs. Further, we face new challenges regarding workforce planning, employee expectations regarding the ability to work from home or remotely and maintaining employee productivity, as well as higher employee turnover and slower hiring rates. If we are unable to adequately address these challenges, our ability to recruit and retain employees and to ensure employee productivity could be negatively affected. From time to time, there may be changes in our management team, which could create short term uncertainty. All of our employees, including members of our management team and executive officers, are generally employed on an at- will basis, which means that they could terminate their employment with us at any time. If we are unable to attract, motivate and retain qualified sales, engineering and other key employees, including our management or if they are unable to work effectively, our business and operating results could suffer. If we fail to adequately expand and optimize our sales force, our growth will be impeded. We need to continue to expand and optimize our sales organization in order to grow our customer base and our business. We plan to continue to expand and train our sales force, both domestically and internationally. We must design and implement effective sales incentive programs, and it can take time before new sales representatives are fully trained and productive. We must adapt our sales processes for new sales and marketing approaches, including those required by our shift to subscription services and the changes resulting from evolving economic and budgetary constraints. If we are unable to hire, develop and retain qualified sales personnel or if new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of these investments or increase our revenue and our business and operating results could suffer. Our company culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed. We believe that our company culture has been a critical contributor to our success. Our culture fosters innovation, creativity, teamwork, passion for customers and focus on execution, and facilitates critical knowledge ~~transfer and knowledge~~ sharing. In particular, we believe that the difference between our sales, support and engineering cultures and those of incumbent vendors, is a key competitive advantage and differentiator for our customers and partners. As we grow and change or are required to adapt to changes in business operations, including expectations around work location, we may find it difficult to maintain these important aspects of our company culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy. Our long- term success depends, in part, on sales outside of the United States, which subjects us to costs and risks associated with international operations. We maintain operations outside of the United States, which we have been expanding and intend to continue to expand in the future. As a company headquartered in the United States, conducting and expanding international operations subjects us to costs and risks that we may not ~~generally~~ face in the United States, including: • exposure to foreign currency exchange rate risk; • difficulties in collecting payments internationally; • managing and staffing international operations ~~; • public health pandemics or epidemics~~ ; • establishing relationships with channel partners in international locations; • increased travel, infrastructure and legal compliance costs associated with international locations; • requirements to comply with a wide variety of laws and regulations associated with international operations, including taxes, customs and licensing requirements; • significant fines, penalties and collateral consequences if we or our partners fail to comply with anti- bribery laws; • heightened risk of improper, unfair or corrupt business practices in certain geographies; • potentially adverse tax consequences, including repatriation of earnings; • increased financial accounting and reporting burdens and complexities; • political, social and economic instability abroad, terrorist attacks, war **(such as the conflicts in Israel and Ukraine)** and security concerns in general; and • reduced or varied protection for intellectual property rights in some countries. The occurrence of any ~~one~~ of these risks could negatively affect our international operations and, consequently, our business, operating results and financial condition generally. Our international operations, as well as tax law changes, could expose us to potentially adverse tax consequences. Changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. ~~Due to expansion of our international business activities, any changes in the U. S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial condition and operating results.~~ We generally conduct our international operations through wholly owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Given proposed tax legislation and other global tax developments, we continue to evaluate our corporate structure and intercompany relationships. ~~Future~~ **Many countries around the world are beginning to implement legislation and other guidance to align their international tax rules with the Organization for Economic Co- operation and Development (OECD)' s Base Erosion and Profit Shifting (BEPS) recommendations and related action plans that aim to standardize and modernize global corporate tax policy, including** changes to ~~U. S.~~ **cross- border tax, transfer- pricing documentation rules** and **nexus- based tax incentive practices. The OECD issued model rules for a** global **minimum tax framework known as Pillar Two, which imposes a global minimum corporate tax rate of 15 %. Certain countries in which we operate have enacted legislation to adopt the Pillar Two framework and several other countries are also considering changes to their** tax laws ~~may~~ **to implement this framework. Future developments could change our current assessment, and it is possible that the Pillar Two rules could** adversely impact our effective tax rate **, operating results, financial condition and cash flows in future periods** . The Tax Cuts and Jobs Act of 2017 amendments to Internal Revenue Code (IRC) Section 174 require that specific research and experimental expenditures be capitalized and amortized over five years if incurred in the U. S. or fifteen years if incurred in a foreign jurisdiction beginning in our fiscal 2023. Although Congress is considering legislation that would defer, modify or repeal this capitalization and amortization requirement, the possibility that this will happen is uncertain. If this requirement is not deferred, modified or repealed, we may continue to incur additional cash taxes. Our intercompany relationships are, and after the implementation of any changes to our corporate structure will continue to be, subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Third- party claims that we infringe their intellectual property rights could be costly and harm our business. There is a substantial amount of intellectual property litigation in the data storage industry, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding our intellectual property rights. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. We have been, and may in the future be, subject to claims that we infringe upon the intellectual property rights of other intellectual property holders, particularly as we grow and face increasing competition. Any intellectual property rights claim against us or our customers, suppliers, and channel partners, with or without merit, could be time- consuming and expensive to litigate or settle, ~~could~~ divert management' s resources and attention from operating our business and ~~could~~ force us to acquire intellectual property rights and licenses, which may involve substantial royalty payments. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. An adverse determination also could invalidate our intellectual property rights, prevent us from manufacturing and selling our products and may require that we procure or develop substitute products that do not infringe, which could require significant effort and expense. We may not be able to re- engineer our products to avoid infringement, and we may have to seek a license for the infringed technology, which may not be available on reasonable terms or at all, may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. Even if we were able to obtain a license, it could be non- exclusive, which may give our competitors access to the same technologies licensed to us. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business. Any of these events could harm our business and financial condition. We currently have a number of agreements in effect with our customers, suppliers and channel partners pursuant to which we have agreed to defend, indemnify and hold them harmless from damages and costs which may arise from claims of infringement by our products of third- party patents, trademarks or other proprietary rights. The scope of these indemnity obligations varies but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. Our insurance may not cover intellectual property infringement claims. A claim that our products infringe a third party' s intellectual property rights could harm our relationships with our customers, deter future customers from purchasing our products and expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement claims by our products, an adverse outcome in any such litigation could make it more difficult for us to defend our products against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could harm our brand, business and financial condition. The success of our business depends in part on our ability to protect and enforce our intellectual property rights. We rely on a combination of patent, copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We have over 2, 500 issued patents and patent applications in the United States and foreign countries. We cannot assure investors that future patents issued to us, if any, will give us the protection that we seek, if at all, or that any patents issued to us will not be challenged, invalidated, circumvented or held to be unenforceable. Our issued and future patents may not provide sufficiently broad protection or may not be enforceable. Further, the laws of certain foreign countries do not provide the same level of protection of corporate proprietary information and assets such as intellectual property, trademarks, trade secrets, know- how and records, as the laws of the United States. For instance, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. As a result, we may encounter significant problems in protecting and defending our intellectual property or proprietary rights abroad. Changes to the intellectual property law in the United States and other jurisdictions could also diminish the value of our patents and patent applications or narrow the scope of our patent protection, among other intellectual property rights. We cannot be certain that the steps we have taken will prevent theft, unauthorized use or the reverse engineering of our proprietary information and other intellectual property, including technical data, manufacturing processes, data sets or other sensitive information. Moreover, others may independently develop technologies that are competitive to ours or that infringe our intellectual property. Furthermore, any of our trademarks may be challenged by others or invalidated through administrative process or litigation. Protecting against the unauthorized use of our intellectual property, products and other proprietary rights is expensive and difficult. Litigation may be necessary in the future to enforce or defend our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could result in substantial costs and diversion of management' s resources and attention, either of which could harm our business, operating results and financial condition. Further, many of our current and potential competitors have the ability to dedicate substantially greater resources than us to defend intellectual property infringement claims and enforce their intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our products are available. An inability to adequately protect and enforce our intellectual property and other proprietary rights could harm our business and financial condition. Our use of open source software could impose limitations on our ability to commercialize our ~~products~~ **Platform** . We use open source software in our ~~products~~ **Platform** and expect to continue to use open source software in the future. Although we monitor our use of open source software, the terms of many open source licenses have not been interpreted by U. S. or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our ~~products~~ **Platform** . From time to time, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we have developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, seek licenses from third parties in order to continue offering our ~~products~~ **Platform** for certain uses or cease offering the implicated solutions unless and until we can re- engineer them to avoid infringement. This re- engineering process could require significant additional research and development resources, and we may be required to discontinue providing some of our software if re- engineering cannot be accomplished on a timely basis, any of which could harm our business, operating results and financial condition. Failure to comply with governmental laws and regulations could harm our business. Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti- bribery laws, import / export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. For example, the European Union has adopted certain directives to facilitate the recycling of electrical and electronic equipment sold in the European Union, including the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment directive and the Waste Electrical and Electronic Equipment directive. Changes in applicable laws, regulations and standards could harm our business, operating results and financial condition. For example, we have been subject to the EU General Data Protection Regulation, or GDPR, since May 2018 and to the California Consumer Privacy Act (CCPA) since January 2020. **Additionally, the California Privacy Rights Act (CPRA), which modifies the CCPA, became fully effective as of January 1, 2023, although enforcement of CPRA regulations was delayed by a court order until March 2024. Other states have proposed, and in certain cases enacted, similar laws.** These and potentially other future privacy regulations may require us to make further changes to our policies and procedures ~~in the future~~ beyond what we have already done. Our business could be impacted, to some extent, by the United Kingdom' s exit from the European Union and related changes in law and regulation. We **have modified** ~~made changes to~~ our data protection compliance program in ~~relation~~ **response** to data privacy regulations and will continue to monitor the implementation and evolution of global data protection regulations, but if we are not compliant with such privacy regulations, we may be subject to significant fines and our business may be harmed. ~~In addition, the CCPA places additional requirements on the handling of personal data and is currently subject to a revision and update process.~~ The potential effects of ~~this legislation are~~ **new or modified privacy laws may be** far- reaching and ~~may~~ require us to modify our data processing practices and policies and to incur substantial costs and expenses. Customers may choose to implement technological solutions to comply with such ~~regulations~~ **laws** that impact the performance and competitiveness of our **Platform. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit competitiveness and adoption of our Platform by current and future customers. In addition, environmental, social and governance (ESG) reporting and disclosure requirements continue to evolve, with increasing global regulation. Companies must develop an expanded set of metrics and measures, data collection and processing, controls, and reporting processes in order to meet regulatory requirements. For example, the European Union recently adopted the Corporate Sustainability Reporting Directive, which requires us to prepare and provide disclosure on a variety of ESG topics; California recently enacted Senate Bill 261, which will, among other things, require us to prepare and submit climate- related financial risk reports; and the SEC recently adopted rules mandating climate- related reporting requirements. As global ESG regulatory requirements evolve, this could lead to disruptions in our** ~~products~~ - **product manufacturing or distribution, increase our operating costs, and harm our profitability. If we fail, or are seen as failing, to effectively respond to ESG regulatory requirements, our reputation and** ~~and~~ **brand** ~~solutions~~ **could be harmed, demand for our offerings could decline, and our profitability could be adversely impacted** . Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be harmed. ~~Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit competitiveness and adoption of our products by current and future customers.~~ In addition, responding to any action will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition. Governmental regulations affecting the import or export of products could negatively affect our revenue. The U. S. and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of some technologies, especially encryption technology, as well as laws relating to forced labor and conflict minerals. From time to time, governmental agencies have proposed additional regulation of encryption technology, such as requiring the escrow of imports or exports. If we fail to obtain required import or export approval for our products or ~~its~~ **their** various components, or to timely provide requested documentation, our international and domestic sales could be harmed and our revenue may be adversely affected. In many cases, we rely on vendors and channel partners to handle logistics associated with the import and export of our products, so our visibility and control over these matters may be limited. In addition, failure to comply with such regulations could result in penalties, costs and restrictions on export privileges, which could harm our business, operating results and financial condition. We may acquire other businesses which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our operating results. We ~~may, from time~~ **have completed acquisitions in the past and continue** to ~~time~~ **evaluate and consider additional strategic transactions** , ~~acquire complementary~~ **including acquisitions of, or investments in, businesses, technologies, services,** products ~~, technologies or businesses, such as our acquisitions of Portworx in October 2020~~ and ~~Compuverde AB~~ **other assets** in ~~April 2019~~ **the future** . We also may enter into relationships with other businesses in order to expand our product offerings, which could involve preferred or exclusive licenses, additional channels of distribution or discount pricing or investments in other companies. Negotiating these transactions can be time- consuming, difficult and expensive, and our ability to close these transactions may be subject to third- party or government approvals, which are beyond our control. Consequently, we can make no assurance that these transactions, once undertaken and announced, will close. These kinds of acquisitions or investments may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of acquired companies, particularly if the key personnel of the acquired business choose not to work for us, and we may have difficulty retaining the customers of any acquired business. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for development of our business. Any acquisition or investment could expose us to unknown liabilities. **We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction.** Moreover, we cannot assure investors that the anticipated benefits of any acquisition or investment will be realized. In connection with these types of transactions, we may issue additional equity securities that ~~would~~ dilute our stockholders, use cash that we may need in the future to operate our business, incur debt on terms unfavorable to us or that we are unable to repay, incur large charges or substantial liabilities, encounter difficulties integrating diverse business cultures and become subject to adverse tax consequences, substantial ~~depreciation~~ **impairment** or deferred compensation charges. These challenges related to acquisitions or investments could harm our business and financial condition. Risks Related to Our Credit Facility ~~and Notes~~ Restrictive covenants in the agreement governing our senior secured revolving credit facility may restrict our ability to pursue business strategies. In August 2020, we entered into a Credit Agreement with a consortium of financial institutions and lenders that provides for a five- year, senior secured revolving credit facility of $ 300. 0 million (Credit Facility). We can borrow, repay and re- borrow funds under this Credit Facility at any time, subject to customary borrowing conditions, for general corporate purposes and working capital. The agreement governing our ~~senior secured revolving~~ Credit Facility limits our ability, among other things, to ~~:~~ incur additional secured indebtedness; sell, transfer, license or dispose of assets; consolidate or merge; enter into transactions with our affiliates; and incur liens. In addition, our ~~senior secured revolving~~ Credit Facility contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long term best interest, such as, subject to permitted exceptions, making capital expenditures in excess of certain thresholds, making investments, loans and other advances, and prepaying any additional indebtedness while our indebtedness under our ~~senior secured revolving~~ Credit Facility is outstanding. Our failure to comply with financial and other restrictive covenants could result in an event of default, which if not cured or waived, could result in the lenders requiring immediate payment of all outstanding borrowings or foreclosing on collateral pledged to them to secure the indebtedness ~~. We may be required to expend a significant amount of funds to settle conversions of the Notes or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes. Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100 % of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest. In addition, if a make- whole fundamental change (as defined in the indenture for the Notes) occurs prior to the maturity date of the Notes, we will in some cases be required to increase the conversion rate for a holder that elects to convert its Notes in connection with such make- whole fundamental change. On October 14, 2022, we provided notice to holders of the Notes, electing to settle all conversion on or after October 15, 2022 by a combination settlement (as defined in the indenture for the Notes) with a specified dollar amount (as defined in the indenture for the Notes) of $ 1, 000 per $ 1, 000 principal amount of Notes. Upon a conversion or repurchase of the Notes, we will be required to make significant cash payments in respect of the Notes being converted or repurchased. We currently intend to settle the principal amount of the Notes in cash. In addition, our ability to repurchase or to pay cash upon conversion of the Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversion of the Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes. Servicing our debt will require a significant amount of cash. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the amounts payable under the Notes, or to make cash payments in connection with any conversion of the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. We may still incur substantially more debt or take other actions that would diminish our ability to make payments on the Notes when due. We and our subsidiaries may incur substantial additional debt in the future, subject to the restrictions contained in our future debt instruments, some of which may be secured debt, like the Credit Facility. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that could have the effect of diminishing our ability to make payments on the Notes when due. Furthermore, the indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes and the indenture. These and other provisions in the indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to holders of the Notes. The capped call transactions may affect the value of the Notes and our common stock. In connection with the Notes, we entered into capped call transactions with certain financial institutions (the option counterparties). The capped call transactions are expected generally to reduce the potential dilution upon any conversion of the Notes and / or offset any cash payments we are required to make in excess of the~~

~~principal amount upon conversion of the Notes, with such reduction and / or offset subject to a cap. However, for conversions prior to maturity, the capped call transactions would be settled at their fair value, which may be substantially less than the value of the consideration in excess of the principal amount of the Notes delivered upon such conversion. In connection with establishing their initial hedges of the capped call transactions, the option counterparties and / or their respective affiliates purchased shares of our common stock and / or entered into various derivative transactions with respect to our common stock. This activity could have increased (or reduced the size of any decrease in) the market price of our common stock or the Notes at that time. In addition, the option counterparties and / or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and / or purchasing or selling our common stock in secondary market transactions (and are likely to do so during any observation period related to a conversion of notes or following any repurchase of notes by us on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the price of our common stock or the Notes. The potential effect, if any, of these transactions and activities on the price of our common stock or the Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock~~ . Risks Related to Our Common Stock The trading price of our common stock has been and may continue to be volatile, and an active, liquid, and orderly market for our common stock may not be sustained. The trading price of our common stock has been, and will likely continue to be, highly volatile. Since shares of our common stock were sold in our initial public offering in October 2015 at a price of $ 17. 00 per share, our closing stock price has ranged from $ 8. 76 to $ ~~36~~ **57** . ~~00~~ **16** , through March ~~24~~ **26** , ~~2023~~ **2024** . Some of the factors, many of which are beyond our control, affecting our volatility may include: • price and volume fluctuations in the overall stock market from time to time; • significant volatility in the market price and trading volume of technology companies in general and of companies in our industry; • actual or anticipated changes in our results of operations or fluctuations in our operating results; • whether our operating results meet the expectations of securities analysts or investors; • issuance or new or updated research or reports by securities analysts, including the publication of unfavorable reports or change in recommendation or downgrading of our common stock; • actual or anticipated developments in our competitors' businesses or the competitive landscape generally; • litigation involving us, our industry or both; • general economic conditions and trends, including the ~~lingering~~ impact of **interest rates on** the ~~pandemic~~ **overall stock market and the market for technology company stocks** ; • major catastrophic events; • sales of large blocks of our stock; or • departures of key personnel. In several recent situations where the price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the ~~company that issued~~ **issuer** ~~the stock~~ . If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our business, operating results and financial condition. We cannot guarantee that our share repurchase program will enhance shareholder value, and share repurchases could affect the price of our common stock. Our Board of Directors has periodically authorized share repurchases, funded from available working capital, including up to $ 250. 0 million authorized in ~~March~~ **February** ~~2023~~ **2024** . The repurchase authorization has no fixed end date. Although our Board of Directors has authorized a share repurchase program, this program does not obligate us to repurchase any specific dollar amount or ~~to acquire any specific~~ number of shares. The share repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves. If securities analysts do not publish research or reports about our business, or if they downgrade our stock, ~~the~~ **our stock** price ~~of our stock~~ could decline. The trading market for our common stock will likely be influenced by research and reports that securities or industry analysts publish about us or our business. If one or more of these analysts downgrades our stock, lowers their price target, or publishes unfavorable or inaccurate research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of **us** ~~our company~~ or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline. We have never paid dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, investors may only receive a return on their investment in our common stock if the market price of our common stock increases. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and under Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the price of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that ~~the~~ **our** stockholders ~~of our company~~ may deem advantageous. These provisions: • establish a classified Board of Directors so that not all members of our Board of Directors are elected at one time; • authorize the issuance of " blank check " preferred stock that our Board of Directors could issue to increase the number of outstanding shares to discourage a takeover attempt; • prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; • prohibit stockholders from calling a special meeting of our stockholders; • provide that the Board of Directors is expressly authorized to make, alter or repeal our bylaws; and • establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any " interested " stockholder for a period of three years following the date on which the stockholder became an " interested " stockholder and which may discourage, delay, or prevent a change of control of our company. Any provision of our amended and restated certificate of incorporation, bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of

Delaware will be exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. If a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business and financial condition. General Risk Factors ~~Adverse economic conditions may harm our revenues, profitability and financial condition. Our operations and performance depend in part on worldwide economic conditions and the economic health of our current and prospective customers. We have experienced global economic uncertainty, inflation, rising interest rates, financial distress caused by recent or potential bank failures and the associated banking crisis, civil unrest and political and fiscal challenges in the United States and abroad and may continue to experience these events in the future, which can arise suddenly and affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our products and services. For example, the global macroeconomic environment could be negatively affected by the current banking crisis and interest rate hikes, the Russian invasion of Ukraine and the related sanctions and disruptions, the growth rate in the economy of the European Union, China, or the United States, trade relations between the United States and China, the impact of public health epidemics or pandemics, political uncertainty in the Middle East and other geopolitical events. Additionally, the United Kingdom' s exit from the European Union is disruptive and remains subject to the successful conclusion of a final withdrawal agreement between the parties. In the absence of such an agreement, there would be no transitional provisions and any exit from the European Union could lead to adverse economic consequences. Weak economic conditions would likely adversely impact our business, operating results and financial condition in a number of ways, including by reducing sales, lengthening sales cycles and lowering prices of our products and services. The majority of our cash and cash equivalents are primarily invested with large financial institutions that we believe are stable and of high quality. Such deposits exceed federally insured limits. If such institutions were to fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. While the FDIC continues to address the situation with SVB and other similarly situated banking institutions, the risk of loss in excess of insurance limitations has generally increased.~~ Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events, and to interruption by man- made factors such as war, computer viruses or terrorism or by the impact of public health epidemics or pandemics. We and our suppliers have operations in locations, including our headquarters in California, that are subject to earthquakes, fires, floods and other natural catastrophic events, such as **climate change,** severe weather and geological events, which could disrupt our operations or the operations of our customers and suppliers. Our customers affected by a natural disaster could postpone or cancel orders of our products, which could negatively impact our business. Moreover, should any of our key suppliers fail to deliver components to us as a result of a natural disaster, we may be unable to purchase these components in necessary quantities or may be forced to purchase components in the open market at significantly higher costs. We may also be forced to purchase components in advance of our normal supply chain demand to avoid potential market shortages. Our business interruption insurance may be insufficient to compensate us for losses due to a significant natural disaster or due to man- made factors. Any natural catastrophic events may also prevent our employees from being able to reach our offices in any jurisdiction around the world, and therefore impede our ability to conduct business as usual. In addition, man- made factors, such as acts of war, terrorism or malicious computer viruses, and public health epidemics or pandemics, could cause disruptions in our or our customers' businesses or the economy as a whole. To the extent that these disruptions result in delays or cancellations of customer orders or the deployment of our products, our business, operating results and financial condition could be harmed. **33**