

NUTANIX

Nutanix Reports Second Quarter Fiscal 2017 Financial Results

March 2, 2017

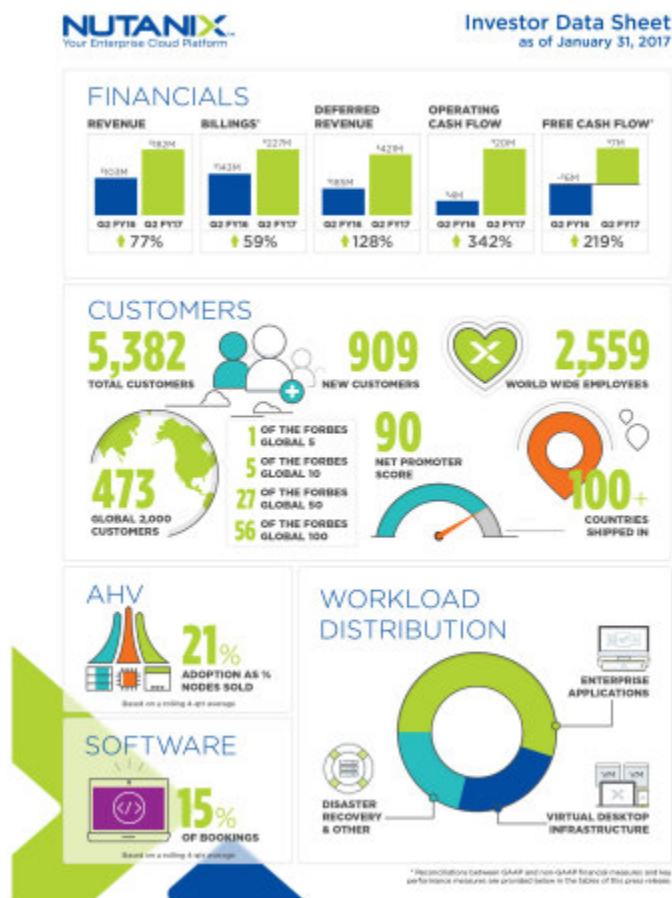
Record Revenues of \$182.2 Million Up 77 Percent YOY; Adds Over 900 New Customers; Sees Accelerated Adoption of its Acropolis Hypervisor
SAN JOSE, Calif.--(BUSINESS WIRE)-- [Nutanix](#), Inc. (NASDAQ:NTNX), a leader in enterprise cloud computing, today announced financial results for its second quarter of fiscal 2017, ended January 31, 2017.

This Smart News Release features multimedia. View the full release here: <http://www.businesswire.com/news/home/20170302006125/en/>

Second Quarter Fiscal Year 2017 Financial Highlights

- **Revenue:** \$182.2 million, growing 77% year-over-year from \$102.7 million in the second quarter of fiscal 2016
- **Billings:** \$227.4 million, growing 59% year-over-year from \$143.4 million in the second quarter of fiscal 2016
- **Net Loss:** GAAP net loss of \$93.2 million, compared to a GAAP net loss of \$33.2 million in the second quarter of fiscal 2016; Non-GAAP net loss of \$39.9 million, compared to a non-GAAP net loss of \$30.9 million in the second quarter of fiscal 2016
- **Net Loss Per Share:** GAAP net loss per share of \$0.66, compared to a pro forma GAAP net loss per share of \$0.28 in the second quarter of fiscal 2016; Non-GAAP net loss per share of \$0.28, compared to a pro forma non-GAAP net loss per share of \$0.26 in the second quarter of fiscal 2016
- **Cash and Short-term Investments:** \$355.2 million, up 175% from the second quarter of fiscal 2016
- **Deferred Revenue:** \$420.6 million, up 128% from the second quarter of fiscal 2016
- **Operating Cash Flow:** \$19.8 million, compared to \$4.5 million in the second quarter of fiscal 2016
- **Free Cash Flow:** \$7.1 million, compared to \$(5.9) million in the second quarter of fiscal 2016

Reconciliations between GAAP and non-GAAP financial measures and key performance measures are provided in the tables of this press release.



Nutanix Fiscal Q2'17 Earnings Infographic (Graphic: Business Wire)

"Our journey has taken us from an unknown upstart to a well-established enterprise IT brand approaching a \$1 billion annualized billings run-rate in just five years of selling. We continue to evolve and refine our strategy, including product expansions, sales focus and alternate consumption models, as we seek to capture a growing share of the highly dynamic \$100+ billion enterprise infrastructure market," said Dheeraj Pandey, CEO, Nutanix.

"Our solid results were driven by notable strength in our international business. Further, I am pleased we were able to hold our non-GAAP gross margins essentially steady despite component price increases impacting our costs," said Duston Williams, CFO, Nutanix.

Recent Company Highlights

- **Continued Customer Growth:** Nutanix ended the second quarter of fiscal 2017 with over 5,380 end-customers, adding over 900 new end-customers during the quarter.
- **Increasing AHV Adoption:** The company continued to see strong adoption for its built-in hypervisor, AHV. Usage rose to 21%, up from 17% in the prior quarter, based on a four-quarter rolling average of nodes using AHV as a percent of total nodes sold.
- **AHV Certified on SAP® Business Suite Powered by SAP NetWeaver®:** Nutanix customers are now able to simplify their infrastructure and virtualization stack when delivering business-critical SAP applications on the Nutanix Enterprise Cloud

Platform.

- **Awarded CRN® Product of the Year:** The Nutanix Enterprise Cloud Platform™ for Cisco® Unified Computing Systems (UCS) was named a winner in the 2016 Product of the Year Awards in the Hyperconverged Infrastructure category taking first place in two subcategories: Technology and Customer Demand.
- **Nutanix Enterprise Cloud Platform Selected to Be a Part of a Large Contract by United States Navy Space and Naval Warfare Systems Command:** As a subcontractor to Crown Point Systems, Nutanix will be part of a five-year, firm-fixed-price Indefinite Delivery/Indefinite Quantity contract with a total overall maximum value of \$28.8 million to Crown Point, if all orders are exercised.
- **Names New CIO:** Wendy M. Pfeiffer, former vice president of IT at GoPro, was appointed chief information officer in January.

Q3 Fiscal 2017 Financial Outlook

For the third quarter of fiscal 2017, Nutanix expects:

- Revenues between \$180 and \$190 million;
- Non-GAAP gross margin between 57% and 58%;
- Non-GAAP net loss per share between \$0.45 and \$0.48, using 144 million weighted shares outstanding.

Supplementary materials to this earnings release, including the company's second quarter fiscal 2017 investor presentation, can be found at <http://ir.nutanix.com/company/financial/>.

All forward-looking non-GAAP financial measures contained in this section titled "Q3 Fiscal 2017 Financial Outlook" exclude stock-based compensation expense, and may also exclude, as applicable, other special items. The company has not reconciled guidance for non-GAAP gross margin and non-GAAP loss per share to their most directly comparable GAAP measures because such items that impact these measures are not within its control and are subject to constant change. While the actual amounts of such items will have a significant impact on the company's non-GAAP gross margin and non-GAAP loss per share, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Webcast and Conference Call Information

Nutanix executives will discuss the company's second quarter fiscal 2017 financial results on a conference call at 5:00 p.m. Eastern time/2:00 p.m. Pacific time today. To listen to the call via telephone, dial 1-877-201-0168 in the United States or 1-647-788-4901 from outside the United States. The conference ID is 59841448. This call is being webcast live and is available to all interested parties on our Investor Relations website at ir.nutanix.com. Shortly after the conclusion of the conference call, a replay of the audio webcast will be available on the Nutanix Investor Relations website. A telephonic replay will be available for one week following the conference call at 1-800-585-8367 or 1-416-621-4642, conference ID 59841448.

Non-GAAP Financial Measures and Other Key Performance Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial and other key performance measures: billings, non-GAAP gross margin percentage, non-GAAP net loss, pro forma non-GAAP net loss per share, and free cash flow. In computing these non-GAAP financial measures, we exclude certain items such as stock-based compensation and the related income tax impact, costs associated with our acquisitions (such as amortization of acquired intangible assets, revaluation of contingent consideration, income tax related impact, and other acquisition-related costs), loss on debt extinguishment, and changes in the fair value of our preferred stock warrant liability. Billings is a performance measure which our management believes provides useful information to investors because it represents the amounts under binding purchase orders received by us during a given period that have been billed, and we calculate billings by adding the change in deferred revenue between the start and end of the period to total revenue recognized in the same period. Free cash flow is a performance measure that our management believes provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures, and we define free cash flow as net cash (used in) provided by operating activities less purchases of property and equipment. We use these non-GAAP financial and key performance measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures such as stock-based compensation expense that may not be indicative of our ongoing core business operating results. However, these non-GAAP financial and key performance measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Billings, non-GAAP gross margin percentage, non-GAAP net loss, pro forma non-GAAP net loss per share, and free cash flow are not substitutes for total revenue, gross profit, net loss, net loss per share, or net cash (used in) provided by operating activities, respectively. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included below in the tables captioned "Reconciliation of Revenue to Billings," "Reconciliation of GAAP to Non-GAAP Profit Measures," and "Reconciliation of GAAP Net Cash (Used In) Provided By Operating Activities to Non-GAAP Free Cash Flow," and not to rely on any single financial measure to evaluate our business.

Forward Looking Statements

This press release contains express and implied forward-looking statements, including but not limited to statements relating to our competitive differentiation, our expectations relating to a contract awarded by the Navy Space and Naval Warfare Systems Command, including the execution and

resulting value of any future orders under such contract, and anticipated future financial results, including but not limited to our annualized billings run rate, our guidance on estimated revenues, non-GAAP gross margin, and non-GAAP net loss per share for future fiscal periods. These forward-looking statements are not historical facts, and instead are based on our current expectations, estimates, opinions and beliefs. Consequently, you should not rely on these forward-looking statements. The accuracy of such forward-looking statements depends upon future events, and involves risks, uncertainties and other factors beyond our control that may cause these statements to be inaccurate and cause our actual results, performance or achievements to differ materially and adversely from those anticipated or implied by such statements, including, among others: the rapid evolution of the markets in which we compete; our ability to sustain or manage future growth effectively; factors that could result in the significant fluctuation of our future quarterly operating results, including, among other things, our revenue mix, the timing and magnitude of orders, shipments and acceptance of our solutions in any given quarter, our ability to attract new and retain existing end-customers, changes in the pricing of certain components of our solutions, and fluctuations in demand and competitive pricing pressures for our solutions; the introduction, or acceleration of adoption of, competing solutions, including public cloud infrastructure; changes in government fiscal or contracting policies, or decreases in available government spending; and other risks detailed in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2016, filed with the SEC on December 8, 2016. Additional information will also be set forth in our Form 10-Q that will be filed for the quarter ended January 31, 2017, which should be read in conjunction with these financial results. Our SEC filings are available on the Investor Relations section of the company's website at ir.nutanix.com and on the SEC's website at www.sec.gov. These forward-looking statements speak only as of the date of this press release and, except as required by law, we assume no obligation to update forward-looking statements to reflect actual results or subsequent events or circumstances.

About Nutanix

Nutanix makes infrastructure invisible, elevating IT to focus on the applications and services that power their business. The Nutanix Enterprise Cloud platform leverages web-scale engineering and consumer-grade design to natively converge compute, virtualization and storage into a resilient, software-defined solution with rich machine intelligence. The result is predictable performance, cloud-like infrastructure consumption, robust security, and seamless application mobility for a broad range of enterprise applications. Learn more at www.nutanix.com or follow us on Twitter [@nutanix](https://twitter.com/nutanix).

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NUTANIX, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, unaudited)

| | <u>As of</u> | |
|--|------------------|--------------------|
| | <u>July 31,</u> | <u>January 31,</u> |
| | <u>2016</u> | <u>2017</u> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 99,209 | \$ 226,006 |
| Short-term investments | 85,991 | 129,147 |
| Accounts receivable—net | 110,659 | 151,224 |
| Deferred commissions—current | 17,864 | 19,230 |
| Prepaid expenses and other current assets | <u>16,138</u> | <u>18,192</u> |
| Total current assets | 329,861 | 543,799 |
| Property and equipment—net | 42,218 | 51,944 |
| Deferred commissions—non-current | 19,029 | 25,712 |
| Intangible assets—net | — | 27,217 |
| Goodwill | — | 16,784 |
| Other assets—non-current | <u>7,978</u> | <u>5,261</u> |
| Total assets | <u>\$399,086</u> | <u>\$ 670,717</u> |
| Liabilities, Convertible Preferred Stock and Stockholders' (Deficit) Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 52,111 | \$ 65,231 |
| Accrued compensation and benefits | 24,547 | 36,645 |
| Accrued expenses and other liabilities | 5,537 | 6,404 |
| Deferred revenue—current | <u>130,569</u> | <u>186,255</u> |
| Total current liabilities | 212,764 | 294,535 |
| Deferred revenue—non-current | 165,896 | 234,361 |
| Senior notes | 73,260 | — |
| Convertible preferred stock warrant liability | 9,679 | — |
| Early exercised stock options liability | 2,320 | 1,509 |
| Other liabilities—non-current | <u>1,103</u> | <u>8,429</u> |

| | | |
|---|------------------|-------------------|
| Total liabilities | 465,022 | 538,834 |
| Commitments and contingencies (Note 7) | | |
| Convertible preferred stock: | | |
| Convertible preferred stock | 310,379 | — |
| Stockholders' (deficit) equity: | | |
| Common stock | 1 | 4 |
| Additional paid-in capital | 65,629 | 829,249 |
| Accumulated other comprehensive loss | (12) | (170) |
| Accumulated deficit | (441,933) | (697,200) |
| Total stockholders' (deficit) equity | (376,315) | 131,883 |
| Total liabilities, convertible preferred stock and stockholders' (deficit) equity | <u>\$399,086</u> | <u>\$ 670,717</u> |

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data, unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|---------------------------|--------------------|-------------------------|---------------------|
| | January 31, | | January 31, | |
| | 2016 | 2017 | 2016 | 2017 |
| Revenue: | | | | |
| Product | \$ 81,229 | \$ 138,508 | \$ 151,625 | \$ 268,165 |
| Support and other services | 21,468 | 43,687 | 38,828 | 80,839 |
| Total revenue | <u>102,697</u> | <u>182,195</u> | <u>190,453</u> | <u>349,004</u> |
| Cost of revenue: | | | | |
| Product (1) | 29,977 | 58,403 | 57,634 | 110,613 |
| Support and other services (1) | 7,959 | 18,443 | 15,381 | 35,995 |
| Total cost of revenue | <u>37,936</u> | <u>76,846</u> | <u>73,015</u> | <u>146,608</u> |
| Gross profit | <u>64,761</u> | <u>105,349</u> | <u>117,438</u> | <u>202,396</u> |
| Operating expenses: | | | | |
| Sales and marketing (1) | 66,128 | 111,244 | 124,727 | 240,019 |
| Research and development (1) | 26,024 | 70,914 | 49,881 | 146,195 |
| General and administrative (1) | 7,840 | 15,481 | 15,215 | 44,853 |
| Total operating expenses | <u>99,992</u> | <u>197,639</u> | <u>189,823</u> | <u>431,067</u> |
| Loss from operations | (35,231) | (92,290) | (72,385) | (228,671) |
| Other income (expense)—net | 2,646 | (421) | 1,775 | (26,133) |
| Loss before provision for income taxes | (32,585) | (92,711) | (70,610) | (254,804) |
| Provision for income taxes | 620 | 501 | 1,140 | 577 |
| Net loss | <u>\$ (33,205)</u> | <u>\$ (93,212)</u> | <u>\$ (71,750)</u> | <u>\$ (255,381)</u> |
| Net loss per share attributable to common stockholders—basic and diluted | <u>\$ (0.76)</u> | <u>\$ (0.66)</u> | <u>\$ (1.66)</u> | <u>\$ (2.36)</u> |
| Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted | <u>43,666,825</u> | <u>141,996,600</u> | <u>43,252,879</u> | <u>108,185,194</u> |
| (1) Includes the following stock-based compensation expense: | | | | |
| Product cost of sales | \$ 104 | \$ 848 | \$ 213 | \$ 1,814 |
| Support cost of sales | 241 | 2,389 | 534 | 5,739 |
| Sales and marketing | 1,964 | 15,528 | 4,082 | 49,419 |
| Research and development | 1,612 | 28,759 | 3,241 | 62,785 |
| General and administrative | <u>\$ 1,029</u> | <u>5,083</u> | <u>2,266</u> | <u>23,578</u> |
| | <u>\$ 4,950</u> | <u>\$ 52,607</u> | <u>\$ 10,336</u> | <u>\$ 143,335</u> |

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

Six Months Ended**January 31,****2016** **2017****Cash flows from operating activities:**

| | | |
|---|----------------|---------------|
| Net loss | \$ (71,750) | \$ (255,381) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 11,822 | 18,172 |
| Stock-based compensation | 10,336 | 143,335 |
| Loss on debt extinguishment | — | 3,320 |
| Change in fair value of convertible preferred stock warrant liability | (1,904) | 21,133 |
| Other | (327) | 929 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable—net | (13,374) | (39,730) |
| Deferred commission | (9,179) | (8,049) |
| Prepaid expenses and other assets | 2,088 | (2,707) |
| Accounts payable | (8,034) | 11,342 |
| Accrued compensation and benefits | 1,484 | 11,811 |
| Accrued expenses and other liabilities | (3,514) | 1,594 |
| Deferred revenue | 81,209 | 118,143 |
| Net cash (used in) provided by operating activities | <u>(1,143)</u> | <u>23,912</u> |

Cash flows from investing activities:

| | | |
|--|-----------------|-----------------|
| Purchases of property and equipment | (20,021) | (24,616) |
| Purchases of investments | (31,546) | (117,550) |
| Maturities of investments | 40,285 | 41,200 |
| Sale of investments | — | 32,640 |
| Payments for business acquisitions, net of cash acquired | — | (184) |
| Net cash used in investing activities | <u>(11,282)</u> | <u>(68,510)</u> |

Cash flows from financing activities:

| | | |
|--|------------|----------------|
| Proceeds from initial public offering, net of underwriting discounts and commissions | — | 254,455 |
| Payments of offering costs | (2,659) | (1,609) |
| Proceeds from exercise of stock options, net of repurchases | 1,978 | 2,180 |
| Repayment of senior notes | — | (75,000) |
| Debt extinguishment costs | — | (1,580) |
| Payment of debt in conjunction with a business acquisition | — | (7,124) |
| Other | 836 | 73 |
| Net cash provided by financing activities | <u>155</u> | <u>171,395</u> |

Net (decrease) increase in cash and cash equivalents

| | | |
|---|------------------|-------------------|
| | (12,270) | 126,797 |
| Cash and cash equivalents—beginning of period | 67,879 | 99,209 |
| Cash and cash equivalents—end of period | <u>\$ 55,609</u> | <u>\$ 226,006</u> |

Supplemental disclosures of cash flow information:

| | | |
|----------------------------|----------|----------|
| Cash paid for income taxes | \$ 1,489 | \$ 2,344 |
| Cash paid for interest | \$ — | \$ 1,271 |

Supplemental disclosures of non-cash investing and financing information:

| | | |
|---|----------|------------|
| Vesting of early exercised stock options | \$ 1,995 | \$ 920 |
| Purchases of property and equipment included in accounts payable | \$ 5,771 | \$ 6,983 |
| Offering costs included in accounts payable | \$ 803 | \$ 51 |
| Conversion of convertible preferred stock to common stock, net of issuance costs | \$ — | \$ 310,379 |
| Reclassification of convertible preferred stock warrant liability to additional paid-in capital | \$ — | \$ 30,812 |
| Issuance of common stock for business acquisitions | \$ — | \$ 27,063 |

Reconciliation of Revenue to Billings
(In thousands, unaudited)

| Three Months Ended | | Six Months Ended | |
|--------------------|------|------------------|------|
| January 31, | | January 31, | |
| 2016 | 2017 | 2016 | 2017 |

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Total revenue | \$102,697 | \$182,195 | \$190,453 | \$349,004 |
| Change in deferred revenue, net of acquisitions (1) | <u>40,676</u> | <u>45,185</u> | <u>81,209</u> | <u>118,143</u> |
| Billings | <u>\$143,373</u> | <u>\$227,380</u> | <u>\$271,662</u> | <u>\$467,147</u> |

(1) Excludes \$6.0 million of deferred revenue assumed in the PernixData acquisition.

Reconciliation of GAAP to Non-GAAP Profit Measures
(Dollars in thousands, unaudited)

| | GAAP Three Months Ended January 31, 2017 | Non-GAAP Adjustments | | | | Non-GAAP Three Months Ended January 31, 2017 |
|--|---|----------------------|---------|---------|---------|---|
| | | (1) | (2) | (3) | (4) | |
| Gross profit | \$ 105,349 | \$ 3,237 | \$ 360 | \$ — | \$ — | \$ 108,946 |
| Gross margin | 57.8% | 1.8% | 0.2% | —% | —% | 59.8% |
| Operating expenses: | | | | | | |
| Sales and marketing | \$ 111,244 | \$(15,528) | \$(248) | \$ — | \$ — | \$ 95,468 |
| Research and development | 70,914 | (28,759) | — | — | — | 42,155 |
| General and administrative | 15,481 | (5,083) | — | (286) | — | 10,112 |
| Total operating expenses | \$ 197,639 | \$(49,370) | \$(248) | \$(286) | \$ — | \$ 147,735 |
| Loss from operations | \$ (92,290) | \$ 52,607 | \$ 608 | \$ 286 | \$ — | \$ (38,789) |
| Net loss | \$ (93,212) | \$ 52,607 | \$ 608 | \$ 286 | \$(172) | \$ (39,883) |
| Weighted-shares outstanding, basic and diluted | <u>141,996,600</u> | | | | | <u>141,996,600</u> |
| Net loss per share, basic and diluted | \$ (0.66) | \$ 0.37 | \$ 0.01 | \$ 0.00 | \$ 0.00 | \$ (0.28) |

(1) Stock-based compensation expense

(2) Amortization of intangible assets

(3) Change in fair value of contingent consideration assumed in the PernixData acquisition

(4) Tax effect of stock-based compensation expense

| | GAAP Three Months Ended January 31, 2016 | Non-GAAP Adjustments | | Non-GAAP Three Months Ended January 31, 2016 |
|--|--|----------------------|------------|--|
| | | (1) | (2) | |
| Gross profit | \$ 64,761 | \$ 345 | \$ — | \$ 65,106 |
| Gross margin | 63.1% | 0.3% | —% | 63.4% |
| Operating expenses: | | | | |
| Sales and marketing | \$ 66,128 | \$(1,964) | \$ — | \$ 64,164 |
| Research and development | 26,024 | (1,612) | — | 24,412 |
| General and administrative | 7,840 | (1,029) | — | 6,811 |
| Total operating expenses | \$ 99,992 | \$(4,605) | \$ — | \$ 95,387 |
| Loss from operations | \$ (35,231) | \$ 4,950 | \$ — | \$ (30,281) |
| Net loss | \$ (33,205) | \$ 4,950 | \$ (2,675) | \$ (30,930) |
| Weighted-shares outstanding, basic and diluted | 43,666,825 | | | 43,666,825 |
| Pro forma adjustment | <u>76,319,511</u> | | | <u>76,319,511</u> |

| | | | | |
|--|--------------------|---------|-----------|--------------------|
| Pro forma weighted-shares outstanding, basic and diluted | <u>119,986,336</u> | | | <u>119,986,336</u> |
| Net loss per share, basic and diluted | \$ (0.76) | | | |
| Pro forma net loss per share, basic and diluted | \$ (0.28) | \$ 0.04 | \$ (0.02) | \$ (0.26) |

(1) Stock-based compensation expense

(2) Change in fair value of preferred stock warrant liability

| | GAAP Six Months Ended January 31, 2017 | Non-GAAP Adjustments | | | | | | | Non-GAAP Six Months Ended January 31, 2017 |
|--|--|----------------------|----------|----------|----------|-----------|----------|------------|--|
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | |
| Gross profit | \$ 202,396 | \$ 7,553 | \$ 598 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 210,547 |
| Gross margin | 58.0% | 2.1% | 0.2% | —% | —% | —% | —% | —% | 60.3% |
| Operating expenses: | | | | | | | | | |
| Sales and marketing | \$ 240,019 | \$ (49,419) | \$ (415) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 190,185 |
| Research and development | 146,195 | (62,785) | — | — | — | — | — | — | 83,410 |
| General and administrative | 44,853 | (23,578) | — | (472) | (672) | — | — | — | 20,131 |
| Total operating expenses | \$ 431,067 | \$ (135,782) | \$ (415) | \$ (472) | \$ (672) | \$ — | \$ — | \$ — | \$ 293,726 |
| Loss from operations | \$ (228,671) | \$ 143,335 | \$ 1,013 | \$ 472 | \$ 672 | \$ — | \$ — | \$ — | \$ (83,179) |
| Net loss | \$ (255,381) | \$ 143,335 | \$ 1,013 | \$ 472 | \$ 672 | \$ 21,133 | \$ 3,320 | \$ (2,281) | \$ (87,717) |
| Weighted-shares outstanding, basic and diluted | 108,185,194 | | | | | | | | 108,185,194 |
| Pro forma adjustment | <u>26,960,697</u> | | | | | | | | <u>26,960,697</u> |
| Pro forma weighted-shares outstanding, basic and diluted | <u>135,145,891</u> | | | | | | | | <u>135,145,891</u> |
| Net loss per share, basic and diluted | \$ (2.36) | | | | | | | | |
| Pro forma net loss per share, basic and diluted | \$ (1.89) | \$ 1.06 | \$ 0.01 | \$ 0.00 | \$ 0.01 | \$ 0.16 | \$ 0.02 | \$ (0.02) | \$ (0.65) |

(1) Stock-based compensation expense

(2) Amortization of intangible assets

(3) Change in fair value of contingent consideration assumed in the PernixData acquisition

(4) Acquisition-related costs

(5) Change in fair value of preferred stock warrant liability

(6) Loss on debt extinguishment

(7) Partial release of valuation allowance from the PernixData acquisition and tax effect of stock-based compensation expense

| | GAAP Six Months Ended January 31, 2016 | Non-GAAP Adjustments | | Non-GAAP Six Months Ended January 31, 2016 |
|----------------------------|--|----------------------|------|--|
| | | (1) | (2) | |
| Gross profit | \$ 117,438 | \$ 747 | \$ — | \$ 118,185 |
| Gross margin | 61.7% | 0.4% | —% | 62.1% |
| Operating expenses: | | | | |
| Sales and marketing | \$ 124,727 | \$ (4,082) | \$ — | \$ 120,645 |
| Research and development | 49,881 | (3,241) | — | 46,640 |
| General and administrative | 15,215 | (2,266) | — | 12,949 |
| Total operating expenses | \$ 189,823 | \$ (9,589) | \$ — | \$ 180,234 |

| | | | | |
|--|--------------------|-----------|------------|--------------------|
| Loss from operations | \$ (72,385) | \$ 10,336 | \$ — | \$ (62,049) |
| Net loss | \$ (71,750) | \$ 10,336 | \$ (1,904) | \$ (63,318) |
| Weighted-shares outstanding, basic and diluted | 43,252,879 | | | 43,252,879 |
| Pro forma adjustment | <u>76,319,511</u> | | | <u>76,319,511</u> |
| Pro forma weighted-shares outstanding, basic and diluted | <u>119,572,390</u> | | | <u>119,572,390</u> |
| Net loss per share, basic and diluted | \$ (1.66) | | | |
| Pro forma net loss per share, basic and diluted | \$ (0.60) | \$ 0.09 | \$ (0.02) | \$ (0.53) |

(1) Stock-based compensation expense

(2) Change in fair value of preferred stock warrant liability

**Reconciliation of GAAP Net Cash (Used In) Provided By Operating Activities to
Non-GAAP Free Cash Flow
(In thousands, unaudited)**

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|-------------------|-----------------|
| | January 31, | | January 31, | |
| | 2016 | 2017 | 2016 | 2017 |
| Net cash provided by (used in) operating activities | \$ 4,473 | \$ 19,752 | \$ (1,143) | \$23,912 |
| Purchases of property and equipment | <u>(10,379)</u> | <u>(12,701)</u> | <u>(20,021)</u> | <u>(24,616)</u> |
| Free cash flow | <u>\$ (5,906)</u> | <u>\$ 7,051</u> | <u>\$(21,164)</u> | <u>\$ (704)</u> |



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Source: Nutanix, Inc.

Nutanix, Inc.

Investor Contact:

Tonya Chin, 408-560-2675

tonya@nutanix.com

Media Contact:

Kate Reed, 973-534-9292

kreed@nutanix.com