UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2017

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-37883

NUTANIX, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-0989767**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1740 Technology Drive, Suite 150
San Jose, CA 95110
(Address of principal executive offices, including zip code)
(408) 216-8360
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	x	If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes o No x

As of November 30, 2017, the registrant had 110,438,830 shares of Class A common stock, $0.000025 par value per share, and 49,986,397 shares of Class B common stock, $0.000025 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risks and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “plan,” “intend,” “could,” “would,” “expect” and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding:

- our future revenue, cost of revenue, and operating expenses, as well as changes in the cost of product revenue, component costs, product gross margins and support and other services revenue, and changes in research and development, sales and marketing and general and administrative expenses;
- our business plan and our ability to effectively manage our growth;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate, including the productivity of our sales team;
- our ability to develop new solutions, product features and technology, such as Nutanix Calm and Nutanix Xi Cloud Services, and bring them to market in a timely manner;
- market acceptance of new technology and recently introduced solutions;
- the interoperability and availability of our solutions with and on third-party hardware platforms, such as IBM Power Systems;
- our beliefs and objectives for future operations, including plans to continue to invest in our global engineering, research and development, and sales and marketing teams, and the impact of such investments on our operations;
- our ability to increase sales of our solutions;
- our ability to attract new end-customers, and retain and grow sales from our existing end-customers;
- our ability to maintain and strengthen our relationships with our channel and OEM partners;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including our ability to compress and stabilize sales cycles;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to continue to expand internationally;
- the effects of increased competition in our market and our ability to compete effectively;
- anticipated capital expenditures;
- future acquisitions or investments in complementary companies, products, services or technologies and the ability to successfully integrate acquisitions such as Calm and PernixData;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- economic and industry trends, projected growth or trend analysis;
- the attraction and retention of qualified employees and key personnel;

- our expectations concerning future shifts in the mix of whether our solutions are sold as an appliance or as software-only, and in the mix of the types of appliances we sell; and
- sufficiency of cash to meet cash needs for at least the next 12 months.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. The forward-looking statements in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update, revise or publicly release the results of any revision to these forward-looking statements to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed on our forward-looking statements and you should not place undue reliance on our forward-looking statements.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

NUTANIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data, unaudited)

	As of	
	July 31, 2017 *As Adjusted	October 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 138,359	$ 132,459
Short-term investments	210,694	233,486
Accounts receivable—net	178,876	171,550
Deferred commissions—current	23,843	26,464
Prepaid expenses and other current assets	28,362	28,942
Total current assets	580,134	592,901
Property and equipment—net	58,072	67,575
Deferred commissions—non-current	49,684	55,520
Intangible assets—net	26,001	24,895
Goodwill	16,672	16,672
Other assets—non-current	7,649	7,347
Total assets	$ 738,212	$ 764,910
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 73,725	$ 68,629
Accrued compensation and benefits	57,521	50,301
Accrued expenses and other current liabilities	9,707	9,431
Deferred revenue—current	170,123	190,592
Total current liabilities	311,076	318,953
Deferred revenue—non-current	198,933	218,252
Early exercised stock options liability	851	571
Other liabilities—non-current	10,289	10,554
Total liabilities	521,149	548,330
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, par value of $0.000025 per share— 200,000,000 shares authorized as of July 31, 2017 and October 31, 2017; no shares issued and outstanding as of July 31, 2017 and October 31, 2017	—	—
Common stock, par value of $0.000025 per share—1,200,000,000 (1,000,000,000 Class A, 200,000,000 Class B) shares authorized as of July 31, 2017 and October 31, 2017; 154,636,520 (93,570,171 Class A and 61,066,349 Class B) and 159,887,325 (108,173,525 Class A and 51,713,800 Class B) shares issued and outstanding as of July 31, 2017 and October 31, 2017	4	4
Additional paid-in capital	948,134	1,009,268
Accumulated other comprehensive loss	(106)	(236)
Accumulated deficit	(730,969)	(792,456)
Total stockholders' equity	217,063	216,580
Total liabilities and stockholders' equity	$ 738,212	$ 764,910

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

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

	Three Months Ended October 31,	
	2016 *As Adjusted	2017
Revenue:		
Product	$ 153,536	$ 219,052
Support and other services	35,025	56,500
Total revenue	188,561	275,552
Cost of revenue:		
Product	52,210	85,162
Support and other services	17,552	23,460
Total cost of revenue	69,762	108,622
Gross profit	118,799	166,930
Operating expenses:		
Sales and marketing	128,625	145,405
Research and development	75,281	64,512
General and administrative	29,372	16,052
Total operating expenses	233,278	225,969
Loss from operations	(114,479)	(59,039)
Other expense—net	(25,712)	(189)
Loss before provision for income taxes	(140,191)	(59,228)
Provision for income taxes	111	2,259
Net loss	$ (140,302)	$ (61,487)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (1.89)	$ (0.39)
Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	74,373,788	156,780,631

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands, unaudited)

	Three Months Ended October 31,	
	2016 *As Adjusted	**2017**
Net loss	$ (140,302)	$ (61,487)
Other comprehensive loss —net of tax:		
Change in unrealized loss on available-for-sale securities, net of tax	(8)	(130)
Total other comprehensive loss —net of tax	(8)	(130)
Comprehensive loss	$ (140,310)	$ (61,617)

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

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

	Three Months Ended October 31,	
	2016 *As Adjusted	**2017**
Cash flows from operating activities:		
Net loss	$ (140,302)	$ (61,487)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,572	11,333
Stock-based compensation	90,728	35,515
Loss on debt extinguishment	3,320	—
Change in fair value of convertible preferred stock warrant liability	21,133	—
Change in fair value of contingent consideration	186	282
Other	183	131
Changes in operating assets and liabilities:		
Accounts receivable—net	(36,213)	7,326
Deferred commission	(4,780)	(8,457)
Prepaid expenses and other assets	840	(307)
Accounts payable	5,052	(6,504)
Accrued compensation and benefits	3,518	(7,220)
Accrued expenses and other liabilities	717	(293)
Deferred revenue	51,206	39,788
Net cash provided by operating activities	4,160	10,107
Cash flows from investing activities:		
Purchases of property and equipment	(11,915)	(17,965)
Purchases of investments	(87,448)	(59,108)
Maturities of investments	19,950	35,920
Sale of investments	31,638	—
Payments for business acquisitions, net of cash acquired	(184)	—
Net cash used in investing activities	(47,959)	(41,153)
Cash flows from financing activities:		
Proceeds from sales of shares through employee equity incentive plans, net of repurchases	1,472	25,231
Proceeds from initial public offering, net of underwriting discounts and commissions	254,455	—
Payments of offering costs, net	(2,243)	(85)
Repayment of senior notes	(75,000)	—
Debt extinguishment costs	(1,580)	—
Payment of debt in conjunction with a business acquisition	(7,124)	—
Other	73	—
Net cash provided by financing activities	170,053	25,146
Net increase (decrease) in cash and cash equivalents	126,254	(5,900)
Cash and cash equivalents—beginning of period	99,209	138,359
Cash and cash equivalents—end of period	$ 225,463	$ 132,459
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 698	$ 2,066
Cash paid for interest	$ 1,271	$ —
Supplemental disclosures of non-cash investing and financing information:		
Vesting of early exercised stock options	$ 499	$ 249
Purchases of property and equipment included in accounts payable	$ 5,033	$ 7,084
Offering costs included in accounts payable	$ 367	$ —
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	$ —

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

See the accompanying notes to condensed consolidated financial statements.

Note 1. ORGANIZATION

Organization and Description of Business—Nutanix, Inc. was incorporated in the state of Delaware in September 2009. Nutanix, Inc. is headquartered in San Jose, California, and together with its wholly-owned subsidiaries (collectively, “we” or "our") has operations throughout North America, Europe, Asia-Pacific, Middle East, Latin America and Africa.

Our enterprise cloud operating system converges traditional silos of server, virtualization, storage and networking into one integrated solution and unifies private and public cloud into a single software fabric. We primarily sell our products and services to end-customers through distributors, resellers and original equipment manufacturers, or OEMs (collectively “Partners”).

Note 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Significant Accounting Policies—The accompanying condensed consolidated financial statements, which include the accounts of Nutanix, Inc. and our wholly-owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States, or U.S. GAAP, and, except for the impact of the adoption of the new accounting guidance related to revenue recognition, consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017, filed with the Securities and Exchange Commission, or SEC, on September 18, 2017. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements are unaudited, but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. Certain prior period amounts have been adjusted as a result of our early adoption of new accounting guidance related to revenue recognition. Refer to “Summary of Significant Accounting Policies” and “Recent Accounting Pronouncements” below for more information.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

Effective August 1, 2017, we adopted the requirements of Accounting Standards Update, or ASU, No. 2014-09, Revenue from Contracts with Customers, or ASC 606, as discussed in detail in Note 3. All amounts and disclosures set forth in this quarterly report on Form 10-Q have been updated to comply with ASC 606, as indicated by the "as adjusted" footnote.

Use of Estimates—The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such management estimates include, but are not limited to, the best estimate of standalone selling prices for products and related support; determination of fair value of stock-based awards; accounting for income taxes, including the valuation reserve on deferred tax assets and uncertain tax positions; warranty liability; commissions expense; fair value of assets and liabilities acquired in business combinations; and contingencies and litigation. Management evaluates these estimates and assumptions on an ongoing basis using historical experience and other factors and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

Concentration Risk:

Concentration of revenue and accounts receivable—We sell our products primarily through Partners and occasionally directly to end-customers. For the three months ended October 31, 2016 and 2017, no end-customer accounted for 10% or more of total revenue.

For each significant Partner, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable, net are as follows:

	Revenue			
	Three Months Ended October 31,		Accounts Receivable as of	
Customers	2016 **As Adjusted	2017	July 31, 2017	October 31, 2017
Partner A	14%	17%	*	14%
Partner B	20%	28%	12%	17%
Partner C	13%	19%	14%	*
Partner D	12%	10%	20%	16%
Partner E	*	*	*	*
Partner F	*	12%	18%	11%

* Less than 10%

** Adjusted to include the impact of the adoption of the new revenue recognition standard. Refer to Note 3 for more details on the impact of the adoption of this standard.

Summary of Significant Accounting Policies—Except for the accounting policies for revenue recognition, deferred revenue, and deferred commissions that were updated as a result of adopting ASC 606, there have been no changes to our significant accounting policies described in the Annual Report on Form 10-K for the fiscal year ended July 31, 2017, filed with the SEC on September 18, 2017, that have had a material impact on our condensed consolidated financial statements and related notes. See Note 3 for the summary of the new accounting policies under ASC 606.

Recently Adopted Accounting Pronouncement— In May 2014, the Financial Accounting Standards Board, or FASB, issued ASC 606. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard would have been effective for us beginning August 1, 2018, and adoption as of the original effective date of August 1, 2017 was permitted. We elected to early adopt the standard effective August 1, 2017 using the full retrospective method, which required us to restate our historical financial information to be consistent with the new standard. Refer to Note 3 for the details of impacts to previously reported results.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. We adopted this ASU effective August 1, 2017 and our adoption did not have a material impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805) to clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. We adopted this ASU effective August 1, 2017 and as we did not have any business acquisition during the three months ended October 31, 2017, our adoption did not have any impact on our condensed consolidated financial statements.

Recently Issued and Not Yet Adopted Accounting Pronouncements—In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. Further, in November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for us beginning August 1, 2018, with early adoption permitted. We do not believe that adoption of this ASU will have a material impact on our condensed consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 will require us to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for us beginning August 1, 2018, with early adoption permitted. We are currently evaluating the effect the adoption of this guidance will have on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for us beginning August 1, 2018. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. We are currently evaluating the effect the adoption of this guidance will have on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires recognition of right-to-use lease assets and lease liabilities for all leases (with the exception of short-term leases) on the balance sheet of lessees. ASU 2016-02 is effective for us beginning August 1, 2019, with early adoption permitted. This new standard requires a modified retrospective transition approach and provides certain optional transition relief. We are currently evaluating the effect the adoption of this guidance will have on our condensed consolidated financial statements.

Note 3.REVENUE, DEFERRED REVENUE AND DEFERRED COMMISSIONS

Revenue Recognition—Effective August 1, 2017, we adopted ASC 606 using the full retrospective method, which required us to restate our historical financial information to be consistent with the standard. The most significant impact of the standard related to the timing of revenue recognition for certain software licenses sold with post contract customer support, or PCS, for which we did not have vendor specific objective evidence, or VSOE, of fair value under the previous revenue recognition guidance. Under the new standard, the requirement to have VSOE for undelivered elements is eliminated and we now recognize revenue for such software licenses upon transfer of control to our customers. In addition, the adoption of ASC 606 has also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impacts to provision for income taxes. The adoption of the standard had no significant impact to the provision for income taxes and had no impact to the net cash from or used in operating, investing, or financing on our condensed consolidated statements of cash flows. See ASC 606 Adoption Impact to Reported Results below for the impact of adoption of the standard on our condensed consolidated balance sheets and condensed consolidated statements of operations.

ASC 606 Adoption Impact to Previously Reported Results

We adjusted our condensed consolidated financial statements from amounts previously reported due to the adoption of ASC 606. Select condensed consolidated balance sheet line items, which reflects the adoption of ASC 606, are as follows:

Balance Sheet:	**As of July 31, 2017**			
	As Previously Reported	**Impact of Adoption**		**As Adjusted**
	(in thousands)			
Assets				
Deferred commissions - current	$ 27,679	$ (3,836)	(1)	$ 23,843
Deferred commissions - non-current	33,709	15,975	(1)	49,684
Total deferred commissions	$ 61,388	$ 12,139		$ 73,527
Liabilities				
Deferred revenue - current	$ 233,498	$ (63,375)	(2)	$ 170,123
Deferred revenue - non-current	292,573	(93,640)	(2)	198,933
Total deferred revenue	$ 526,071	$ (157,015)		$ 369,056
Accrued expenses and other current liabilities	$ 9,414	$ 293	(3)	$ 9,707
Stockholders' equity	$ 48,202	$ 168,861		$ 217,063

(1) Impact of cumulative change in commissions expense
(2) Impact of cumulative change in revenue
(3) Impact of cumulative change in provision for income taxes

Select unaudited condensed consolidated statement of operations line items, which reflects the adoption of ASC 606, are as follows:

	Three Months Ended October 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
Revenue	(in thousands, except per share data)		
Product	$ 129,657	$ 23,879	$ 153,536
Support and other services	37,152	(2,127)	35,025
Total revenue	$ 166,809	$ 21,752	$ 188,561
Gross profit	$ 97,047	$ 21,752	$ 118,799
Operating expenses			
Sales and marketing expenses	$ 128,775	$ (150)	$ 128,625
Loss from operations	$ (136,381)	$ 21,902	$ (114,479)
Net Loss	$ (162,169)	$ 21,867	$ (140,302)
Basic and diluted net loss per share	$ (2.18)	$ 0.29	$ (1.89)

Unaudited revenue by geographic location based on bill-to location, which reflects the adoption of ASC 606, are as follows:

	Three Months Ended October 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
U.S.	$ 102,871	$ 3,297	$ 106,168
Europe, the Middle East and Africa	24,248	1,168	25,416
Asia-Pacific	28,908	16,939	45,847
Other Americas	10,782	348	11,130
Total revenue	$ 166,809	$ 21,752	$ 188,561

The adoption impacted certain line items in the cash flows from operating activities as follows:

	Three Months Ended October 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
Cash flows from operating activities:	(in thousands)		
Net loss	$ (162,169)	$ 21,867	$ (140,302)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred commissions	$ (4,630)	$ (150)	$ (4,780)
Accrued expenses and other liabilities	$ 682	$ 35	$ 717
Deferred revenue	$ 72,958	$ (21,752)	$ 51,206

The core principle of ASC 606 is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. This principle is achieved through applying the following five-step approach:

- *Identification of the contract, or contracts, with a customer* — A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

- *Identification of the performance obligations in the contract* —Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.

- *Determination of the transaction price* —The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.

- *Allocation of the transaction price to the performance obligations in the contract* — If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price, or SSP, basis. We determine standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

- *Recognition of revenue when, or as, we satisfy a performance obligation* — We satisfy performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Disaggregation of Revenue

We generate revenue from the sale of our software solution, which can be delivered on a hardware appliance or on a stand-alone basis, PCS and professional services. A substantial portion of our revenue is generated via channel partners. We also sell our software solution through our OEM partners, Dell Technologies and Lenovo Group Ltd. These OEMs embed our software in their own hardware and we provide limited PCS on these transactions. All revenue recognized in the condensed consolidated statement of operations is considered to be revenue from contracts with customers. The following table depicts the disaggregation of revenue according to revenue type and is consistent with how we evaluate our financial performance:

	Three Months Ended October 31,	
	2016	**2017**
	(in thousands)	
Software revenue	$ 104,745	$ 138,214
Hardware revenue	48,791	80,838
Support and other services revenue	35,025	56,500
Total revenue	$ 188,561	$ 275,552

Software revenue —A substantial majority of our product revenue is generated from the sale of our software operating system, which is typically delivered on a hardware appliance that is configured to order, and can also be sold as stand-alone software, which is installed into our customers' separately procured hardware appliance. Software revenue includes our base operating system, which can be delivered through different platforms, and licenses to other additional features which are sold by us. Revenue from our software products is generally recognized upon transfer of control to our customers.

Hardware revenue —In transactions where we deliver the hardware appliance, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. In transactions where our customers procure hardware from another source, such as through our OEM partners, directly from our contract manufacturers, or from other manufacturers of Nutanix compatible hardware, we consider ourselves to be an agent for the hardware appliance. We consider the amount allocated to hardware revenue to be equivalent to the cost of the hardware procured. Hardware revenue is generally recognized upon transfer of control to our customers.

Support and other services revenue—We generate our support and other services revenue primarily from PCS contracts, and, to a lesser extent, from professional services. The majority of our product sales are sold in conjunction with PCS contracts with terms ranging from one to five years. We recognize revenue from PCS contracts ratably over the contractual service period. The service period typically commences upon transfer of control of the corresponding products to our customer. We recognize revenue related to professional services as they are performed.

Contracts with multiple performance obligations—Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP, basis. For deliverables that we routinely sell separately, such as support and maintenance on our core offerings, we determine SSP by evaluating the stand-alone sales over the trailing 12-months. For those that are not sold routinely, we determine SSP based on our overall pricing trends and objectives, taking into consideration market conditions and other factors, including the value of our contracts, the products sold and geographic locations.

Contract Balances—The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is recognized in the period we deliver goods or provide services or when our right to consideration is unconditional.
Payment terms on invoiced amounts are typically 30 days. The balance of accounts receivable, net of allowance for doubtful accounts, as of July 31, 2017 and October 31, 2017 is presented in the accompanying consolidated balance sheets.

Costs to obtain and fulfill a contract—We capitalize certain contract acquisition costs consisting primarily of commissions paid and the related payroll taxes when customer contracts are signed. Commission expenses paid to sales personnel and the related payroll taxes that are incremental to obtaining customer contracts are capitalized. The deferred sales commission amounts are amortized based on the expected future revenue streams under the customer contracts. Amortization of deferred sales commissions is included in sales and marketing expense in the accompanying consolidated statements of operations. We classify deferred commissions as current or non-current based on the timing of when we expect to recognize the expense. The short-term portion of these costs is deferred and shown as "Deferred commissions -current" and the long-term portion is shown as "Deferred commissions-non-current" in the condensed consolidated balance sheets. These costs are periodically reviewed for impairment. Significant changes in the balance of total deferred commissions (contract asset) during the three months ended October 31, 2017 are as follows:

	As of July 31, 2017 *As Adjusted	Additions	Commissions Recognized	As of October 31, 2017
		(in thousands)		
Deferred commissions	$ 73,527	$ 33,807	$ (25,350)	$ 81,984

Of the $82.0 million total deferred commissions balance as of October 31, 2017, we expect to recognize approximately 32% as commission expense over the next 12 months and the remainder thereafter.

Deferred revenue— We record deferred revenue when cash payments are received in advance of our performance. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date. Significant changes in the balance of total deferred revenue (contract liability) during the three months ended October 31, 2017 are as follows:

	As of July 31, 2017 *As Adjusted	Additions	Revenue Recognized	As of October 31, 2017
		(in thousands)		
Deferred revenue	$ 369,056	$ 96,288	$ (56,500)	$ 408,844

** See details above for the summary of adjustments to deferred commission and deferred revenue as a result of the adoption of ASC 606.*

During the three months ended October 31, 2017, we recognized $49.6 million pertaining to amounts deferred as of July 31, 2017. During the three months ended October 31, 2016, we recognized $29.6 million pertaining to amounts deferred as of July 31, 2016.

The majority of our contracted but not invoiced performance obligations are subject to cancellation terms. Revenue allocated to remaining performance obligations represent contracted revenue that has not yet been recognized (“contracted not recognized”), which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenue in future periods, and excludes performance obligations that are subject to cancellation terms. Contracted not recognized revenue was $442.4 million as of October 31, 2017, of which we expect to recognize approximately 49% of the revenue over the next 12 months and the remainder thereafter.

Note 4. FAIR VALUE MEASUREMENTS

The fair value of our financial assets and liabilities measured on a recurring basis is as follows:

	As of July 31, 2017			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 34,784	$ —	$ —	$ 34,784
Commercial paper	—	23,041	—	23,041
Short-term investments:				
Corporate bonds	—	160,634	—	160,634
Commercial paper	—	36,084	—	36,084
U.S. government securities	—	13,976		13,976
Total measured at fair value	34,784	233,735	—	268,519
Cash				80,534
Total cash, cash equivalents and short-term investments				$ 349,053
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 4,295	$ 4,295

	As of October 31, 2017			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 30,561	$ —	$ —	$ 30,561
Commercial paper	—	9,986	—	9,986
Short-term investments:				
Corporate bonds	—	185,757	—	185,757
Commercial paper	—	36,768	—	36,768
U.S. government securities	—	10,961	—	10,961
Total measured at fair value	$ 30,561	$ 243,472	$ —	274,033
Cash				91,912
Total cash, cash equivalents and short-term investments				$ 365,945
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 4,577	$ 4,577

A summary of the changes in the fair value of our contingent consideration is as follows:

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2017
	(in thousands)	
Contingent consideration—beginning balance	$ —	$ 4,295
Assumed in a business acquisition	2,371	—
Change in fair value*	186	282
Contingent consideration—ending balance	$ 2,557	$ 4,577

* Recorded in the condensed consolidated statements of operations within general and administrative expenses

We remeasure the fair value of our Level 3 contingent consideration liability using the Monte Carlo simulation on projected future payments. The fair value is determined by calculating the net present value of the expected payments using significant inputs that are not observable in the market, including the probability of achieving the milestone, estimated bookings and discount rates. The fair value of the contingent consideration will increase or decrease according to the movement of the inputs.

Note 5.BALANCE SHEET COMPONENTS

Short-Term Investments—The amortized cost of our short-term investments approximate their fair value. As of July 31, 2017 and October 31, 2017, unrealized gains or losses from our short-term investments were immaterial and there were no securities in an unrealized loss position for more than 12 months.

The following table summarizes the estimated fair value of our investments in marketable debt securities, by the contractual maturity date:

	As of October 31, 2017
	(in thousands)
Due within 1 year	$ 153,044
Due after 1 year through 3 years	80,442
Total	$ 233,486

Property and Equipment—Net—Property and equipment, net consists of the following:

	Estimated Useful Life (In months)	As of July 31, 2017	As of October 31, 2017
		(in thousands)	
Computer, production, engineering and other equipment	36	$ 85,280	$ 97,027
Demonstration units	12	46,387	49,109
Leasehold improvements	*	10,562	14,605
Furniture and fixtures	60	4,744	5,483
Total property and equipment—gross		146,973	166,224
Less accumulated depreciation and amortization		(88,901)	(98,649)
Total property and equipment—net		$ 58,072	$ 67,575

* Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the remaining lease term.

Depreciation and amortization expense related to our property and equipment was $8.2 million and $10.2 million for the three months ended October 31, 2016 and 2017, respectively.

Intangible Assets—Net—Intangible assets, net consists of the following:

	As of	
	July 31, 2017	October 31, 2017
	(in thousands	
Indefinite-lived intangible asset:		
In-process R&D*	$ 16,100	$ —
Finite-lived intangible assets:		
Developed technology*	7,300	23,400
Customer relationships	4,830	4,830
Total finite-lived intangible assets, gross	12,130	28,230
Total intangible assets, gross	28,230	28,230
Less:		
Accumulated amortization of developed technology	(1,314)	(2,209)
Accumulated amortization of customer relationships	(915)	(1,126)
Total accumulated amortization	(2,229)	(3,335)
Intangible assets, net	$ 26,001	$ 24,895

* We started amortizing the in-process R&D during the first quarter of fiscal 2018 because the related technology was completed and released in the first quarter of fiscal 2018. We are amortizing the developed technology using the straight-line method over a useful life of 5 years. Based on the foregoing, the balance of in-process R&D is now presented as part of developed technology under finite-lived intangible assets as of October 31, 2017.

The amortization expense of finite-lived intangible assets is being recognized in the condensed consolidated statement of operations within product cost of revenue for developed technology and sales and marketing expenses for customer relationships.

Estimated future amortization expense of finite-lived intangible assets is as follows:

Year Ending July 31:	(In thousands)
2018 (remaining nine months)	$ 4,066
2019	5,421
2020	5,421
2021	5,421
2022	4,224
Thereafter	342
Total	$ 24,895

Accrued Compensation and Benefits—Accrued compensation and benefits consists of the following:

	As of	
	July 31, 2017	October 31, 2017
	(in thousands)	
Accrued commissions	$ 20,388	$ 19,410
Accrued vacation	6,286	6,984
Contributions to ESPP withheld	14,371	6,008
Accrued bonus	7,342	5,384
Payroll taxes payable	3,434	6,603
Other	5,700	5,912
Total accrued compensation and benefits	$ 57,521	$ 50,301

Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities consists of the following:

	As of	
	July 31, 2017	October 31, 2017
	(in thousands)	
Accrued professional services	$ 4,167	$ 3,635
Income taxes payable*	3,873	3,929
Other	1,667	1,867
Total accrued expenses and other current liabilities	$ 9,707	$ 9,431

* Balance as of July 31, 2017 was adjusted to reflect the impact of the adoption of ASC 606 on income taxes. See Note 3 for a summary of adjustments.

Note 6. COMMITMENTS AND CONTINGENCIES

Except for the items below, there have been no material changes to our commitments compared to the commitments described in Note 7, Commitments and Contingencies, in Notes to Consolidated Financial Statements in Item 8 of Part II of the Form 10-K for the fiscal year ended July 31, 2017.

Purchase Commitments—In the normal course of business, we make commitments with our third-party hardware contract manufacturers to manufacture our inventories and non-standard components based on our forecasts. These commitments consist of obligations for on-hand inventories and non-cancelable purchase orders for non-standard components. We record a charge for firm, non-cancelable and unconditional purchase commitments with our third-party hardware contract manufacturers for non-standard components when and if quantities exceed our future demand forecasts through a charge to cost of product sales. As of October 31, 2017, we had approximately $23.6 million of non-cancelable purchase commitments pertaining to our normal operations, and approximately $79.0 million of other purchase obligations with our contract manufacturers.

Note 7.STOCKHOLDERS' EQUITY

Preferred Stock

Upon the closing of our initial public offering, or IPO, in October 2016, we filed an Amended and Restated Certificate of Incorporation, which authorized the issuance of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our Board of Directors, or the Board. As of October 31, 2017, there were 200,000,000 shares of preferred stock authorized with a par value of $0.000025 and no shares of preferred stock issued or outstanding.

Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. As of October 31, 2017, we had 1,000,000,000 shares of Class A common stock authorized with a par value of $0.000025 per share and 200,000,000 shares of Class B common stock authorized with a par value of $0.000025 per share. As of October 31, 2017, 108,173,525 shares of Class A common stock were issued and outstanding and 51,713,800 shares of Class B common stock were issued and outstanding.

Holders of Class A common stock are entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders and holders of Class B common stock are entitled to ten votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and generally automatically convert into shares of our Class A common stock upon a transfer. Shares issued in connection with exercises of stock options, vesting of restricted stock units, or shares purchased under the employee stock purchase plan are generally automatically converted into shares of our Class A common stock. Shares issued in connection with an exercise of the common stock warrants are converted into shares of our Class B common stock.

Note 8.EQUITY AWARD PLANS

Stock Plans—In June 2010, we adopted the 2010 Stock Plan, or the 2010 Plan, and in December 2011, we adopted the 2011 Stock Plan, or 2011 Plan. In December 2015, the Board adopted the 2016 Equity Incentive Plan, or the 2016 Plan, and together with the 2010 Plan and 2011 Plan, the Stock Plans, which was amended in September 2016. Our stockholders approved the 2016 Plan in March 2016 and it became effective in connection with our IPO in October 2016. As a result, upon the IPO, we ceased granting additional stock awards under the 2010 Plan and 2011 Plan and the 2010 Plan and 2011 Plan terminated. Any outstanding stock awards under the 2010 Plan and 2011 Plan will remain outstanding, subject to the terms of the applicable plan and award agreements, until such shares are issued under those stock awards, by exercise of stock options or settlement of RSUs, or until those stock awards become vested or expired by their terms. Under the 2016 Plan, we may grant incentive stock options, or ISOs, non-statutory stock options, or NSOs, restricted stock, or RS, restricted stock units, or RSUs, and stock appreciation rights, or SARs, to employees, directors and consultants. We have initially reserved 22,400,000 shares of our Class A common stock for issuance under the 2016 Plan. The number of shares of Class A common stock available for issuance under the 2016 Plan also includes an annual increase on the first day of each fiscal year beginning in fiscal year 2018, equal to the lesser of: 18,000,000 shares, 5% of the outstanding shares of classes of common stock as of the last day of our immediately preceding fiscal year, or such other amount as may be determined by the Board. Accordingly, on August 1, 2017, the number of shares of Class A common stock available for issuance under our 2016 Plan increased by 7,731,826 shares pursuant to these provisions. As of October 31, 2017, we had reserved a total of 56,636,515 shares for the issuance of equity awards under the Stock Plans, of which 22,201,692 shares were still available for grant.

Restricted Stock Units

Performance RSUs. We granted RSUs that contain both service and performance conditions to our executives and employees, which we refer to as Performance RSUs. Vesting of the Performance RSUs is subject to continuous service with us and satisfaction of certain of our liquidity events, including the expiration of a lock-up period established in connection with the IPO, or both certain liquidity events and specified performance targets. While we recognize cumulative stock-based compensation expense for the portion of the awards for which the service condition has been satisfied when it is probable that the performance conditions will be met, vesting and settlement of the Performance RSUs are subject to the performance conditions actually being met. During the three months ended October 31, 2016, we began to recognize Performance RSUs with liquidity event performance conditions as the satisfaction of the performance conditions for vesting became probable.

The summary of RSU activity under the Stock Plans is as follows:

	Number of Shares	Grant Date Fair Value per Share
Outstanding—July 31, 2017	17,376,090	$ 18.85
Granted	1,553,392	$ 23.72
Released	(1,412,978)	$ 16.04
Canceled/forfeited	(771,957)	$ 23.58
Outstanding—October 31, 2017	16,744,547	$ 19.32

Subsequent to October 31, 2017, we granted 7,311,448 RSUs to our employees with a weighted-average grant date fair value of $34.39 per share.

Stock Options—We did not grant any stock options during the three months ended October 31, 2017. A total of 2,580,224 stock options were exercised during the three months ended October 31, 2017 for an average exercise price of $3.09. As of October 31, 2017, 17,656,096 stock options remained outstanding.

Employee Stock Purchase Plan—In December 2015, the Board adopted the 2016 Employee Stock Purchase Plan, which was subsequently amended in January 2016 and September 2016 and approved by our stockholders in March 2016, or the 2016 ESPP. The 2016 ESPP became effective in connection with our IPO. A total of 3,800,000 shares of Class A common stock were initially reserved for issuance under the 2016 ESPP. The number of shares of Class A common stock available for sale under the 2016 ESPP also includes an annual increase on the first day of each fiscal year beginning in fiscal 2018, equal to the lesser of: 3,800,000 shares, 1% of the outstanding shares of classes of common stock as of the last day of our immediately preceding fiscal year, or such other amount as may be determined by the Board. Accordingly, on August 1, 2017, the number of shares of Class A common stock available for issuance under 2016 ESPP increased by 1,546,365 shares pursuant to these provisions.

The 2016 ESPP allows eligible employees to purchase shares of our Class A common stock at a discount through payroll deductions of up to 15% of eligible compensation, subject to caps of $25,000 in any calendar year and 1,000 shares on any purchase date. The 2016 ESPP provides for 12-month offering periods generally beginning March and September of each year, and each offering period consists of two six-month purchase periods.

On each purchase date, participating employees will purchase Class A common stock at a price per share equal to 85% of the lesser of the fair market value of our Class A common stock on (i) the first trading day of the applicable offering period and (2) the last trading day of each purchase period in the applicable offering period. If the stock price of our Class A common stock on any purchase date in an offering period is lower than the stock price on the enrollment date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period.

For the three months ended October 31, 2017, 1,261,104 shares of common stock were purchased for an aggregate amount of $17.4 million. As of October 31, 2017, 2,839,207 shares were available for future issuance under the 2016 ESPP.

We use the Black-Scholes option-pricing model to determine the fair value of shares purchased under the 2016 ESPP with the following weighted-average assumptions on the date of grant:

	Three Months Ended October 31,	
	2016	2017
Expected term (in years)	0.75	0.75
Risk-free interest rate	0.6%	1.25%
Volatility	50.6%	50.2%
Dividend yield	—%	—%

Stock-Based Compensation —Total stock-based compensation expense recognized for stock awards in the consolidated statements of operations is as follows (in thousands):

	Three Months Ended October 31,	
	2016	2017
	(in thousands)	
Cost of revenue:		
Product	$ 966	$ 570
Support and other services	3,350	2,072
Sales and marketing	33,891	13,766
Research and development	34,026	15,542
General and administrative	18,495	3,565
Total stock-based compensation expense	$ 90,728	$ 35,515

Stock-based compensation expense for the three months ended October 31, 2016 included cumulative stock-compensation expense related to stock awards with performance conditions, which vesting was deemed probable in the first quarter of fiscal 2017 upon the successful completion of our IPO. Prior to fiscal 2017, no expense was recognized related to these stock awards with performance conditions as vesting was not deemed probable. The cumulative stock-based compensation expense recorded in the first quarter of fiscal 2017 was for the portion of the awards for which the relevant service condition had been satisfied and we have continued to recognize the remaining expense over the remaining service period. Stock-based compensation expense related to stock awards without performance conditions is recognized on a straight-line basis over the requisite service period.

As of October 31, 2017, unrecognized stock-based compensation expense related to the outstanding stock awards was approximately $272.6 million and is expected to be recognized over a weighted-average period of approximately 2.2 years.

Note 9.INCOME TAXES

During the three months ended October 31, 2017, the income tax provision of $2.3 million primarily consisted of foreign taxes on our international operations and U.S. state income taxes. During the three months ended October 31, 2016, the income tax provision of $0.1 million primarily consisted of foreign taxes on our international operations and U.S. state income taxes, offset by the partial release of $1.5 million of the U.S. valuation allowance in connection with a business acquisition completed during the three months ended October 31, 2016 and tax benefit related to the early adoption of ASU 2016-09. The net deferred tax liability recorded in connection with a business acquisition completed during the three months ended October 31, 2016 provided an additional source of taxable income to support the realizability of the pre-existing deferred tax assets and as a result, we released a portion of the U.S. valuation allowance.

Note 10. NET LOSS PER SHARE

We compute basic net income (loss) per share using the weighted average number of common shares outstanding during the period. We compute diluted net income (loss) per share using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Dilutive potential common shares include shares issuable upon the exercise of stock options, the exercise of common stock warrants, the vesting of RSUs, and each purchase under our ESPP, under the treasury stock method.

In loss periods, basic net loss per share and diluted net loss per share are the same since the effect of potential common shares is anti-dilutive and therefore excluded.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical, our undistributed earnings or losses are allocated on a proportionate basis among the holders of both Class A and Class B common stock. As a result, the net income (loss) per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

Net Loss Per Share Attributable to Class A and Class B Common Stockholders—The computation of basic and diluted net loss per share is as follows (in thousands, except share and per share data):

	Three Months Ended October 31,	
	2016 *As Adjusted	2017
Numerator:		
Net loss	$ (140,302)	$ (61,487)
Denominator:		
Weighted-average shares—basic and diluted	74,373,788	156,780,631
Net loss per share attributable to common stockholders—basic and diluted	$ (1.89)	$ (0.39)

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

The potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive are as follows:

	Three Months Ended October 31,	
	2016	2017
Outstanding stock options and RSUs	40,764,842	34,400,643
Employee stock purchase plan	2,304,960	2,089,383
Common stock subject to repurchase	727,254	152,558
Common stock warrants	769,094	34,180
Total	44,566,150	36,676,764

Note 11. SEGMENT INFORMATION

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer, Chief Financial Officer and President. This group reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, we have a single reportable segment.

The following table sets forth revenue by geographic location based on bill-to location:

	Three Months Ended October 31,	
	2016 *As Adjusted	2017
	(in thousands)	
U.S.	$ 106,168	$ 187,365
Europe, the Middle East and Africa	25,416	37,444
Asia-Pacific	45,847	44,859
Other Americas	11,130	5,884
Total revenue	$ 188,561	$ 275,552

** See Note 3 for a summary of adjustments related to the adoption of the new revenue recognition standard.*

Pursuant to our arrangement with one of our OEMs, prior to the fourth quarter of fiscal 2017, billings to one of our OEMs were entirely attributed to Asia-Pacific. Beginning in the fourth quarter of fiscal 2017, billings were attributed to various geographic locations.

As of July 31, 2017 and October 31, 2017, $63.3 million and $72.7 million, respectively, of our net long-lived assets were located in the U.S.

Note 12. RELATED PARTY TRANSACTIONS

We enter into various transactions with our related parties in the normal course of business. During the three months ended October 31, 2016 and 2017, our purchases of goods or services from related parties totaled $0.2 million and $0.3 million, respectively. We did not have any payables outstanding to related parties as of July 31, 2017 and October 31, 2017. Revenue from related parties for the three months ended October 31, 2016 and 2017 were $0.1 million and $0.3 million, respectively. We did not have any receivables outstanding from related parties as of July 31, 2017 and October 31, 2017.

One member of our Board is affiliated with Lightspeed Venture Partners. As of October 31, 2017, entities affiliated with Lightspeed Venture partners owned approximately 7.3% of all our outstanding Class A common stock and Class B common stock combined.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the (1) unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the fiscal year ended July 31, 2017 included in our Annual Report on Form 10-K filed on September 18, 2017. The last day of our fiscal year is July 31. Our fiscal quarters end on October 31, January 31, April 30 and July 31. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors", set forth in Part II, Item 1A of this Form 10-Q. See "Special Note Regarding Forward-Looking Statements" above.

Overview

We provide a leading next-generation enterprise cloud operating system that converges traditional silos of server, virtualization, storage and networking into one integrated solution and unifies private and public cloud into a single software fabric. Our software delivers the agility, scalability and pay-as-you-grow economics of the public cloud, while addressing enterprise requirements of application mobility, security, data integrity and control. We provide our customers with the flexibility to selectively utilize the public cloud for suitable workloads and specific use cases by enabling increasing levels of application mobility across private and public clouds. We have combined advanced web-scale technologies with elegant consumer-grade design to deliver a powerful enterprise cloud operating system that elevates IT organizations by enabling them to focus on the applications and services that power their businesses. Our invisible infrastructure provides constant availability and low-touch management, enables application mobility across computing environments and reduces inefficiencies in IT planning.

Our solution can be delivered either as an appliance that is configured to order or as software-only. When end-customers purchase our operating system, they typically also purchase one or more years of support and maintenance in order to receive software upgrades, bug fixes and, where applicable, parts replacement. Product revenue is generated primarily from the sales of our solution, and is generally recognized upon transfer of control to the customers. Support and other services revenue is primarily derived from the related support and maintenance contracts, and is recognized ratably over the term of the support contracts. Delivery of our solution through appliance sales have comprised the bulk of our historical product revenue; however, starting in the first quarter of fiscal year 2018, we began the process of transitioning our business to focus primarily on software-only sales, which we expect to complete in a year and a half.

We had a broad and diverse base of 7,813 end-customers as of October 31, 2017, including 608 Global 2000 enterprises. We define the number of end-customers as the number of end-customers for which we have received an order by the last day of the period, excluding partners to which we have sold products for their own demonstration purposes. A single organization or customer may represent multiple end-customers for separate divisions, segments or subsidiaries. Since shipping our first product in fiscal 2012, our end-customer base has grown rapidly. The number of end-customers grew from 4,473 as of October 31, 2016 to 7,813 as of October 31, 2017. Our operating system is primarily sold through channel partners, including distributors and resellers, and original equipment manufacturers, or OEMs, and delivered directly to our end-customers. A major part of our sales and marketing investment is to educate our end-customers about the benefits of our solution, particularly as we continue to pursue large enterprises and mission critical workloads. Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure, or VDI, unified communications and big data analytics and we have recently announced the capability to support both virtualized and non-virtualized applications. We have end-customers across a broad range of industries, such as automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology and telecommunications. We also sell to service providers, who utilize our operating system to provide a variety of cloud-based services to their customers.

We continue to invest heavily in the growth of our business, including the development of our solutions and build-out of our global sales force. The number of our full-time employees increased from 2,357 as of October 31, 2016 to 3,009 as of October 31, 2017. We have recruited an engineering team focused on distributed systems and IT infrastructure technologies at our San Jose, California headquarters and at our research and development centers in Bangalore, India, Durham, North Carolina and Seattle, Washington. We have also expanded our international sales and marketing presence by continuing to build out our global teams. We intend to continue to invest in our global engineering team to enhance the functionality of our operating system, introduce new products and features and build upon our technology leadership, as well as continue to expand our global sales and marketing teams.

Our total revenue was $188.6 million and $275.6 million for the three months ended October 31, 2016 and 2017, respectively, representing year-over-year growth of 46%. Our net losses were $140.3 million and $61.5 million for the three months ended October 31, 2016 and 2017, respectively. Net cash generated from operations was $4.2 million and $10.1 million for the three months ended October 31, 2016 and October 31, 2017, respectively. Free cash flow was an outflow of $7.8 million for the three months ended October 31, 2016 and an outflow of $7.9 million for the three months ended October 31, 2017. As of October 31, 2017, we had an accumulated deficit of $792.5 million.

New Accounting Standard

We adopted the new accounting standard related to revenue recognition effective August 1, 2017. Prior period information presented here has been adjusted to reflect the adoption of this new standard. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for the summary of adjustments.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the Three Months Ended October 31,	
	2016	2017
	(Dollars in thousands)	
Total revenue	$ 188,561	$ 275,552
Billings	$ 239,767	$ 315,340
Gross profit	$ 118,799	$ 166,930
Adjusted gross profit	$ 123,353	$ 170,467
Gross margin	63%	61%
Adjusted gross margin	65%	62%
Total deferred revenue	$ 275,696	$ 408,844
Net cash provided by operating activities	$ 4,160	$ 10,107
Free cash flow	$ (7,755)	$ (7,858)
Non-GAAP operating expenses	145,841	192,603
Total end-customers	4,473	7,813

Non-GAAP Financial Measures and Key Performance Measures

We regularly monitor billings, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses, which are non-GAAP financial measures and key performance measures, to help us evaluate our growth and operational efficiencies, measure our performance and identify trends in our sales activity, and establish our budgets. We evaluate these measures because they:

- are used by our management and board of directors to understand and evaluate our performance and trends as well as provide a useful measure for period-to-period comparisons of our core business;

- are widely used by investors and other parties in understanding and evaluating companies in our industry as a measure of financial performance; and

- are used by management to prepare and approve our annual budget and to develop short-term and long-term operational and compensation plans, as well as to assess the extent of achievement of goals.

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. Free cash flow is a performance measure that our management believes provides useful information to management and investors about the amount of cash (used in) generated by the business after necessary capital expenditures. Adjusted gross profit, adjusted gross margin and non-GAAP operating expense are performance measures which our management believes provides useful information to investors because they 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. 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. Billings, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses 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, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses are not substitutes for total revenue, gross profit, gross margin, cash (used in) provided by operating activities, or GAAP operating expenses, 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, and not to rely on any single financial measure to evaluate our business.

We calculate our non-GAAP measures as follows:

Billings—We calculate billings by adding the change in deferred revenue (net of acquisitions) between the start and end of the period to total revenue recognized in the same period.

Adjusted gross profit and adjusted gross margin—We calculate adjusted gross margin as adjusted gross profit divided by total revenue. We define adjusted gross profit as our gross profit adjusted to exclude stock-based compensation and amortization of acquired intangible assets. Our presentation of adjusted gross profit percentage should not be construed as implying that our future results will not be affected by any recurring expenses or any unusual or non-recurring items that we exclude from our calculation of this non-GAAP financial measure.

Free cash flow—We calculate free cash flow as net cash (used in) provided by operating activities adjusted with purchases of property and equipment, which measures our ability to generate cash from our business operations after our capital expenditures.

Non-GAAP operating expenses—We define non-GAAP operating expenses as total operating expenses adjusted to exclude stock-based compensation and costs associated with business acquisitions (such as amortization of acquired intangible assets, revaluation of contingent consideration and other acquisition-related costs). Our presentation of non-GAAP operating expenses should not be construed as implying that our future results will not be affected by any recurring expenses or any unusual or non-recurring items that we exclude from our calculation of this non-GAAP financial measure.

The following table presents a reconciliation of billings, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses to the most directly comparable GAAP financial measures, for each of the periods indicated:

	Three Months Ended October 31,	
	2016	2017
	(Dollars in thousands)	
Total revenue	$ 188,561	$ 275,552
Change in deferred revenue (net of acquisitions)	51,206	39,788
Billings (non-GAAP)	$ 239,767	$ 315,340
Gross profit	$ 118,799	$ 166,930
Stock-based compensation	4,316	2,642
Amortization of intangible assets	238	895
Adjusted gross profit (non-GAAP)	$ 123,353	$ 170,467
Gross margin	63%	61%
Stock-based compensation	2%	1%
Amortization of intangible assets	—%	—%
Adjusted gross margin (non-GAAP)	65%	62%
Net cash provided by (used in) operating activities	$ 4,160	$ 10,107
Purchases of property and equipment	(11,915)	(17,965)
Free cash flow (non-GAAP)	$ (7,755)	$ (7,858)
Operating expenses	$ 233,278	$ 225,969
Stock-based compensation	(86,412)	(32,873)
Change in fair value of contingent consideration	(186)	(282)
Amortization of intangible assets	(167)	(211)
Business acquisition-related costs	(672)	—
Operating expenses (non-GAAP)	$ 145,841	$ 192,603

Factors Affecting Our Performance

We believe that our future success will depend on many factors, including those described below. While these areas present significant opportunity, they also present risks that we must manage to achieve successful results. See the section titled “Risk Factors.” If we are unable to address these challenges, our business and operating results could be adversely affected.

Investment in Growth

We plan to continue to invest in sales and marketing so that we can capitalize on our market opportunity, and as part of this, we intend to specifically expand our focus on opportunities with major accounts and large deals, which we define as transactions over $500,000 in committed value. We have significantly increased our sales and marketing personnel, which grew by 32% from October 31, 2016 to October 31, 2017. We estimate, based on past experience, that sales team members typically become fully ramped around the time of the start of their fourth quarter of employment with us, and as our newer employees ramp up, we expect their increased productivity to contribute to our revenue growth. As of October 31, 2017, we considered 63% of our global sales team members to be fully productive, while the remaining 37% of our global sales team members are in the process of ramping up. As we shift the focus of some of our new and existing sales team members to major accounts and large deals, it may take longer for these sales team members to become fully productive, and there may also be an impact to the overall productivity of our sales team. We are focused on actively managing this realignment, and expect continuing improvement over the coming quarters. We intend to continue to grow our global sales and marketing team to acquire new end-customers and to increase sales to existing end-customers.

We also intend to continue to grow our research and development and global engineering team to enhance our solutions, improve integration with new and existing ecosystem partners, and broaden the range of IT infrastructure technologies that we converge into our operating system. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Market Adoption of Our Products

The public cloud has changed IT buyer expectations about the simplicity, agility, scalability and pay-as-you-grow economics of IT resources, which represent a major architectural shift and business model evolution. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our operating system, both as compared to traditional data center architectures as well as the public cloud, particularly as we continue to pursue large enterprises and mission critical workloads. The broad nature of the technology shift that our operating system represents and the relationships our end-customers have with existing IT vendors sometimes lead to unpredictable sales cycles, which we hope to compress and stabilize as market adoption increases, as we gain leverage with our channel partners and as our sales and marketing efforts expand. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our operating system.

Leveraging Channel and OEM Partners

We plan to continue to strengthen and expand our network of channel and OEM partners to increase sales to both new and existing end-customers. We believe that increasing channel leverage by investing aggressively in sales enablement and co-marketing with our partners will extend and improve our engagement with a broad set of end-customers. Our business and results of operations will be significantly affected by our success in leveraging and expanding our network of channel and OEM partners.

Continued Purchases and Upgrades within Existing Customer Base

Our end-customers typically deploy our technology for a specific workload initially. After a new end-customer's initial order, which includes the product and associated maintenance, support and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our support and maintenance renewals. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter compared to new end-customer deployments and selling efforts are typically less. As of October 31, 2017, approximately 72% of our end-customers who have been with us for 18 months or longer have made a repeat purchase, which is defined as any purchase activity, including support and maintenance renewals, subsequent to the initial purchase. Additionally, end-customers who have been with us for 18 months or longer have total lifetime orders (which includes the initial order) to date in an amount that is more than 4.1x greater, on average, than their initial order. This number increases to approximately 8.6x, on average, for Global 2000 end-customers who have been with us for 18 months or longer, and to more than 21.3x, on average, for our top 25 end-customers as of October 31, 2017. The multiples exclude the effect of one end-customer who had a very large and irregular purchase pattern that we believe is not representative of the purchase patterns of all our other end-customers. Our business and operating results will depend on our ability to sell additional products to our current existing and future base of end-customers.

Changes in Product Mix and Associated Accounting Impact

Shifts in the mix of whether our solutions are sold as an appliance or as software-only could result in fluctuations in our revenue and gross margins. Software-only sales typically reflect higher gross margins and lower revenue in a given period, since the sale does not include the revenue or cost of the hardware components in an appliance. Historically, most of our solutions have been delivered on an appliance and our revenue thus included the revenue associated with the hardware from such appliances. However, starting in the first quarter of fiscal year 2018, we began the process of transitioning our business to focus primarily on software-only sales and thus selling less hardware. As a result, we expect there to be an overall product mix shift towards sales of our solutions as software-only licenses, which we expect will be reflected in corresponding changes to our revenue and gross margins.

Revenue for the solutions, whether sold on an appliance, or as a stand-alone software are generally recognized upon transfer of control to our customers. For additional information on our revenue recognition, see Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board, or FASB, issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), or ASC 606. The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard would have been effective for the Company beginning August 1, 2018, and adoption as of the original effective date of August 1, 2017 was permitted. The Company elected to early adopt the standard effective August 1, 2017 using the full retrospective method, which required us to restate our historical financial information to be consistent with the new standard. The most significant impact of the standard related to the timing of revenue recognition for certain software licenses sold with post contract support, or PCS, for which we do not have vendor specific objective evidence, or VSOE, under the previous revenue recognition guidance. Under the new standard, the requirement to have VSOE for undelivered elements is eliminated and we will recognize revenue for such software licenses upon transfer of control to our customers. In addition, the adoption of ASC 606 also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impacts to provision for income taxes. For additional information on the impacts to previously reported results, see Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

Components of Our Results of Operations

Our results of operations for the three months ended October 31, 2016 included significant (i) cumulative stock-based compensation expense related to stock awards with performance conditions, referred to as the performance stock awards, due to our initial public offering, or IPO, and (ii) the impact of business acquisitions, which closed during the three months ended October 31, 2016. Beginning in the fiscal year ended July 31, 2014, we began granting performance stock awards with vesting subject to (i) continuous service with us and (ii) satisfaction of one or more performance conditions (a liquidity event or both a liquidity event and certain performance targets). As a result of our IPO, we began to recognize stock-based compensation expense related to these performance stock awards during the three months ended October 31, 2016 as the performance condition, a liquidity event or IPO, was deemed probable of achievement. The cumulative stock-based compensation expense recognized in the first quarter of fiscal 2017 was approximately $83.0 million and it was for the portion of the awards for which the relevant service condition had been satisfied. We continue to amortize the remaining expense over the remaining service period. Amortization during the three months ended October 31, 2017 related to these performance stock awards was approximately $6.3 million.

Revenue

We generate revenue from the sale of our software solution, which can be delivered on a hardware appliance or on a stand-alone basis, PCS and professional services. A substantial portion of sales are made via channel partners. We also generate a significant portion of our revenue through OEM relationships, such as with Dell Technologies and Lenovo Group Ltd. These OEMs embed our software in their own hardware and we provide limited PCS on these transactions.

Product revenue —A substantial majority of our product revenue is generated from the sale of our software operating system, which can be delivered on a hardware appliance that is configured to order, or sold as stand-alone software, for which our customers separately procure their own hardware appliance. Revenue from our software products delivered on a hardware appliance, or as stand-alone software is generally recognized upon transfer of control to our customers, which is typically upon shipment for sales including a hardware appliance. In our standard distributor or reseller agreements, title and risk of loss pass to customer upon shipment.

Support and other services revenue—We generate our support and other services revenue primarily from support and maintenance contracts, and, to a lesser extent, from professional services. The majority of our product sales are sold in conjunction with support and maintenance contracts with terms ranging from one to five years. We recognize revenue from support and maintenance contracts ratably over the contractual service period. The service period typically commences upon transfer of control of the corresponding products to our customer. We recognize revenue related to professional services as they are performed.

Cost of Revenue

Cost of product revenue. Cost of product revenue consists of costs paid to third-party contract manufacturers, which includes hardware costs, personnel costs (consisting of salaries, benefits, bonuses and stock-based compensation) associated with our operations function and allocated costs (which consist of certain facilities, depreciation and amortization, recruiting, and information technology costs allocated based on headcount). We expect our cost of product revenue to decrease as a percentage of revenue as we expect an increasing percentage of our sales to move to software-only model.

Cost of support and other services revenue. Cost of support and other services revenue includes personnel and operating costs associated with our global customer support organization as well as allocated costs. We expect our cost of support and other services revenue to increase in absolute dollars as our support and other services revenue increases.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development, and general and administrative expenses. The largest component of our operating expenses is personnel costs. Personnel costs consist of wages, benefits, bonuses, and, with respect to sales and marketing expenses, sales commissions. Personnel costs also include stock-based compensation expense.

Sales and marketing**.** Sales and marketing expense consists primarily of personnel costs. Sales and marketing expense also includes sales commissions, costs for promotional activities and other marketing costs, travel costs, and costs associated with demonstration units, including depreciation and allocated costs. Commissions are deferred and recognized as we recognize the associated revenue. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our global sales and marketing organizations. Our sales and marketing expense may fluctuate as a percentage of total revenue.

Research and development. Research and development expense primarily consists of personnel costs, as well as other direct and allocated costs. We have devoted our product development efforts primarily to enhancing the functionality and expanding the capabilities of our solutions. Research and development costs are expensed as incurred. We expect research and development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.

General and administrative. General and administrative expense consists primarily of personnel costs, which include our executive, finance, human resources and legal organizations. General and administrative expense also includes outside professional services, which consists primarily of legal, accounting and other consulting costs, as well as insurance and other costs associated with being a public company and allocated costs. We expect general and administrative expense to increase in absolute dollars particularly due to additional legal, accounting, insurance and other costs associated with our growth, although our general and administrative expense may fluctuate as a percentage of total revenue.

Other Income (Expense)—net

Other income (expense)—net consists primarily of interest income and expense, foreign currency exchange gains or losses and gains or losses on investments. Upon the completion of our IPO during the three months ended October 31, 2016, we reclassified the convertible preferred stock warrants, which, prior to our IPO, were classified as a liability on our consolidated balance sheet and re-measured to fair value at each balance sheet date with the corresponding changes in fair value recorded as other expense, into warrants to purchase Class B common stock. As a result, the convertible preferred stock liability was re-measured to its then fair value, which was based on the closing per share price of our Class A common stock on October 4, 2016, and reclassified to additional paid-in capital. Subsequent to the conversion of our convertible preferred stock warrants in connection with our IPO, we no longer remeasured them at fair value or incurred any charges related to changes in fair value. In addition, during the three months ended October 31, 2016, we fully repaid our outstanding $75.0 million of senior notes due April 15, 2019, or the senior notes, and incurred a loss on debt extinguishment.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and state income taxes in the United States. We have recorded a full valuation allowance related to our federal and state net operating losses and other net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

Results of Operations

The following tables set forth our consolidated results of operations in dollars and as a percentage of total revenue for the periods presented. The period to period comparison of results is not necessarily indicative of results for future periods. We adopted the new accounting standard related to revenue recognition effective August 1, 2017. Prior period information presented here has been adjusted to reflect the adoption of this new standard. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for the summary of adjustments.

	Three Months Ended October 31,	
	2016	2017
	(In thousands)	
Consolidated Statements of Operations Data:		
Revenue:		
Product	$ 153,536	$ 219,052
Support and other services	35,025	56,500
Total revenue	188,561	275,552
Cost of revenue:		
Product (1)(2)	52,210	85,162
Support and other services (1)	17,552	23,460
Total cost of revenue	69,762	108,622
Gross profit	118,799	166,930
Operating expenses:		
Sales and marketing (1)(2)	128,625	145,405
Research and development (1)	75,281	64,512
General and administrative (1)	29,372	16,052
Total operating expenses	233,278	225,969
Loss from operations	(114,479)	(59,039)
Other expense—net	(25,712)	(189)
Loss before provision for income taxes	(140,191)	(59,228)
Provision for income taxes	111	2,259
Net loss	$ (140,302)	$ (61,487)
(1) Includes stock-based compensation expense as follows:		
Product cost of sales	$ 966	$ 570
Support cost of sales	3,350	2,072
Sales and marketing	33,891	13,766
Research and development	34,026	15,542
General and administrative	18,495	3,565
Total stock-based compensation	$ 90,728	$ 35,515
(2) Includes amortization of intangible assets as follows:		
Product cost of sales	$ 238	$ 895
Sales and marketing	167	211
Total amortization of intangible assets	$ 405	$ 1,106

	Three Months Ended October 31,	
	2016	2017
	(As a percentage of total revenue)	
Consolidated Statements of Operations Data:		
Revenue:		
Product	81 %	79 %
Support and other services	19 %	21 %
Total revenue	100 %	100 %
Cost of revenue:		
Product	28 %	31 %
Support and other services	9 %	8 %
Total cost of revenue	37 %	39 %
Gross profit	63 %	61 %
Operating expenses:		
Sales and marketing	68 %	53 %
Research and development	40 %	23 %
General and administrative	16 %	6 %
Total operating expenses	124 %	82 %
Loss from operations	(61)%	(21)%
Other expense—net	(14)%	— %
Loss before provision for income taxes	(75)%	(21)%
Provision for income taxes	0 %	1 %
Net loss	(75)%	(22)%

Comparison of the Three Months Ended October 31, 2016 and 2017

Revenue

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Product	$ 153,536	$ 219,052	$ 65,516	43%
Support and other services	35,025	56,500	21,475	61%
Total revenue	$ 188,561	$ 275,552	$ 86,991	46%

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
U.S.	$ 106,168	$ 187,365	$ 81,197	76 %
Europe, the Middle East and Africa	25,416	37,444	12,028	47 %
Asia-Pacific	45,847	44,859	(988)	(2)%
Other Americas	11,130	5,884	(5,246)	(47)%
Total revenue	$ 188,561	$ 275,552	$ 86,991	46 %

The increase in product revenue for the three months ended October 31, 2017 reflects increased domestic and international demand for our solutions as we continued to penetrate and expand in global markets through increased sales and marketing activities. Our total end-customer count increased from 4,473 as of October 31, 2016 to 7,813 as of October 31, 2017.

Support and other services revenue increased in the three months ended October 31, 2017 compared to the same period in prior year in conjunction with the growth of our end-customer base and the related support and software maintenance contracts.

Cost of Revenue and Gross Margin

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Cost of product revenue	$ 52,210	$ 85,162	$ 32,952	63%
Product gross margin	*66%*	*61%*		
Cost of support and other services revenue	$ 17,552	$ 23,460	$ 5,908	34%
Support and other services gross margin	*50%*	*58%*		
Total gross margin percentage	*63%*	*61%*		

Cost of product revenue

Cost of product revenue increased in the three months ended October 31, 2017 due to the corresponding increase in product sales compared to the corresponding prior year period. Additionally, during the three months ended October 31, 2017, the cost of certain of our hardware components, specifically DRAM and NAND, continued to increase due to supply constraints.

The decrease in product gross margin was driven primarily by the increase in hardware component costs indicated above, partially offset by higher software mix during the three months ended October 31, 2017 compared to the same prior year period. We expect to see continued pressure on the costs of DRAM as a result of continued supply constraints in the three months ending January 31, 2018 and we expect these costs to continue to increase so long as the DRAM market remains supply constrained.

Cost of support and other services revenue

Cost of support and other services revenue increased in the three months ended October 31, 2017 compared to the same prior year period due to higher personnel costs of our global customer support organization. The increase in personnel costs was primarily due to an increase in our customer support and other services headcount of 40% from October 31, 2016 to October 31, 2017. This increase was partially offset by lower stock-based compensation expense, as compared to the corresponding prior year period, in which we recognized a cumulative expense related to pre-IPO grants that we started expensing during the three months ended October 31, 2016. Support and other services gross margin increased during the three months ended October 31, 2017 compared to the same prior year period, primarily due to efficiencies gained in our support organization and headcount or personnel related costs growing at a slower rate than support and other services revenue.

Operating Expenses

Sales and Marketing

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Sales and marketing	$ 128,625	$ 145,405	$ 16,780	13%
Percent of total revenue	*68%*	*53%*		

Sales and marketing expense increased in the three months ended October 31, 2017 compared to the same prior year period primarily due to higher personnel costs and sales commissions, as our sales and marketing headcount increased by 32% from October 31, 2016 to October 31, 2017. Additionally, as part of our efforts to penetrate and expand in global markets, we have continually increased our marketing activities related to brand awareness, promotions, trade shows and partner programs. This increase in personnel costs and sales commissions was partially offset by lower stock-based compensation expense as compared to the corresponding prior year period, in which we recognized a cumulative expense related to pre-IPO grants that we started expensing during the three months ended October 31, 2016.

Research and Development

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Research and development	$ 75,281	$ 64,512	$ (10,769)	(14)%
Percent of total revenue	*40%*	*23%*		

Research and development expense decreased in the three months ended October 31, 2017, primarily due to lower stock-based compensation expense as compared to the corresponding prior year period. In the first quarter of fiscal 2017, we recognized a cumulative stock-based compensation expense related to pre-IPO grants that we started expensing during the three months ended October 31, 2016. The lower stock-based compensation expense was partially offset by higher personnel costs as our research and development headcount increased by 18% from October 31, 2016 to October 31, 2017, as we have continued the expansion of our product development activities.

General and Administrative

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
General and administrative	$ 29,372	$ 16,052	$ (13,320)	(45)%
Percent of total revenue	*16%*	*6%*		

General and administrative expense decreased in the three months ended October 31, 2017, primarily due to lower stock-based compensation expense as compared to the corresponding prior year period. In the first quarter of fiscal 2017, we recognized a cumulative stock-based compensation expense related to pre-IPO grants that we started expensing during the three months ended October 31, 2016. The lower stock-based compensation expense was partially offset by higher personnel costs as our general and administrative headcount increased by 20% from October 31, 2016 to October 31, 2017 to support our growing operations and international footprint.

Other Expense-net

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Other expense-net	$ (25,712)	$ (189)	$ 25,523	(99)%

Other expense-net for the three months ended October 31, 2017, was primarily related to foreign currency losses, mostly offset by interest earned on short-term investments. Other expense-net for the three months ended October 31, 2016 was primarily related to $21.1 million change in the fair value of our convertible preferred stock warrant liability and $3.3 million loss on debt extinguishment resulting from the early extinguishment of our senior notes.

Provision for Income Taxes

	Three Months Ended October 31,		Change	
	2016	2017	$	%
	(In thousands, except percentages)			
Provision for income taxes	$ 111	$ 2,259	$ 2,148	1,935%

The increase in income tax provision during the three months ended October 31, 2017, as compared to the three months ended October 31, 2016, was primarily due to increase in foreign taxes as we continued our global expansion. The income tax provision during the three months ended October 31, 2016 was partially offset by a $1.5 million partial release of the U.S. valuation allowance from a business acquisition completed during the three months ended October 31, 2016 and tax benefit related to the early adoption of ASU 2016-09. The net deferred tax liability from the business acquisition provided an additional source of taxable income to support the realizability of the pre-existing deferred tax assets and, as a result, we released a portion of the U.S. deferred tax asset valuation allowance.

Liquidity and Capital Resources

As of October 31, 2017, we had $132.5 million of cash and cash equivalents and $233.5 million of short-term investments which were held for general corporate purposes. Our cash and cash equivalents primarily consist of bank deposits and money market accounts. Our short-term investments consist of highly rated debt instruments of the U.S. government and its agencies and debt instruments of highly rated corporations.

We believe that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product and service offerings, and the continuing market acceptance of our products. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended October 31,	
	2016	2017
	(in thousands)	
Net cash provided by operating activities	$ 4,160	$ 10,107
Net cash used in investing activities	(47,959)	(41,153)
Net cash provided by financing activities	170,053	25,146
	$ 126,254	$ (5,900)

Cash Flows from Operating Activities

Net cash provided by operating activities was $10.1 million for the three months ended October 31, 2017, an increase of $5.9 million compared to $4.2 million in net cash generated from operating activities for the three months ended October 31, 2016. The increase in cash generated from operating activities for the three months ended October 31, 2017 was primarily due to higher billings and collections, partially offset by higher operating expenses as we continued to invest in the longer-term growth of our business.

Cash Flows from Investing Activities

Net cash used in investing activities of $41.2 million for the three months ended October 31, 2017 was due to $59.1 million of short-term investment purchases and $18.0 million of purchases of property and equipment, partially offset by $35.9 million of maturities of short-term investments.

Net cash used in investing activities of $48.0 million for the three months ended October 31, 2016 included $87.4 million of short-term investment purchases and $11.9 million of purchases of property and equipment as we continue to invest in the longer-term growth of our business. This was partially offset by $31.6 million of sales of short-term investments and $20.0 million of maturities of short-term investments.

Cash Flows from Financing Activities

Net cash provided by financing activities of $25.1 million for the three months ended October 31, 2017 was primarily related to $25.2 million of net proceeds from sales of shares through employee equity incentive plans.

Net cash provided by financing activities of $170.1 million for the three months ended October 31, 2016 primarily consisted of $254.5 million of proceeds from our IPO, net of underwriting discounts and commission, and $1.5 million of net proceeds from sales of shares through employee equity incentive plans, partially offset by $76.6 million of repayment of our senior notes including debt extinguishment costs, $7.1 million payment of debt in conjunction with a business acquisition completed during the three months ended October 31, 2016 and $2.2 million of payments of offering costs for our IPO.

Contractual Obligations

From time to time, we make commitments with our contract manufacturers, which consist of obligations for on-hand inventories and non-cancelable purchase orders for non-standard components. We record a charge to cost of product sales for firm, non-cancelable and unconditional purchase commitments with the contract manufacturers for non-standard components when and if quantities exceed our future demand forecasts. Our historical charges have not been material.

As of October 31, 2017, we had $79.0 million in purchase commitments with our third-party contract manufacturers, which consist of obligations for on hand inventories and non-cancelable purchase orders for non-standard components, and $23.6 million of other purchase obligations pertaining to our normal operations. There have been no other significant changes during the three months ended October 31, 2017 to the contractual obligations disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2017.

As of October 31, 2017, we had accrued liabilities related to uncertain tax positions, which are reflected on our consolidated balance sheet. These accrued liabilities are not reflected in the table above since it is unclear when these liabilities will be paid.

Off-Balance Sheet Arrangements

As of October 31, 2017, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates, assumptions and judgments on an ongoing basis. Our estimates, assumptions and judgments are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our financial statements, which, in turn, could change the results from those reported.

Except for accounting policies related to our early adoption of ASC 606, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2017. See Note 3 of Part I, Item 1 of this Quarterly Report on Form 10-Q for the critical accounting policies resulting from our early adoption of ASC 606.

Recent Accounting Pronouncements

See Note 2 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of our business. We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Our consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Historically, our revenue contracts have been denominated in U.S. dollars. Our expenses are generally denominated in the currencies in which our operations are located. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments. In the event our foreign sales and expenses increase, our operating results may be more greatly affected by foreign currency exchange rate fluctuations, which can affect our operating income or loss. The effect of a hypothetical 10% change in foreign currency exchanges rates on our non-U.S. dollar monetary assets and liabilities would not have had a material impact on our historical consolidated financial statements. Foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our consolidated financial statements.

A hypothetical 10% decrease in the U.S. Dollar against other currencies would result in an increase in operating loss of approximately $4.1million and $6.1 million for the three months ended October 31, 2016 and 2017, respectively. The change in hypothetical increase in operating loss for the three months ended October 31, 2017 compared to the three months ended October 31, 2016 is due to an increase in foreign currency expenses. This analysis disregards the possibilities that rates can move in opposite directions and that losses from one geographic area may be offset by gains from another geographic area.

Interest Rate Risk

Our investment objective is to conserve capital and maintain liquidity to support our operations; therefore, we generally invest in highly liquid securities, consisting primarily of bank deposits, money market funds, commercial paper, U.S. government securities and corporate bonds. Such fixed and floating interest-earning instruments carry a degree of interest rate risk. Fixed income securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. Therefore, we do not expect our operating results or cash flows to be materially affected by a sudden change in interest rates.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on management's evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

Except for the implementation of certain internal controls related to the adoption of ASC 606, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended October 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented certain internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new revenue recognition standard on our financial statements to facilitate its adoption effective August 1, 2017. In addition, we have made some changes to certain internal controls to reflect new processes that were implemented as a result of the adoption of ASC 606.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings that we believe to be material to our business or financial condition. From time to time we may become party to various litigation matters and subject to claims that arise in the ordinary course of business.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including our consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect our business. If any of the following risks occur, our business, financial condition, operating results and prospects could be materially harmed. In that event, the price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Industry

We have a history of losses and we may not be able to achieve or maintain profitability in the future.

We have incurred net losses in all periods since our inception, and we expect that we will continue to incur net losses for the foreseeable future. We experienced net losses of $108.2 million, $379.6 million and $61.5 million for fiscal 2016, fiscal 2017 and three months ended October 31, 2017, respectively. As of October 31, 2017, we had an accumulated deficit of $792.5 million. In addition to the investments we expect to continue to make to grow our business, we have also incurred and expect to continue incurring significant additional legal, accounting and other expenses as a newly public company that we did not incur as a private company. If we fail to increase our revenue and manage our expenses, we may not achieve or sustain profitability in the future.

The markets in which we compete are rapidly evolving, which make it difficult to forecast end-customer adoption rates and demand for our solutions.

The markets in which we compete are rapidly evolving. Accordingly, our future financial performance will depend in large part on the allocation of spending in traditional IT markets and on our ability to adapt to new market demands. Currently, sales of our solutions are dependent in large part upon replacement of spending in traditional markets, including x86 servers, storage systems and virtualization software. In addition, as we develop new solutions designed to address new market demands, such as the recently announced Nutanix Calm and Nutanix Xi Cloud Services, sales of our solutions will in part be dependent on capturing new spending in these markets, including hybrid cloud services. If these markets experience a shift in customer demand, or if customers in these markets focus their new spending on, or shift their existing spending to, public cloud solutions more quickly or more extensively than expected, our solutions may not compete as effectively, if at all. It is also difficult to predict end-customer demand or adoption rates for our solutions or the future growth of our market.

If end-customers do not adopt our solutions, our ability to grow our business and operating results may be adversely affected.

Traditional IT infrastructure architecture is entrenched in the datacenters of many of our end-customers because of their historical financial investment in existing IT infrastructure architecture and the existing knowledge base and skillsets of IT administrators. As a result, our sales efforts often involve extensive efforts to educate our end-customers as to the benefits and capabilities of our web-scale architecture solutions, particularly as we continue to pursue large organizations as end-customers. If we fail to achieve market acceptance of our solutions, our ability to grow our business and our operating results will be adversely affected.

A shift in our relationships with our OEM partners could adversely affect our results of operations.

Our relationships with our original equipment manufacturer, or OEM, partners continue to shift as industry dynamics change, and our OEM partners may be less willing to partner with us as an OEM or otherwise as such shifts occur. For example, Dell Technologies is not just an OEM partner, but also a competitor of ours, and accounted for over 10% of our total billings in each of fiscal 2016 and fiscal 2017. In September 2016, EMC Corporation, or EMC, was acquired by Dell. As a result of the acquisition, Dell may be more likely to promote and sell its own solutions, including those from EMC’s complementary product portfolio, over our products, or cease selling or promoting our products entirely. Also, Dell holds a majority of outstanding voting power in VMware Inc., or VMware, and could combine the Dell, EMC and VMware product portfolios into unified offerings optimized for their platforms. If Dell decides to sell its own solutions over our products, that could adversely impact our OEM sales and harm our business, operating results and prospects, and our stock price could decline.

Further, since we account for OEM sales, including sales made by Dell, as software sales for revenue recognition purposes, and because we decided to early adopt the new revenue recognition standard (Accounting Standard Update 2014-09, Revenue from Contracts with Customers, or ASC 606) effective as of August 1, 2017, any reduction in OEM sales by any of our OEM partners will have an increased impact on our reported revenue and gross margins in future periods, potentially making it more difficult for us to forecast revenue and gross margins in future quarters. Under ASC 606, revenue from Dell would have accounted for approximately 12% and 10% of our total revenue in fiscal 2016 and fiscal 2017, respectively.

Our revenue growth in recent periods may not be indicative of our future performance.

We have experienced significant revenue growth in recent periods with total revenue of $503.4 million, $845.9 million, $188.6 million and $275.6 million for fiscal 2016, fiscal 2017 and the three months ended October 31, 2016 and 2017, respectively. You should not consider our revenue growth in recent periods as indicative of our future performance. While we have recently experienced significant revenue growth, we may not achieve similar revenue growth in future periods. In addition, we expect to transition our business to focus on more software-only transactions. Software-only sales typically reflect higher gross margins and lower revenue in a given period, as compared to software sales deployed on off-the-shelf servers, since the sale does not include the revenue or cost of the hardware components in an appliance. As we transition to more software-only transactions, we anticipate that our revenue growth will slow during the transition period, and there is no guarantee that we will be able to successfully increase our software-only sales to the anticipated levels. Accordingly, you should not rely on our revenue growth for any prior periods as an indication of our future revenue or revenue growth.

We have experienced rapid growth in recent periods and we may not be able to sustain or manage any future growth effectively.

We have expanded our overall business and operations significantly in recent periods. Our employee headcount increased significantly since our inception, and we may have significant headcount increases in the future. We anticipate that our operating expenses will increase in the foreseeable future as we scale our business, including in developing and improving our solutions, expanding our sales and marketing capabilities and global coverage, and in providing general and administrative resources to support our growth. As we continue to grow our business, we must effectively integrate, develop and motivate a large number of new employees, as well as existing employees who are promoted or moved into new roles, while maintaining the effectiveness of our business execution. In particular, our success depends heavily on our ability to ramp new sales teams in a fast and effective manner. We must also continue to improve and expand our IT and financial infrastructure, management systems and product management and sales processes. We expect that our future growth will continue to place a significant strain on our management, operational and financial resources. We may incur costs associated with future growth prior to realizing the anticipated benefits, and the return on these investments may be lower, or may develop more slowly than we expect. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities. We also may fail to satisfy end-customers' requirements, maintain product quality, execute on our business plan or respond to competitive pressures, any of which could adversely affect our business, operating results, financial condition and prospects.

We compete with traditional storage vendors, IT systems vendors, including providers of public cloud services, and infrastructure software providers, and expect competition to continue to intensify in the future from both established competitors and new market entrants.

We operate in the intensely competitive enterprise infrastructure market and compete primarily with companies that sell software to build and operate enterprise clouds, integrated systems, and standalone storage and servers, as well as providers of public cloud infrastructure solutions. These markets are characterized by constant change and rapid innovation. Our main competitors fall into the following categories:

- software providers such as VMware and Red Hat, Inc., that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise clouds;

- traditional IT systems vendors such as Hewlett Packard Enterprise Company, or HPE, Cisco Systems, Inc., or Cisco, Lenovo Group Ltd., Dell, Hitachi Data Systems Corporation, or Hitachi, and International Business Machines Corporation, or IBM, that offer integrated systems that include bundles of servers, storage and networking solutions, as well as a broad range of standalone server and storage products;

- traditional storage array vendors such as Dell, NetApp, Inc., or NetApp, and Hitachi, which typically sell centralized storage products; and

- providers of public cloud infrastructure such as Amazon.com, Inc., Google Inc., and Microsoft Corporation.

In addition, we compete against vendors of hyperconverged infrastructure and software-defined storage products such as VMware, Cisco, HPE, Dell and many smaller emerging companies. As our market grows, we expect it will continue to attract new companies as well as existing larger vendors. For example, NetApp recently released its first hyperconverged solution. Some of our competitors may expand their product offerings, acquire competing businesses, sell at lower prices, bundle with other products, provide closed technology platforms or otherwise attempt to gain a competitive advantage. For example, HPE acquired SimpliVity Corporation and Cisco acquired Springpath, Inc., both of which are emerging hyperconverged vendors, in order to bolster their own hyperconverged product lines. Furthermore, as we expand our product offerings, we may expand into new markets and we may encounter additional competitors in such markets. Additionally, as companies increasingly offer competing solutions, they may be less willing to partner with us as an OEM or otherwise.

Many of our existing competitors have, and some of our potential competitors may have, competitive advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand awareness and name recognition, larger intellectual property portfolios and broader global presence and distribution networks. Furthermore, some of our competitors supply a wide variety of products to, and have well-established relationships with, our current and prospective end-customers. Some of these competitors have in the past and may in the future take advantage of their existing relationships with end-customers, distributors or resellers to provide incentives to such current or prospective end-customers that make their products more economically attractive or to interfere with our ability to offer our solutions to our end-customers. Our competitors may also be able to offer products or functionality similar to ours at a more attractive price, such as by integrating or bundling their solutions with their other product offerings or those of technology partners or establishing cooperative relationships with other competitors, technology partners or other third parties. Potential end-customers may prefer to purchase from their existing suppliers rather than a new supplier, especially given the significant investments that they have historically made in their legacy infrastructures. Some of our competitors may also have stronger or broader relationships with technology partners than we do, which could make their products more attractive than ours. As a result, we cannot assure you that our solutions will compete favorably, and any failure to do so could adversely affect our business, operating results and prospects.

Our relatively limited operating history makes it difficult to evaluate our current business and prospects, and may increase the risk of your investment.

We began selling our products in October 2011. We have relatively limited historical financial data, and we operate in a rapidly evolving market. Our relatively limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. Furthermore, we expect to transition our business to focus on more software-only transactions in the near term, and potentially shift to a software as a service and software as a subscription model in the longer-term, which may make it more difficult to project our business growth and margins. In addition, the rapidly evolving nature of the enterprise IT infrastructure market, as well as other factors beyond our control, reduces our ability to accurately forecast quarterly or annual performance. Our solutions may never reach widespread adoption, and changes or advances in technologies could adversely affect the demand for our solutions. A reduction in demand for web-scale architectures caused by lack of customer acceptance, technological challenges, competing technologies and solutions or otherwise would result in lower revenue growth rates or decreased revenue, either of which could negatively impact our business, operating results and prospects. Any predictions about future revenue and expenses may not be as accurate as they would be if we had a longer operating history. We have encountered and will continue to encounter risks and difficulties associated with rapid growth and expansion and a relatively limited operating history. If we do not address these risks successfully, our business and operating results would be adversely affected, and our stock price could decline.

Developments or improvements in enterprise IT infrastructure technologies may materially and adversely affect the demand for our solutions.

Significant developments in enterprise IT infrastructure technologies, such as advances in storage, virtualization, containers and management software, may materially and adversely affect our business, operating results and prospects in ways we do not currently anticipate. For example, improvements in existing data storage technologies, such as a significant increase in the speed of traditional interfaces for transferring data between a server and a storage system or the speed of traditional embedded controllers within the storage system, could emerge as a preferred alternative to our solutions, especially if they are sold at lower prices. Any failure by us to develop new or enhanced technologies or processes, to react to changes or advances in existing technologies or to correctly anticipate these changes or advances as we create and invest in our product roadmap could materially delay our development and introduction of new solutions, which could result in the loss of competitiveness of our solutions, decreased revenue and a loss of market share to competitors. In addition, the servers, network, software and other components and systems of a datacenter must comply with established industry standards in order to interoperate and function efficiently together. If larger companies who are more influential in driving industry standards do not support the same standards we use, market acceptance of our solutions could be adversely affected, or we may be required to spend significant time and resources duplicating efforts to adapt to different standards.

Public cloud infrastructure offers alternatives to the on-premise infrastructure deployments that our operating system primarily supports. Various factors could cause the rate of adoption of public cloud infrastructure to increase, including continued or accelerated decreases in the price of public cloud offerings and improvements in the ability of public cloud providers to deliver reliable performance, enhanced security, better application compatibility and more precise infrastructure control. Any of these factors could make our operating system less competitive as compared to the public cloud, and could materially and adversely affect the demand for our solutions.

If other vendors do not cooperate with us to ensure that our solutions interoperate with their products, including by providing us with early access to their new products or information about their new products, our product development efforts may be delayed or impaired, which could adversely affect our business, operating results and prospects.

Our solutions provide an operating system on which software applications and hypervisors from different software providers run. As a result, our solutions must interoperate with our end-customers' existing hardware and software infrastructure, specifically their networks, servers, software and operating systems, as well as the applications that they run on this infrastructure, which may be manufactured and provided by a wide variety of vendors and OEMs. In addition to ensuring that our solutions interoperate with these hardware and software products initially, we must occasionally update our software to ensure that our solutions continue to interoperate with new or updated versions of these hardware and software products. Current or future providers of hardware, software applications, hypervisors or data management tools could make changes that would diminish the ability of our solutions to interoperate with them, and significant additional time and effort may be necessary to ensure the continued compatibility of our solutions, which might not be possible at all. Even if our solutions are compatible with those of other providers, if they do not certify or support our solutions for their systems or cooperate with us to coordinate troubleshooting and hand off of support cases, end-customers may be reluctant to buy our solutions, which could decrease demand for our solutions and harm our ability to achieve a return on the investments and resources that we have dedicated to ensuring compatibility. Developing solutions that interoperate properly requires substantial partnering, capital investment and employee resources, as well as the cooperation of the vendors or developers of the software applications and hypervisors both with respect to product development and product support. Vendors may not provide us with early or any access to their technology and products, assist us in these development efforts, certify our solutions, share with or sell to us any APIs, formats, or protocols we may need, or cooperate with us to support end-customers. If they do not provide us with the necessary access, assistance or proprietary technology on a timely basis or at all, we may experience product development delays or be unable to ensure the compatibility of our solutions with such new technology or products. To the extent that vendors develop products that compete with ours, they have in the past, and may again in the future, withhold their cooperation, decline to share access, certify our solutions or sell or make available to us their proprietary APIs, protocols or formats or engage in practices to actively limit the functionality, or compatibility, and certification of our products. If any of the foregoing occurs, our product development efforts may be delayed or impaired, our solutions could become less attractive to end-customers resulting in a decline in sales, and our business, operating results and prospects may be adversely affected.

Shifts in our product mix more toward selling our solutions as software-only as opposed to as an appliance may cause our revenue to grow more slowly than it has in the past, or to decline, and our gross margins to fluctuate.

We expect to transition our business to focus on more software-only transactions. Software-only sales typically reflect higher gross margins and lower revenue in a given period, as compared to software sales deployed on off-the-shelf servers, since the sale does not include the revenue or cost of the hardware components in an appliance. If we are successful in executing this transition, there will be an increase in the delivery of our solutions as software-only licenses on separately procured hardware, and our overall product mix may shift more towards sales of our solutions as software-only licenses. Unless we can replace the hardware revenue with additional software sales, any increase in software-only sales may cause our revenue grow more slowly than it has in the past, or to decline, and our gross margins to fluctuate, and may adversely impact our operating results. In addition, our success depends heavily on the ability of our sales team to adjust their strategy to focus on software only sales. Furthermore, our customers may not understand these changes to our product sales, and investors, industry and financial analysts may have difficulty understanding the changes to our business model, resulting in changes in financial estimates or failure to meet investor expectations. As our business changes, the transition may make it more difficult to accurately project our operating results or plan for future growth. It may also take longer than anticipated to implement this new model, and our long term projections may be negatively impacted. If we are not successful in executing this transition, our business could be adversely affected, and our stock price could decline.

If we fail to develop or introduce new or enhanced solutions on a timely or cost-effective basis, our ability to attract and retain end-customers could be impaired and our competitive position could be harmed.

We operate in a dynamic environment characterized by rapidly changing technologies and industry standards and technological obsolescence. We will need to continue to create valuable software solutions and integrate these solutions across hardware platforms. To compete successfully, we must design, develop, market and sell new or enhanced solutions that provide increasingly higher levels of performance, capacity, scalability, security, application mobility, and reliability and meet the cost expectations of our end-customers. The introduction of new products by our competitors, the market acceptance of products based on new or alternative technologies, or the emergence of new industry standards could render our existing or future solutions obsolete or less attractive to end-customers. Any failure to anticipate or develop new or enhanced solutions or technologies in a timely or cost-effective manner in response to technological shifts could result in decreased revenue and harm to our business and prospects. Any new feature or application that we develop or acquire may not be introduced in a timely or cost-effective manner and may not achieve broad market acceptance and investments in research and development or efforts to optimize our engineering cost structure may not be successful. If we fail to introduce new or enhanced solutions that meet the needs of our end-customers or penetrate new markets in a timely fashion, we will lose market share and our business, operating results and prospects will be adversely affected.

If we are not successful in executing our strategy to increase sales of our solutions to new and existing large organizations, service providers, and government entities, our operating results may suffer.

Our growth strategy is dependent in large part upon increasing sales of our solutions to new and existing large enterprises, service providers and government entities, particularly when such sales result in large orders for our solutions. Sales to these end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller end-customers, which can act as a disincentive to our sales team to pursue these larger end-customers. These risks include:

- competition from companies that traditionally target larger enterprises, service providers and government entities and that may have pre-existing relationships or purchase commitments from such end-customers;

- increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements with us;

- more stringent requirements in our support service contracts, including demand for quicker support response times and penalties for any failure to meet support requirements; and

- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our solutions.

Large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. Although we have a channel sales model, our sales representatives typically engage in direct interaction with our prospective end-customers as well as our distributors and resellers. We typically provide evaluation products to these end-customers and may spend substantial time, effort and money in our sales efforts to these prospective end-customers. In addition, product purchases by large organizations are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typically have longer implementation cycles, require greater product functionality and scalability, require a broader range of services, demand that vendors take on a larger share of risks, require acceptance provisions that can lead to a delay in revenue recognition and expect greater payment flexibility. If we fail to realize an expected sale from a large end-customer in a particular quarter or at all, our business and operating results could be adversely affected. All of these factors can add further risk to business conducted with these end-customers.

Our growth depends on our existing end-customers making additional purchases of software licenses and software upgrades and renewing and upgrading their support and software maintenance agreements, and the failure of our end-customers to do so could harm our business and operating results.

Our future success depends in part on purchases by our existing end-customers of additional software licenses and appliances as well as renewals and upgrades to their support and software maintenance agreements. If our end-customers do not purchase additional software licenses or appliances or software upgrades, or renew or upgrade their support and software maintenance agreements, our revenue may decline and our operating results may be harmed. In order for us to maintain or improve our operating results, we depend on our existing end-customers renewing support and software maintenance agreements or purchasing additional appliances. End-customers may choose not to renew their support and software maintenance agreements or purchase additional appliances because of several factors, including dissatisfaction with our prices or features relative to competitive offerings, reductions in our end-customers' spending levels or other causes outside of our control. If our existing end-customers do not purchase new solutions, or renew or upgrade their support and software maintenance agreements, our revenue may grow more slowly than expected or may decline, and our business and operating results may be adversely affected.

We rely on our key personnel, and our Chief Executive Officer in particular, to grow our business, and the loss of one or more such key employees or the inability to attract and retain qualified personnel could harm our business.

Our success and future growth depends to a significant degree on the skills and continued services of our executive officers and key personnel. In particular, we are highly dependent on the services of Dheeraj Pandey, our Chief Executive Officer and Chairman, who is critical to the development of our technology, future vision and strategic direction. We do not have life insurance policies that cover any of our executive officers or other key employees. The loss of the services of Mr. Pandey or any of our key employees or executive officers could disrupt our business and negatively impact our operating results, prospects and future growth. Our future success also depends on our ability to continue to attract, integrate and retain highly skilled personnel, especially skilled sales and engineering employees. Competition for highly skilled personnel is frequently intense, especially in the San Francisco Bay Area where we are headquartered. Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. We cannot assure you that we will be able to successfully attract or retain qualified personnel. Our inability to attract and retain the necessary personnel could adversely affect our business, operating results and financial condition.

If we do not effectively expand and train our sales force, we may be unable to add new end-customers or increase sales to our existing end-customers and our business will be adversely affected.

Although we have a channel sales model, our sales representatives typically engage in direct interaction with our prospective end-customers. Therefore, we continue to be substantially dependent on our sales force to obtain new end-customers and sell additional solutions to our existing end-customers. There is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity; we estimate based on past experience that sales team members typically do not fully ramp and are not fully productive until around the time of the start of their fourth quarter of employment with us. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. Furthermore, hiring sales personnel in new countries requires additional set up, upfront and ongoing costs that we may not recover if the sales personnel fail to achieve full productivity. In addition, as a result of our rapid growth, a large percentage of our sales force is new to our company and our solutions and therefore less effective than our more seasoned employees. In addition, as we transition our business to focus on more software-only transactions, we may also need to re-train our seasoned sales employees, who have historically focused on appliance sales, in order to maintain or increase their productivity. If our new sales employees do not become fully productive on the timelines that we have projected, or if we are not successful in training our more seasoned sales employees as we focus on software-only sales, our revenue will not increase at anticipated levels and our ability to achieve long term projections may be negatively impacted. If we are unable to hire, train and maintain sufficient numbers of effective sales personnel, or our new or existing sales personnel are not successful in obtaining new end-customers or increasing sales to our existing customer base, our business, operating results and prospects will be adversely affected.

If we do not effectively structure our sales force to focus on the end-customers that will primarily drive our growth strategy, our business will be adversely affected.

As indicated above, our growth is dependent in large part on increasing our sales to large enterprises, particularly when those sales result in large orders for our solutions. Over the past year, we have started to segment our sales force to focus on these major accounts and large deals. This process, which we anticipate will continue for the foreseeable future, has involved hiring new, and promoting existing members of our sales team into, global account manager roles that will focus exclusively on large sales to major accounts. As discussed above, we anticipate that the sales cycles associated with major accounts will be longer than our traditional sales cycles, which will increase the time it will take our new global account managers to become fully productive. The new sales processes and leadership structures for these global sales teams may also take longer than anticipated to implement, further impacting productivity. In addition, as our organization focuses more heavily on major accounts and large deals, the productivity of our traditional sales teams may be impacted. For example, we experienced what we believe was a short-term decrease in sales productivity of our North American sales teams as well as a reduction in the number of large deals executed during the quarter ended January 31, 2017 due to the continued segmentation of our sales teams. Additionally, we are in the process of transitioning our business to focus primarily on software-only transactions, and we may need to adjust our sales strategy and approach away from appliance sales. These potential fluctuations in sales productivity make it more difficult to accurately project our operating results or plan for future growth. If we are unable to effectively manage these changes or implement our news sales structure in a timely manner, or if our decision to segment our sales force is not successful in obtaining large sales of our solutions, our growth and ability to achieve long term projections may be negatively impacted, and our business and operating results will be adversely affected.

We rely primarily on indirect sales channels for the distribution of our solutions, and disruption within these channels could adversely affect our business, operating results and cash flows.

We primarily sell our solutions through indirect sales channels, including channel partners such as distributors, our hardware OEM partners, value added resellers and system integrators. Our OEM partners in turn distribute our solutions through their own networks of channel partners with whom we have no direct relationships.

We rely, to a significant degree, on our channel partners to select, screen and maintain relationships with their distribution networks and to distribute our solutions in a manner that is consistent with applicable law, regulatory requirements and our quality standards. If our channel partners or a partner in their distribution network violates applicable law or regulatory requirements or misrepresents the functionality of our solutions, our reputation could be damaged and we could be subject to potential liability. Additionally, if we are unable to establish relationships with strong channel partners in key growth regions, our ability to sell our solutions in these regions may be adversely affected. Our agreements with our channel partners are non-exclusive, meaning our channel partners may offer end-customers the products of several different companies, including products that compete with ours. If our channel partners do not effectively market and sell our solutions, choose to use greater efforts to market and sell their own products or those of our competitors, or fail to meet the needs of our end-customers, our business, operating results and prospects may be adversely affected. Our channel partners may cease marketing our solutions with limited or no notice and with little or no penalty. The loss of a substantial number of our channel partners, together with our inability to replace them, or the failure to recruit additional channel partners or establish an alternative distribution network could materially and adversely affect our business and operating results. For example, sales through Carahsoft Technology Corp. and Promark Technology Inc. to our end-customers represented 14% and 20%, respectively, of our total revenue for the three months ended October 31, 2016, and represented 17% and 28%, respectively, of our total revenue for three months ended October 31, 2017. In addition, if a channel partner offers its own products or services that are competitive to our solutions, is acquired by a competitor or reorganizes or divests its reseller business units, our revenue derived from that partner may be adversely impacted or eliminated altogether.

Recruiting and retaining qualified channel partners and training them in the use of our technologies require significant time and resources. If we fail to devote sufficient resources to support and expand our network of channel partners, our business may be adversely affected. Maintaining strong indirect sales channels for our products and effectively leveraging our channel partners and OEMs is important to our growth strategy, and the failure to effectively manage these relationships may lead to higher costs and reduced revenue. Also, in certain international markets we are in the process of transitioning our distribution model from contracting directly with hundreds of individual resellers to contracting with a smaller number of larger global distributors. Although we believe that this transition will make our sales channels more efficient and broader reaching in the long term in these markets, there is no guarantee that this new distribution model will increase our sales in the short term or allow us to sustain our gross margins. Any potential delays or confusion during the transition process to our new partners may negatively affect our relationship with our existing end-customers and channel partners and may cause us to lose prospective end-customers or additional business from existing end-customers. Upon completion of the transition to the new sales model, we will be more reliant on fewer channel partners, which may reduce our contact with our end-customers making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our software, support ongoing end-customer requirements, estimate end-customer demand, respond to evolving end-customer needs and obtain subscription renewals from end-customers.

All of our sales to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and, in the future, if the portion of government contracts that are subject to renegotiation or termination at the election of the government are material, any such termination or renegotiation may adversely impact our future operating results. Additionally, we sometimes rely on our channel partners to satisfy certain regulatory obligations that we would otherwise have to satisfy if we sold directly to the government entities, and our channel partners may be unable or unwilling to satisfy these obligations in the future. In the event of such termination or change, it may be difficult for us to arrange for another channel partner to sell our solutions to these government entities in a timely manner, and we could lose sales opportunities during the transition. Governments routinely investigate and audit government contractors' (including subcontractors') administrative processes, and any unfavorable audit could result in the government refusing to continue buying our solutions, our channel partners changing their business models or refusing to continue to sell our solutions under current models, a reduction of revenue or fines, or civil or criminal liability if the audit uncovers improper or illegal activities.

If our indirect distribution channel is disrupted, particularly if we are reliant on a fewer number of channel partners, or if we are required to directly satisfy certain regulatory obligations imposed by government entities as a result of our efforts to expand our sales to government entities, we may be required to devote more time and resources to distribute our solutions directly and support our end-customers, which may not be as effective and could lead to higher costs, reduced revenue and growth that is slower than expected.

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.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. If our revenue or operating results in any particular period fall below investor expectations, the price of our Class A common stock would likely decline. 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 solutions in any quarter;
- our ability to attract new and retain existing end-customers;
- disruptions in our sales channels or termination of our relationship with important channel partners and OEMs;
- the timing of revenue recognition for our sales, which has materially changed for the majority of sales of software-only licenses on or after August 1, 2017 as a result of our adoption of the new ASC 606 revenue recognition standard which requires us to recognize the revenue from sales of software licenses upon transfer of control to our end-customers, instead of deferring the revenue over the post contract support period; this change will heighten the impact of any fluctuations in the timing and magnitude of software-only sales on our quarterly operating results;
- reductions in end-customers' budgets for information technology purchases;
- delays in end-customers' purchasing cycles or deferments of end-customers' purchases in anticipation of new products or updates from us or our competitors;

- fluctuations in demand and competitive pricing pressures for our solutions;
- the mix of solutions sold, including the mix between appliance and software-only sales and the mix of the types of appliances that we sell, and the mix of revenue between products and support and other services, which will depend in part on whether we are successful in executing our strategy to transition our business to focus on more software-only transactions;
- our ability to develop, introduce and ship in a timely manner new solutions and product enhancements that meet customer requirements;
- the timing of product releases or upgrades or announcements by us or our competitors;
- any change in the competitive dynamics of our markets, including consolidation among our competitors or resellers, new entrants or discounting of prices;
- the amount and timing of expenses to grow our business and the extent to which we are able to take advantage of economies of scale or to leverage our relationships with OEM or channel partners;
- the costs associated with acquiring new businesses and technologies and the follow-on costs of integrating and consolidating the results of acquired businesses;
- the amount and timing of stock-based compensation expenses;
- our ability to control the costs of our solutions and their key components, or to pass along any cost increases to our end-customers;
- general economic, industry and market conditions; and
- future accounting pronouncements and changes in accounting policies, including our ability to implement the new procedures and processes necessary to accurately recognize our revenue under the new ASC 606 revenue recognition standard.

The occurrence of any one of these risks could negatively affect our operating results in any particular quarter, which could cause the price of our Class A common stock to decline.

Our gross margins are impacted by a variety of factors and may be subject to variation from period to period.

Our gross margins may be affected by a variety of factors, including shifts in the mix of whether our solutions are sold as an appliance or as software-only, fluctuations in the pricing of our products, including as a result of competitive pricing pressures or increases in component pricing, and the degree to which we are successful in selling the value of incremental feature improvements and upgrades, changes in the cost of components of our hardware appliances, changes in the mix between direct versus indirect sales, changes in the mix of products sold, including whether they are sold as appliances or as software-only, and the timing and amount of recognized and deferred revenue, particularly given that our recognition of revenue from sales of software-only licenses has changed following our adoption of the new ASC 606 revenue recognition standard. For example, in the last three quarters of fiscal 2017 and the first quarter of fiscal 2018, the prices of DRAM and NAND components increased due to supply constraints, causing a negative impact on our gross margin. We expect the price increases for DRAM to continue, and for NAND pricing to remain high, for the immediate future, and to continue to impact our gross margin. If we are unable to manage these factors effectively, our gross margins may decline, and fluctuations in gross margin may make it difficult to manage our business and to achieve or maintain profitability, which could adversely affect our business and operating results.

Our sales cycles can be long and unpredictable and our sales efforts require considerable time and expense. As a result, it can be difficult for us to predict when, if ever, a particular customer will choose to purchase our solutions, which may cause our operating results to fluctuate significantly.

Our sales efforts involve educating our end-customers about the uses and benefits of our solutions, including their technical capabilities and cost saving potential. End-customers often undertake an evaluation and testing process that can result in a lengthy sales cycle. Increasing competition and the emergence of new hyperconverged infrastructure product offerings often result in customers evaluating multiple vendors at the same time, which can further lengthen the sales cycle. We spend substantial time and resources on our sales efforts without any assurance that our efforts will produce any sales. Platform purchases are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. The broad nature of the technology shift that our solutions represent and the legacy relationships our end-customers have with existing IT vendors sometimes lead to unpredictable sales cycles, which make it difficult for us to predict when end-customers may purchase solutions from us. The unpredictable nature of our sales cycles may be increased in future periods as we focus our sales efforts more heavily on major accounts and large deals. Our business and operating results will be significantly affected by the degree to which and speed with which organizations adopt our solutions.

Because we depend on contract manufacturers to assemble and test our hardware appliances, we are susceptible to delays and pricing fluctuations that could prevent us from shipping orders on time, if at all, or on a cost-effective basis, which would cause our business to be adversely affected.

We rely substantially on Super Micro Computer, Inc., or Super Micro, and Flextronics Systems Limited, or Flextronics, to assemble and test our appliances. Our reliance on these contract manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs and product supply and timing. Furthermore, our orders represent a relatively small percentage of the overall orders received by our third-party manufacturers from their customers. Therefore, fulfilling our orders may not be a priority in guiding their business decisions and operational commitments. If we fail to manage our relationships with these contract manufacturers effectively, inaccurately forecast our component requirements, or if either of them experience delays or increased manufacturing lead-times, disruptions, capacity constraints or quality control problems in their operations or are unable to meet our requirements for timely delivery, or we are unable to shift operations from one contract manufacturer to the other, our ability to ship high-quality solutions to our end-customers could be severely impaired, we could incur substantial costs, such as costs relating to the procurement of non-standard components and inventory costs, and our business and operating results, competitive position and reputation could be harmed.

Our agreement with Super Micro expires in May 2018, and automatically renews for successive one-year periods thereafter with the option to terminate upon each annual renewal, and does not contain any minimum long-term commitment to manufacture our solutions. In addition, in the third quarter of fiscal 2017, we entered into a Memorandum of Understanding with Flextronics pursuant to which we have transitioned and will continue to transition portions of our manufacturing operations to Flextronics, and we are currently working with Flextronics to finalize a manufacturing agreement. The Flextronics Memorandum of Understanding does not contain any minimum long-term commitment to manufacture our solutions, and the terms of the manufacturing agreement have not yet been finalized. Further, any orders are fulfilled only after a purchase order has been delivered and accepted. If we are required to change contract manufacturers, we may lose revenue, incur increased costs and damage our channel partner and end-customer relationships. We may also decide to switch or bring on additional contract manufacturers in order to better meet our needs. Switching to or bringing on a new contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing contract manufacturers or cause other disruptions. For example, while we have already transitioned some of our manufacturing operations to Flextronics, we may encounter unexpected issues as we scale our operations with them. Our agreements with Super Micro and Flextronics do not contain any price assurances, and any increases in component costs, without a corresponding increase in the price of our solutions, could harm our gross margins. Furthermore, we may need to increase our component purchases, manufacturing capacity and internal test and quality functions if we experience increased demand. The inability of Super Micro, Flextronics or other contract manufacturers to provide us with adequate supplies of high-quality products could cause a delay in our order fulfillment, and our business, operating results and prospects would be adversely affected.

We rely on a limited number of suppliers, and in some cases single-source suppliers, for several key components of our hardware appliances, and any disruption in the availability or quality of these components could delay shipments of our appliances and damage our channel partner or end-customer relationships.

We rely on a limited number of suppliers, and in some cases single-source suppliers, for several key hardware components of our appliances. These components are generally purchased on a purchase order basis through Super Micro and we do not have long-term supply contracts with our suppliers. Our reliance on key suppliers exposes us to risks, including reduced control over product quality, production and component costs, timely delivery and capacity. It also exposes us to the potential inability to obtain an adequate supply of required components because we do not have long-term supply commitments, and replacing some of these components would require a product qualification process that could take months to complete. Furthermore, we extensively test and qualify the components that are used in our appliances to ensure that they meet certain quality and performance specifications. If our supply of certain components is disrupted or delayed, or if we need to replace our existing suppliers, there can be no assurance that additional supplies or components can serve as adequate replacements for the existing components, will be available when required or that supplies will be available on terms that are favorable to us, and we may be required to modify our solutions to interoperate with the replacement components. Any of these developments could extend our lead times, increase the costs of our components or costs of product development and adversely affect our business, operating results and financial condition.

We generally maintain minimal inventory for repairs and a limited number of evaluation and demonstration units, and generally acquire components only as needed. We do not enter into long-term supply contracts for these components. As a result, our ability to respond to channel partner or end-customer orders efficiently may be constrained by the then-current availability, terms and pricing of these components. The technology industry has experienced component shortages and delivery delays in the past, and we may experience shortages or delays of critical components in the future as a result of strong demand in the industry or other factors. If we or our suppliers inaccurately forecast demand for our solutions or we ineffectively manage our enterprise resource planning processes, our suppliers may have inadequate inventory, which could increase the prices we must pay for substitute components or result in our inability to meet demand for our solutions, as well as damage our channel partner or end-customer relationships.

If the suppliers of the components of our hardware appliances increase prices of components, experience delays, disruptions, capacity constraints, quality control problems in their manufacturing operations or adverse changes to their financial condition, our ability to ship appliances to our channel partners or end-customers in a timely manner and at competitive prices could be impaired and our competitive, reputation, and operating results could be adversely affected. For example, in the last three quarters of fiscal 2017 and the first quarter of fiscal 2018, the prices of DRAM and NAND components increased due to supply constraints. Qualifying a new component is expensive and time-consuming. If we are required to change key suppliers or assume internal manufacturing operations, we may lose revenue and damage our channel partner or end-customer relationships which could adversely impact our revenue and operating results.

We enter into arrangements with our suppliers that could require us to purchase certain minimum levels of inventory, which could result in us incurring losses with respect to such inventory, and may negatively impact our business and operating results.

We enter into arrangements with our suppliers whereby the supplier will purchase certain quantities of components and allocate them exclusively for our use in our products. If we are unable to use the inventory within a specified period, we may be required to purchase the inventory, or to pay the supplier the difference between the price at which the supplier purchased the inventory and the price at which the supplier is ultimately able to sell the inventory to a third party. As a result, if we inaccurately or mistakenly forecast our need for any such components, or if the market price of any such components decreases after the components are purchased by a supplier, we may suffer losses with respect to such inventory, and our business and operating results could be adversely affected.

We rely upon third parties for the warehousing and delivery of our appliances and replacement parts for support, and we therefore have less control over these functions than we otherwise would.

We outsource the warehousing and delivery of all of our appliances to a third-party logistics provider for worldwide fulfillment. In addition, some of our support offerings commit us to replace defective parts in our appliances as quickly as four hours after the initial customer support call is received, which we satisfy by storing replacement parts inventory in various third-party supply depots in strategic locations. As a result of relying on third parties, we have reduced control over shipping and logistics, quality control, security and the supply of replacement parts for support. Consequently, we may be subject to shipping disruptions as well as failures to provide adequate support for reasons that are outside of our direct control. If we are unable to have our appliances or replacement products shipped in a timely manner, end-customers may cancel their contracts with us, we may suffer reputational harm and our business, operating results and prospects may be adversely affected.

Our ability to sell our solutions is dependent in part on ease of use and the quality of our technical support, and any failure to offer high-quality technical support would harm our business, operating results and financial condition.

Once our solutions are deployed, our end-customers depend on our support organization to resolve any technical issues relating to our solutions. Furthermore, because of the emerging nature of our solutions, our support organization often provides support for and troubleshoots issues for products of other vendors running on our solutions, even if the issue is unrelated to our solutions. There is no assurance that we can solve issues unrelated to our solutions, or that vendors whose products run on our solutions will not challenge our provision of technical assistance to their products. Our ability to provide effective support is largely dependent on our ability to attract, train and retain personnel who are not only qualified to support our solutions, but also well versed in some of the primary applications and hypervisors that our end-customers run on our solutions. Furthermore, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. Any failure to maintain high-quality installation and technical support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to sell our solutions to existing and prospective end-customers, and could harm our business, operating results and financial condition.

Our solutions are highly technical and may contain undetected defects, which could cause data unavailability, loss or corruption that might, in turn, result in liability to our end-customers and harm to our reputation and business.

Our solutions are highly technical and complex and are often used to store information critical to our end-customers' business operations. Our solutions may contain undetected errors, defects or security vulnerabilities that could result in data unavailability, unauthorized access to, loss, corruption or other harm to our end-customers' data. Some errors or defects in our solutions may only be discovered after they have been installed and used by end-customers. We previously conducted an in-field replacement of equipment manufactured by our previous outsourced manufacturer, and may be required to do so again in the future. In addition, we may make certain commitments to our OEM partners regarding the time frames within which we will correct any security vulnerabilities in our software. If any hardware or software errors, defects or security vulnerabilities are discovered in our solutions after commercial release, a number of negative effects in our business could result, including:

- lost revenue or lost OEM or other channel partners or end-customers;
- increased costs, including warranty expense and costs associated with end-customer support as well as development costs to remedy the errors or defects;
- delays, cancellations, reductions or rescheduling of orders or shipments;
- product returns or discounts; and
- damage to our reputation and brand.

In addition, we could face legal claims for breach of contract, product liability, tort or breach of warranty. While many of our contracts with end-customers contain provisions relating to warranty disclaimers and liability limitations, these provisions might not be upheld or might not provide adequate protection if we face such legal claims. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our solutions. In addition, our business liability insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us and our business could be adversely impacted.

Our business depends, in part, on sales to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and operating results.

We derive a portion of our revenue from contracts with federal, state, local and foreign governments, and we believe that the success and growth of our business will continue to depend on our successful procurement of government contracts. However, demand is often unpredictable from government organizations, and there can be no assurance that we will be able to maintain or grow our revenue from the public sector. Government agencies are subject to budgetary processes and expenditure constraints that could lead to delays or decreased capital expenditures in IT spending, particularly in light of continued uncertainties about government spending levels and recent changes to, or failure to appoint new, government leaders. The budget and approval process for government agencies also experiences a longer sales cycle relative to our other end-customers. If government organizations reduce or shift their capital spending patterns, our business, operating results and prospects may be harmed. Factors that could impede our ability to maintain or increase the amount of revenue derived from government contracts, include:

- public sector budgetary cycles and funding authorizations;
- changes in fiscal or contracting policies;
- decreases in available government funding;
- changes in government programs or applicable requirements;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- potential delays or changes in the government appropriations or other funding authorization processes; and
- higher expenses associated with, or delays caused by, diligence and qualifying or maintaining qualification as a government vendor.

The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing our solutions in the future or otherwise have an adverse effect on our business, operating results and prospects.

Third-party claims that we are infringing intellectual property, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be harmed.

A number of companies, both within and outside of the enterprise computing infrastructure industry, hold a large number of patents covering aspects of storage, servers and virtualization products. In addition to these patents, participants in this industry typically also protect their technology through copyrights and trade secrets. As a result, there is frequent litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. We have received, and in the future may receive, inquiries from other intellectual property holders and may become subject to claims that we infringe their intellectual property rights, particularly as we expand our presence in the market and face increasing competition. Based upon our review of these claims, we believe we have meritorious defenses to the allegations, although there can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. In addition, parties may claim that the names and branding of our solution infringe their trademark rights in certain countries or territories. If such a claim were to prevail we may have to change the names and branding of our solution in the affected territories and we could incur other costs.

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our end-customers, suppliers and channel and other partners from damages and costs which may arise from the infringement by our solutions of third-party patents or other intellectual property 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 all intellectual property infringement claims. A claim that our solutions infringe a third party's intellectual property rights, even if untrue, could harm our relationships with our end-customers and/or channel partners, may deter future end-customers from purchasing our solutions and could 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 by our solutions, an adverse outcome in any such litigation could make it more difficult for us to defend our solutions against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could harm our brand and operating results.

Our defense of intellectual property rights claims brought against us or our end-customers, suppliers and channel partners, with or without merit, could be time-consuming, expensive to litigate or settle, divert management resources and attention and force us to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments. Further, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. An adverse determination also could invalidate our intellectual property rights and prevent us from offering our solutions to our end-customers and may require that we procure or develop substitute solutions that do not infringe, which could require significant effort and expense. We may have to seek a license for the technology, which may not be available on acceptable terms or at all, and as a result may significantly increase our operating expenses or require us to restrict our business activities in one or more respects. Any of these events could adversely affect our business, operating results, financial condition and prospects.

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 and covenants, to establish and protect our proprietary rights, all of which provide only limited protection. We cannot assure you that any patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us will not be challenged, invalidated or circumvented. We have filed for patents in the United States and in certain international jurisdictions, but such protections may not be available in all countries in which we operate or in which we seek to enforce our intellectual property rights, or may be difficult to enforce in practice. Our currently issued patents and any patents that may be issued in the future with respect to pending or future patent applications may not provide sufficiently broad protection or they may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property, solutions and other proprietary rights is expensive and difficult, particularly internationally. 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 resources, 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 to defending intellectual property infringement claims and to enforcing their intellectual property rights than we have. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our solutions are available. An inability to adequately protect and enforce our intellectual property and other proprietary rights could seriously harm our business, operating results, financial condition and prospects.

We may become subject to claims that our employees have wrongfully disclosed or we have wrongfully used proprietary information of our employees' former employers. These claims may be costly to defend and if we do not successfully do so, our business could be harmed.

Many of our employees were previously employed at current or potential competitors. Although we have processes to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may in the future become subject to claims that these employees have divulged, or we have used, proprietary information of these employees' former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper our ability to develop new solutions and features for existing solutions, which could severely harm our business. Even if we are successful in defending against these claims, litigation efforts are costly, time-consuming and a significant distraction to management.

If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the NASDAQ Stock Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls, internal control over financial reporting and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the Securities and Exchange Commission, or SEC, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our Class A common stock.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting-related costs, and provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In the event that our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ Global Select Market.

We are not currently required to comply with the SEC rules that implement Sections 302 and 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. We will be required to comply with certain of these rules, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our annual report on Form 10-K for the fiscal year ending July 31, 2018. To comply with the requirements of being a public company, we will need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results and could cause a decline in the price of our Class A common stock.

Failure to comply with laws and regulations applicable to our business could subject us to fines and penalties and could also cause us to lose end-customers in the public sector or negatively impact our ability to contract with the public sector.

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, antitrust 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. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages and 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 adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in third-party professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition.

In addition, we must comply with laws and regulations relating to the formation, administration and performance of contracts with the public sector, including U.S. federal, state and local governmental organizations, which affect how we and our channel partners do business with governmental agencies. Selling our solutions to the U.S. government, whether directly or through channel partners, also subjects us to certain regulatory and contractual requirements. Failure to comply with these requirements by either us or our channel partners could subject us to investigations, fines and other penalties, which could have an adverse effect on our business, operating results, financial condition and prospects. As an example, the U.S. Department of Justice, or DOJ, and the General Services Administration, or GSA, have in the past pursued claims against and financial settlements with IT vendors under the False Claims Act and other statutes related to pricing and discount practices and compliance with certain provisions of GSA contracts for sales to the federal government. The DOJ and GSA continue to actively pursue such claims. Violations of certain regulatory and contractual requirements could also result in us being suspended or debarred from future government contracting. Any of these outcomes could have an adverse effect on our revenue, operating results, financial condition and prospects.

These laws and regulations impose added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, penalties, termination of contracts, loss of exclusive rights in our intellectual property, and temporary suspension or permanent debarment from government contracting. Any such damages, penalties, disruptions or limitations in our ability to do business with the public sector could have an adverse effect on our business and operating results.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could adversely affect our business and operating results. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.

Personal privacy, data protection and information security are significant issues in the United States and the other jurisdictions where we offer our solutions. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission, or FTC, and various state, local and foreign bodies and agencies.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use and storage of personal information of individuals, including end-customers and employees. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws to the online collection, use and dissemination of data. Additionally, many foreign countries and governmental bodies, including in Australia, the European Union, India, Japan and numerous other jurisdictions in which we operate or conduct our business, have laws and regulations concerning the collection and use of personal information obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Such laws and regulations may require companies to implement new privacy and security policies, permit individuals to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use personal information for certain purposes. In addition, a foreign government could require that any personally identifiable information collected in a country not be disseminated outside of that country, and we are not currently equipped to comply with such a requirement.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Additionally, we expect that existing laws, regulations and standards may be interpreted in new manners in the future. There remains significant uncertainty surrounding the regulatory framework for the future of personal data transfers from the European Union to the United States with regulations such as the recently adopted a General Data Protection Regulation, or GDPR, effective in May 2018, that will supersede current EU data protection legislation, impose more stringent EU data protection requirements, provide an enforcement authority, and impose large penalties for noncompliance. Future laws, regulations, standards and other obligations, including the adoption of the GDPR, as well as changes in the interpretation of existing laws, regulations, standards and other obligations could impair our or our customers' ability to collect, use or disclose information relating to individuals, which could decrease demand for our solutions, require us to restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Although we are working to comply with those federal, state and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our solutions. As such, we cannot assure ongoing compliance with all such laws or regulations, industry standards, contractual obligations and other legal obligations. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of personal information or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business and operating results.

Failure to comply with anticorruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, and similar laws associated with our activities outside of the United States could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act of 2010, or the U.K. Bribery Act, and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. We face significant risks if we fail to comply with the FCPA and other anticorruption laws that prohibit companies and their employees and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we use various third parties to sell our solutions and conduct our business abroad. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. We continue to update and implement our FCPA/anti-corruption compliance program and no assurance can be given that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any violation of the FCPA, other applicable anticorruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have a material and adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a materially significant diversion of management's attention and resources and significant defense costs and other third-party professional fees.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate the controls.

Our solutions are subject to U.S. export controls, including the Export Administration Regulations and economic sanctions administered by the Office of Foreign Assets Control, and we incorporate encryption technology into certain of our solutions. These encryption products and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception or other appropriate government authorizations, including the filing of an encryption registration.

Furthermore, our activities are subject to the U.S. economic sanctions laws and regulations that prohibit the shipment of certain products and services without the required export authorizations, including to countries, governments and persons targeted by U.S. embargoes or sanctions. Additionally, the Trump administration has been critical of existing trade agreements and may impose more stringent export and import controls. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities even if the export license ultimately may be granted. While we take precautions to prevent our solutions from being exported in violation of these laws, including obtaining authorizations for our encryption products, implementing IP address blocking and screenings against U.S. government and international lists of restricted and prohibited persons, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. Violations of U.S. sanctions or export control laws can result in significant fines or penalties and possible incarceration for responsible employees and managers could be imposed for criminal violations of these laws.

We also note that if our channel partners fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected, through reputational harm as well as other negative consequences including government investigations and penalties. We presently incorporate export control compliance requirements into our channel partner agreements; however, no assurance can be given that our channel partners will be able to comply with such requirements.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our end-customers’ ability to implement our solutions in those countries. Changes in our solutions or future changes in export and import regulations may create delays in the introduction of our solutions in international markets, prevent our end-customers with international operations from deploying our solutions globally or, in some cases, prevent the export or import of our solutions to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology, including the escrow and government recovery of private encryption keys. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls stemming from Trump administration policies, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential end-customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would adversely affect our business, operating results and prospects.

Our international operations expose us to additional risks, and failure to manage those risks could adversely affect our business, operating results and cash flows.

Increasingly, we derive a significant portion of our revenue from end-customers and channel partners outside the United States. We derived approximately 42%, 44%, 44% and 32% of our total revenue from our international customers based on bill-to-location for fiscal 2016 and fiscal 2017 and the three months ended October 31, 2016 and 2017, respectively. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As of October 31, 2017, approximately 41% of our full-time employees were located outside of the United States. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources. We are subject to risks associated with having significant worldwide operations, including:

- business practices may differ from those in the United States and may require us in the future to include terms other than our standard terms in customer, channel partner, employee, consultant and other contracts;
- political, economic and social instability or uncertainty around the world;
- potential changes in trade relations arising from policy initiatives implemented by, or statements made by, the Trump administration, which has been critical of existing and proposed trade agreements;
- greater difficulty in enforcing contracts, judgments and arbitration awards in international courts, and in collecting accounts receivable and longer payment and collection periods;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification and localization of our solutions required in foreign countries;
- greater risk of a failure of foreign employees, partners, distributors and resellers to comply with both U.S. and foreign laws, including antitrust regulations, the FCPA, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- requirements to comply with foreign privacy, data protection and information security laws and regulations and the risks and costs of non-compliance;
- reduced or uncertain protection for intellectual property rights in some countries;
- impediments to the flow of foreign exchange capital payments and receipts due to exchange controls instituted by certain foreign governments;
- increased expenses incurred in establishing and maintaining corporate entities, office space, and equipment for our international operations;
- difficulties in managing and staffing international offices and increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- greater difficulty in identifying, attracting and retaining local experienced personnel, and the costs and expenses associated with such activities;
- the challenge of managing a development team in geographically disparate locations;
- management communication and integration problems resulting from cultural and geographic dispersion;
- differing employment practices and labor relations issues;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business; and

- treatment of revenue from international sources for tax purposes and changes in tax laws, regulations or official interpretations, including being subject to foreign tax laws and being liable for paying withholding, income or other taxes in foreign jurisdictions.

As we expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these risks. These factors and other factors could harm our ability to gain future international revenue and, consequently, materially impact our business, operating results and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business. Additionally, failure to effectively manage this growth may result in reduced international revenue relative to U.S. revenue, and as a result, a higher effective tax rate due to the overall percentage of total revenue from U.S. customers relative to international customers.

A number of our solutions incorporate software provided under open source licenses which may restrict or impose certain obligations on how we use or distribute our solutions or subject us to various risks and challenges, which could result in increased development expenses, delays or disruptions to the release or distribution of those solutions, inability to protect our intellectual property rights and increased competition.

Certain significant components of our solutions incorporate or are based upon open source software, and we may incorporate open source software into other solutions in the future. Such open source software is generally licensed under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, “Apache-style” licenses, “BSD-style” licenses and other open source licenses. The use of open source software subjects us to a number of risks and challenges, including:

- If open source software programmers, most of whom we do not employ, do not continue to develop and enhance open source technologies, our development expenses could be increased and our product release and upgrade schedules could be delayed.

- Open source software is open to further development or modification by anyone. As a result, others may develop such software to be competitive with our operating system, and may make such competitive software available as open source. It is also possible for competitors to develop their own solutions using open source software, potentially reducing the demand for, and putting price pressure on, our solutions.

- The licenses under which we license certain types of open source software may require that, if we modify the open source software we receive, we are required to make such modified software and other related proprietary software of ours publicly available without cost and on the same terms. Accordingly, we monitor our use of open source software in an effort to avoid subjecting our proprietary software to such conditions and others we do not intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use, our processes used to monitor how open source software is used could be subject to error. In addition, there is little or no legal precedent governing the interpretation of terms in most of these licenses. Therefore, any improper usage of open source could result in unanticipated obligations regarding our solutions and technologies, which could have an adverse impact on our intellectual property rights and our ability to derive revenue from solutions incorporating the open source software.

- If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur legal expenses defending against such allegations, or engineering expenses in developing a substitute solution.

If we are unable to successfully address the challenges of integrating offerings based upon open source technology into our business, our business and operating results may be adversely affected and our development costs may increase.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new solutions could reduce our ability to compete and could harm our business.

We expect that our existing cash and cash equivalents, and short-term investments, together with the net proceeds that we received from our initial public offering, or IPO, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. We may, however, need to raise additional funds in the future, and we may not be able to obtain those funds on favorable terms, or at all. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests and the per share value of our Class A common stock could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions, any of which could harm our business and operating results. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

Adverse economic conditions or reduced datacenter spending may adversely impact our revenues and profitability.

Our operations and performance depend in part on worldwide economic conditions and the impact these conditions have on levels of spending on enterprise computing technology. Our business depends on the overall demand for enterprise computing infrastructure and on the economic health and general willingness of our current and prospective end-customers to purchase our solutions. Weak economic conditions, or a reduction in enterprise computing spending, would likely adversely affect our business, operating results and financial condition in a number of ways, including by reducing sales, lengthening sales cycles and lowering prices for our solutions.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our operating results.

Our sales contracts are denominated in U.S. dollars, and therefore, substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our solutions to our end-customers outside of the United States, which could adversely affect our financial condition and operating results. In addition, an increasing portion of our operating expenses is incurred outside the United States, is denominated in foreign currencies such as the Euro, the Pound Sterling, the Indian Rupee, the Canadian Dollar and the Australian Dollar, and is subject to fluctuations due to changes in foreign currency exchange rates. If we become more exposed to currency fluctuations and are not able to successfully hedge against the risks associated with currency fluctuations, our operating results could be adversely affected. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our operating results.

We do not collect sales and use, value added or similar taxes in all jurisdictions in which we have sales, and we have been advised that such taxes are not applicable to our products and services in certain jurisdictions. Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, to us or our end-customers for the past amounts, and we may be required to collect such taxes in the future. If we are unsuccessful in collecting such taxes from our end-customers, we could be held liable for such costs, which may adversely affect our operating results.

Our international operations may subject us to potential adverse tax consequences.

We are expanding our international operations and staff to better support our growth into the international markets. Our corporate structure and associated transfer pricing policies contemplate the business flows and future growth into the international markets, and consider the functions, risks and assets of the various entities involved in the intercompany transactions. The amount of taxes we pay in different jurisdictions may depend on the application of the tax laws of the various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to the intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency.

We expect to receive significant tax benefits from sales to our non-U.S. customers. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these tax benefits. President Trump and the U.S. Congress have called for comprehensive tax reform which, among other things, might change certain U.S. tax rules impacting the way U.S. based multinationals are taxed on foreign income. This could adversely affect our effective tax rate or result in higher tax liabilities. At this time, it is not possible to measure the potential impact on the value of our deferred tax assets, business, prospects or results of operations that might result upon enactment.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and interruptions by man-made problems, such as network security breaches, computer viruses or terrorism.

A significant natural disaster, such as an earthquake, fire, flood or significant power outage could have an adverse impact on our business and operating results. Despite the implementation of network security measures, our networks also may be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our solutions. Both our corporate headquarters and our main contract manufacturers are located in the San Francisco Bay Area, a region known for seismic activity. In addition, natural disasters, acts of terrorism or war could cause disruptions in our or our end-customers' or channel partners' businesses, our suppliers' and manufacturers' operations or the economy as a whole. We also rely on IT systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by manmade problems, such as power disruptions, could adversely affect our business. We do not have a formal disaster recovery plan or policy in place and do not currently require that our manufacturing partners have such plans or policies in place. To the extent that any such disruptions result in delays or cancellations of orders or impede our suppliers' or our manufacturers' ability to timely deliver our solutions and product components, or the deployment of our solutions, our business, operating results and financial condition would be adversely affected. We do maintain what we believe are commercially reasonable levels of business interruption insurance. However, such insurance may not adequately cover our losses in the event of a significant disruption in our business.

If our networks, computer systems or software solutions are breached or unauthorized access to customer data otherwise occurs, our enterprise and our solutions may be perceived as insecure, we may lose existing end-customers or fail to attract new end-customers, our reputation may be damaged and we may incur significant liabilities.

We store, transmit and process our end-customers' data. If any unauthorized access to or security breach of our solutions occurs, or is believed to have occurred, such an event or perceived event could result in the loss of data, loss of intellectual property or trade secrets, loss of business, severe reputational or brand damage adversely affecting end-customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, and penalties for violation of privacy, data protection and other applicable laws, regulations or contractual obligations. We may also be subject to significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused or incentives offered to end-customers or other business partners in an effort to maintain business relationships after a breach and other liabilities. Additionally, any such event or perceived event could impact our reputation, harm customer confidence, hurt our sales and expansion into new markets or cause us to lose existing end-customers. We could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches and to remediate our systems, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business may be impaired. Additionally, actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Additionally, we depend upon our employees to appropriately handle confidential data and deploy our IT resources in a safe and secure fashion that does not expose our network systems, or those of our end-customers, to security breaches and the loss of data. Accordingly, if our cybersecurity systems and measures or those of our contractors, partners and vendors fail to protect against unauthorized access, sophisticated cyberattacks and the mishandling of data by our employees, contractors, partners or vendors, our business and prospects could be adversely affected. We could lose or suffer the exposure of sensitive data regarding our business, including intellectual property or other proprietary data, or personally identifiable information of our end-customers, employees and business partners; encounter disruptions in our communications systems that impair our ability to conduct our business operations; and experience degradation in our ability to process customer orders or deliver solutions, affecting our distribution channels and delaying our revenue recognition. Likewise, security vulnerabilities could be exploited or introduced into our solutions, thereby damaging the reputation and perceived reliability and security of our products and services and potentially making the data systems of our end-customers vulnerable to further data loss and cyber incidents.

In addition, if the security measures of our end-customers are compromised, even without any actual compromise of our own systems or of our solutions used by such end-customers, we may face negative publicity or reputational harm if our end-customers or anyone else incorrectly attributes the blame for such security breaches to us or our solutions. If end-customers believe that our solutions do not provide adequate security for the storage of personal or other sensitive or proprietary information or the transmission of such information over the internet, our business will be harmed. End-customers' concerns about security or privacy may deter them from using our solutions for activities that involve personal or other sensitive information, which may significantly affect our business and operating results.

Because the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or vulnerabilities or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period.

We are dependent on the continued availability of the Internet and third-party computer and communications systems.

Our ability to provide services and solutions to our end-customers depends on our ability to communicate with our end-customers through the public Internet and electronic networks that are owned and operated by third parties. In addition, in order to provide customer service and sales on-demand and promptly, our computer equipment and network servers must be functional 24 hours per day, which requires access to telecommunications facilities managed by third parties and the availability of electricity, which we do not control. A severe disruption of one or more of these networks, including as a result of utility or third-party system interruptions, could impair our ability to process information, which could impede our ability to provide services to our end-customers, harm our reputation, result in a loss of end-customers and adversely affect our business and operating results.

Our estimates of end-customer cost savings may not be indicative of the actual benefits that end-customers experience in the future.

We have based our estimates of the cost savings that end-customers may experience on our internal models, which depend on a variety of assumptions, including publicly-available industry data, our estimates of spending on IT and our industry experience. These assumptions may turn out to be incorrect, may not reflect the specific circumstances faced by an end-customer or could change over time due to a variety of factors, including our assumptions regarding the costs of third-party equipment, software licenses, services, support offerings and IT administration may change over time, may not accurately reflect current market trends or may not accurately reflect the actual costs faced by our end-customers; the prices of our solutions may change; technological changes could render the need for some equipment obsolete; and competitors may offer more favorable pricing or bundle some components together with other products, reducing the cost of the infrastructures or solutions against which we have made our comparisons. As a result, end-customers may not experience these estimated cost savings, and the failure of many of them to do so could harm our brand or our future sales, which could harm our business.

We have expanded and may further expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, resulting in additional dilution to our stockholders and consumption of resources that are necessary to sustain and grow our business.

Our business strategy may, from time to time, include acquiring other complementary products, technologies or businesses. For example, in August 2016, we acquired Calm.io Pte. Ltd., or Calm, and in September 2016, we acquired PernixData, Inc., or PernixData. We also may enter into relationships with other businesses in order to expand our solutions, 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 approvals, such as government regulatory 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 companies that we may acquire, particularly if the key personnel of the acquired business choose not to work for us. We may have difficulty retaining the customers of any acquired business or the acquired technologies or research and development expectations may prove unsuccessful. 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. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that the anticipated benefits of any acquisition or investment would be realized or that we would not be exposed to unknown liabilities. 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 or deferred compensation charges. These challenges related to acquisitions or investments could adversely affect our business, operating results, financial condition and prospects.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our solutions.

We are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, that will require us to perform due diligence, disclose and report whether our solutions contain conflict minerals. The Trump administration has indicated that the Dodd-Frank Act will be under further scrutiny and some of the provisions of the Dodd-Frank Act may be revised, repealed or amended, and, in April 2017, the SEC announced that it was suspending enforcement of portions of the conflict minerals regulations enacted under the Dodd-Frank Act following a ruling by the U.S. Court of Appeals for the District of Columbia Circuit. The implementation of these requirements and any changes effected by the Trump administration's implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our appliances. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in or necessary to the production of our appliances and, if applicable, potential changes to appliances, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm if we determine that certain of our appliances contain minerals not determined to be conflict-free or if we are unable to alter our appliances, processes or sources of supply to avoid use of such materials.

Risks Related to Ownership of Our Class A Common Stock

The market price of our Class A common stock may be volatile and may decline.

The market price of our Class A common stock has fluctuated and may continue to fluctuate substantially. The market price of our Class A common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our Class A common stock. Factors that could cause fluctuations in the market price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, including as a result of our recently announced plan to transition our business to focus on more software-only transactions, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- public analyst or investor reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes or fluctuations in our operating results;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;
- actual or threatened litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or our solutions, or third-party proprietary rights;
- rumored, announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any major changes in our management or our board of directors;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market prices of a particular company’s securities, securities class action litigation has often been instituted against that company. Securities litigation, if instituted against us, could result in substantial costs and divert our management’s attention and resources from our business. This could have an adverse effect on our business, operating results and financial condition.

Sales of substantial amounts of our Class A common stock in the public markets, or the perception that they might occur, could reduce the price that our Class A common stock might otherwise attain and may dilute your voting power and your ownership interest in us.

Sales of a substantial number of shares of our Class A common stock in the public markets, particularly sales by our directors, executive officers and significant stockholders, or the perception that these sales could occur, could adversely affect the market price of our Class A common stock.

In addition, certain holders of our Class B common stock are entitled to rights with respect to registration of these shares under the Securities Act of 1933, as amended, pursuant to our Amended and Restated Investors' Rights Agreement. If such holders exercise their registration rights and sell a large number of shares, they could adversely affect the market price for our Class A common stock. We have also registered the offer and sale of all shares of Class A and Class B common stock that we may issue under our equity compensation plans.

We may also issue our shares of Class A common stock or securities convertible into shares of our Class A common stock from time to time in connection with a financing, acquisition, investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our Class A common stock to decline.

The dual class structure of our common stock as contained in our charter documents has the effect of concentrating voting control with a limited number of stockholders that held our stock prior to our IPO, including our directors, executive officers, and employees and their affiliates, and significant stockholders, which will limit your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of October 31, 2017, stockholders who hold shares of Class B common stock, including our investors and our directors, executive officers, and employees, and their affiliates, together hold a significant majority of the voting power of our outstanding capital stock. As a result, for the foreseeable future, such stockholders will have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

In addition, the holders of Class B common stock collectively will continue to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock so long as the shares of Class B common stock represent at least 9.1% of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected. These holders of our Class B common stock may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests, and, unless earlier converted at the election of the holders of 67% of our outstanding Class B common stock, our amended and restated certificate of incorporation provides for a dual class stock structure for 17 years following the completion of our IPO.

Future transfers, whether or not for value, by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers affected for estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If one or more significant holders of our Class B common stock decides to convert or sell their shares, it could result in a different group of Class B common stock holders having the power to exert significant influence over our company, which may or may not align with the strategy and direction set by our management. Any such changes could adversely affect the market price of our Class A common stock.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

For so long as we remain an "emerging growth company" as defined in the in the Jumpstart Our Business Startups Act, or JOBS Act, we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these exemptions until we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: (i) the first fiscal year following the fifth anniversary of our IPO; (ii) the first fiscal year after our annual gross revenue is $1.07 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

We are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the NASDAQ Global Select Market and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Act. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company" as defined in the JOBS Act. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired additional employees to help comply with these requirements, we may need to further expand our legal and finance departments in the future, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of our required public disclosures of information, our business and financial condition are more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business, financial condition, results of operations and prospects.

In addition, as a result of our disclosure obligations as a public company, we will have reduced strategic flexibility and will be under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

If financial or industry analysts do not publish research or reports about our business, if they have a difficulty understanding the changes to our business model, or if they issue inaccurate or unfavorable research regarding our Class A common stock, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. As a new public company, we may be slow to attract research coverage and the analysts who publish information about our Class A common stock will have had relatively little experience with our company. In addition, we are in a period of transition intended to focus our business on more software-only transactions, which analysts may not have historically reflected, or may not accurately in the future reflect, in their research. The foregoing factors could affect analysts' ability to accurately forecast our results and make it more likely that we fail to meet their estimates. In the event we obtain industry or financial analyst coverage, if any of the analysts who cover us issue an inaccurate or unfavorable opinion regarding our stock price, our stock price would likely decline. In addition, the stock prices of many companies in the high technology industry have declined significantly after those companies have failed to meet, or often times significantly exceeded, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet (or significantly exceed) our announced guidance or the expectations of analysts or public investors, analysts could downgrade our Class A common stock or publish unfavorable research about us. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Certain provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove members of our board of directors or current management and may adversely affect the market price of our Class A common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- our amended and restated certificate of incorporation provides for a dual class common stock structure for 17 years following the completion of our IPO;

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;

- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- upon the conversion of our Class A common stock and Class B common stock into a single class of common stock, the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;

- upon the conversion of our Class A common stock and Class B common stock into a single class of common stock, a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;

- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our lead independent director, our president, our secretary or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;

- the requirement for the affirmative vote of holders of at least 66 2⁄3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;

- the ability of our board of directors, by majority vote, to amend our amended and restated bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend our amended and restated bylaws to facilitate an unsolicited takeover attempt; and

- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

We believe our long-term value as a company will be greater if we focus on growth, which may negatively impact our profitability in the near term.

Part of our business strategy is to primarily focus on our long-term growth. As a result, our profitability may be lower in the near term than it would be if our strategy was to maximize short-term profitability. Expenditures on expanding our research and development efforts, sales and market efforts, infrastructure and other such investments may not ultimately grow our business or cause long-term profitability. If we are ultimately unable to achieve profitability at the level anticipated by analysts and our stockholders, our stock price may decline.

We do not intend to pay dividends in the foreseeable future. As a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our Class A common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our Class A common stock in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

a) Unregistered Sales of Equity Securities

None.

b) Use of Proceeds from Public Offering of Common Stock

Our IPO of Class A common stock was effected through Registration Statements on Form S-1 (File Nos. 333-208711 and 333-213876), which were declared or became effective on September 29, 2016. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC.

Purchases of Equity Securities by the Issuer

We issued shares of common stock related to exercises of unvested stock options, or the early exercised stock options. The shares of common stock issued in connection with the early exercised stock options are subject to our repurchase right at the original purchase price. The proceeds are initially recorded as a liability and reclassified to common stock and additional paid in capital as our repurchase right lapses. During the three months ended October 31, 2017, we repurchased the following shares related to unvested early exercised stock options due to termination:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)
August 1, 2017 to August 31, 2017	—	$ —
September 1, 2017 to September 30, 2017	3,501	9.09
October 1, 2017 to October 31, 2017	—	—
Total	3,501	$ 9.09

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

See the Exhibit Index below for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

		Incorporated by Reference				
Number	**Exhibit Title**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Amended and Restated Certificate of Incorporation.	10-Q	001-37883	3.1	12/8/2016	
3.2	Amended and Restated Bylaws.	S-1/A	333-208711	3.4	5/27/2016	
10.1	Offer Letter, dated as of October 16, 2017, by and between Nutanix, Inc. and Louis J. Attanasio +					X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.	XBRL Taxonomy Extension Definition.					X
101.	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

+ Indicates a management contract or compensatory plan or arrangement.
* These exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Nutanix, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 12, 2017

/s/ Duston M. Williams
Duston M. Willliams
Chief Financial Officer
(Principal Financial Officer)

October 15, 2017

Louis J. Attanasio

Dear Louis:

Nutanix, Inc., a Delaware corporation (the "**Company**"), is pleased to offer you employment with the Company on the terms described below.

1) **Position.** You will start in a full-time position as the Company's Chief Revenue Officer (your "**Position**") on **November 8, 2017** and will report to Dheeraj Pandey, the Company's Chief Executive Officer. In this role, you will be primarily responsible for leading the worldwide teams of Sales, OEM, Channel, SIs, Services, and Education. Moreover, you will render such business and professional services in the performance of your duties, consistent with your Position, as shall reasonably be assigned to you by the Chief Executive Officer. This position is considered an exempt position for purposes of federal and state law, which means that you are not eligible for overtime pay. Additionally, your employment with the Company is contingent upon receipt of proof of your eligibility to work in the United States (as required by law) and completion of satisfactory reference and background checks. By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing the duties of your Position with the Company.

2) **Compensation.** Your starting compensation will be a semi-monthly salary of **$32,291.67**, which is the equivalent of **$775,000** on an annual basis, payable based on the Company's regular payroll dates, and in accordance with the Company's normal payroll procedures. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect and as amended from time to time. In addition, you will be eligible for incentive compensation, with an annual target of **$775,000**, pursuant to the applicable Sales Incentive Plan to be signed by you and the Company within 30 days following the start of your employment with the Company. This brings your overall target compensation to **$1,550,000.00** per annum. Compensation pursuant to the Sales Incentive Plan will be paid out on a monthly basis once it is earned, as defined in the plan, and 30 days in arrears. The annual incentive compensation paid to you for the Company's 2018 fiscal year, if any, will be pro-rated based on your time of service during such fiscal year.

Starting with the Company's 2019 fiscal year, the Company may designate you to be eligible for discretionary annual incentive compensation, with an annual target of **$775,000**, under the Company's Executive Bonus Plan in lieu of being eligible to participate in the Company's Sales Incentive Plan**.** This discretionary annual incentive compensation will be subject to achievement of performance targets, which targets will be set by the Company's Board of Directors (the "**Board**") or its Compensation Committee, as determined by the Board, promptly after the beginning of each fiscal year. Achievement of the performance targets and payment of your incentive compensation shall be determined, in good faith, by the Board or the Compensation Committee (if so delegated by the Board) in its sole discretion. Your base salary and your annual incentive compensation opportunity will be reviewed annually by the Board or the Compensation Committee (if so delegated by the Board) based on your performance and/or external compensation consultant recommendations.

3) **Employee Benefits.** As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company's vacation policy. You should note that the Company might modify job titles, salaries, and benefits from time to time, as it deems necessary.

4) **Restricted Stock Units.** Subject to the approval of the Board, you will be granted an aggregate of **1,200,000** restricted stock units (the "**RSUs**"), which represent the right to receive 1,200,000 shares of Nutanix common stock if specific vesting requirements are satisfied. The RSUs will be subject to the terms and conditions applicable to RSUs granted under the Company's 2016 Equity Incentive Plan (the "**Plan**"), as described in the Plan as well as in one or more restricted stock unit agreements ("**RSU Agreements**") which you will be required to sign. You should consult with your own tax advisor concerning the tax risks associated with accepting RSUs that cover the Company's common stock. Subject to the approval of the Board and your continuous service with the Company, as described in the applicable RSU Agreements, the shares subject to the RSUs will vest as follows:

a) **1,000,000 RSUs** (the "**First Tranche RSUs**") will vest on the following schedule, subject to your continuous service with the Company through each applicable vesting date, to be described in the RSU Agreements: the "**First Tranche Vesting Commencement Date**" for the First Tranche RSUs will be the first March 15th, June 15th, September 15th, or December 15th, whichever is closest, following your employment start date (such date, your "**Start Date**"); 25% of the First Tranche RSUs will vest on the one-year anniversary of the First Tranche Vesting Commencement Date (or, if such date falls on a weekend or a U.S. stock market holiday, the first business day thereafter), and 1/16th of the First Tranche RSUs will vest in quarterly installments thereafter on the 15th day of the applicable month (or, if such date falls on a weekend or a U.S. stock market holiday, the first business day thereafter), so as to be 100% vested on the date that is the four-year anniversary of the First Tranche Vesting Commencement Date (the foregoing schedule, the "**First Tranche Vesting Schedule**"). Subject to section 6 of this letter agreement, in the event that your continuous service ceases prior to each applicable vesting date in the First Tranche Vesting Schedule, then any unvested portion of the First Tranche RSUs and your right to acquire any shares subject to such unvested portion of the First Tranche RSUs will immediately terminate.

b) **200,000 RSUs** (the "**Second Tranche RSUs**") will vest on the following schedule, subject to your continuous service with the Company through each applicable vesting date, to be described in the RSU Agreements: the "**Second Tranche Vesting Commencement Date**" for the Second Tranche RSUs will be the first March 15th, June 15th, September 15th, or December 15th, whichever is closest, following the two-year anniversary of your Start Date; 1/16th of the Second Tranche RSUs will vest in quarterly installments after the Second Tranche Vesting Commencement Date on the 15th day of the applicable month (or, if such date falls on a weekend or a U.S. stock market holiday, the first business day thereafter), so as to be 100% vested on the date that is the four-year anniversary of the Second Tranche Vesting Commencement Date (the foregoing schedule, the "**Second Tranche Vesting Schedule**"). In the event that your continuous service ceases prior to each applicable vesting date in the Second Tranche Vesting Schedule, then any unvested portion of the Second Tranche RSUs and your right to acquire any shares subject to such unvested portion of the Second Tranche RSUs will immediately terminate.

5) **Change of Control**. Subject to designation by the Company's Compensation Committee of the Board of Directors of you as an Eligible Employee (as defined in the CoC Policy, defined below) and provided you have executed a Participation Agreement in the form attached hereto as Exhibit A (the "**Participation Agreement**"), you will eligible to participate in the Company's Change of Control and Severance Policy ("**CoC Policy**") at the **Tier 2 Level**. A copy of the CoC Policy and the Participation Agreement are attached hereto as Exhibit A.

6) **Severance**. If (i) during one of the periods described in the table below and in all cases prior to a Change of Control Period (as defined in the CoC Policy), your employment is terminated by the Company for any reason other than Cause (as defined in the CoC Policy) or you resign for Good Reason (as defined in the CoC Policy), and (ii) you comply with the Conditions (as defined below), then the applicable number of First Tranche RSUs set forth in the table below will immediately vest on the effective date of the termination of your employment (the "**Termination Date**").

Period	Number of First Tranche RSUs
On or prior to the one-year anniversary of your Start Date (the "**One-Year Anniversary**") and a Change of Control Period.	250,000 First Tranche RSUs.
Following the One-Year Anniversary and on or prior to the two-year anniversary of your Start Date and a Change of Control Period.	In addition to any portion of the First Tranche RSUs that vest in accordance with the First Tranche Vesting Schedule, 250,000 First Tranche RSUs.

For the avoidance of doubt, in no event will more than 250,000 First Tranche RSUs be deemed vested as a result of the accelerated vesting rights provided under this section 6. For purposes of this letter agreement, "**Conditions**" will mean (A) you have returned all Company property in your possession within 10 days following the Termination Date, and (B) you have executed a Release (as defined in the CoC Policy) and such Release has become effective and irrevocable no later than the 60th day following the Termination Date (the "**Release Deadline**"). Any RSUs that vest under this section 6 will be settled on the first trading day following the Release Deadline. For the avoidance of doubt, if the Release is not executed, or if the Release is executed but does not become effective and irrevocable by the Release Deadline, no RSUs will vest under this section 6, and you will forfeit any and all rights to accelerated vesting of First Tranche RSUs under this section 6.

7) **Confidential Information and Invention Assignment Agreement.** Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's enclosed standard Confidential Information and Inventions Assignment Agreement ("**CIIAA**"), which requires, among other provisions, the assignment of patent rights to any invention made during your employment at the Company, and non-disclosure of Company proprietary information. Please note that we must receive your signed CIIAA before your first day of employment. A copy of this is attached hereto as Exhibit B.

8) **__At-Will Employment Relationship__.** Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations which may have been made to you are superseded by this offer. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and the Company's Chief Executive Officer.

9) **__Conditions__.** As a Company employee, you will be expected to abide by the Company's rules and standards. Specifically, you acknowledge that you have read and that you understand the Company's rules of conduct which are included in the Company Handbook.

10) **__Outside Activities__.** While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company. Notwithstanding the foregoing, the Company acknowledges and agrees that you may join other boards of directors (of both for-profit and non-profit organizations) from time to time with, in each case, prior approval of the Company's legal department, so long as in any case such services are not for any competitor of the Company. Similarly, you agree not to bring any third party confidential information to the Company, including that of your former employers, and that in performing your duties for the Company you will not in any way utilize any such information of your former employers. In addition, while you render services to the Company, you will not assist any person or entity in competing with the Company, in preparing to compete with the Company or in hiring any employees or consultants of the Company.

11) **__Withholding Taxes__.** All forms of compensation referred to in this letter are subject to applicable withholding and payroll taxes.

12) **__Governing Law__**. This letter agreement will be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

13) **__Acknowledgment__**. You acknowledge that you have had the opportunity to discuss this matter with and obtain advice from your private attorney, you have had sufficient time to, and have carefully read and fully understand all the provisions of this letter agreement, and you are knowingly and voluntarily entering into this agreement. The Company further agrees to reimburse the fees associated with your attorney review in an amount not to exceed $5,000.

14) **__Entire Agreement__.** This letter, along with the CIIAA, the Plan, the RSU Agreements, the Sales Incentive Plan (if and when executed), the CoC Policy, and the Participation Agreement (if and when executed), set forth the terms of your employment with the Company, and supersedes and replaces any prior representations, understandings or agreements, whether oral, written or implied, between you and the Company regarding the matters described in this letter. This letter, including, but not limited to, its at-will employment provision, may not be modified or amended except by a written agreement signed by the Chief Executive Officer of the Company and you.

-Signature page follows-

If you wish to accept this offer, please sign and date both the enclosed duplicate original of this letter and the enclosed Confidential Information & Inventions Assignment Agreement and return them via DocuSign. This offer, if not accepted, will expire at 10:00 am Pacific time on October 16, 2017.

We look forward to having you join us no later than November 8, 2017.

Sincerely,
Nutanix, Inc.
By: /s/ Dheeraj Pandey
Signature
Name: Dheeraj Pandey
Title: Co-Founder and CEO

ACCEPTED AND AGREED: I confirm I am Louis J. Attanasio and I intend to electronically sign this document. I intend that my electronic signature shall be binding upon me in the same way as my handwritten signature.

Louis J. Attanasio

/s/ Louis Attanasio	(Signature)
October 16, 2017	Date

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dheeraj Pandey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nutanix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2017

/s/ Dheeraj Pandey
Dheeraj Pandey
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Duston M. Williams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nutanix, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2017

/s/ Duston M. Williams
Duston M. Williams
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dheeraj Pandey, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended October 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 12, 2017	/s/ Dheeraj Pandey
	Dheeraj Pandey
	Chairman and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Duston M. Williams, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended October 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 12, 2017

/s/ Duston M. Williams
Duston M. Williams
Chief Financial Officer
(Principal Financial Officer)