UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2022

OR

☐ **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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.000025 par value per share	NTNX	Nasdaq Global Select Market

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ 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.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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. ☐

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

As of February 28, 2022, the registrant had 220,566,121 shares of Class A 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 express and implied forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Other than statements of historical fact, all statements contained in this Quarterly Report on Form 10-Q, 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," or words or expressions of similar substance or the negative thereof, 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 billings, revenue, cost of revenue and operating expenses, as well as changes in the cost of product revenue, component costs, contract terms, product gross margins and support, entitlements and other services revenue and changes in research and development, sales and marketing and general and administrative expenses;
- our business plans, strategies, initiatives, objectives and outlook, as well as our ability to execute such plans, strategies, initiatives and objectives successfully and in a timely manner, and the benefits and impact of such plans, initiatives and objectives on our business, operations, and financial results, including any impact on our revenue and product mix, average contract term lengths and discounting behavior;
- our plans for, and the timing of, any current and future business model transitions, including our ongoing transition to a subscription-based business model, our ability to manage, complete or realize the benefits of such transitions successfully and in a timely manner, and the short-term and long-term impacts of such transitions on our business, operations and financial results;
- the timing, evolution and potential impact of the COVID-19 pandemic on the global market environment and the IT industry, as well as on our business, operations and financial results, including changes we have made or anticipate making in response to the COVID-19 pandemic, our ability to manage our business during the pandemic, and the position we anticipate being in following the pandemic;
- the benefits and capabilities of our platform, solutions, products, services and technology, including the interoperability and availability of our solutions with and on third-party platforms;
- our plans and expectations regarding new solutions, products, services, product features and technology, including those that are still under development or in process;
- our growth strategy, our ability to effectively achieve and manage our growth, and the amount, timing and impact of any investments to grow our business, including any plans to increase or decrease investments in our global engineering, research and development and sales and/or marketing teams;
- our go-to-market strategy and the impact of any adjustments thereto, including any adjustments to our go-to-market cost structure, in particular, our sales compensation structure, and our plans regarding pricing and packaging of our product portfolio;
- the success and impact of our customer, partner, industry, analyst, investor and employee events on our business, including on future pipeline generation;
- the impact of our decision to use new or different metrics, or to make adjustments to the metrics we use, to supplement our financial reporting;
- our reliance on key personnel;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate, including the segmentation and productivity of our sales team;
- market acceptance of new technology and recently introduced solutions;
- our ability to increase sales of our solutions, particularly to large enterprise customers;
- our ability to attract new end customers and retain and grow sales from our existing end customers;

- our ability to maintain and strengthen existing strategic alliances and partnerships, including our relationships with our channel partners and original equipment manufacturers, and to develop any new strategic alliances and partnerships, and the impact of any changes to such relationships on our business, operations and financial results;
- 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 exposure to and ability to guard against cyber attacks and other actual or perceived security breaches;
- our ability to continue to expand internationally;
- the competitive market, including our ability to compete effectively, the competitive advantages of our products, and the effects of increased competition in our market;
- anticipated capital expenditures;
- future acquisitions or investments in complementary companies, products, services or technologies and the ability to successfully integrate completed acquisitions;
- 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, including recent changes in global tax laws;
- macroeconomic and industry trends, projected growth or trend analysis;
- the impact of events that may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns, and other similar events;
- our ability to attract and retain qualified employees and key personnel; and
- the sufficiency of cash balances 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 in light of the information currently available to us. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 and 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 and 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 or implied 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 will 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, and expressly disclaim any obligation, to update, alter or otherwise revise or publicly release the results of any revision to these forward-looking statements to reflect new information or the occurrence of unanticipated or subsequent events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in 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
(Unaudited)

	As of	
	July 31, 2021	January 31, 2022
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 285,723	$ 400,749
Short-term investments	928,006	891,026
Accounts receivable, net of allowances of $892 and $668, respectively	180,781	159,938
Deferred commissions—current	110,935	109,607
Prepaid expenses and other current assets	56,816	60,404
Total current assets	1,562,261	1,621,724
Property and equipment, net	131,621	117,609
Operating lease right-of-use assets	105,903	91,519
Deferred commissions—non-current	232,485	247,144
Intangible assets, net	32,012	23,866
Goodwill	185,260	185,260
Other assets—non-current	27,954	28,468
Total assets	$ 2,277,496	$ 2,315,590
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 47,056	$ 46,900
Accrued compensation and benefits	162,337	149,989
Accrued expenses and other current liabilities	39,404	37,589
Deferred revenue—current	636,421	703,803
Operating lease liabilities—current	42,670	43,585
Convertible senior notes, net—current	—	145,160
Total current liabilities	927,888	1,127,026
Deferred revenue—non-current	676,502	683,068
Operating lease liabilities—non-current	86,599	66,016
Convertible senior notes, net	1,055,694	1,126,461
Derivative liability	500,175	—
Other liabilities—non-current	42,679	38,636
Total liabilities	3,289,537	3,041,207
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Preferred stock, par value of $0.000025 per share— 200,000 shares authorized as of July 31, 2021 and January 31, 2022; no shares issued and outstanding as of July 31, 2021 and January 31, 2022	—	—
Common stock, par value of $0.000025 per share—1,200,000 (1,000,000 Class A, 200,000 Class B) and 1,042,004 (1,000,000 Class A, 42,004 Class B) shares authorized as of July 31, 2021 and January 31, 2022, respectively; 214,210 (208,579 Class A and 5,631 Class B) and 220,539 (220,539 Class A and zero Class B) shares issued and outstanding as of July 31, 2021 and January 31, 2022, respectively [(1)]	5	5
Additional paid-in capital	2,615,317	3,382,214
Accumulated other comprehensive loss	(8)	(2,435)
Accumulated deficit	(3,627,355)	(4,105,401)
Total stockholders' deficit	(1,012,041)	(725,617)
Total liabilities and stockholders' deficit	$ 2,277,496	$ 2,315,590

(1) Effective January 3, 2022, all of the then outstanding shares of Nutanix, Inc. Class B common stock were automatically converted into the same number of shares of Nutanix, Inc. Class A common stock. See Note 8 for further details.

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands, except per share data)			
Revenue:				
Product	$ 174,798	$ 209,151	$ 330,550	$ 389,256
Support, entitlements and other services	171,584	203,930	328,586	402,342
Total revenue	346,382	413,081	659,136	791,598
Cost of revenue:				
Product	13,784	15,096	26,598	29,317
Support, entitlements and other services	57,170	64,873	112,315	132,098
Total cost of revenue	70,954	79,969	138,913	161,415
Gross profit	275,428	333,112	520,223	630,183
Operating expenses:				
Sales and marketing	261,071	241,633	518,361	491,666
Research and development	135,571	141,608	271,375	285,874
General and administrative	35,034	44,291	68,808	84,319
Total operating expenses	431,676	427,532	858,544	861,859
Loss from operations	(156,248)	(94,420)	(338,321)	(231,676)
Other expense, net	(126,001)	(15,332)	(204,733)	(293,881)
Loss before provision for income taxes	(282,249)	(109,752)	(543,054)	(525,557)
Provision for income taxes	5,141	5,309	9,384	9,356
Net loss	$ (287,390)	$ (115,061)	$ (552,438)	$ (534,913)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted (1)	$ (1.42)	$ (0.53)	$ (2.72)	$ (2.46)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted (1)	202,520	218,808	202,798	217,153

(1) Effective January 3, 2022, all of the then outstanding shares of Nutanix, Inc. Class B common stock were automatically converted into the same number of shares of Nutanix, Inc. Class A common stock. See Note 8 for further details.

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Net loss	$ (287,390)	$ (115,061)	$ (552,438)	$ (534,913)
Other comprehensive loss, net of tax:				
Change in unrealized loss on available-for-sale securities, net of tax	(323)	(1,776)	(1,473)	(2,427)
Comprehensive loss	$ (287,713)	$ (116,837)	$ (553,911)	$ (537,340)

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Six Months Ended January 31, 2021					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
	(in thousands)					
Balance - July 31, 2020	201,949	$ 5	$ 2,245,180	$ 2,030	$ (2,522,192)	$ (274,977)
Issuance of common stock through employee equity incentive plans	3,117	—	1,631	—	—	1,631
Issuance of common stock from ESPP purchase	1,456	—	18,070	—	—	18,070
Repurchase and retirement of common stock	(5,176)	—	(54,176)	—	(70,903)	(125,079)
Stock-based compensation	—	—	89,198	—	—	89,198
Other comprehensive loss	—	—	—	(1,150)	—	(1,150)
Net loss	—	—	—	—	(265,048)	(265,048)
Balance - October 31, 2020	201,346	5	2,299,903	880	(2,858,143)	(557,355)
Issuance of common stock through employee equity incentive plans	2,892	—	2,222	—	—	2,222
Stock-based compensation	—	—	84,454	—	—	84,454
Other comprehensive loss	—	—	—	(323)	—	(323)
Net loss	—	—	—	—	(287,390)	(287,390)
Balance - January 31, 2021	204,238	$ 5	$ 2,386,579	$ 557	$ (3,145,533)	$ (758,392)

	Six Months Ended January 31, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
	(in thousands)					
Balance - July 31, 2021	214,210	$ 5	$ 2,615,317	$ (8)	$ (3,627,355)	$ (1,012,041)
Adoption of ASU 2020-06	—	—	(148,598)	—	100,585	(48,013)
2026 Notes derivative liability reclassification	—	—	698,213	—	—	698,213
Issuance of common stock through employee equity incentive plans	2,809	—	1,352	—	—	1,352
Issuance of common stock from ESPP purchase	1,309	—	28,786	—	—	28,786
Repurchase and retirement of common stock	(1,369)	—	(14,852)	—	(43,718)	(58,570)
Unwinding of 2023 Notes hedges	—	—	39,880	—	—	39,880
Unwinding of 2023 Notes warrants	—	—	(18,390)	—	—	(18,390)
Stock-based compensation	—	—	90,547	—	—	90,547
Other comprehensive loss	—	—	—	(651)	—	(651)
Net loss	—	—	—	—	(419,852)	(419,852)
Balance - October 31, 2021	216,959	5	3,292,255	(659)	(3,990,340)	(698,739)
Issuance of common stock through employee equity incentive plans	3,580	—	1,914	—	—	1,914
Stock-based compensation	—	—	88,045	—	—	88,045
Other comprehensive loss	—	—	—	(1,776)	—	(1,776)
Net loss	—	—	—	—	(115,061)	(115,061)
Balance - January 31, 2022	220,539	$ 5	$ 3,382,214	$ (2,435)	$ (4,105,401)	$ (725,617)

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended January 31,	
	2021	2022
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (552,438)	$ (534,913)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	47,087	45,582
Stock-based compensation	173,652	178,592
Change in fair value of derivative liability	166,380	198,038
Loss on debt extinguishment	—	64,910
Amortization of debt discount and issuance costs	28,796	19,796
Operating lease cost, net of accretion	16,930	18,336
Impairment of lease-related assets	2,822	—
Non-cash interest expense	6,615	9,575
Other	4,354	5,156
Changes in operating assets and liabilities:		
Accounts receivable, net	79,173	23,826
Deferred commissions	(67,677)	(13,332)
Prepaid expenses and other assets	(9,217)	(4,951)
Accounts payable	(2,602)	(2,391)
Accrued compensation and benefits	39,593	(19,496)
Accrued expenses and other liabilities	2,100	(3,371)
Operating leases, net	(16,523)	(23,619)
Deferred revenue	61,325	70,968
Net cash (used in) provided by operating activities	(19,630)	32,706
Cash flows from investing activities:		
Maturities of investments	260,852	568,697
Purchases of investments	(859,576)	(556,148)
Sales of investments	2,999	17,999
Purchases of property and equipment	(25,168)	(17,390)
Net cash (used in) provided by investing activities	(620,893)	13,158
Cash flows from financing activities:		
Payments of debt extinguishment costs	—	(14,709)
Proceeds from unwinding of convertible note hedges	—	39,880
Payments for unwinding of warrants	—	(18,390)
Proceeds from sales of shares through employee equity incentive plans	21,904	32,053
Proceeds from the issuance of convertible notes, net of issuance costs	723,617	89,128
Repurchases of common stock	(125,079)	(58,570)
Payment of finance lease obligations	—	(323)
Net cash provided by financing activities	620,442	69,069
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (20,080)	$ 114,933
Cash, cash equivalents and restricted cash—beginning of period	321,991	288,873
Cash, cash equivalents and restricted cash—end of period	$ 301,911	$ 403,806
Restricted cash [1]	3,210	3,057
Cash and cash equivalents—end of period	$ 298,701	$ 400,749
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 8,999	$ 12,084
Supplemental disclosures of non-cash investing and financing information:		
Purchases of property and equipment included in accounts payable and accrued and other liabilities	$ 7,621	$ 18,939
Finance lease liabilities arising from obtaining right-of-use assets	$ 1,960	$ 11,148
Convertible senior notes offering costs included in accrued liabilities	$ —	$ 693

(1) Included within other assets—non-current in the condensed consolidated balance sheets.

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

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," "us," "our" or "Nutanix"), has operations throughout North America, Europe, Asia Pacific, the Middle East, Latin America, and Africa.

We provide a leading enterprise cloud platform, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions run across private-, hybrid- and multicloud environments, and allow organizations to seamlessly "lift and shift" their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure ("VDI") services, cloud native workloads, and analytics applications, between different cloud environments. Our solutions are primarily sold through channel partners, including distributors, resellers and original equipment manufacturers ("OEMs") (collectively, "Partners"), and delivered directly to our end customers.

Principles of Consolidation and Significant Accounting Policies

The accompanying condensed consolidated financial statements, which include the accounts of Nutanix, Inc. and its wholly-owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and are consistent in all material respects with those included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, filed with the Securities and Exchange Commission ("SEC") on September 21, 2021. 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. The consolidated balance sheet as of July 31, 2021 is derived from audited financial statements; however, it does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. 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, 2021.

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 condensed consolidated financial statements and accompanying notes. Such management estimates and assumptions include, but are not limited to, the best estimate of selling prices for products and related support; useful lives and recoverability of intangible assets and property and equipment; allowance for credit losses; determination of fair value of stock-based awards; accounting for income taxes, including the valuation allowance on deferred tax assets and uncertain tax positions; warranty liability; purchase commitment liabilities to our OEMs; sales commissions expense and the period of benefit for deferred commissions; whether an arrangement is or contains a lease; the incremental borrowing rate to measure the present value of right-of-use assets and lease liabilities; the inputs used to determine the fair value of the contingent liability associated with the conversion feature of the 2.50% convertible senior notes due 2026 (the "2026 Notes"); 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.

In response to the ongoing and rapidly evolving COVID-19 pandemic, we considered the impact of the estimated economic implications on our critical and significant accounting estimates, including assessment of collectibility of customer contracts, valuation of accounts receivable, provision for purchase commitments to our OEMs and impairment of long-lived assets, right-of-use assets, and deferred commissions.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Concentration of Risk

Concentration of revenue and accounts receivable—We sell our products primarily through our Partners and occasionally directly to end customers. For the three and six months ended January 31, 2021 and 2022, no end customer accounted for more than 10% of total revenue or accounts receivable.

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				Accounts Receivable as of	
	Three Months Ended January 31,		Six Months Ended January 31,		July 31, 2021	January 31, 2022
Partners	2021	2022	2021	2022		
Partner A	34 %	34 %	31 %	33 %	35 %	31 %
Partner B	13 %	14 %	14 %	14 %	23 %	22 %
Partner C	(1)	(1)	(1)	(1)	(1)	12 %
Partner D	(1)	(1)	(1)	(1)	(1)	10 %
Partner E	(1)	(1)	11 %	11 %	(1)	(1)

(1) Less than 10%

Summary of Significant Accounting Policies

Except for the accounting for our convertible senior notes, as described below, there have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, filed with the SEC on September 21, 2021, that have had a material impact on our condensed consolidated financial statements.

Convertible Senior Notes

Our convertible senior notes, including any embedded conversion features, are accounted for under the traditional convertible debt accounting model and are treated as a liability, net of unamortized issuance costs. The carrying amount of the liability is classified as a current liability if we have committed to settle with current assets; otherwise, it is classified as a long-term liability, as we retain the option to settle conversion requests in shares of our Class A common stock. The embedded conversion features are not remeasured as long as they do not meet the separation requirement of a derivative; otherwise, they are classified as derivative instruments and accounted for as such. Issuance costs are amortized to interest expense using the effective interest rate method over the term of the notes. In accounting for conversions of the notes, the carrying amount of the converted notes is reduced by the total consideration paid or issued for the respective converted notes and the difference is recorded to additional paid-in capital on our condensed consolidated balance sheets. In accounting for extinguishments of the notes, the reacquisition price of the extinguished notes is compared to the carrying amount of the respective extinguished notes and a gain or loss is recorded in other expense, net on our condensed consolidated statements of operations.

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Under ASU 2020-06, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. By removing those separation models, the interest rate of convertible debt instruments typically will be closer to the coupon interest rate. ASU 2020-06 also provides for certain disclosures with regard to convertible instruments and associated fair values. We early adopted the new standard using the modified retrospective method effective August 1, 2021 and have not changed any previously disclosed amounts or provided additional disclosures for the comparative periods.

The adoption of this new guidance resulted in an increase in the carrying value of the 0% convertible senior notes due 2023 (the "2023 Notes") by approximately $48.0 million to reflect the full principal amount of the convertible notes outstanding, net of issuance costs, a decrease in additional paid-in capital of approximately $148.6 million to remove the equity component separately recorded for the conversion feature associated with the 2023 Notes, and a cumulative-effect adjustment of approximately $100.6 million to the accumulated deficit beginning balance as of August 1, 2021. The remaining debt issuance costs will continue to be amortized over the term of the 2023 Notes. The new standard had no impact on the 2026 Notes, as the embedded conversion feature on the 2026 Notes was initially accounted for as a derivative liability.

In May 2021, the FASB issued ASU 2021-04, Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options, which provides guidance on modifications or exchanges of a freestanding equity-classified written call option (such as warrants). An entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument, and provides further guidance on measuring the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. ASU 2021-04 also provides guidance on the recognition of the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange on the basis of the substance of the transaction, in the same manner as if cash had been paid as consideration. The new standard is effective for all entities for fiscal years beginning after December 15, 2021, with early adoption permitted, including interim periods within those fiscal years. We early adopted the new standard effective August 1, 2021 and the adoption did not have a material impact on our condensed consolidated financial statements.

NOTE 2. REVENUE, DEFERRED REVENUE AND DEFERRED COMMISSIONS

Disaggregation of Revenue and Revenue Recognition

We generate revenue primarily from the sale of our enterprise cloud platform, which can be delivered pre-installed on an appliance that is configured to order or delivered separately to be utilized on a variety of certified hardware platforms. When the software license is not portable to other appliances, it can be used over the life of the associated appliance, while subscription term-based licenses typically have a term of one to five years. Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our OEMs or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support. A substantial portion of sales are made through channel partners and OEM relationships.

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The following table depicts the disaggregation of revenue by revenue type, consistent with how we evaluate our financial performance:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Subscription	$ 305,946	$ 374,744	$ 584,111	$ 712,645
Non-portable software	21,661	14,542	41,704	28,879
Hardware	1,321	1,753	2,050	3,916
Professional services	17,454	22,042	31,271	46,158
Total revenue	$ 346,382	$ 413,081	$ 659,136	$ 791,598

Subscription revenue — Subscription revenue includes any performance obligation which has a defined term and is generated from the sales of software entitlement and support subscriptions, subscription software licenses and cloud-based software as a service ("SaaS") offerings.

- Ratable — We recognize revenue from software entitlement and support subscriptions and SaaS offerings ratably over the contractual service period, the substantial majority of which relate to software entitlement and support subscriptions. These offerings represented approximately $159.2 million and $307.0 million of our subscription revenue for the three and six months ended January 31, 2021, respectively, and $191.3 million and $374.5 million for the three and six months ended January 31, 2022, respectively.
- Upfront — Revenue from our subscription software licenses is generally recognized upfront upon transfer of control to the customer, which happens when we make the software available to the customer. These subscription software licenses represented approximately $146.7 million and $277.1 million of our subscription revenue for the three and six months ended January 31, 2021, respectively, and $183.4 million and $338.1 million for the three and six months ended January 31, 2022, respectively.

Non-portable software revenue — Non-portable software revenue includes sales of our enterprise cloud platform when delivered on a configured-to-order appliance by us or one of our OEM partners. The software licenses associated with these sales are typically non-portable and can be used over the life of the appliance on which the software is delivered. Revenue from our non-portable software products is generally recognized upon transfer of control to the customer.

Hardware revenue — In transactions where the hardware appliance is purchased directly from Nutanix, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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 the customer.

Professional services revenue — We also sell professional services with our products. We recognize revenue related to professional services as they are performed.

Contracts with multiple performance obligations — The majority 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 standalone selling price ("SSP") basis. For deliverables that we routinely sell separately, such as software entitlement and support subscriptions on our core offerings, we determine SSP by evaluating the standalone 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 credit losses. A receivable is recognized in the period we deliver goods or provide services, or when our right to consideration is unconditional. In situations where revenue recognition occurs before invoicing, an unbilled receivable is created, which represents a contract asset. Unbilled accounts receivable, included in accounts receivable, net on the condensed consolidated balance sheets, was not material for any of the periods presented.

Payment terms on invoiced amounts are typically 30-45 days. We assess credit losses on accounts receivable by taking into consideration past collection experience, the credit quality of the customer, the age of the receivable balance, current and future economic conditions, and forecasts that may affect the collectibility of the reported amount. The balance of accounts receivable, net of allowance for credit losses, as of July 31, 2021 and January 31, 2022 is presented in the accompanying condensed consolidated balance sheets.

Costs to obtain and fulfill a contract — We capitalize commissions paid to sales personnel and the related payroll taxes when customer contracts are signed. These costs are recorded as deferred commissions in the condensed consolidated balance sheets, current and non-current. We determine whether costs should be deferred based on our sales compensation plans, if the commissions are incremental and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are recognized over the estimated period of benefit, which may exceed the term of the initial contract if the commissions expected to be paid upon renewal are not commensurate with that of the initial contract. Accordingly, deferred costs are recognized on a systematic basis that is consistent with the pattern of revenue recognition allocated to each performance obligation over the entire period of benefit and included in sales and marketing expense in the condensed consolidated statements of operations. We determine the estimated period of benefit by evaluating the expected renewals of customer contracts, the duration of relationships with our customers, customer retention data, our technology development lifecycle and other factors. Deferred costs are periodically reviewed for impairment.

Taxes assessed by a government authority that are both imposed on and concurrent with specific revenue transactions between us and our customers are presented on a net basis in our condensed consolidated statements of operations.

Deferred revenue — Deferred revenue primarily consists of amounts that have been invoiced but not yet recognized as revenue and primarily pertain to software entitlement and support subscriptions and professional services. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the condensed consolidated balance sheet date.

Significant changes in the balance of deferred revenue (contract liability) and deferred commissions (contract asset) for the periods presented are as follows:

	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of July 31, 2021	$ 1,312,923	$ 343,420
Additions [1]	398,928	60,187
Revenue/commissions recognized	(378,517)	(53,962)
Balance as of October 31, 2021	1,333,334	349,645
Additions [1]	466,618	61,345
Revenue/commissions recognized	(413,081)	(54,239)
Balance as of January 31, 2022	$ 1,386,871	$ 356,751

(1) Includes both billed and unbilled amounts.

During the three and six months ended January 31, 2021, we recognized revenue of approximately $152.5 million and $272.6 million pertaining to amounts deferred as of October 31, 2020 and July 31, 2020, respectively. During the three and six months ended January 31, 2022, we recognized revenue of approximately $186.9 million and $342.8 million pertaining to amounts deferred as of October 31, 2021 and July 31, 2021, respectively.

Many of our contracted but not invoiced performance obligations are subject to cancellation terms. Revenue allocated to remaining performance obligations represents 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 approximately $1.5 billion as of January 31, 2022, of which we expect to recognize approximately 52% over the next 12 months, and the remainder thereafter.

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NOTE 3. FAIR VALUE MEASUREMENTS

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

	As of July 31, 2021			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 72,583	$ —	$ —	$ 72,583
Commercial paper	—	29,997	—	29,997
Corporate bonds	—	2,002	—	2,002
Short-term investments:				
Corporate bonds	—	513,688	—	513,688
Commercial paper	—	347,088	—	347,088
U.S. Government securities	—	67,230	—	67,230
Total measured at fair value	$ 72,583	$ 960,005	$ —	$ 1,032,588
Cash				181,141
Total cash, cash equivalents and short-term investments				$ 1,213,729

	As of January 31, 2022			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 80,527	$ —	$ —	$ 80,527
U.S. Government securities	—	14,996	—	14,996
Commercial paper	—	44,944	—	44,944
Short-term investments:				
Corporate bonds	—	448,951	—	448,951
Commercial paper	—	300,594	—	300,594
U.S. Government securities	—	141,481	—	141,481
Total measured at fair value	$ 80,527	$ 950,966	$ —	$ 1,031,493
Cash				260,282
Total cash, cash equivalents and short-term investments				$ 1,291,775

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Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value, with the exception of the 2023 Notes, the 2026 Notes and the 0.25% convertible senior notes due 2027 (the "2027 Notes") (collectively, the "Notes"). Financial instruments that are not recorded at fair value on a recurring basis are measured at fair value on a quarterly basis for disclosure purposes. The carrying values and estimated fair values of financial instruments not recorded at fair value are as follows:

	As of July 31, 2021 [1]		As of January 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
2023 Notes	$ 523,671	$ 602,272	$ 145,160	$ 143,737
2026 Notes	532,023	1,128,953	560,218	1,022,732
2027 Notes [2]	—	—	566,243	489,147
Total	$ 1,055,694	$ 1,731,225	$ 1,271,621	$ 1,655,616

(1) Prior period amounts have not been adjusted due to our adoption of ASU 2020-06 under the modified retrospective method. For additional information on our adoption of ASU 2020-06, refer to Note 1 and Note 5.

(2) The 2027 Notes were issued in September 2021.

The carrying value of the 2023 Notes as of July 31, 2021 was net of an unamortized debt discount of $48.6 million and unamortized debt issuance costs of $2.7 million. The carrying value of the 2023 Notes as of January 31, 2022 was net of unamortized debt issuance costs of $0.5 million.

The carrying value of the 2026 Notes as of July 31, 2021 and January 31, 2022 included $8.9 million and $18.4 million, respectively, of non-cash interest expense that was converted to the principal balance, net of unamortized debt discounts of $203.6 million and $186.8 million, respectively, and unamortized debt issuance costs of $23.3 million and $21.3 million, respectively.

The carrying value of the 2027 Notes as of January 31, 2022 was net of unamortized debt issuance costs of $8.8 million.

The total estimated fair value of the 2023 Notes was determined based on the closing trading price per $100 of the 2023 Notes as of the last day of trading for the period. We consider the fair value of the 2023 Notes to be a Level 2 valuation due to the limited trading activity.

The total estimated fair value of the 2026 Notes is based on a binomial model. We consider the fair value of the 2026 Notes to be a Level 3 valuation, as the 2026 Notes are not publicly traded. The Level 3 inputs used are the same as those used to determine the estimated fair value of the associated derivative liability, as detailed below.

The total estimated fair value of the 2027 Notes was determined based on the closing trading price per $100 of the 2027 Notes as of the last day of the trading period. We consider the fair value of the 2027 Notes to be a Level 2 valuation due to the limited trading activity.

Derivative Liability

The conversion feature of the 2026 Notes represented an embedded derivative. The 2026 Notes are not considered to be conventional debt and we determined that the embedded conversion feature was required to be bifurcated from the host debt and accounted for as a derivative liability, as the 2026 Notes were convertible into a variable number of shares until the conversion price became fixed in September 2021, based on the level of achievement of the associated financial performance metric. As such, the initial fair value of the derivative instrument was recorded as a liability in the condensed consolidated balance sheet with the corresponding amount recorded as a discount to the 2026 Notes upon issuance. The derivative liability is considered a Level 3 valuation and was recorded at its estimated fair value at the end of each reporting period and as of September 15, 2021, when the conversion price became fixed, with the change in fair value recognized within other expense, net in the condensed consolidated statements of operations.

On September 15, 2021, the conversion price of the 2026 Notes became fixed and the bifurcated liability was no longer accounted for as a separate derivative because the conversion features are now considered indexed to our own equity and meet the equity classification conditions. We estimated the fair value of the derivative liability as of September 15, 2021 to be $698.2 million, which was reclassified to equity on that date.

The following table shows the change in the estimated fair value of the derivative liability through October 31, 2021:

	Three Months Ended October 31, 2021 (in thousands)
Derivative liability at July 31, 2021	$ 500,175
Change in fair value	198,038
Derivative liability at September 15, 2021	698,213
Reclass to equity upon conversion price becoming fixed	(698,213)
Derivative liability at October 31, 2021	$ —

We estimated the fair value of the derivative liability using a binomial model, with the following valuation inputs:

	As of July 31, 2021	As of September 15, 2021
Conversion ratio (1)	Conversion price of $27.75 with a 36.036 conversion rate per $1,000	Conversion price of $27.75 with a 36.036 conversion rate per $1,000
Risk-free rate	0.7%	0.8%
Discount rate (2)	6.5%	6.5%
Volatility	40.0%	45.0%
Stock price	$36.02	$42.77

(1) The conversion ratio was calculated based on the achievement of the associated financial performance metric.
(2) The discount rate was estimated based on the implied rate for the 2023 Notes as well as a credit analysis.

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NOTE 4. BALANCE SHEET COMPONENTS

Short-Term Investments

The amortized cost of our short-term investments approximates their fair value. Unrealized losses related to our short-term investments are generally due to interest rate fluctuations, as opposed to credit quality. However, we review individual securities that are in an unrealized loss position in order to evaluate whether or not they have experienced or are expected to experience credit losses that would result in a decline in fair value. As of July 31, 2021 and January 31, 2022, unrealized gains and losses from our short-term investments were not material and were not the result of a decline in credit quality. As a result, as of July 31, 2021 and January 31, 2022, we did not record any credit losses for these investments.

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

	As of January 31, 2022
	(in thousands)
Due within one year	$ 711,092
Due in one to two years	179,934
Total	$ 891,026

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Prepaid operating expenses	$ 36,455	$ 40,005
VAT receivables	8,290	6,314
Other current assets	12,071	14,085
Total prepaid expenses and other current assets	$ 56,816	$ 60,404

Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Life	As of	
		July 31, 2021	January 31, 2022
	(in months)	(in thousands)	
Computer, production, engineering and other equipment	36	$ 300,583	$ 323,498
Demonstration units	12	68,992	63,178
Leasehold improvements	(1)	62,676	60,830
Furniture and fixtures	60	16,518	16,473
Total property and equipment, gross		448,769	463,979
Less: accumulated depreciation (2)		(317,148)	(346,370)
Total property and equipment, net		$ 131,621	$ 117,609

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

(2) Includes a $0.9 million write-off related to the impairment of certain leasehold improvements during the fiscal quarter ended October 31, 2020. For additional information on this lease-related impairment, refer to Note 6.

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Depreciation expense related to our property and equipment was $19.2 million and $38.3 million for the three and six months ended January 31, 2021, respectively, and $17.7 million and $36.4 million for the three and six months ended January 31, 2022, respectively.

Goodwill and Intangible Assets, Net

There was no change in the carrying value of goodwill during the six months ended January 31, 2022.

Intangible assets, net consists of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Developed technology	$ 79,300	$ 79,300
Customer relationships	8,860	8,860
Trade name	4,170	4,170
Total intangible assets, gross	92,330	92,330
Less:		
Accumulated amortization of developed technology	(50,764)	(57,608)
Accumulated amortization of customer relationships	(6,513)	(7,294)
Accumulated amortization of trade name	(3,041)	(3,562)
Total accumulated amortization	(60,318)	(68,464)
Total intangible assets, net	$ 32,012	$ 23,866

Amortization expense related to our intangible assets is being recognized in the condensed consolidated statements of operations within product cost of revenue for developed technology and sales and marketing expense for customer relationships and trade name.

The estimated future amortization expense of our intangible assets is as follows:

Fiscal Year Ending July 31:	Amount
	(in thousands)
2022 (remaining six months)	$ 8,037
2023	10,856
2024	3,210
2025	1,763
Total	$ 23,866

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Contributions to ESPP withheld	$ 26,735	$ 28,634
Accrued commissions	48,321	28,162
Accrued vacation	26,961	25,553
Payroll taxes payable	21,603	22,338
Accrued wages and taxes	1,675	12,675
Accrued bonus	14,878	12,378
Accrued benefits	10,243	10,646
Other	11,921	9,603
Total accrued compensation and benefits	$ 162,337	$ 149,989

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Income taxes payable	$ 13,309	$ 9,337
Accrued professional services	3,541	3,355
Other	22,554	24,897
Total accrued expenses and other current liabilities	$ 39,404	$ 37,589

NOTE 5. CONVERTIBLE SENIOR NOTES

2023 Notes

In January 2018, we issued the 2023 Notes with a 0% interest rate for an aggregate principal amount of $575.0 million, due in 2023, in a private placement to qualified institutional buyers pursuant to Rule144A under the Securities Act. This included $75.0 million in aggregate principal amount of the 2023 Notes that we issued resulting from initial purchasers fully exercising their option to purchase additional notes. There are no required principal payments prior to the maturity of the 2023 Notes. The total net proceeds from the issuance of the 2023 Notes were as follows:

	Amount
	(in thousands)
Principal amount	$ 575,000
Less: initial purchasers' discount	(10,781)
Less: cost of the bond hedges	(143,175)
Add: proceeds from the sale of warrants	87,975
Less: other issuance costs	(707)
Net proceeds	$ 508,312

The 2023 Notes do not bear any interest and will mature on January 15, 2023, unless earlier converted or repurchased in accordance with their terms. The 2023 Notes are unsecured and do not contain any financial covenants or any restrictions on the payment of dividends, or the issuance or repurchase of securities by us.

Each $1,000 of principal of the 2023 Notes will initially be convertible into 20.4705 shares of our Class A common stock, which is equivalent to an initial conversion price of approximately $48.85 per share, subject to adjustment upon the occurrence of specified events. Holders of these 2023 Notes may convert their 2023 Notes at their option at any time prior to the close of the business day immediately preceding October 15, 2022, only under the following circumstances:

(1) during any fiscal quarter commencing after the fiscal quarter ending on April 30, 2018 (and only during such fiscal quarter), if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price on each applicable trading day;

(2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of 2023 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate for the 2023 Notes on each such trading day; or

(3) upon the occurrence of certain specified corporate events.

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Based on the closing price of our Class A common stock of $27.34 on January 31, 2022, the if-converted value of the 2023 Notes was lower than the principal amount. The price of our Class A common stock was not greater than or equal to 130% of the conversion price for 20 or more trading days during the 30 consecutive trading days ending on the last trading day of the quarter ended January 31, 2022. As such, the 2023 Notes are not convertible for the fiscal quarter commencing after January 31, 2022.

On or after October 15, 2022, holders may convert all or any portion of their 2023 Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing conditions.

Upon conversion of the 2023 Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of Class A common stock, at our election. We intend to settle the principal of the 2023 Notes in cash.

The conversion rate will be subject to adjustment in some events, but will not be adjusted for any accrued or unpaid interest. A holder who converts their 2023 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" per the indenture governing the 2023 Notes are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a fundamental change prior to the maturity date, holders may require us to repurchase for cash all or a portion of their 2023 Notes at a repurchase price equal to 100% of the principal amount of the repurchased 2023 Notes, plus accrued and unpaid interest.

We may not redeem the 2023 Notes prior to the maturity date, and no sinking fund is provided for the 2023 Notes.

On September 22, 2021, we consummated privately negotiated exchanges with certain holders of the outstanding 2023 Notes, pursuant to which such holders exchanged approximately $416.5 million in aggregate principal amount of 2023 Notes for $477.3 million in aggregate principal amount of 2027 Notes. We also entered into privately negotiated transactions with certain holders of the 2023 Notes pursuant to which we repurchased approximately $12.8 million in aggregate principal amount of 2023 Notes for cash. Following the closing of these exchanges and repurchases, approximately $145.7 million in aggregate principal amount of 2023 Notes remains outstanding with terms unchanged.

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The 2023 Notes consisted of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Principal amounts:		
Principal	$ 575,000	$ 145,704
Unamortized debt discount [1]	(48,616)	—
Unamortized debt issuance costs [1]	(2,713)	(544)
Net carrying amount	$ 523,671	$ 145,160
Carrying amount of equity component [2]	$ 148,598	$ —

(1) Included in the condensed consolidated balance sheets within convertible senior notes, net and amortized over the remaining life of the 2023 Notes using the effective interest rate method. As of July 31, 2021, the effective interest rate was 6.62%. As of January 31, 2022, the effective interest rate was 0.41%.

(2) Included in the consolidated balance sheet as of July 31, 2021 within additional paid-in capital, net of $3.0 million in equity issuance costs.

As of January 31, 2022, the remaining life of the 2023 Notes was approximately 11 months.

The following table sets forth the total interest expense recognized related to the 2023 Notes:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Interest expense related to amortization of debt discount	$ 7,854	$ —	$ 15,579	$ —
Interest expense related to amortization of debt issuance costs	438	148	869	548
Total interest expense	$ 8,292	$ 148	$ 16,448	$ 548

Note Hedges and Warrants

Concurrently with the offering of the 2023 Notes in January 2018, we entered into convertible note hedge transactions with certain bank counterparties, whereby we have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a conversion price of approximately $48.85 per share, subject to adjustment for certain specified events. The total cost of the convertible note hedge transactions was approximately $143.2 million. In addition, we sold warrants to certain bank counterparties, whereby the holders of the warrants have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a price of $73.46 per share, subject to adjustment for certain specified events. We received approximately $88.0 million in cash proceeds from the sale of these warrants.

Taken together, the purchase of the convertible note hedges and the sale of warrants are intended to offset any actual dilution from the conversion of the 2023 Notes and to effectively increase the overall conversion price from $48.85 to $73.46 per share. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded within stockholders' equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions of approximately $55.2 million was recorded as a reduction to additional paid-in capital in the condensed consolidated balance sheets as of July 31, 2021 and January 31, 2022. The fair value of the note hedges and warrants are not remeasured each reporting period. The amounts paid for the note hedges were tax deductible expenses, while the proceeds received from the warrants were not taxable.

In September 2021, in connection with the exchange and repurchase transactions described above, we terminated portions of the convertible note hedge transactions and warrant transactions previously entered into with certain financial institutions in connection with the issuance of the 2023 Notes. The net effect of these unwind transactions was a $21.5 million cash payment received, consisting of an $18.4 million payment for the warrant unwind and the receipt of $39.9

million from the hedge unwind. The amounts paid and received as part of the unwind transactions were recorded to additional paid-in capital within the condensed consolidated balance sheet.

The note hedges are required to be excluded from the calculation of diluted earnings per share, as they would be antidilutive. In periods when we report a net loss, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is antidilutive, and the potential impact of the 2023 Notes is therefore excluded.

The warrants will have a dilutive effect when the average share price exceeds the warrant strike price of $73.46 per share. As the price of our Class A common stock continues to increase above the warrant strike price, additional dilution would occur at a declining rate so that a $10 increase from the warrant strike price would yield a cumulative dilution of approximately 0.4 million diluted shares for EPS purposes. However, upon conversion, the note hedges would neutralize the dilution from the 2023 Notes so that there would only be dilution from the warrants, which would result in an actual dilution of approximately 2.1 million shares at a common stock price of $83.46.

2026 Notes

In September 2020, we issued $750.0 million in aggregate principal amount of the 2026 Notes to BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP ("Bain"). The total net proceeds from this offering were approximately $723.7 million, after deducting $26.3 million of debt issuance costs.

The 2026 Notes bear interest at a rate of 2.5% per annum, with such interest to be paid in kind ("PIK") on the 2026 Notes held by Bain through an increase in the principal amount of the 2026 Notes, and paid in cash on any 2026 Notes transferred to entities that are not affiliated with Bain. Interest on the 2026 Notes will accrue from the date of issuance (September 24, 2020) and be added to the principal amount on a semi-annual basis (March 15 and September 15 of each year, beginning on March 15, 2021). The 2026 Notes mature on September 15, 2026, subject to earlier conversion, redemption or repurchase.

The 2026 Notes will be convertible into our shares of Class A common stock based on an initial conversion rate of 36.036 shares of common stock per $1,000 principal amount of the 2026 Notes, which is equal to an initial conversion price of $27.75 per share, subject to customary anti-dilution and other adjustments, including in connection with any make-whole adjustments as a result of certain extraordinary transactions. In September 2021, the one-year anniversary of the issuance of the 2026 Notes, the conversion price was subject to a one-time adjustment, based on the level of achievement of certain financial milestones and as a result, the conversion price became fixed at $27.75 per share.

On or after September 15, 2025, the 2026 Notes will be redeemable by us in the event that the closing sale price of our Class A common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide the redemption notice, for cash, at a redemption price of 100% of the principal amount of such 2026 Notes, plus any accrued and unpaid interest to, but excluding, the redemption date.

With certain exceptions, upon a change of control or a fundamental change, the holders of the 2026 Notes may require us to repurchase all or part of the principal amount of the 2026 Notes at a repurchase price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date. In addition, we will, in certain circumstances, increase the conversion rate for any 2026 Notes converted in connection with a change of control or a fundamental change.

In accordance with accounting guidance on embedded conversion features, we valued and bifurcated the conversion option associated with the 2026 Notes from the respective host debt instrument, which is treated as a debt discount, and initially recorded the conversion option of $230.9 million as a derivative liability in our condensed consolidated balance sheet, with the corresponding amount recorded as a discount to the 2026 Notes to be amortized over the term of the 2026 Notes using the effective interest method.

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The 2026 Notes consisted of the following:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Principal amounts:		
Principal	$ 750,000	$ 750,000
Non-cash interest expense converted to principal	8,906	18,393
Unamortized debt discount (conversion feature) [(1)]	(203,619)	(186,829)
Unamortized debt issuance costs [(1)]	(23,264)	(21,346)
Net carrying amount	$ 532,023	$ 560,218

(1) Included in the condensed consolidated balance sheets within convertible senior notes, net and amortized over the remaining life of the 2026 Notes using the effective interest rate method. The effective interest rate is 7.05%.

As of January 31, 2022, the remaining life of the 2026 Notes was approximately 4.6 years.

The following table sets forth the total interest expense recognized related to the 2026 Notes:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Interest expense related to amortization of debt discount	$ 7,894	$ 8,469	$ 11,081	$ 16,789
Interest expense related to amortization of debt issuance costs	902	968	1,267	1,919
Non-cash interest expense	4,663	4,802	6,615	9,575
Total interest expense	$ 13,459	$ 14,239	$ 18,963	$ 28,283

Non-cash interest expense is related to the 2.5% PIK interest that we accrued from the issuance of the 2026 Notes through January 31, 2022 and was recognized within other expense, net in the condensed consolidated statement of operations and other liabilities–non-current in the condensed consolidated balance sheet. The accrued PIK interest will be converted to the principal balance of the 2026 Notes at each payment date and will be convertible to shares at maturity or when converted.

Upon the conversion price of the 2026 Notes becoming fixed in September 2021, the embedded conversion option for the 2026 Notes no longer required bifurcation because the conversion features are now considered indexed to our own equity and meet the equity classification conditions. The carrying amount of the derivative liability of $698.2 million as of that date was reclassified to additional paid-in capital within the condensed consolidated balance sheet. The remaining debt discount that arose from the original bifurcation continues to be amortized over the term of the 2026 Notes.

2027 Notes

In September 2021, we issued $575 million principal amount of 0.25% convertible senior notes due 2027 consisting of (i) approximately $477.3 million principal amount of 2027 Notes in exchange for approximately $416.5 million principal amount of the 2023 Notes (the "Exchange Transactions") and (ii) approximately $97.7 million principal amount of 2027 Notes for cash (the "Subscription Transactions"). We did not receive any cash proceeds from the Exchange Transactions. The net cash proceeds from the Subscription Transactions was approximately $88.4 million after deducting the offering expenses for both the Exchange Transactions and the Subscription Transactions. We used (i) approximately $14.7 million of the net cash proceeds from the Subscription Transactions to repurchase approximately $12.8 million principal amount of the 2023 Notes and (ii) approximately $58.5 million of the net cash proceeds from the Subscription Transactions to repurchase approximately 1.4 million shares of our Class A common stock.

The 2027 Notes bear interest at a rate of 0.25% per annum, and will pay interest semi-annually in arrears on each April 1 and October 1, commencing on April 1, 2022. The 2027 Notes will mature on October 1, 2027, unless earlier converted, redeemed or repurchased.

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The 2027 Notes will be convertible into cash, shares of our Class A common stock, or a combination of cash and shares of Class A common stock, at our election. Each $1,000 of principal of the 2027 Notes will initially be convertible into 17.3192 shares of our Class A common stock, which is equivalent to an initial conversion price of approximately $57.74 per share, subject to customary anti-dilution adjustments. Holders of these 2027 Notes may convert their 2027 Notes at their option at any time prior to the close of the business day immediately preceding July 1, 2027, only under the following circumstances:

(1) during any fiscal quarter after January 31, 2022, and only during such fiscal quarter, if the closing price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on, and including, the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the then applicable conversion price for the Notes per share of common stock;

(2) during the five business day period after any five consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of 2027 Notes for such trading day was less than 98% of the product of the closing price of our common stock and the then applicable conversion rate on each such trading day; or

(3) upon the occurrence of certain specified corporate events.

Upon conversion of the 2027 Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of Class A common stock, at our election. We intend to settle the principal of the 2027 Notes in cash.

The conversion rate will be subject to adjustment in some events, but will not be adjusted for any accrued or unpaid interest. A holder who converts their 2027 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" per the indenture governing the 2027 Notes are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a fundamental change prior to the maturity date, holders may require us to repurchase for cash all or a portion of their 2027 Notes at a repurchase price equal to 100% of the principal amount of the repurchased 2027 Notes, plus accrued and unpaid interest.

In accounting for the exchange of convertible notes, we evaluated whether the transaction should be treated as a modification or extinguishment transaction. The partial exchange of the 2023 Notes and issuance of the 2027 Notes were deemed to have substantially different terms due to the significant difference between the value of the conversion option immediately prior to and after the exchange, and consequently, the 2023 Notes partial exchange was accounted for as a debt extinguishment. The $64.9 million difference between the total reacquisition price paid and the net carrying amount of the 2023 Notes is recognized as a debt extinguishment loss within other expense, net in the condensed consolidated statement of operations.

The 2027 Notes consisted of the following:

	As of January 31, 2022 (in thousands)
Principal amounts:	
Principal	$ 575,000
Unamortized debt issuance costs [1]	(8,757)
Net carrying amount	$ 566,243

(1) Included in the condensed consolidated balance sheets within convertible senior notes, net and amortized over the remaining life of the 2027 Notes using the effective interest rate method. The effective interest rate is 0.52%.

As of January 31, 2022, the remaining life of the 2027 Notes was approximately 5.7 years.

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The following table sets forth the total interest expense recognized related to the 2027 Notes:

	Three Months Ended January 31, 2022	Six Months Ended January 31, 2022
	(in thousands)	
Contractual interest expense	$ 359	$ 540
Interest expense related to amortization of debt issuance costs	380	511
Total interest expense	$ 739	$ 1,051

NOTE 6. LEASES

We have operating leases for offices, research and development facilities and datacenters and finance leases for certain datacenter equipment. Our leases have remaining lease terms of one year to approximately seven years, some of which include options to renew or terminate. We do not include renewal options in the lease terms for calculating our lease liability, as we are not reasonably certain that we will exercise these renewal options at the time of the lease commencement. Our lease agreements do not contain any residual value guarantees or restrictive covenants.

Total operating lease cost was $10.5 million and $20.9 million for the three and six months ended January 31, 2021, respectively, and $10.8 million and $21.7 million for the three and six months ended January 31, 2022, respectively, excluding short-term lease costs, variable lease costs and sublease income, each of which were not material. Variable lease costs primarily include common area maintenance charges. Total finance lease cost was $0.6 million and $1.1 million for the three and six months ended January 31, 2022, respectively.

During the first quarter of fiscal 2021, we recorded impairment charges related to certain of our international office spaces, as well as an impairment charge related to an office space in the United States. We recorded a $2.8 million impairment in our condensed consolidated statement of operations for the three and six months ended January 31, 2021. Of the $2.8 million impairment, approximately $1.9 million relates to the impairment of our operating lease right-of-use assets and approximately $0.9 million relates to the impairment of leasehold improvements. Additional charges related to asset impairments may be recorded in the future.

Supplemental balance sheet information related to leases is as follows:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Operating leases:		
Operating lease right-of-use assets, gross	$ 170,277	$ 170,883
Accumulated amortization	(64,374)	(79,364)
Operating lease right-of-use assets, net	$ 105,903	$ 91,519
Operating lease liabilities—current	$ 42,670	$ 43,585
Operating lease liabilities—non-current	86,599	66,016
Total operating lease liabilities	$ 129,269	$ 109,601
Weighted average remaining lease term (in years):	3.1	2.7
Weighted average discount rate:	5.5 %	5.6 %

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	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
Finance leases:		
Finance lease right-of-use assets, gross [(1)]	$ 8,972	$ 12,844
Accumulated amortization [(1)]	(687)	(1,725)
Finance lease right-of-use assets, net [(1)]	$ 8,285	$ 11,119
Finance lease liabilities—current [(2)]	$ 1,772	$ 2,545
Finance lease liabilities—non-current [(3)]	6,527	8,603
Total finance lease liabilities	$ 8,299	$ 11,148
Weighted average remaining lease term (in years):	4.7	4.4
Weighted average discount rate:	6.7 %	6.0 %

(1) Included in the condensed consolidated balance sheets within property and equipment, net.
(2) Included in the condensed consolidated balance sheets within accrued expenses and other current liabilities.
(3) Included in the condensed consolidated balance sheets within other liabilities—non-current.

Supplemental cash flow and other information related to leases is as follows:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
		(in thousands)		
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 12,398	$ 12,081	$ 22,374	$ 25,557
Financing cash flows from finance leases	$ —	$ 104	$ —	$ 323
Lease liabilities arising from obtaining right-of-use assets:				
Operating leases	$ 3,620	$ —	$ 13,538	$ 3,950
Finance leases	$ —	$ 3,873	$ —	$ 3,873

The undiscounted cash flows for our operating lease liabilities as of January 31, 2022 were as follows:

Fiscal Year Ending July 31:	Operating Leases	Finance Leases	Total
		(in thousands)	
2022 (remaining six months)	$ 24,246	$ 1,309	$ 25,555
2023	48,389	2,617	51,006
2024	33,817	2,617	36,434
2025	7,484	2,617	10,101
2026	2,511	1,915	4,426
Thereafter	2,551	250	2,801
Total lease payments	118,998	11,325	130,323
Less: imputed interest	(9,397)	(177)	(9,574)
Total lease obligation	109,601	11,148	120,749
Less: current lease obligations	(43,585)	(2,545)	(46,130)
Long-term lease obligations	$ 66,016	$ 8,603	$ 74,619

As of January 31, 2022, we had additional operating lease commitments of approximately $1.0 million on an undiscounted basis for certain office leases that have not yet commenced. These operating leases will commence during the remainder of fiscal 2022, with lease terms of approximately two years.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

In the normal course of business, we make commitments with our OEMs to ensure them a minimum level of financial consideration for their investment in our joint solutions. These commitments are based on performance targets or on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge related to these items when we determine that it is probable a loss will be incurred and we are able to estimate the amount of the loss. Our historical charges have not been material. As of January 31, 2022, we had up to approximately $93.6 million of non-cancelable purchase obligations and other commitments pertaining to our daily business operations, and up to approximately $86.4 million in the form of guarantees to certain of our OEMs.

Legal Proceedings

Securities Class Actions. Beginning on March 29, 2019, several purported securities class actions were filed in the United States District Court for the Northern District of California against us and two of our officers. The initial complaints generally alleged that the defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. In July 2019, the court consolidated the actions into a single action, and appointed a lead plaintiff, who then filed a consolidated amended complaint (the "Original Complaint"). The action was brought on behalf of those who purchased or otherwise acquired our stock between November 30, 2017 and May 30, 2019, inclusive. The defendants subsequently filed a motion to dismiss the Original Complaint, which the court granted on March 9, 2020, while providing the lead plaintiff leave to amend. On April 17, 2020, the lead plaintiff filed a second amended complaint (the "Current Complaint"), again naming us and two of our officers as defendants. The Current Complaint alleges the same class period, includes many of the same factual allegations as the Original Complaint, and again alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act, as well as SEC Rule 10b-5. The Current Complaint seeks monetary damages in an unspecified amount. On September 11, 2020, the court denied the defendants' motion to dismiss the Current Complaint and held that the lead plaintiff adequately stated a claim with respect to certain statements regarding our new customer growth and sales productivity. On January 27, 2021, lead plaintiff, Shimon Hedvat, filed a motion to (i) withdraw as lead plaintiff and (ii) substitute proposed new lead plaintiffs and approve their appointment of a new co-lead counsel. On March 1, 2021, the court granted the lead plaintiff's motion to withdraw as lead plaintiff but denied without prejudice his motion to substitute proposed new lead plaintiffs. The court also reopened the lead plaintiff selection process, allowing any putative class member interested in serving as the new lead plaintiff to file a lead plaintiff application. Following the lead plaintiff selection hearing on April 28, 2021, on June 10, 2021 the court appointed California Ironworkers Field Pension Trust as lead plaintiff and approved its appointment of counsel. On May 28, 2021, one of the movants for lead plaintiff, John P. Norton on behalf of the Norton Family Living Trust UAD 11/15/2002, filed a separate class action complaint in the Northern District of California on behalf of a class of persons or entities who transacted in publicly traded call options and/or put options on Nutanix stock during the period from November 30, 2017 and May 30, 2019, containing allegations substantively the same as those alleged in the Current Complaint (the "Options Class Action") and naming the same defendants. On September 8, 2021, the court appointed the John P. Norton on behalf of the Norton Family Living Trust UAD 11/15/2002 as the lead plaintiff in the Options Class Action. On November 1, 2021, the defendants filed a motion to dismiss the Options Class Action complaint on the grounds that it is barred by the statute of limitations. A mediation for the Current Complaint and the Options Class Action has been scheduled. The court has vacated existing deadlines, and the hearing on the motion to dismiss the Options Class Action has been continued pending the mediation. We plan to continue to vigorously defend against the allegations and we are not able to determine what, if any, liabilities will attach to the Current Complaint or the Options Class Action.

We are not currently a party to any other 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.

NOTE 8. STOCKHOLDERS' EQUITY

Effective January 3, 2022, all of our then outstanding shares of Class B common stock, par value $0.000025 per share, were automatically converted into the same number of shares of the Company's Class A common stock, par value $0.000025 per share, pursuant to the terms of our Amended and Restated Certificate of Incorporation. No additional shares of Class B common stock will be issued following such conversion. As a result, as of January 31, 2022, we had one class of outstanding common stock consisting of Class A common stock.

As of January 31, 2022, we had 1.0 billion shares of Class A common stock authorized, with a par value of $0.000025 per share, and 42.0 million shares of Class B common stock authorized, with a par value of $0.000025 per share. As of January 31, 2022, we had 220.5 million shares of Class A common stock issued and outstanding and no shares of Class B common stock 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.

In August 2020, our Board of Directors authorized the repurchase of up to $125.0 million of our Class A common stock. Repurchases were made through open market purchases or privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program did not obligate us to acquire any particular amount of our common stock, and could have been suspended at any time at our discretion.

During the six months ended January 31, 2021, we repurchased 5.2 million shares of Class A common stock in open market transactions at an average price of $24.15 per share, for an aggregate purchase price of $125.0 million. As of January 31, 2022, there was no remaining authorization and the program had expired.

In September 2021, we used approximately $58.5 million of the net cash proceeds from the issuance of $97.7 million in aggregate principal amount of 2027 Notes to repurchase 1.4 million shares of Class A common stock in open market transactions at an average price of $42.77 per share. For additional details on these transactions, refer to Note 5.

NOTE 9. EQUITY INCENTIVE PLANS

Stock Plans

We have three equity incentive plans, the 2010 Stock Plan ("2010 Plan"), 2011 Stock Plan ("2011 Plan") and 2016 Equity Incentive Plan ("2016 Plan"). Our stockholders approved the 2016 Plan in March 2016 and it became effective in connection with our initial public offering ("IPO"). As a result, at the time of the IPO, we ceased granting additional stock awards under the 2010 Plan and 2011 Plan and both plans were 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 restricted stock units ("RSUs"), or until those stock awards become vested or expired by their terms.

Under the 2016 Plan, we may grant incentive stock options, non-statutory stock options, restricted stock, RSUs and stock appreciation rights to employees, directors and consultants. We initially reserved 22.4 million 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 will also include an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 18.0 million shares, 5% of the outstanding shares of all 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, 2020 and 2021, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 10.1 million and 10.7 million shares, respectively, pursuant to these provisions. As of January 31, 2022, we had reserved a total of 43.9 million shares for the issuance of equity awards under the Stock Plans, of which 16.4 million shares were still available for grant.

Restricted Stock Units

Performance RSUs — We have granted RSUs that have both service and performance conditions to our executives and employees ("Performance RSUs"). Vesting of Performance RSUs is subject to continuous service and the satisfaction of certain performance targets. While we recognize cumulative stock-based compensation expense for the portion of the awards for which both the service condition has been satisfied and it is probable that the performance conditions will be met, the actual vesting and settlement of Performance RSUs are subject to the performance conditions actually being met.

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Market Stock Units

In connection with his hiring, in December 2020, the Compensation Committee of our Board of Directors approved the grant of 703,117 RSUs subject to certain market conditions ("MSUs") to our new CEO. These MSUs have a weighted average grant date fair value per unit of $35.69 and will vest up to 133% based upon the achievement of certain stock price targets over a performance period of approximately 4.0 years, subject to his continuous service on each vesting date.

In order to align with the MSUs granted to our new CEO, in December 2020, the Compensation Committee of our Board of Directors modified the vesting conditions for the 75,000 MSUs previously granted to another individual who was serving as one of our executives. These modified MSUs had a weighted average grant date fair value per unit of $27.54 and vested based upon the achievement of a modified stock price target over the original performance period of approximately 3.9 years, subject to continuous service on each vesting date. The incremental compensation cost resulting from this modification was not material. Following the individual's resignation during the second quarter of fiscal 2022, his remaining unvested MSUs were cancelled.

In October 2021, the Compensation Committee of our Board of Directors approved the grant of approximately 0.4 million MSUs to certain of our executives. These MSUs have a weighted average grant date fair value per unit of $46.20 and will vest up to 200% based upon our total shareholder return over a performance period of approximately 2.8 years, subject to continuous service on each vesting date. Additional MSUs have since been granted with similar terms, but were not material.

We used Monte Carlo simulations to calculate the fair value of these awards on the grant date, or modification date, as applicable. A Monte Carlo simulation requires the use of various assumptions, including the stock price volatility and risk-free interest rate as of the valuation date corresponding to the length of time remaining in the performance period and expected dividend yield. We recognize stock-based compensation expense related to these MSUs using the graded vesting attribution method over the respective performance periods. As of January 31, 2022, approximately 1.2 million MSUs remained outstanding.

Below is a summary of RSU activity, including MSUs, under the Stock Plans:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
	(in thousands)	
Outstanding at July 31, 2021	21,708	$ 30.98
Granted	11,447	$ 34.97
Released	(5,664)	$ 31.86
Forfeited	(2,679)	$ 33.15
Outstanding at January 31, 2022	24,812	$ 32.39

Stock Options

We did not grant any stock options during the six months ended January 31, 2022. A total of 0.7 million stock options were exercised during the six months ended January 31, 2022, with a weighted average exercise price per share of $4.50. As of January 31, 2022, 2.6 million stock options, with a weighted average exercise price of $5.40 per share, a weighted average remaining contractual life of 2.4 years and an aggregate intrinsic value of $57.2 million, remained outstanding.

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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 ("Original 2016 ESPP"). The Original 2016 ESPP became effective in connection with our IPO. On December 13, 2019, during our 2019 Annual Meeting of Stockholders, our stockholders approved certain amendments to the Original 2016 ESPP. Under the amended and restated Original 2016 ESPP ("2016 ESPP"), the maximum number of shares of Class A common stock available for sale is 11.5 million shares, representing an increase of 9.2 million shares.

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 in 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 or (ii) 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.

During the six months ended January 31, 2022, 1.3 million shares of common stock were purchased under the 2016 ESPP for an aggregate amount of $28.8 million. As of January 31, 2022, 3.9 million 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:

	Six Months Ended January 31,	
	2021	2022
Expected term (in years)	0.92	0.77
Risk-free interest rate	0.1 %	0.1 %
Volatility	73.4 %	53.3 %
Dividend yield	— %	— %

Stock-Based Compensation

Total stock-based compensation expense recognized in the condensed consolidated statements of operations is as follows:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Cost of revenue:				
Product	$ 1,659	$ 1,948	$ 3,163	$ 3,699
Support, entitlements and other services	5,764	7,806	11,525	16,257
Sales and marketing	30,031	26,380	62,258	55,512
Research and development	36,058	35,763	73,945	74,242
General and administrative	10,942	16,148	22,761	28,882
Total stock-based compensation expense	$ 84,454	$ 88,045	$ 173,652	$ 178,592

As of January 31, 2022, unrecognized stock-based compensation expense related to outstanding stock awards was approximately $736.9 million and is expected to be recognized over a weighted average period of approximately 2.7 years.

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NOTE 10. INCOME TAXES

The income tax provisions of $5.1 million and $9.4 million for the three and six months ended January 31, 2021, respectively, and $5.3 million and $9.4 million for the three and six months ended January 31, 2022, respectively, primarily consisted of foreign taxes on our international operations and U.S. state income taxes. We continue to maintain a full valuation allowance for our U.S. Federal and state deferred tax assets and a partial valuation allowance related to our foreign net deferred tax assets.

NOTE 11. NET LOSS PER SHARE

We adopted ASU 2020-06 on August 1, 2021 using the modified retrospective method, applicable to our convertible senior notes outstanding as of adoption. We have not changed any previously disclosed amounts or provided additional disclosures for comparative periods. ASU 2020-06 requires the if-converted method to be applied for all convertible instruments when calculating diluted earnings per share. Under the if-converted method, shares related to our convertible senior notes, to the extent dilutive, are assumed to be converted into common stock at the beginning of the period.

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by giving effect to potentially dilutive common stock equivalents outstanding during the period, as their effect would be dilutive. Potentially dilutive common shares include participating securities and shares issuable upon the exercise of stock options, the exercise of common stock warrants, the exercise of convertible preferred stock warrants, the vesting of RSUs and each purchase under the 2016 ESPP, under the if-converted method.

In loss periods, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is antidilutive and therefore excluded.

Effective January 3, 2022, all of our then outstanding shares of Class B common stock, par value $0.000025 per share, were automatically converted into the same number of shares of the Company's Class A common stock, par value $0.000025 per share, pursuant to the terms of our Amended and Restated Certificate of Incorporation. Prior to this conversion, the rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock were identical, except with respect to voting. As the liquidation and dividend rights were identical, our undistributed earnings or losses were 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 was, therefore, the same for both Class A and Class B common stock on an individual or combined basis.

The computation of basic and diluted net loss per share attributable to common stockholders is as follows:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands, except per share data)			
Numerator:				
Net loss	$ (287,390)	$ (115,061)	$ (552,438)	$ (534,913)
Denominator:				
Weighted average shares—basic and diluted	202,520	218,808	202,798	217,153
Net loss per share attributable to common stockholders—basic and diluted	$ (1.42)	$ (0.53)	$ (2.72)	$ (2.46)

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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 antidilutive are as follows:

	Six Months Ended January 31,	
	2021	2022
	(in thousands)	
Outstanding stock options and RSUs	33,571	27,421
Employee stock purchase plan	2,719	1,683
Common stock issuable upon the conversion of the Notes	—	39,968
Contingently issuable shares pursuant to acquisitions	253	—
Total	36,543	69,072

Shares that will be issued in connection with our stock awards and shares that will be 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 were converted into shares of our Class B common stock and were voluntarily convertible into shares of Class A common stock at the option of the holder. Effective as of the January 3, 2022 conversion described above, outstanding options previously denominated in shares of Class B common stock represent the right to acquire the same number of shares of Class A common stock upon exercise. Common stock issuable upon the conversion of convertible debt represents the antidilutive impact of the 2023 Notes, 2026 Notes and 2027 Notes under the if-converted method.

NOTE 12. SEGMENT INFORMATION

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer and Chief Financial Officer. 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 January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
U.S.	$ 182,261	$ 226,437	$ 359,374	$ 443,587
Europe, the Middle East and Africa	86,135	97,584	146,041	181,579
Asia Pacific	63,187	74,844	125,785	140,527
Other Americas	14,799	14,216	27,936	25,905
Total revenue	$ 346,382	$ 413,081	$ 659,136	$ 791,598

The following table sets forth long-lived assets, which primarily include property and equipment, net, by geographic location:

	As of	
	July 31, 2021	January 31, 2022
	(in thousands)	
United States	$ 86,468	$ 77,347
International	45,153	40,262
Total long-lived assets	$ 131,621	$ 117,609

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 (1) the 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" included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 filed on September 21, 2021. 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 the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021. See also "Special Note Regarding Forward-Looking Statements" above.

Overview

Nutanix, Inc. ("we," "us," "our" or "Nutanix") provides a leading enterprise cloud platform, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions run across private-, hybrid- and multicloud environments, and allow organizations to seamlessly "lift and shift" their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure ("VDI") services, cloud native workloads, and analytics applications, between different cloud environments. Our goal is to provide a single, simple, open software platform for all hybrid and multicloud applications and data — a true hybrid cloud infrastructure.

Our enterprise cloud platform can be deployed on a variety of qualified hardware platforms or, in the case of our cloud-based software and software as a service ("SaaS") offerings, via hosted service or delivered pre-installed on an appliance that is configured to order. Non-portable software licenses are delivered or sold alongside configured-to-order appliances and can be used over the life of the associated appliance. Our subscription term-based licenses are sold separately, or can be sold alongside configured-to-order appliances. Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our channel partners, original equipment manufacturers ("OEMs") or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support.

Product revenue is generated primarily from the licensing of our solutions. Support, entitlements and other services revenue is primarily derived from the related support and maintenance contracts. Prior to fiscal 2019, we delivered most of our solutions on an appliance and thus our revenue included the revenue associated with the appliance and the included non-portable software, which lasts for the life of the associated appliance. However, starting in fiscal 2018, as a result of our business model transition toward software-only sales, more of our customers began buying appliances directly from our OEMs while separately buying licenses for our software solutions from us or one of our channel partners. In addition, starting in fiscal 2019, as a result of our transition towards a subscription-based business model, more of our customers began purchasing separately sold subscription term-based licenses that could be deployed on a variety of hardware platforms. As we continue our transition to a subscription-based business model, we expect a greater portion of our products to be delivered through subscription term-based licenses or cloud-based SaaS subscriptions.

We had a broad and diverse base of approximately 21,400 end customers as of January 31, 2022, including approximately 960 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, and the total number of end customers may contract due to mergers, acquisitions, or other consolidation among existing end customers. Since shipping our first product in fiscal 2012, our end customer base has grown rapidly.

Our solutions are primarily sold through channel partners, including distributors, resellers and OEMs, and delivered directly to our end customers. Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure, unified communications and big data analytics, and we support both virtualized and container-based 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 enterprise cloud platform to provide a variety of cloud-based services to their customers.

We continue to invest in the growth of our business over the long-run, including the development of our solutions and investing in sales and marketing to capitalize on our market opportunities, while improving our operating cash flow performance by focusing on go-to-market efficiencies. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health. As discussed further in the "Impact of the COVID-19 Pandemic" and "Factors Affecting Our Performance" sections below, both in response to the ongoing and rapidly evolving COVID-19 pandemic and as part of our overall efforts to improve our operating cash flow performance, we have proactively taken steps to manage our expenses. As a result, our overall spending on such efforts will fluctuate, and may decline, from quarter to quarter in the near-term.

Impact of the COVID-19 Pandemic

The ongoing and rapidly evolving pandemic caused by the COVID-19 virus (collectively with any new variants or related strains thereof, "COVID-19" and the ongoing pandemic caused thereby, the "COVID-19 pandemic") has significantly curtailed the movement of people, goods and services worldwide, imposed unprecedented strains on governments, health care systems, educational institutions, businesses and individuals around the world, including in nearly all of the regions in which we operate, and has resulted in significant volatility and uncertainty in the global economy. In response to the pandemic, authorities, businesses, and individuals have implemented numerous unprecedented measures, including travel bans and restrictions, quarantines, shelter-in-place, stay-at-home, remote work and social distancing orders, and shutdowns. Even as efforts to contain the pandemic have made progress and some restrictions have relaxed, new variants of the virus are causing additional outbreaks. The COVID-19 pandemic has impacted and will continue to impact our workforce and operations, as well as those of our customers, vendors, suppliers, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time.

In response to the COVID-19 pandemic, we have also taken a number of actions to protect and assist our employees, customers, and partners, including: temporarily closing all of our offices (including our California headquarters) around the world; requiring our employees to work remotely; implementing travel restrictions that allow only the most essential business travel; and postponing, cancelling, withdrawing from, or converting to virtual-only experiences (where possible and appropriate) our in-person customer, industry, analyst, investor, and employee events. As a result of such actions, as well as the general effects of the COVID-19 pandemic, our business and operations have experienced and may continue to experience numerous negative impacts, including: curtailed demand for certain of our solutions; reduced IT spending; delays in or abandonment of planned or future purchases; lengthened sales cycles, particularly with new customers and partners who do not have prior experience with our solutions; supply chain disruptions; increased cybersecurity risks or other security challenges; delays or disruptions to our product roadmap and our ability to deliver new products, features, or enhancements; and voluntary and involuntary delays in the ability to ship, and the ability of our end customers to accept delivery of, the hardware platforms on which our software solutions run. We also expect the reduced manufacturing capacity caused by the pandemic to result in increases in the prices of certain components used to manufacture such hardware platforms, which may increase the price of those hardware platforms for our end customers. Travel bans, shutdowns, social distancing restrictions and remote work policies also make it difficult or impossible to deliver on-site services to our partners and end customers, and to meet with our current and potential end customers in person. We have also seen positive impacts, including increased demand for our virtual desktop, desktop-as-a-service, and end-user computing solutions as a result of our end customers enabling their employees to work remotely.

We have also quickly adapted to the new work environment, leveraging digital, video, and other collaborative tools to enable our teams to stay connected with each other, and our sales, marketing and support teams to continue to engage with and remain responsive to our partners and end customers. Additionally, we have seen a reduction in our operating expenses in recent quarters, including sales and marketing expenses, some of which is due to a number of proactive actions that we took to manage our operating expenses in light of the uncertainty caused by the COVID-19 pandemic, and some of which is a natural result of the continued restrictions on travel and in-person events from the pandemic. Although the full impact of these actions is uncertain, some of these cost savings measures are temporary. While we do expect to see some of our operating expenses increase from the suppressed levels in recent quarters as some of the proactive cost savings measures expire and some level of travel and other related expenses return, we are focused on improving our operating cash flow performance and we do not expect that travel or other related expenses will return to pre-pandemic levels. See the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 for further discussion of the possible impact of these actions on our business and financial performance.

The duration, scope and ultimate impact of the COVID-19 pandemic on the global economy and our business remain highly fluid and cannot be predicted with certainty, and the full effect of the pandemic and the actions we have taken in response may not be fully reflected in our results of operations and financial performance until future periods. Our management team is focused on guiding our company through the emerging challenges presented by COVID-19 and remains committed to driving positive business outcomes. Although we do not currently expect the pandemic to affect our financial reporting systems, internal control over financial reporting or disclosure controls and procedures, the continued impact of the pandemic on our business and financial performance will be highly dependent upon numerous factors, many of which are beyond our control. See the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 for further discussion of the possible impact of the COVID-19 pandemic, as well as the actions we have taken in response, on our business and financial performance.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the			
	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands, except percentages)			
Total revenue	$ 346,382	$ 413,081	$ 659,136	$ 791,598
Year-over-year percentage increase	(0.1)%	19.3%	(0.4)%	20.1%
Subscription revenue	$ 305,946	$ 374,744	$ 584,111	$ 712,645
Total billings	$ 385,513	$ 464,541	$ 720,461	$ 862,566
Subscription billings	$ 339,168	$ 427,404	$ 633,091	$ 786,727
Annual contract value ("ACV") billings	$ 159,208	$ 217,850	$ 285,956	$ 390,487
Annual recurring revenue ("ARR")	$ 672,822	$ 1,042,194	$ 672,822	$ 1,042,194
Run-rate ACV	$ 1,384,823	$ 1,682,004	$ 1,384,823	$ 1,682,004
Gross profit	$ 275,428	$ 333,112	$ 520,223	$ 630,183
Non-GAAP gross profit	$ 286,545	$ 346,234	$ 542,586	$ 656,983
Gross margin	79.5%	80.6%	78.9%	79.6%
Non-GAAP gross margin	82.7%	83.8%	82.3%	83.0%
Operating expenses	$ 431,676	$ 427,532	$ 858,544	$ 861,859
Non-GAAP operating expenses	$ 353,527	$ 347,285	$ 694,770	$ 699,911
Total deferred revenue	$ 1,246,291	$ 1,386,871	$ 1,246,291	$ 1,386,871
Net cash (used in) provided by operating activities	$ (15,557)	$ 25,767	$ (19,630)	$ 32,706
Free cash flow	$ (28,473)	$ 17,221	$ (44,798)	$ 15,316
Total end customers	18,770	21,400	18,770	21,400

Disaggregation of Revenue and Billings

The following table depicts the disaggregation of revenue and billings by type, consistent with how we evaluate our financial performance:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Disaggregation of revenue:				
Subscription revenue	$ 305,946	$ 374,744	$ 584,111	$ 712,645
Non-portable software revenue	21,661	14,542	41,704	28,879
Hardware revenue	1,321	1,753	2,050	3,916
Professional services revenue	17,454	22,042	31,271	46,158
Total revenue	$ 346,382	$ 413,081	$ 659,136	$ 791,598
Disaggregation of billings:				
Subscription billings	$ 339,168	$ 427,404	$ 633,091	$ 786,727
Non-portable software billings	21,661	14,542	41,704	28,879
Hardware billings	1,321	1,753	2,050	3,916
Professional services billings	23,363	20,842	43,616	43,044
Total billings	$ 385,513	$ 464,541	$ 720,461	$ 862,566

Subscription revenue — Subscription revenue includes any performance obligation which has a defined term and is generated from the sales of software entitlement and support subscriptions, subscription software licenses and cloud-based software as a service offerings.

- Ratable — We recognize revenue from software entitlement and support subscriptions and SaaS offerings ratably over the contractual service period, the substantial majority of which relate to software entitlement and support subscriptions. These offerings represented approximately $159.2 million and $307.0 million of our subscription revenue for the three and six months ended January 31, 2021, respectively, and $191.3 million and $374.5 million for the three and six months ended January 31, 2022, respectively.
- Upfront — Revenue from our subscription software licenses is generally recognized upfront upon transfer of control to the customer, which happens when we make the software available to the customer. These subscription software licenses represented approximately $146.7 million and $277.1 million of our subscription revenue for the three and six months ended January 31, 2021, respectively, and $183.4 million and $338.1 million for the three and six months ended January 31, 2022, respectively.

Non-portable software revenue — Non-portable software revenue includes sales of our enterprise cloud platform when delivered on a configured-to-order appliance by us or one of our OEM partners. The software licenses associated with these sales are typically non-portable and can be used over the life of the appliance on which the software is delivered. Revenue from our non-portable software products is generally recognized upon transfer of control to the customer.

Hardware revenue — In transactions where the hardware appliance is purchased directly from Nutanix, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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 the customer.

Professional services revenue — We also sell professional services with our products. We recognize revenue related to professional services as they are performed.

Non-GAAP Financial Measures and Key Performance Measures

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

- are used by management and the Board of Directors to understand and evaluate our performance and trends, as well as to provide a useful measure for period-to-period comparisons of our core business, particularly as we progress through our transition to a subscription-based business model;
- are widely used as a measure of financial performance to understand and evaluate companies in our industry; 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 our actual performance against our goals.

Total billings is a performance measure which we believe provides useful information to our management and investors, as it represents the dollar value under binding purchase orders received and billed during a given period. Subscription billings is a performance measure that we believe provides useful information to our management and investors as it allows us to better track the growth of the subscription-based portion of our business, which is a critical part of our business plan. ACV billings and run-rate ACV are performance measures that we believe provide useful information to our management and investors as they allow us to better track the topline growth of our business during our transition to a subscription-based business model because they take into account variability in term lengths. ARR is a performance measure that we believe provides useful information to our management and investors as it allows us to better track the topline growth of our subscription business because it only includes non-life-of-device contracts and takes into account variability in term lengths. Non-GAAP gross profit, non-GAAP gross margin and non-GAAP operating expenses are performance measures which we believe provide useful information to investors, as 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. Free cash flow is a performance measure that we believe provides useful information to management and investors about the amount of cash used in or generated by the business after necessary capital expenditures. 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.

Total billings, subscription billings, ACV billings, ARR, run-rate ACV, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, and free cash flow have limitations as analytical tools and they should not be considered in isolation or as substitutes for analysis of our results as reported under generally accepted accounting principles in the United States. Total billings, subscription billings, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses and free cash flow are not substitutes for total revenue, subscription revenue, gross profit, gross margin, operating expenses or cash provided by (used in) operating activities, respectively. There is no GAAP measure that is comparable to either ACV billings, ARR or run-rate ACV, so we have not reconciled ACV billings, ARR or run-rate ACV numbers included in this Quarterly Report on Form 10-Q to any GAAP measure. 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 financial and key performance measures as follows:

Total billings — We calculate total billings by adding the change in deferred revenue between the start and end of the period to total revenue recognized in the same period.

Subscription billings — We calculate subscription billings by adding the change in subscription deferred revenue between the start and end of the period to subscription revenue recognized in the same period.

ACV billings — We calculate ACV billings as the sum of the ACV for all contracts billed during the period. ACV is defined as the total annualized value of a contract, excluding amounts related to professional services and hardware. We calculate the total annualized value for a contract by dividing the total value of the contract by the number of years in the term of such contract, using, where applicable, an assumed term of five years for contracts that do not have a specified term.

ARR — We calculate ARR as the sum of ACV for all non-life-of-device contracts in effect as of the end of a specific period. For the purposes of this calculation, we assume that the contract term begins on the date a contract is booked, unless the terms of such contract prevent us from fulfilling our obligations until a later period, and irrespective of the periods in which we would recognize revenue for such contract.

Run-rate ACV — We calculate run-rate ACV as the sum of ACV for all contracts that are in effect as of the end of the period. For the purposes of this calculation, we assume that the contract term begins on the date a contract is booked, irrespective of the periods in which we would recognize revenue for such contract.

Non-GAAP gross profit and non-GAAP gross margin — We calculate non-GAAP gross margin as non-GAAP gross profit divided by total revenue. We define non-GAAP gross profit as gross profit adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, impairment of lease-related assets, and costs associated with other non-recurring transactions. Our presentation of non-GAAP gross profit 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.

Non-GAAP operating expenses — We define non-GAAP operating expenses as total operating expenses adjusted to exclude stock-based compensation expense, impairment of lease-related assets, costs associated with business combinations, such as amortization of acquired intangible assets, revaluation of contingent consideration and other acquisition-related costs and costs associated with other non-recurring transactions. 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.

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

NUTANIX, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands, except percentages)			
Total revenue	$ 346,382	$ 413,081	$ 659,136	$ 791,598
Change in deferred revenue	39,131	51,460	61,325	70,968
Total billings (non-GAAP)	$ 385,513	$ 464,541	$ 720,461	$ 862,566
Gross profit	$ 275,428	$ 333,112	$ 520,223	$ 630,183
Stock-based compensation	7,423	9,754	14,688	19,956
Amortization of intangible assets	3,694	3,368	7,388	6,844
Impairment of lease-related assets	—	—	287	—
Non-GAAP gross profit	$ 286,545	$ 346,234	$ 542,586	$ 656,983
Gross margin	79.5 %	80.6 %	78.9 %	79.6 %
Stock-based compensation	2.1 %	2.4 %	2.2 %	2.5 %
Amortization of intangible assets	1.1 %	0.8 %	1.1 %	0.9 %
Impairment of lease-related assets	— %	— %	0.1 %	— %
Non-GAAP gross margin	82.7 %	83.8 %	82.3 %	83.0 %
Operating expenses	$ 431,676	$ 427,532	$ 858,544	$ 861,859
Stock-based compensation	(77,031)	(78,291)	(158,964)	(158,636)
Amortization of intangible assets	(651)	(651)	(1,302)	(1,302)
Impairment of lease-related assets	—	—	(2,535)	—
Other	(467)	(1,305)	(973)	(2,010)
Non-GAAP operating expenses	$ 353,527	$ 347,285	$ 694,770	$ 699,911
Net cash (used in) provided by operating activities	$ (15,557)	$ 25,767	$ (19,630)	$ 32,706
Purchases of property and equipment	(12,916)	(8,546)	(25,168)	(17,390)
Free cash flow (non-GAAP)	$ (28,473)	$ 17,221	$ (44,798)	$ 15,316

The following table presents a reconciliation of subscription billings and professional services billings to the most directly comparable GAAP financial measures, for each of the periods indicated:

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Subscription revenue	$ 305,946	$ 374,744	$ 584,111	$ 712,645
Change in subscription deferred revenue	33,222	52,660	48,980	74,082
Subscription billings	$ 339,168	$ 427,404	$ 633,091	$ 786,727
Professional services revenue	$ 17,454	$ 22,042	$ 31,271	$ 46,158
Change in professional services deferred revenue	5,909	(1,200)	12,345	(3,114)
Professional services billings	$ 23,363	$ 20,842	$ 43,616	$ 43,044

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" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 for details. If we are unable to address these challenges, our business and operating results could be materially and adversely affected.

Investment in Profitable Growth

We continue to invest in our growth over the long-run, while improving our operating cash flow performance by focusing on go-to-market efficiencies. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health. We plan to invest in sales and marketing so that we can capitalize on our market opportunity, including investing in our sales and marketing teams, continuing our focus on opportunities with major accounts, large deals, and commercial accounts, as well as other sales and marketing initiatives to increase our pipeline growth. As part of our overall efforts to improve our free cash flow performance, we have also proactively taken steps to increase our go-to-market productivity and over time, we intend to reduce our overall sales and marketing spend as a percentage of revenue. These measures include improving the efficiency of our demand generation spend, focusing on lower cost renewals, increasing leverage of our channel partners, and optimizing headcount in geographies based on market opportunities. We have also recently seen higher than normal attrition among our sales representatives, and while we are actively recruiting additional sales representatives, it will take time to replace, train, and ramp them to full productivity. As a result, our overall sales and marketing expense will fluctuate, and may decline, in the near term. We estimate, based on past experience, that our average sales team members typically become fully ramped up around 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 January 31, 2022, we considered approximately 76% of our global sales team members to be fully ramped, while the remaining approximately 24% of our global sales team members are in the process of ramping up. As we continue to focus some of our newer and existing sales team members on major accounts and large deals, and as we continue our transition toward a subscription-based business model, it may take longer, potentially significantly, for these sales team members to become fully productive, and there may also be an impact to the overall productivity of our sales team. Furthermore, the effects of the COVID-19 pandemic and the measures we have implemented in response, including postponing, cancelling or making virtual-only certain in-person corporate events at which our sales team members have historically received in-person sales enablement and related trainings, as well as some of the measures implemented as part of our overall efforts to improve our operating cash flow performance and the continued higher-than-normal attrition rates of sales representatives, may impact the productivity of our sales teams in the near-term. We are focused on actively managing these realignments and potential effects.

We also intend, in the long term, to grow our global research and development and engineering teams to enhance our solutions, including our newer subscription-based products, improve integration with new and existing ecosystem partners and broaden the range of technologies and features available through our platform. However, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we had previously effected a global hiring pause outside of a small number of critical roles and, while the hiring pause is no longer in effect, the overall growth in our global research and development and engineering teams may fluctuate from quarter to quarter in the near-term.

We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Transition to Subscription

Starting in fiscal 2019, as a result of our transition towards a subscription-based business model, more of our customers began purchasing separately sold subscription term-based licenses that could be deployed on a variety of hardware platforms. As we continue our transition to a subscription-based business model, we expect a greater portion of our products to be delivered through subscription term-based licenses or cloud-based SaaS subscriptions. Shifts in the mix of whether our solutions are sold on a subscription basis have and could continue to result in fluctuations in our billings and revenue. Subscription sales consist of subscription term-based licenses and offerings with ongoing performance obligations, including software entitlement and support subscriptions and cloud-based SaaS offerings. Since revenue is recognized as performance obligations are delivered, sales with ongoing performance obligations may reflect lower revenue in a given period. In addition, other factors relating to our shift to selling more subscription term-based licenses may impact our billings, revenue and cash flow. For example, our term-based licenses generally have an average term of less than four years and thus result in lower billings and revenue in a given period when compared to our historical life of device license sales, which have a duration equal to the life of the associated appliance, which we estimate to be approximately five years. In addition, starting in fiscal 2021, we began compensating our sales force based on ACV instead of total contract value, and while we expect that the shift to an ACV-based sales compensation plan will incentivize sales representatives to maximize ACV and minimize discounts, it could also further compress the average term of our subscription term-based licenses. Furthermore, our customers may, including in response to the uncertainty caused by the COVID-19 pandemic, decide to purchase our software solutions on shorter subscription terms than they have historically, and/or request to only pay for the initial year of a multi-year subscription term upfront, which could negatively impact our billings, revenue and cash flow in a given period when compared to historical life-of-device or multiple-year term-based license sales.

Revenue for our solutions, whether or not sold as a subscription term-based license, is generally recognized upon transfer of control to the customer. For additional information on revenue recognition, see Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Market Adoption of Our Products

The public cloud and, more recently, hybrid cloud paradigms, have changed IT buyer expectations about the simplicity, agility, scalability, portability 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 enterprise cloud platform. This includes our newer products outside of our core hyperconverged infrastructure offering, both as compared to traditional datacenter architectures as well as the public cloud, particularly as we continue to pursue large enterprises and mission critical workloads and transition toward a subscription-based business model. The broad nature of the technology shift that our enterprise cloud platform represents, the relationships our end customers have with existing IT vendors, and our transition toward a subscription-based business model sometimes lead to unpredictable sales cycles. We hope to compress and stabilize these sales cycles as market adoption increases, as we gain leverage with our channel partners, as we continue to educate the market about our subscription-based business model and as our sales and marketing efforts evolve. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our enterprise cloud platform.

Leveraging Partners

We plan to continue to leverage our relationships with our channel and OEM partners and expand our network of cloud and ecosystem partners, all of which help to drive the adoption and sale of our solutions with our end customers, and we sell our solutions primarily through our partners. We believe that increasing channel leverage, particularly as we expand our focus on opportunities in commercial accounts, by investing in sales enablement and co-marketing with our partners and OEMs in the long term 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 our relationships with our channel and OEM partners and expanding our network of cloud and ecosystem partners.

Customer Retention and Expansion

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 software entitlement and support subscription and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our software entitlement and support subscription renewals, and given our transition to a subscription-focused business model, software and support renewals will have an increasing significance for our future revenue streams as existing subscriptions come up for renewal. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter as compared to new end customer deployments, and selling efforts are typically less. As of January 31, 2022, approximately 71% 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 renewals of term-based licenses or software entitlement and support subscription renewals, after the initial purchase. Additionally, end customers who have been with us for 18 months or longer have total lifetime orders, including the initial order, in an amount that is more than 6.7x greater, on average, than their initial order. This number increases to approximately 18.8x, on average, for Global 2000 end customers who have been with us for 18 months or longer as of January 31, 2022. These 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 of our other end customers.

Our business and operating results will depend on our ability to retain and sell additional solutions to our existing and future base of end customers. Our ability to obtain new and retain existing customers will in turn depend in part on a number of factors. These factors include our ability to effectively maintain existing and future customer relationships, continue to innovate by adding new functionality and improving usability of our solutions in a manner that addresses our end customers' needs and requirements, and optimally price our solutions in light of marketplace conditions, competition, our costs and customer demand. Furthermore, our ongoing transition to a subscription-based business model may cause concerns among our customer base, including concerns regarding changes to pricing over time, and may also result in confusion among new and existing end customers, for example, regarding our pricing models. Such concerns and/or confusion can slow adoption and renewal rates among our current and future customer base.

Components of Our Results of Operations

Revenue

We generate revenue primarily from the sale of our enterprise cloud platform, which can be deployed on a variety of qualified hardware platforms or, in the case of our cloud-based SaaS offerings, via hosted service or delivered pre-installed on an appliance that is configured to order. Non-portable software licenses are delivered or sold alongside configured-to-order appliances and can be used over the life of the associated appliance.

Our subscription term-based licenses are sold separately, or can be sold alongside configured-to-order appliances. Our subscription term-based licenses typically have a term of one to five years. Our cloud-based SaaS subscriptions have terms extending up to five years.

Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our channel partners, OEMs or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support. Our platform is primarily sold through channel partners, including distributors, resellers and OEMs.

Product revenue — Product revenue consists of software and hardware revenue. A majority of our product revenue is generated from the sale of our enterprise cloud operating system. We also sell renewals of previously purchased software licenses and SaaS offerings. Revenue from our software products is generally recognized upon transfer of control to the customer, which is typically upon shipment for sales including a hardware appliance, upon making the software available to the customer when not sold with an appliance or as services are performed with SaaS offerings. In transactions where the hardware appliance is purchased directly from Nutanix, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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 the customer.

Support, entitlements and other services revenue — We generate our support, entitlements and other services revenue primarily from software entitlement and support subscriptions, which include the right to software upgrades and enhancements as well as technical support. The majority of our product sales are sold in conjunction with software entitlement and support subscriptions, with terms ranging from one to five years. Occasionally, we also sell professional services with our products. We recognize revenue from software entitlement and support contracts ratably over the contractual service period, which typically commences upon transfer of control of the corresponding products to the 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 OEM partners, hardware costs, personnel costs associated with our operations function, consisting of salaries, benefits, bonuses and stock-based compensation, cloud-based costs associated with our SaaS offerings, and allocated costs, consisting of certain facilities, depreciation and amortization, recruiting and information technology costs allocated based on headcount.

Cost of support, entitlements and other services revenue — Cost of support, entitlements 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, entitlements and other services revenue to increase in absolute dollars as our support, entitlements 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.

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, in the long term, to increase in absolute dollars as part of our long-term plans to invest in our growth. However, as part of our overall efforts to improve our operating cash flow performance, we have also proactively taken steps to increase our go-to-market productivity and over time, we intend to reduce our overall sales and marketing spend as a percentage of revenue. For example, during the fourth quarter of fiscal 2021, we decreased our global headcount by 2.5%, primarily in sales and marketing, as part of our continued refinement of our go-to-market model. We have also recently seen higher-than-normal attrition among our sales representatives, and while we are actively recruiting additional sales representatives, it will take time to replace, train, and ramp them to full productivity. As a result, our sales and marketing expense will fluctuate, and may decline, in the near-term.

Research and development — Research and development ("R&D") expense consists primarily 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. R&D costs are expensed as incurred, unless they meet the criteria for capitalization. We expect R&D expense, in the long term, to increase in absolute dollars as part of our long-term plans to invest in our future products and services, including our newer subscription-based products, although R&D expense may fluctuate as a percentage of total revenue and, on an absolute basis, from quarter to quarter.

General and administrative — General and administrative ("G&A") expense consists primarily of personnel costs, which include our executive, finance, human resources and legal organizations. G&A 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 G&A expense, in the long term, to increase in absolute dollars, particularly due to additional legal, accounting, insurance and other costs associated with our growth, although G&A expense may fluctuate as a percentage of total revenue and, on an absolute basis, from quarter to quarter.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income and expense, which includes the amortization of the debt issuance costs associated with our 0% convertible senior notes due 2023 (the "2023 Notes"), our 2.50% convertible senior notes due 2026 (the "2026 Notes") and our 0.25% convertible senior notes due 2027 (the “2027 Notes”), changes in the fair value of the derivative liability associated with the 2026 Notes, non-cash interest expense on the 2026 Notes, the amortization of the debt discount on the 2026 Notes, interest expense on the 2027 Notes, debt extinguishment costs, interest income related to our short-term investments, and foreign currency exchange gains or losses.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes for 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 and a partial valuation allowance related to our foreign 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 condensed 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.

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(in thousands)			
Revenue:				
Product	$ 174,798	$ 209,151	$ 330,550	$ 389,256
Support, entitlements and other services	171,584	203,930	328,586	402,342
Total revenue	346,382	413,081	659,136	791,598
Cost of revenue:				
Product [(1)(2)]	13,784	15,096	26,598	29,317
Support, entitlements and other services [(1)]	57,170	64,873	112,315	132,098
Total cost of revenue	70,954	79,969	138,913	161,415
Gross profit	275,428	333,112	520,223	630,183
Operating expenses:				
Sales and marketing [(1)(2)]	261,071	241,633	518,361	491,666
Research and development [(1)]	135,571	141,608	271,375	285,874
General and administrative [(1)]	35,034	44,291	68,808	84,319
Total operating expenses	431,676	427,532	858,544	861,859
Loss from operations	(156,248)	(94,420)	(338,321)	(231,676)
Other expense, net	(126,001)	(15,332)	(204,733)	(293,881)
Loss before provision for income taxes	(282,249)	(109,752)	(543,054)	(525,557)
Provision for income taxes	5,141	5,309	9,384	9,356
Net loss	$ (287,390)	$ (115,061)	$ (552,438)	$ (534,913)

[(1)] Includes stock-based compensation expense as follows:				
Product cost of revenue	$ 1,659	$ 1,948	$ 3,163	$ 3,699
Support, entitlements and other services cost of revenue	5,764	7,806	11,525	16,257
Sales and marketing	30,031	26,380	62,258	55,512
Research and development	36,058	35,763	73,945	74,242
General and administrative	10,942	16,148	22,761	28,882
Total stock-based compensation expense	$ 84,454	$ 88,045	$ 173,652	$ 178,592

[(2)] Includes amortization of intangible assets as follows:				
Product cost of revenue	$ 3,694	$ 3,368	$ 7,388	$ 6,844
Sales and marketing	651	651	1,302	1,302
Total amortization of intangible assets	$ 4,345	$ 4,019	$ 8,690	$ 8,146

	Three Months Ended January 31,		Six Months Ended January 31,	
	2021	2022	2021	2022
	(as a percentage of total revenue)			
Revenue:				
Product	50.5 %	50.6 %	50.1 %	49.2 %
Support, entitlements and other services	49.5 %	49.4 %	49.9 %	50.8 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Product	4.0 %	3.7 %	4.0 %	3.7 %
Support, entitlements and other services	16.5 %	15.7 %	17.0 %	16.7 %
Total cost of revenue	20.5 %	19.4 %	21.1 %	20.4 %
Gross profit	79.5 %	80.6 %	78.9 %	79.6 %
Operating expenses:				
Sales and marketing	75.4 %	58.5 %	78.6 %	62.1 %
Research and development	39.1 %	34.3 %	41.2 %	36.1 %
General and administrative	10.1 %	10.7 %	10.4 %	10.7 %
Total operating expenses	124.6 %	103.5 %	130.2 %	108.9 %
Loss from operations	(45.1)%	(22.9)%	(51.3)%	(29.3)%
Other expense, net	(36.4)%	(3.7)%	(31.1)%	(37.1)%
Loss before provision for income taxes	(81.5)%	(26.6)%	(82.4)%	(66.4)%
Provision for income taxes	1.5 %	1.3 %	1.4 %	1.2 %
Net loss	(83.0)%	(27.9)%	(83.8)%	(67.6)%

Comparison of the Three and Six Months Ended January 31, 2021 and 2022

Revenue

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Product	$ 174,798	$ 209,151	$ 34,353	20 %	$ 330,550	$ 389,256	$ 58,706	18 %
Support, entitlements and other services	171,584	203,930	32,346	19 %	328,586	402,342	73,756	22 %
Total revenue	$ 346,382	$ 413,081	$ 66,699	19 %	$ 659,136	$ 791,598	$ 132,462	20 %

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
U.S.	$ 182,261	$ 226,437	$ 44,176	24 %	$ 359,374	$ 443,587	$ 84,213	23 %
Europe, the Middle East and Africa	86,135	97,584	11,449	13 %	146,041	181,579	35,538	24 %
Asia Pacific	63,187	74,844	11,657	18 %	125,785	140,527	14,742	12 %
Other Americas	14,799	14,216	(583)	(4)%	27,936	25,905	(2,031)	(7)%
Total revenue	$ 346,382	$ 413,081	$ 66,699	19 %	$ 659,136	$ 791,598	$ 132,462	20 %

The increase in product revenue for the three and six months ended January 31, 2022 was due primarily to increases in software revenue resulting from an increased adoption of our products, as well as growth in software renewals due to our transition to selling subscription term-based licenses, partially offset by the impact of the shorter average contract terms resulting from this transition. For the three and six months ended January 31, 2021, the total average contract term was approximately 3.4 years and 3.5 years, respectively. For both the three and six months ended January 31, 2022, the total average contract term was approximately 3.1 years. Total average contract term represents the dollar-weighted term across all subscription and life-of-device contracts billed during the period, using an assumed term of five years for licenses without a specified term, such as life-of-device licenses.

Support, entitlements and other services revenue increased for the three and six months ended January 31, 2022, as compared to the prior year periods, in conjunction with the growth of our end customer base and the related software entitlement and support subscription contracts.

Cost of Revenue and Gross Margin

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Cost of product revenue	$ 13,784	$ 15,096	$ 1,312	10 %	$ 26,598	$ 29,317	$ 2,719	10 %
Product gross margin	*92.1 %*	*92.8 %*			*92.0 %*	*92.5 %*		
Cost of support, entitlements and other services revenue	$ 57,170	$ 64,873	$ 7,703	13 %	$ 112,315	$ 132,098	$ 19,783	18 %
Support, entitlements and other services gross margin	*66.7 %*	*68.2 %*			*65.8 %*	*67.2 %*		
Total gross margin	*79.5 %*	*80.6 %*			*78.9 %*	*79.6 %*		

Cost of product revenue

Cost of product revenue increased slightly for the three and six months ended January 31, 2022, as compared to the prior year periods, due primarily to a corresponding increase in hardware revenue. Minor fluctuations in hardware revenue and cost of product revenue are anticipated, as we expect to continue selling small amounts of hardware for the foreseeable future.

Product gross margin increased by 0.7 percentage points and 0.5 percentage points for the three and six months ended January 31, 2022, respectively, as compared to the prior year periods, due primarily to increasing software revenue, as we continued to focus on more software-only transactions, which have a higher margin as compared to hardware sales.

Cost of support, entitlements and other services revenue

Cost of support, entitlements and other services revenue increased for the three and six months ended January 31, 2022, as compared to the prior year period, due primarily to higher personnel-related costs, resulting from growth in our global customer support organization.

Support, entitlements and other services gross margin increased by 1.5 percentage points and 1.4 percentage points for the three and six months ended January 31, 2022, respectively, as compared to the prior year periods, due primarily to support, entitlements and other services revenue growing at a higher rate than personnel-related costs.

Operating Expenses

Sales and marketing

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Sales and marketing	$ 261,071	$ 241,633	$ (19,438)	(7)%	$ 518,361	$ 491,666	$ (26,695)	(5)%
Percent of total revenue	*75.4 %*	*58.5 %*			*78.6 %*	*62.1 %*		

Sales and marketing expense decreased for the three and six months ended January 31, 2022, as compared to the prior year periods, due primarily to lower marketing costs resulting from decreased spending and increased efficiencies, as well as lower headcount-related costs, driven by the 11% decrease in sales and marketing headcount from January 31, 2021 to January 31, 2022. The overall decrease in sales and marketing expense was partially offset by savings in the prior year period due to the company-wide furlough week during the first quarter of fiscal 2021, as well as an increase in commissions expense as a result of the increase in revenue.

Research and development

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Research and development	$ 135,571	$ 141,608	$ 6,037	4 %	$ 271,375	$ 285,874	$ 14,499	5 %
Percent of total revenue	*39.1 %*	*34.3 %*			*41.2 %*	*36.1 %*		

Research and development expense increased for the three and six months ended January 31, 2022, as compared to the prior year periods, due primarily to higher personnel-related costs, resulting from growth in our R&D headcount, which grew 13% from January 31, 2021 to January 31, 2022.

General and administrative

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
General and administrative	$ 35,034	$ 44,291	$ 9,257	26 %	$ 68,808	$ 84,319	$ 15,511	23 %
Percent of total revenue	*10.1 %*	*10.7 %*			*10.4 %*	*10.7 %*		

General and administrative expense increased for the three and six months ended January 31, 2022, as compared to the prior year periods, due primarily to increases in personnel-related costs, resulting from growth in our G&A headcount, which grew 17% from January 31, 2021 to January 31, 2022.

Other Expense, Net

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Interest income, net	$ 1,178	$ 522	$ 656	56 %	$ 2,478	$ 1,076	$ 1,402	57 %
Change in fair value of derivative liability	(101,640)	—	(101,640)	100 %	(166,380)	(198,038)	31,658	19 %
Amortization of debt discount and issuance costs and interest expense	(21,751)	(15,126)	(6,625)	(30)%	(35,410)	(29,884)	(5,526)	(16)%
Debt extinguishment costs	—	—	—	0 %	—	(64,911)	64,911	100 %
Other	(3,788)	(728)	(3,060)	(81)%	(5,421)	(2,124)	(3,297)	(61)%
Other expense, net	$ (126,001)	$ (15,332)	$ (110,669)	(88)%	$ (204,733)	$ (293,881)	$ 89,148	44 %

Other expense, net decreased for the three months ended January 31, 2022, as compared to the prior year period, due primarily to the change in the fair value of the derivative liability related to the 2026 Notes, which was reclassified to equity during the first quarter of fiscal 2022.

Other expense, net increased for the six months ended January 31, 2022, as compared to the prior year period, due primarily to the debt extinguishment costs resulting from the exchange of $416.5 million in aggregate principal amount of the 2023 Notes for $477.3 million in aggregate principal amount of the 2027 Notes and the change in the fair value of the derivative liability related to the 2026 Notes.

Provision for Income Taxes

	Three Months Ended January 31,		Change		Six Months Ended January 31,		Change	
	2021	2022	$	%	2021	2022	$	%
	(in thousands, except percentages)							
Provision for income taxes	$ 5,141	$ 5,309	$ 168	3 %	$ 9,384	$ 9,356	$ (28)	(0)%

The increase in the income tax provision for the three months ended January 31, 2022, as compared to the prior year period, was due primarily to an increase in foreign taxes from higher taxable earnings in foreign jurisdictions, as we continued our global expansion. The decrease in the income tax provision for the six months ended January 31, 2022, as compared to the prior year period, was due primarily to higher tax benefits on stock options exercised during fiscal 2022. We continue to maintain a full valuation allowance on our U.S. federal and state deferred tax assets and a partial valuation allowance related to our foreign net deferred tax assets.

Liquidity and Capital Resources

As of January 31, 2022, we had $400.7 million of cash and cash equivalents, $3.1 million of restricted cash and $891.0 million of short-term investments, which were held for general corporate purposes. Our cash, cash equivalents and short-term investments primarily consist of bank deposits, money market accounts and highly rated debt instruments of the U.S. government and its agencies and debt instruments of highly rated corporations.

In January 2018, we issued convertible senior notes with a 0% interest rate for an aggregate principal amount of $575.0 million. In September 2021, we entered into privately negotiated exchange and note repurchase transactions, after which $145.7 million in aggregate principal amount of 2023 Notes remains outstanding. There are no required principal payments prior to the maturity of the 2023 Notes. For additional information, see Note 5 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In September 2020, we issued $750.0 million in aggregate principal amount of 2.50% convertible senior notes due 2026 to BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP. For additional information, see Note 5 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In September 2021, we issued convertible senior notes with a 0.25% interest rate for an aggregate principal amount of $575.0 million due 2027, of which $477.3 million was issued in exchange for approximately $416.5 million principal amount of the 2023 Notes and the remaining $97.7 million was issued for cash. There are no required principal payments prior to the maturity of the 2027 Notes. For additional information, see Note 5 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Due to investments in our business as well as the potential cash flow impacts resulting from our continued transition to a subscription-based business model, we expect our operating and free cash flow to continue to fluctuate during the next 12 months. Notwithstanding that fact, 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, the continuing market acceptance of our products, the impact of COVID-19 pandemic on our business, our end customers and partners, and the economy, and the timing of and extent to which our customers transition to shorter-term contracts or request to only pay for the initial term of multi-year contracts as a result of our transition to a subscription-based business model.

Cash Flows

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

	Six Months Ended January 31,	
	2021	2022
	(in thousands)	
Net cash (used in) provided by operating activities	$ (19,630)	$ 32,706
Net cash (used in) provided by investing activities	(620,893)	13,158
Net cash provided by financing activities	620,442	69,069
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (20,080)	$ 114,933

Cash Flows from Operating Activities

Net cash provided by operating activities was $32.7 million for the six months ended January 31, 2022, compared to net cash used in operating activities of $19.6 million for the six months ended January 31, 2021. The increase in cash provided by operating activities for the six months ended January 31, 2022 was due primarily to an increase in cash collections during the period.

Cash Flows from Investing Activities

Net cash used in investing activities of $620.9 million for the six months ended January 31, 2021 included $859.6 million of short-term investment purchases and $25.2 million of purchases of property and equipment, partially offset by $260.9 million of maturities of short-term investments and $3.0 million of sales of short-term investments.

Net cash provided by investing activities of $13.2 million for the six months ended January 31, 2022 included $568.7 million of maturities of short-term investments and $18.0 million of sales of short-term investments, partially offset by $556.1 million of short-term investment purchases and $17.4 million of purchases of property and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities of $620.4 million for the six months ended January 31, 2021 consisted of $723.6 million of proceeds from the issuance of the 2026 Notes, net of issuance costs, and $21.9 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by $125.1 million of repurchases of our Class A common stock.

Net cash provided by financing activities of $69.1 million for the six months ended January 31, 2022 included $89.1 million of proceeds from the issuance of the 2027 Notes, net of issuance costs, $39.9 million of proceeds from the unwinding of convertible note hedges related to the 2023 Notes, and $32.1 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by $58.6 million of repurchases of our Class A common stock, $18.4 million of payments for the unwinding of warrants related to the 2023 Notes, and $14.7 million of debt extinguishment costs.

Contractual Obligations

The following table summarizes our contractual obligations as of January 31, 2022:

	Payments Due by Period				
	Total	Less than 1 Year	1 Year to 3 Years	3 to 5 Years	More than 5 Years
			(in thousands)		
Principal amount payable on convertible senior notes (1)	$ 1,489,097	$ 145,704	$ —	$ 768,393	$ 575,000
Interest on convertible senior notes (1)	7,768	511	—	7,257	—
Operating leases (undiscounted basis) (2)	120,038	49,690	63,296	7,052	—
Other commitments (3)	93,613	83,252	6,887	3,474	—
Guarantees with OEMs	86,368	86,368	—	—	—
Total	$ 1,796,884	$ 365,525	$ 70,183	$ 786,176	$ 575,000

(1) Includes accrued paid-in-kind interest on the 2026 Notes and accrued interest on the 2027 Notes. For additional information regarding our convertible senior notes, refer to Note 5 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(2) For additional information regarding our operating leases, refer to Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(3) Purchase obligations and other commitments pertaining to our daily business operations.

From time to time, in the normal course of business, we make commitments with our OEMs to ensure them a minimum level of financial consideration for their investment in our joint solutions. These commitments are based on revenue targets or on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge related to these items when we determine that it is probable a loss will be incurred and we are able to estimate the amount of the loss. Our historical charges have not been material.

As of January 31, 2022, we had accrued liabilities related to uncertain tax positions, which are reflected on our condensed consolidated balance sheet. These accrued liabilities are not reflected in the contractual obligations disclosed in the table above, as it is uncertain if or when such amounts will ultimately be settled.

Off-Balance Sheet Arrangements

As of January 31, 2022, 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 condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the applicable periods. 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 condensed consolidated financial statements, which, in turn, could change the results from those reported.

There have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021.

Recent Accounting Pronouncements

See Note 1 of Notes to Condensed Consolidated Financial Statements included in 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 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 condensed 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 significantly 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 exchange rates on our non-U.S. dollar monetary assets and liabilities would not have had a material impact on our historical condensed consolidated financial statements. Foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our condensed consolidated financial statements.

A hypothetical 10% decrease in the U.S. dollar against other currencies would result in an increase in our operating loss of approximately $23.9 million and $29.0 million for the six months ended January 31, 2021 and 2022, respectively. The increase in this hypothetical change is due to an increase in our expenses denominated in foreign currencies due to our continued global expansion. 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. The fair market value of fixed income securities may be adversely impacted by 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

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 fiscal quarter ended January 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the "Legal Proceedings" subheading in Note 7 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, together with all of the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. 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. There have been no additional material changes from the risks and uncertainties previously disclosed under the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021.

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

None.

Purchases of Equity Securities by the Issuer

None.

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.

Table of Contents

EXHIBIT INDEX

		Incorporated by Reference				
Number	Exhibit Title	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Certificate of Retirement	8-K	001-37883	3.1	1/4/2022	
10.1†	Amendment Four to Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of November 5, 2021, by and between the Registrant and Super Micro Computer, Inc.					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 - the instance document does not appear in the Interactive Data File because its XRBL tags are embedded within the Inline XBRL 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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

† Certain identified information has been excluded from the exhibit because it is both (i) not material and (ii) is the type of information that the Registrant treats as private or confidential. Information that was omitted has been noted in this document with a placeholder identified by the mark “[***]”

* 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.

	NUTANIX, INC.
Date: March 10, 2022	/s/ Duston M. Williams
	Duston M. Williams
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 10.1

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. INFORMATION THAT WAS OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK "[***]"

AMENDMENT FOUR TO ORIGINAL EQUIPMENT MANUFACTURER (OEM) PURCHASE AGREEMENT

This Amendment Four ("Amendment Four") to the Original Equipment Manufacturer Purchase Agreement ("Agreement") by and between SUPER MICRO COMPUTER INC. ("Supplier") and NUTANIX, INC. ("OEM") is entered into as of the date of last signature below ("Amendment Effective Date"). Collectively Supplier and OEM are referred to as the "Parties".

RECITALS

A. WHEREAS The parties entered into the Agreement as of May 16, 2014, and

B WHEREAS The parties had previously amended the Agreement with Amendment 1, Amendment 2, and Amendment 3 and now desire to enter into an Amendment 4 to the Agreement to update certain obligations of the parties as follows.

NOW THEREFORE, in consideration of the foregoing, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Exhibit B, WARRANTY** is deleted in its entirety and replaced as follows:

"**Warranty Coverage Table**:

Supermicro Standard Warranty Remedies for OEM Product (coverage dates calculated from date of invoice)
Eligible Items: Products set forth on Exhibit A as updated from time-to-time.

Item	Manufacturer	System/FRU	Terms
Complete System	[***]	System	A, B, C
Supermicro configured System Components	[***]	System	A, B, C
Memory Module (DIMM)	[***]	System	A, B, C, I
Central Processing Unit (CPU)	[***]	System	A, B, C
Solid State Drive (SSD)	[***]	System	A, B, C, I
Hard Drives (HDD)	[***]	System	A, B, C, I
Network Interface Card (NIC)	[***]	System	A, B, C, I
Node Assembly (NODE)	[***]	FRU	A, B, C
Chassis (PIO)	[***]	FRU	B, E, G, H
Memory Module (DIMM)	[***]	FRU	B, E, G, H, I
Solid State Drive (SSD)	[***]	FRU	B, E, G, H, I
Solid State Drive (SSD)	[***]	FRU	D, G, H, I
Hard Drive (HDD)	[***]	FRU	B, E, G, H, I
Hard Drive (HDD)	[***]	FRU	D, G, H, I
Add On Card (AOC)	[***]	FRU	B, E, G, H, I
Power Supply (PWS)	[***]	FRU	B, E, G, H, I
Fan (FAN)	[***]	FRU	B, E, G, H, I
Network Interface Card (NIC)	[***]	FRU	A, B, F, I
Graphics Processing Unit (GPU)	[***]	FRU	A, G, H, I
SATADOM	[***]	FRU	B, E, G, H, I
M.2	[***]	FRU	B, E, G, H, I
HBA	[***]	FRU	B, E, G, H, I
RAID cards	[***]	FRU	B, E, G, H, I
Transceivers	[***]	FRU	B, E, G, H, I
TPM	[***]	FRU	B, E, G, H, I

A	[***]
B	[***]
C	[***]
D	[***]
E	[***]
F	[***]
G	[***]
H	[***]
I	[***]

1.Parts coverage includes any material and parts costs incurred for repairs by Supermicro during coverage period.
2.Labor coverage includes any labor costs incurred for repairs by Supermicro during coverage period.
3.In the event a product is dead on arrival ("DOA"), Supermicro shall directly ship to Nutanix, at direction, a replacement product during the coverage period, which shall begin on the date of Supermicro's invoice.

4.Supermicro shall refund a credit for the invoice value of the product if said product is returned under the following criteria: (i) the product is returned for refund during [***] from Supermicro's invoice date; and (ii) Supermicro is unable to repair or replace the product. The date of return shall be the date Customer ships product to Supermicro as long as the refund request is made within the [***] period described in this section.

Remark: Out of Warranty

If returned products are: a) within the warranty period, b) accompanied by the proper Return Materials Authorization ("RMA") and c) defective as determined by Supermicro; Supermicro will, at its option: 1) repair the defective product within [***], or 2) issue a credit to Nutanix for the invoice value of the product. Supermicro has no obligation to repair or replace parts beyond the three-year warranty period; however, Supermicro may repair or replace provided that 1) Nutanix pays for the cost of obtaining the part(s) and 2) the part(s) are available for purchase. Unless otherwise agreed to in writing by the parties all repairs will be performed with new parts."

2. All other provisions of the Agreement not specifically referenced herein shall remain unchanged. It is the Parties' intent to modify the Agreement as detailed herein.

IN WITNESS WHEREOF, the parties have executed this Amendment Four as of the Amendment Effective Date.

NUTANIX INC.

By: /s/ Scott Lloyd
Title: VP, Operations
Date: 11/5/2021

ACKNOWLEDGED AND AGREED

SUPER MICRO COMPUTER INC.

By: /s/ Don Clegg
Title: SVP Worldwide Sales
Date: 6/8/2021

Exhibit 31.1

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

I, Rajiv Ramaswami, 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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 officer 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: March 10, 2022

/s/ Rajiv Ramaswami
Rajiv Ramaswami
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) 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
   (d) 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 officer 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: March 10, 2022

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

Exhibit 32.1

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Rajiv Ramaswami, 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 January 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the 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: March 10, 2022

/s/ Rajiv Ramaswami
Rajiv Ramaswami
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION
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 January 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the 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: March 10, 2022	/s/ Duston M. Williams
	Duston M. Williams
	Chief Financial Officer
	(Principal Financial Officer)