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# Nutanix, Inc. (NTNX)

Q3 2026 Earnings Call

## CORPORATE PARTICIPANTS

**Richard Valera**

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**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

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## OTHER PARTICIPANTS

**Matthew Martino**

*Analyst, Goldman Sachs & Co. LLC*

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

**James E. Fish**

*Analyst, Piper Sandler & Co.*

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Hello, and welcome to Nutanix Third Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] We ask that you limit yourself to one question and one follow-up.

I would now like to hand the conference over to Rich Valera, Vice President of Investor Relations. You may begin.

### Richard Valera

*Vice President-Investor Relations, Nutanix, Inc.*

Good afternoon, and welcome to today's conference call to discuss third quarter fiscal year 2026 financial results. Joining me today are Rajiv Ramaswami, Nutanix's CEO; and Rukmini Sivaraman, Nutanix's CFO. After the market closed today, Nutanix issued a press release announcing third quarter fiscal year 2026 financial results. If you'd like to read the release, please visit the Press Releases section of our IR website.

During today's call, management will make forward-looking statements, including financial guidance. These forward-looking statements involve risks and uncertainties some of which are beyond our control, which could cause actual results to differ materially and adversely from those anticipated by these statements. For a more detailed description of these and other risks and uncertainties, please refer to our SEC filings, including our most recent annual report on Form 10-K and our subsequent quarterly reports on Form 10-Q as well as our earnings press release issued today. These forward-looking statements apply as of today, and we undertake no obligation to revise these statements after this call. As a result, you should not rely on them as predictions of future events.

Please note, unless otherwise specifically referenced, all financial measure we use on today's call except for revenue are expressed on a non-GAAP basis and have been adjusted to exclude certain charges. We have provided to the extent available reconciliations of these non-GAAP financial measures to GAAP financial measures on our IR website and in our earnings press release. Nutanix will be participating the Bank of America Global Technology Conference on Tuesday, June 2nd, in San Francisco. We hope to see you there. Finally, our fourth quarter fiscal 2026 quiet period will begin on Saturday, July 18th.

And with that, I'll turn the call over to Rajiv. Rajiv?

### Rajiv Ramaswami

*Chief Executive Officer & Director, Nutanix, Inc.*

Thank you, Rich. And good afternoon, everyone. In our third quarter, we continue to see healthy demand for our solutions as reflected in our strong bookings and outperformance versus our guided metrics. We see this demand driven by businesses looking to modernize their IT footprints, adopt hybrid cloud operating models, and deploy cloud-native applications, including AI.

In our third quarter, we delivered quarterly revenue of \$703 million above our guidance range, grew our ARR 15% year-over-year to \$2.43 billion and saw solid free cash flow generation. We also saw another healthy quarter of new logo additions, adding over 700 new customers in Q3. Looking ahead, the environment remains dynamic. Supply chain challenges continue to drive higher prices and generally longer lead times for server hardware from our partners, which are pressuring customer budgets and timelines. However, Nutanix's focus on customer choice helps mitigate some of this impact and enables customers to better manage their deployment timelines and

budgets. These include choice of several vendors, choice of running in the public cloud or Nutanix Cloud Clusters or NC2, and in particular, choice of adopting our cloud platform with the growing number of external storage options.

Note that the majority of current data center infrastructure is based on external storage and legacy hypervisors on servers. Our support of external storage platforms is simplifying migrations to Nutanix from these environments without requiring significant hardware changes.

In Q3, we continue to see success in the marketplace with our cloud platform. Our most notable wins, a few of which I'll highlight, demonstrate the appeal of our solution to businesses that are looking to adopt hybrid multicloud operating models, deployed modern apps and AI, and in some cases deploy our cloud platform while retaining their existing hardware, including external storage. Two of our largest new logo wins in the quarter reflect success with our initiative to support external storage. One was a seven-figure win within North American based healthcare services provider, who chose the Nutanix Cloud Platform to replace their incumbent infrastructure software, while retaining their Everpure FlashArray external storage. Another significant win was with a financial services provider who chose our cloud platform for running their Microsoft SQL databases while retaining their existing Dell PowerFlex arrays.

We're pleased with the progress we've seen to date with our offering, supporting external storage and expect continued growth as additional solutions become available over the course of the year. We also continue to see good uptake of our cloud-native and AI offerings in Q3. An example is one of our largest wins in the quarter with an aerospace and defense supplier in the APJ region. With this full stack expansion, the customer now plans to use Nutanix Kubernetes Platform or NKP to deploy and manage their container-based applications, while continuing to run their VM-based applications on our cloud platform. They also plan to use Nutanix Database Service for database automation and Nutanix Unified Storage for managing their unstructured data. As we continue to see traction with our AI solution in Q3, with wins in areas including financial services, healthcare, and higher education.

Finally, in Q3, we saw increased uptake of the public cloud deployment option for our platform, NC2. This included a notable quarter-over-quarter increase in both customer wins and cores deployed. NC2 wins included a Fortune 500 financial services provider that was looking to expand its use of our cloud platform as they migrated away from their existing on-premises provider. Facing longer lead times and higher prices for servers, this customer chose to deploy NC2 on AWS. We also landed a new logo with an EMEA based provider of outsourcing services. This customer was looking to replace their existing data center infrastructure provider and chose to deploy our cloud platform on NC2, in OVH Public Cloud pending availability of server hardware.

Over time, they plan to migrate their production workloads back on-prem, while maintaining disaster recovery services on NC2, in OVH. They also plan on migrating their Omnicell workloads to the Nutanix Cloud Platform. During the third quarter, we made a number of important product and partnership announcements, many in conjunction with our annual.NEXT customer and partner conference in Chicago which drew over 5,000 attendees. We announced Nutanix Agentic AI in March at NVIDIA's GTC 2026. This full stack software solution is designed to reduce complexity, optimize performance and security and enable lower and more predictable total costs for agentic AI applications.

Today, our Agentic AI solution works on platforms using NVIDIA GPUs. With our recently announced AMD partnership, we will also be supporting AMD's GPU solutions going forward. Then in April, at .NEXT, we announced new capabilities for our Agentic AI solution to support a new generation of AI cloud providers or neoclouds. This solution is anticipated to become available in the second half of 2026. We also introduced NKP

Metal, which brings the automated lifecycle management and data services of the Nutanix Cloud Platform to bare-metal Kubernetes.

Finally, at .NEXT, we continue to demonstrate progress on our initiative to support external storage. Announcing new partnerships with NetApp and Lenovo to support their storage platforms. Availability for both of these new solutions is expected within this calendar year. We also held our Investor Day in conjunction with .NEXT, and it was a pleasure seeing many of you in person at this event. We were happy to be able to share how our platform has evolved to a unified platform for running AI and both modern and traditional applications. To provide an update on our large and growing market opportunity, and to provide an update on our medium-term target model, including mid- to high-teens revenue and ARR growth in FY 2029. We look forward to continuing to drive towards the vision and targets we shared.

In closing, we believe our business performed solidly in the third quarter, including strong bookings, healthy new logo additions and solid free cash flow performance. Our opportunities with AI, modern applications, hybrid multicloud and support for external storage provide us with a strong foundation for multiyear growth.

And with that, I'll hand it over to Rukmini Sivaraman. Rukmini?

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## Rukmini Sivaraman

*Chief Financial Officer, Nutanix, Inc.*

Thank you, Rajiv. And thank you, everyone, for joining us today. It was great to see many of you at our Investor Day last month. I will first review our Q3 2026 results followed by our guidance for Q4 2026, and the updated full year 2026 guidance.

In Q3, we reported results that were above the high-end of the range for all guided metrics. In Q3, we reported quarterly revenue of \$703 million higher than the guided range of \$680 million to \$690 million. ARR at the end of Q3 was \$2.435 billion, representing year-over-year growth of 15%. NRR or net dollar-based retention rate at the end of Q3 was 106%. In Q3, average contract duration was 3.4 years, slightly higher than our expectations. Non-GAAP gross margin in Q3 was 87.8%. Non-GAAP operating margin in Q3 was 22.3% higher than our guided range of 16% to 17% due to lower operating expenses related to timing of hiring, among other factors and higher revenue than expected.

Non-GAAP net income in Q3 was \$136 million or fully diluted EPS of \$0.47 per share based on fully diluted weighted average shares outstanding of approximately 287 million shares. GAAP net income and fully diluted GAAP EPS in Q3 were \$72 million and \$0.25 per share respectively. Free cash flow in Q3 was strong at \$197 million, representing a free cash flow margin of 28%, benefiting from good bookings linearity in the quarter.

Moving to the balance sheet, we ended Q3 with cash, cash equivalents and short-term investments of \$2.018 billion, up from \$1.874 billion at the end of Q2. Moving to capital allocation, in Q3, our board increased our existing share repurchase authorization by \$750 million and we repurchased \$50 million worth of common stock under our authorization. We also used about \$32 million of cash to retire shares related to our employees' tax liability for their quarterly RSU vesting. Together these actions help manage share dilution.

Moving to Q4 guidance, our guidance for Q4 fiscal 2026 is as follows. Revenue of \$725 million to \$745 million. Non-GAAP operating margin of 21% to 23%. Fully diluted weighted average shares outstanding of approximately 292 million shares. Moving to the full year, our updated guidance for fiscal year 2026 is as follows. Revenue of \$2.82 billion to \$2.84 billion, an increase at the midpoint from our prior guidance. Non-GAAP operating margin of

approximately 22.5% an increase from our prior guidance. Free cash flow of \$760 million to \$780 million, representing a free cash flow margin of 27% at the midpoint also an increase from our prior guidance.

I will now provide a few points to note on our guidance. First, while we continue to operate in a dynamic environment, our TCV bookings expectations for the full year are higher relative to our last earnings call. Second, our customers continue to experience supply related shortages and price increases for server hardware from our partners on which to run our software. This continues to impact the timing of conversion of our bookings into revenue and is factored into the updated guidance. We expect this to continue in fiscal Q4 and into fiscal year 2027. Third, we continue to invest for continued growth against our large market opportunity while finding ways to do so effectively and efficiently, resulting in the increased operating margin guidance for fiscal year 2026. In closing, Q3 was a strong quarter in which we beat all guided metrics and we are pleased to raise our full year guidance. We would like to thank our employees, customers, partners, investors, and stakeholders for their continued trust in us.

With that, operator, please open the line for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Please limit yourself to one question and one follow-up. Please stand by while we compile the Q&A roster. Our first question comes from the line of Matt Martino with Goldman Sachs. Your line is open.

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**Matthew Martino**

*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good evening. Thank you for taking the questions. Rajiv, maybe to start with you. We're now several quarters into this supply chain dynamic. Are you starting to see indicators that customers are getting better equipped to manage through it, whether it's building hardware lead times into procurement cycles or leaning more on that software hardware decoupling option? And ultimately that translate into smoother deal conversion for Nutanix, even if the supply backdrop doesn't improve materially over the next kind of three to six months?

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**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Yes, Matt. And for sure, customers are much more aware of the situation and are better navigating the situation, and we are also helping them with that. If you look at the last couple of months, we had seen hardware prices from several vendors out there continue to increase, but lead times are normalizing at some of the vendors, but remaining extended at others. We do expect hardware prices to remain elevated going into FY 2027. Now customers, how are they adapting? Well, they're looking for more flexibility on software licensing terms. There are some instances of customers delaying projects, but those are not very common. But that does happen once in a while.

Now, to your point earlier, I mean, we have a number of tools to help them offset these issues, and they're actually also making use of this. They have choice of several vendors. We have external storage platforms now available where they can do migrations without requiring new hardware purchases. They can use our solutions in the public cloud and we've seen some customers do that directly where servers are more easily available and sometimes cheaper than buying enterprise servers. So, our customers are certainly getting used to this, and we are also providing them the options to help them adapt to this supply chain environment.

**Matthew Martino**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Very clear. And then, Rukmini, for you. Good to see the full year guide come up a touch. I think the 4Q guide though is a touch shy of kind of what you guys were guiding towards coming out of last quarter. Can you just unpack for us what's in that number? Is it the supply visibility you have today or is there conservatism baked in? And what would you need to go right for guidance to land at the high-end of that range that you put out this evening?

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Thank you, Matt, for that question. So, a couple of points to note. One, as you pointed out and as Rajiv just covered, is the supply chain environment continues to be dynamic. And so, and as we've talked about in the past, some of those dynamics can impact revenue timing from quarter-to-quarter. So, that's the first piece. The second piece, I will say that the Middle East region has been a good growth driver for us in the past and represents a mid single-digit percent of our revenue. And we saw good performance from that region in Q3. But as we all know, given the situation there, conducting new business in the region is more challenging. And so, we factored those in and are taking a prudent approach with regard to our Q4 outlook. And so, to your point, Matt, in terms of what it will take for us to get to the higher end, it's really I think if the supply environment continues to progress as it is, then we factor that in. But if it's better or we find that customers are able to navigate it better than we have assumed, then we should be able to get to the high-end of that range or if things improve in the Middle East or some combination thereof, those should help as well.

**Matthew Martino**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thank you. Appreciate your time.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Yeah. Maybe I'll add. Yeah. I'll add a couple more things there. Just clarifying there, Rukmini, also, I think, it also depends on how much traction we get quickly with our external storage solution, for example, and public cloud solution. So, we do have new products coming to market. We've got the Pure Storage array and the PowerFlex already in the market. So, that could also help.

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Agreed. Thank you, Rajiv. Thanks, Matt.

**Operator:** Thank you. Our next question comes from the line of Param Singh with Oppenheimer & Company. Your line is open.

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Yeah. Hi. Thank you for taking my question. So, for my first one, wanted to understand how much incremental ARR is coming from selling to attach on the external storage vendors? And how are you priced compared to your closest competitor, VMware? And kind of trying to get a sense of what the ARR traction could look like once

incremental vendors come online with PowerStore this summer and then NetApp [indiscernible] (00:22:33) calendar year? Thank you.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Yeah. Param, let me take that. Good question, of course. And what we – as we said in my – during the call here earlier was the vast majority of data center infrastructure today is still external storage connected to legacy hypervisors on servers, right. And with the solutions that we have in the market, with the two that we already have, we've already started seeing traction. So you saw, for example, we had two significant deals that we talked about on just on the call here, one with PowerFlex, one with Everpure. And then Powerstore coming on fairly soon here is going to also accelerate that. And then later in the year, we should get NetApp.

So, as we talked about at our Investor Day, over time, we intend to get to a big chunk of this addressable market and we do expect good continued growth. Now obviously, slow, I mean, it's a small portion of our business at this point in time, but it's rapidly growing, and we expect it to be, [indiscernible] (00:23:30) more and more significant chunk of our business, especially since it makes it much easier to adopt our solution without having to change our hardware in a supply chain constrained environment. So, that's the – that's a piece there. Was there a second part of your question that I didn't address, Param?

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Oh, yeah. I wanted to understand, how are you priced compared to your [indiscernible] (00:23:51) competitor?

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Oh, the pricing, yeah. Sorry.

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*

Q

Yeah.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Got it. So, on the pricing, our goal is to try and price the solution as close to a full stack as possible. So, we have today, if you look at our stack, we have virtual compute, we have virtual networking, we have of course storage, and then we have the operations and management capabilities. And on top of that, we have Kubernetes and AI. Let's set aside the Kubernetes and AI, and look at the core platform. So, in the core platform, customers have an option, right, they can either use our own storage or they can use external storage. And we try and price this at close to the full stack solution as possible.

The idea being we want to make it attractive for customers to go deploy this, especially when they have hardware that's not fully depreciated that they want to reuse. Right? We want to make it easy for them. And at the same time, we're always looking to over time, bring them on as a HCI customer, because we do believe that is the single best way for running these cloud environments from a TCO perspective, from an operational simplicity perspective, et cetera. So, our pricing strategy is to try and capture as much of the value as we can that we will capture normally with the full stack, but with customers using external storage.

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*



Got it. Thank you so much, Rajiv. And as my follow-up really quickly, on the AI product that you introduced and you talked about, any early feedback from customers that enterprise AI adoption is still in early stages and kind of influx, but wanted to understand how the customers feel about your product portfolio as it stands today. And would you price that as an add-on or kind of like part of your full stack? Thank you.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*



It is – first of all, it is we do get capture incremental value for that. The Nutanix AI is an additional SKU that is on top of the rest of the full stack solution. So, we are able to capture some extra value. Now, if you look at it, there's two parts to the solution, there is the solution that we can sell directly to enterprises, that they build their own GPU clusters and build and run and operate it. The second part of our solution that we announced at our .NEXT conference is targeted towards neoclouds and service providers. And I would say we are in the early stages on both. We continue to see wins every quarter here and we have seen wins this quarter as well across the verticals that we talked about, financial services, for example, healthcare, education, some of these more regulated verticals tend to focus on having clusters on-prem, but it's still early days. And yeah, and the field is evolving very rapidly. We will continue to make advances very rapidly. But we do think this is a significant long-term opportunity for us and a tailwind to our overall business over time.

**Param Singh**

*Analyst, Oppenheimer & Co., Inc.*



Got it. Thank you so much for those answers. Rajiv, really appreciate it.

**Operator:** Thank you. Our next question comes from the line of Jim Fish with Piper Sandler. Your line is open.

**James E. Fish**

*Analyst, Piper Sandler & Co.*



Hi, guys. Thanks for the question here. Maybe circling back on the first one and kind of trying to get it more certainty here and in light of the comments you made, also, Rajiv, you talked about an increase in public cloud deployment. First, any sense to the size of NC2 at this point or public cloud within the portfolio today? And secondly, how much that increased server cost is actually causing the shift towards cloud essentially, at least temporarily, that it seems like you're seeing a pickup in NC2 because of rising server costs. Is that kind of the message you're trying to convey here is, hey, look, use us, we can help you kind of go between it and as a result, your NC2 offering is seeing incremental growth?

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*



Yes. And for sure by the way, Jim, on the second part of your question, there is no doubt that server constraints – enterprise server constraints are causing customers to look more at the public cloud with NC2. We had a couple of examples that I can talk about here just to give you some color of this. We were doing a – at a financial services company, we had a win this last quarter, where their plan was originally to do an on-prem to on-prem migration, migration from their legacy vendor on to Nutanix. And what they discovered as they went along, given the server pricing, was that they could get actually servers on AWS and use our software on it and those are more easily available and faster to get going. And so, they're doing that right. They're probably going to do some mix of on-prem migration, but also use a portion of this to migrate to Nutanix on AWS.

In other cases, we've seen customers saying, well, it's going to take me some time to get servers. Let me start with NC2 on the public cloud, and then I can bring that back on-prem as and when my servers get ready. So, we have certainly seen this to be a contributing factor in terms of acceleration of our NC2 bookings. For your first question, I mean, what we said was we are seeing an uptick. We are seeing more customers and we're also seeing more consumption of NC2. We haven't really quite given you any more specifics at this point yet. And it is still I would say it's still a minority portion of our business for sure, but it's a growing portion of our business.

**James E. Fish**

*Analyst, Piper Sandler & Co.*

Q

Then Rukmini, on the metric side of things, decent spike up of duration here, which is a little bit atypical of this quarter to begin with as you guys didn't really call out any major, massive kind of win that would have influenced that. So, can you walk us through what's causing that a little bit of a pickup here? And if that's kind of the rate we should be thinking about heading into Q4, and if we're going to see a bottom in net retention rate now here at 106% or if this is again, kind of the rate to think about? Thanks, guys.

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Thank you, Jim. So, the first question I think was on duration, so correct. As I said in my prepared remarks, we did see average contract duration come in a little bit higher than we had expected for the quarter. No specific deal to call out, Jim. It can vary from quarter-to-quarter based on the deal mix. So, what we saw in Q3 was generally just a higher mix of larger and longer duration transaction across both land-and-expand and renewals. And of course, as we know, duration can also help on the revenue performance. So, that's on duration. Nothing specific to note. And I wouldn't necessarily assume that, that continues. We just saw a mix in Q3 that contributed to that.

And then to your question on NRR, I will say it's important to note that the factors that we've outlined over the last couple of quarters as to the – delaying the recognition of revenue relative to bookings also impacts ARR and NRR, right. That's what we're continuing to see here. And then the other piece that I have noted before is that the average ACV or the ASPs of our new logo transactions have been steadily increasing over the past few years and we gave a bit of a quantification of that at our Investor Day. And so, that does create a bit of a headwind on expansion growth rate, which is reflected in NRR. Now all that said, we are continued to focus on driving adoption and expansion of our solutions within the customer base and that continues to remain a focus going forward.

**Operator:** Thank you. Our next question comes from the line of Wamsi Mohan with Bank of America. Your line is open.

**Wamsi Mohan**

*Analyst, BofA Securities, Inc.*

Q

Yes. Thank you so much. You said full year TCV bookings are higher than the last earnings call, but customers are still facing these server related issues. So, any quantification on how much revenue and maybe free cash flow is being deferred because of these constraints? Maybe best guess or qualitatively any color that you can share there?

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Yeah. I can take that, Wamsi. Thanks for the question. Look, I would say, I think the reason we sort of gave you the color on bookings, which historically we haven't done, as you know, but we've been doing it over the last few

quarters because we think it's important for you to know what's happening in terms of bookings. And of course, some of you I know calculated based on RPO as well. So that was strong in Q3. Now we haven't quantified specifically how much revenue is being deferred because of this Wamsi. But what I will say that is, look, I think we have – we've – I think we've abundantly made clear on this call that some of the challenges around supply chain are continuing. We had made a comment last quarter, you might remember, where we felt that we would have been able to raise all the numbers for our full year, if not for the supply chain challenges. And of course, this quarter, we're happy to be able to raise our full year number coming off of our Q3 and going into Q4. So, I would say it continues to be a factor here, Wamsi, in terms of our revenue impact, but we haven't really quantified it in terms of specifics.

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**Wamsi Mohan***Analyst, BofA Securities, Inc.*

Okay. Thanks Rukmini.

Q

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**Rukmini Sivaraman***Chief Financial Officer, Nutanix, Inc.*

Yeah. Thank you.

A

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**Wamsi Mohan***Analyst, BofA Securities, Inc.*

And then maybe just a follow-up. You mentioned something in your prepared remarks around the margins, right. Just basically better top line and timing of hires. You have been obviously outperforming on this metric like how much of this upside would you say is just timing of spend, maybe whether it's hiring, whether or maybe other things around revenue mix or delayed investments. I mean, how should we think about sustainability here given what we know from like internally what you know from your plans here?

Q

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**Rukmini Sivaraman***Chief Financial Officer, Nutanix, Inc.*

Yeah. So, on operating margin, I'd say, look, we were happy to take our full year guide up relative to what we said three months ago. And the point I was making is that, look, we're – obviously, we've taken our revenue guidance up for the full year as well. And we do believe that there's a large market opportunity that we have to go and tackle, and we do believe in continuing to invest for that Wamsi, but at the same time doing so in a way that is efficient. So, there are a couple of things I would say, and that's sort of the headline message. Now in addition, like I said in my remarks, we have some fluctuations quarter-to-quarter in terms of timing of hiring, which we do expect to get caught up here over the next coming period of time. And then I think we'll continue to be thoughtful about how we invest going forward. We gave you our intent to continue to grow operating margins over time. And that continues to be our intent, right, in terms of going into next year and beyond.

A

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**Wamsi Mohan***Analyst, BofA Securities, Inc.*

Okay. Thank you so much, Rukmini.

Q

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**Rukmini Sivaraman***Chief Financial Officer, Nutanix, Inc.*

Thank you.

A

**Operator:** Our next question comes from the line of Samik Chatterjee with JPMorgan. Your line is open.

**Manmohanpreet Singh**

*Analyst, JPMorgan Securities LLC*

Q

Hi. Thank you for taking my question. This is MP on for Samik Chatterjee. For my first question, just wanted to ask like how did the sales via the OEM partners track relative to your own expectations heading into the quarter? And any color on expectations for that to track through rest of the calendar year? Thank you. And I have a follow-up.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Hi. So, you're talking about sell through our OEM partners, right. And if you look at those, we have Cisco, we have Dell, and we have Lenovo, largely, those are the OEM partners that we sell through. We do a small amount to HPE as well. And I would say they largely tracked us as we expected. We've had Cisco continuing to grow and Lenovo has been a good steady state partner for us for several years now. I would say that Dell and – Dell, the business is growing, but it's growing in a – from a small base. We do expect that to potentially do more once we have the PowerStore solution in the market, because they are much more aligned to what external storage than they are to selling HCI, which is what we have today in the market with them.

**Manmohanpreet Singh**

*Analyst, JPMorgan Securities LLC*

Q

Thank you, Rajiv. And for my follow-up, I just wanted to ask on the new logo addition, can you please discuss your performance relative to different cohorts of customers, maybe large enterprises versus small and medium enterprises. Do you see any meaningful difference across those cohorts? Thank you.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Those new logos, I mean, we got 700 this quarter. They're well distributed across that entire spectrum. We have a three-tier segmented model to go after our customer base. We have the top-tier which is large enterprise and then we have the middle-tier which is smaller side of enterprise and commercial, and then third-tier is below that and more channel-led in that scenario. Now if you look at just the volume, typically, of course, there's more customers available in the lower tiers than the upper tiers. But from a distribution perspective, we are seeing wins across all of them, right. Everything from the Global 2000, the largest customers all the way down to the smaller customers. So, it's a well distributed set of new logos.

**Manmohanpreet Singh**

*Analyst, JPMorgan Securities LLC*

Q

Thank you.

**Operator:** Thank you. Our next question comes from the line of Matt Hedberg with RBC Capital Markets. Your line is open.

**Simran Biswal**

*Analyst, RBC Capital Markets LLC*

Q

Hey, guys. This is Simran on for Matt Hedberg. Congrats on the quarter and thanks for taking our questions. Just one from me, can you help us think through your available to renew pool into fourth quarter and any early thoughts you have around for fiscal year 2027?

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**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Sure. I can take that. Hi, Simran. So for Q4, look, I think nothing to call out. And we've said that we have quarter-to-quarter movement in terms of when those renewals get transacted, often just due to the normal course of business and when customers choose to transact, Simran. So nothing unusual to call out on that front from a Q4 perspective. And then in terms of fiscal year 2027, again, as I think as you all know, we really typically guide to fiscal year 2027 in our August earnings call after we report Q4. So, I will just leave it at that for now and say that ATR is expected to grow in fiscal year 2027, as one would expect and leave it there, Simran. Thanks for your question.

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**Simran Biswal**

*Analyst, RBC Capital Markets LLC*

Q

Okay. Thank you.

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**Operator:** Our next question comes from the line of Tim Long with Barclays. Your line is open.

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**Tim Long**

*Analyst, Barclays Capital, Inc.*

Q

Thank you. Yeah. Two questions, if I could as well. First, I wanted to go back to the competition, not just – not as much on pricing, but when you think about competitive landscape, VMware and the others, you obviously got a lot going on here with bringing on storage vendors and options around servers and bringing in cloud-based and other more flexible solutions. How do you think the competitive landscape is stacking up against all the options that you guys are providing to keep growth going here? Number one. And then number two, on the AI offerings, I understand that some of them are pretty new, but can you just give us a sense of kind of how they're scaling and how we should think about – thinking about the TAM or growth or size that those businesses could be ultimately. And any color you can give us around that would be helpful. Thank you.

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**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Yeah. So, on the first one on the competitive dynamics, Tim, so I mean, if you look at the competitors there and some of them are partners too. So, the competition typically would be, I would call out, of course, VMware and Broadcom, I would say now. They are – and that's where most of our customers are coming from and are migrating away from. And if you look at what Gartner talks about, I mean, the vast majority of customers are looking to exit over time. So, that's more of a come from situation. And then where do they go? They go to one or two or three places, they go to Nutanix, they go to Red Hat, they go to Microsoft, small number, and then some of them go to the public cloud directly. So, that's a competitive landscape. It hasn't really changed much in the last several quarters. It's kind of been there. So, Red Hat is competing there with their KubeVirt based virtualization solution. And we tend to do very well when it comes to mission critical VMware workloads running in production because we have a very solid portfolio – platform for doing that.

With the public cloud, sometimes customers do make strategic decisions to go to the public cloud, but what they find is it's much, much easier for them to go to the public cloud on the Nutanix platform itself. And we've seen that part of our business continuing to grow very nicely. We have some good examples that we showcased at our

conference as well, State Street, for example, but a large bank that's operating at pretty high volumes across Azure, AWS, and on-prem, all using the Nutanix solution.

So, we – so that's a competitive landscape. We feel quite comfortable that the easiest option for these Broadcom customers to migrate to is to Nutanix. It's much simpler. It doesn't require any work on the applications itself and can be largely automated as well. And with our expansion into external storage, we provide even more options and easier options for those customers to migrate.

To your second part about AI adoption, I think I covered that a bit earlier. It's – we've had that the latest versions of our AI solutions are fairly new. The agentic AI stack that we announced in February and an enhancement to take that into the service provider base in April. And we're starting to see good traction. But it's still early days. I would say most of our customers are still in their early days of experimentation. They're still trying to get GPU clusters on-prem, supply is always an issue there as well. But we are encouraged because we see this as a huge market opportunity. We talked about this at our last investor Day recently here about being a multi-billion dollar TAM over time, but it's still pretty early days, but we're starting to see good, encouraging signs among several industry verticals.

**Tim Long**

*Analyst, Barclays Capital, Inc.*

Q

Okay. Thank you very much.

**Operator:** Thank you.

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Thanks, Tim.

**Operator:** Our next question comes from the line of Sanjit Singh with Morgan Stanley. Your line is open.

Q

Hi. This is [ph] Abhishek (00:42:24) I'm really on for Sanjit Singh. Thanks for taking the question. I was wondering if we could get an update on the AMD partnership. Understood their revenue contribution is supposed to happen in fiscal year 2027. But [indiscernible] (00:42:35) are we on track for the platform to go into effect by the end of the year? And how is the pipeline shaping up? Thanks for taking the question.

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

Yeah. There again, it's very early days, right, in terms of actually having a solution in the market, right. We don't quite have that yet. I mean, of course, to be clear, we're already selling, our platform already supports their CPUs and we will support more and more of their CPUs and that's here and now and that's – that even predates this latest partnership. On the GPU side, again, we don't quite have that solution in the market. But what I will say is customers are looking for options, right. In fact, if you look at the market for AI chips, there's NVIDIA of course, and then there's AMD, and then there's the public cloud providers building their own chips, and then there's a whole slew of chips targeting inference coming out into the market.

So, our customers generally want more and more choice. They want to be able to run their AI applications, especially their inferencing and agentic applications with the lowest cost, the most efficient way possible, and minimize the cost per token. So having AMD as an option here for us, if we go into the market, really, I think second half of FY 2027 is where we are going to see the first traction with that solution is going to help from a customer perspective.

**Operator:** Thank you. Our next question comes from the line of Mike Cikos with Needham. Your line is open.

**Mike Cikos**

*Analyst, Needham & Company*

Q

Oh, terrific. Thank you. And congrats on the consistent execution in the volatile backdrop here. This is now the second consecutive quarter where management has discussed higher bookings expectations versus the prior earnings call, which is great color, particularly in light of the delayed conversion timeline to revenue. Two questions, if I could, but first, the company doesn't guide to or communicate its bookings at least externally. Is there any way you can help qualify or quantify to what degree your bookings outlook has improved over the last 90 to 180 days?

And then the follow-up there is, did the volume of deals with the lead conversions become more material in Q3 versus what was observed in Q2? Just any color on those two dynamics would be really appreciated. And again, congrats on the consistent execution here.

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Hi, Mike. Thank you for those questions. First to your question on bookings, you're right that it's not a metric we report or intend to report. The reason we've been providing some incremental color here over the last couple of quarters is exactly the reason that you pointed out, which is that we are having revenue timing shift out. And so, we thought it would be important to provide that color of the underlying demand and the underlying performance, if you will, from a bookings perspective that will translate into revenue over time. And so, one sort of point I will say is, if you look at, in Q3, Mike, we saw that bookings were strong at over 20% on a TCV basis. And so, I wanted to call that out. I know some of you again, calculate, try to calculate bookings based on RPO, so you will see that there as well. So, that was Q3. We haven't really quantified on a full year basis, Mike, how much it was related to kind of three months ago or anything like that. But I won't give you that number, which was really strong, for Q3, from an overall bookings growth perspective.

And then I think your second question was on thinking about the volume of deals that are coming in, with sort of this revenue in the future in Q3 relative to Q4. And look, again, we're not sort of breaking out the specifics of that, Mike, because it can move around from quarter-to-quarter because again, it just depends on what these customers are saying, which platform they're going to go with. I think Rajiv mentioned earlier that with some of the server providers, we're actually seeing lead times normalize, although prices remain elevated, and in others the lead times remain really, really elongated. So, it does vary based on what the customers are choosing to deploy. And so, I would say again, we're not giving quarter-to-quarter how much revenue is moving around. But in the aggregate, of course, we were pleased to be able to raise our full year revenue guide on the back of Q3.

**Mike Cikos**

*Analyst, Needham & Company*

Q

Thank you.

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Thank you, Mike.

A

**Operator:** Our next question comes from the line of Radi Sultan with UBS. Your line is open.

**Radi Sultan**

*Analyst, UBS Securities LLC*

Awesome. Yeah. Thanks for taking the questions. Maybe just first for Rajiv, just with the VCF 9 deadline end of next year, any sort of trends in customer behavior as we approach that, that VMware deadline? And then what are you doing to sort of attack and accelerate some of those migrations ahead of that deadline end of next year?

Q

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

Yeah. First of all, I mean, it's – it is a point in time, right. And we've always said that this migration happens over time in multiple ways. And this is just one more point that customers have to make choices. Now, the color I'll give you on this is that most customers who have purchased VCF to-date have not fully adopted VCF, right. They're buying VCF, but they're deploying what they were deploying before, which is VCF with external storage. And now the same thing will happen with VCF 9. It's going to force these customers to go deploy – go buy VCF 9. But it's not clear to me that they're going to all deployed fully, right. It's going to take time. And they may still deploy portions of it.

A

Now, if they want to deploy all of it, by the way, it's going to require a substantial hardware refresh, including their embedded storage solutions. Now, at that point, they have even more of a choice to choose to migrate to a modern platform like Nutanix or keep going with them. So, we are certainly giving these customers a lot of options now, right, more options on the table saying preserve your hardware, for example, come to us with the existing solution you got with external storage, if you'd like to we can do a full HCI conversion. VCF 9 is going to be quite a significant upgrade for you all in terms of the effort that you're going to have to put in. You may still not benefit from all of its capabilities. It is complex. So, and then of course, we have [ph] these options of and (00:49:04) external storage, public cloud. We – and then we have also the automated migration tools behind that, and of course, the commercial incentive, all of those put together to provide a good proposition for customers to migrate. And like I said, we're seeing this, right. We're seeing this with customers coming and migrating every quarter as we sign on new logos.

**Radi Sultan**

*Analyst, UBS Securities LLC*

Got it. Got it. Super helpful. And maybe just one follow-up for Rukmini. Just as we think about that TCV bookings coming in higher relative to expectations for the full year, just wanted to clarify, was that simply Q3 TCV bookings outperformed, and now your expectations for the full year are higher or that's also inclusive of sort of Q4 TCV bookings, you kind of expect to be higher than last quarter? And maybe if that is the case, can you maybe just unpack like what actually is driving that outperformance? Thank you.

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Yeah. Thanks, Radi for the questions. So, I would say, look I think overall for the year with the comment we made that for the full year, we're expecting the TCV bookings growth to be higher than we'd expected three months ago.

A

And in terms of what's driving that, I think a couple of things. One is the point that someone asked earlier on longer contract durations, which is – which helps with TCV, of course. And then we've also seen better renewals performance. So, those are the two main things driving the TCV bookings growth higher. And of course, we're continuing to make sure that we're watching and navigating all of the factors around the timing of bookings to revenue. But pleased with overall bookings performance to-date. And we gave you color on the expectations for the full year.

**Radi Sultan**

*Analyst, UBS Securities LLC*

Thanks so much.

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Thank you.

A

**Operator:** Our next question comes from the line of Simon Leopold with Raymond James. Your line is open.

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

Hi, this is Victor on for Simon. So, I think you kind of answered that in your last remark. But just to clarify that the higher full year revenue revision is a reflection of your expectations around better bookings traction and the higher TCV. Is that correct?

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Yes, I'm not sure what the question is, Victor. I think what we are trying – what we said in our prepared remarks is that our bookings expectations for the full year on a TCV basis is higher than we had expected three months ago. And then I also pointed out that if you look at Q3, and I know some folks calculate Q3 bookings based on RPO, but overall bookings growth in Q3 was also strong at over 20% year-over-year.

A

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

And that – and slightly higher revenue recognition and that's what's driving your higher guidance outlook, slightly?

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Yeah. We're happy to raise...

A

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

I'm just trying to figure out what changed between last quarter and this quarter that that's giving you confidence in your ability to do that. Is it just the better traction that you're seeing – the bookings?

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

[ph] In our ability (00:52:16) to raise the full year revenue guidance? Is that the question?

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

Yeah.

Q

**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

Yeah. So we – I mean, we obviously beat Q3, which we were really happy to see that Q3 was a really strong quarter. So, we're happy to beat Q3 and then take up the guidance for the full year as well.

A

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

Okay. And just really quickly, how much of the new logo wins are coming from your competitors versus new ACI customers, I think it's predominantly from customers transitioning. Is that correct?

Q

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

Hey most of them are coming from VMware customers, right. VMware Broadcom customers.

A

**Victor Chiu**

*Analyst, Raymond James & Associates, Inc.*

Okay. Got it. Thank you.

Q

**Operator:** Thank you. Our next question comes from the line of Ben Bollin with Cleveland Research Company. Your line is open.

**Ben Bollin**

*Analyst, Cleveland Research Co. LLC*

Hi. Good evening, everyone. Thank you for taking the question. Rajiv, I think you've introduced some programs to decouple software from hardware and kind of make customers lives easier. Can you talk about some of the things that you're doing and how you think that's impacting the overall visibility? And then I have a follow-up.

Q

**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

Yeah. By the way, we've had this with most of our OEM partners for quite a while, right. I mean, we – if you look at the selling motion today or even in the past, we sell software to customers and they choose the hardware, whether it's Dell or HPE or Lenovo. The exception was Supermicro, right, where typically with Supermicro in the past, the solution was more Nutanix software and Supermicro hardware together. But of course, we don't see the Supermicro solution on our books at all, but it goes directly to Supermicro. But typically that they tend to purchase those together.

A

Now, given supply situation that we have right now, we wanted to decouple this, right, and say customers you make your software choice. And then, yeah, if you'd like to go buy Supermicro hardware, please feel free to do so. You also have your choices of other customers. So that's the only change that we've made recently on in terms of the supply situation, right. Just to provide customers again, make very clearly that choices of where we tend to go.

Now, in the past, this is more not an issue, right. But with the supply being what it is, now we have to provide even more flexibility and choice. And that's what we did. And so that is now, how we typically sell today right. And basically what we're doing is, customer, you really are looking at buying our software and you choose which hardware you want to put it on.

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**Ben Bollin**

*Analyst, Cleveland Research Co. LLC*

Q

Okay. The one other question is, I know you're not quantifying the amount of time or the duration from when you're collecting the cash to maybe when the software rev rec is commencing today. But could you talk a little bit about where you think average lead times are on the appliance business or from appliance vendors today, where that stands with customers and how that has changed over the past few quarters?

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**Rajiv Ramaswami**

*Chief Executive Officer & Director, Nutanix, Inc.*

A

I mean, I'll just give you a broad range because it depends on the configuration. It depends on the vendor. Anything from a few weeks when I say, three weeks to four weeks to six months, right, that is the range that we see. And it varies by the week, by the month, by the configuration, by the vendor.

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**Ben Bollin**

*Analyst, Cleveland Research Co. LLC*

Q

Okay.

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**Operator:** Thank you.

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**Rukmini Sivaraman**

*Chief Financial Officer, Nutanix, Inc.*

A

Thanks, Ben.

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**Operator:** Ladies and gentlemen, I'm showing no further questions in the queue. That concludes today's conference call. Thank you for your participation. You may now disconnect.

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