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 October 31, 2020

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 November 30, 2020, the registrant had 190,084,861 shares of Class A common stock, $0.000025 par value per share, and 11,462,502 shares of Class B common stock, $0.000025 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("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, 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 and objectives, as well as our ability to execute such plans, strategies, initiatives and objectives successfully and in a timely manner, and the impact of such plans, initiatives and objectives on our business, operations, and financial results;
- our plans for, and the timing of, changes to our business model, 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 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;
- the impact of any adjustments to our go-to-market cost structure, in particular, our sales compensation structure;
- 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;
- the timing, success and impact of the succession plan for our Chief Executive Officer;
- 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 our relationships with our channel partners and OEMs, 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 effects of increased competition in our market and our ability to compete effectively;
- anticipated capital expenditures;
- future acquisitions or investments in complementary companies, products, services or technologies and the ability to successfully integrate 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 our fiscal year ended July 31, 2020. 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)

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NUTANIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of	
	July 31, 2020	October 31, 2020
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 318,737	$ 504,482
Short-term investments	401,041	813,603
Accounts receivable, net of allowances of $804 and $896, respectively	242,516	183,270
Deferred commissions—current	68,694	76,047
Prepaid expenses and other current assets	63,032	56,719
Total current assets	1,094,020	1,634,121
Property and equipment, net	143,172	133,156
Operating lease right-of-use assets	127,326	126,542
Deferred commissions—non-current	146,834	167,711
Intangible assets, net	49,392	45,047
Goodwill	185,260	185,260
Other assets—non-current	22,543	24,035
Total assets	$ 1,768,547	$ 2,315,872
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 54,029	$ 48,272
Accrued compensation and benefits	109,109	115,725
Accrued expenses and other current liabilities	25,924	24,563
Deferred revenue—current	534,572	549,938
Operating lease liabilities—current	36,569	41,080
Total current liabilities	760,203	779,578
Deferred revenue—non-current	648,869	656,545
Operating lease liabilities—non-current	116,794	113,491
Convertible senior notes, net	490,222	994,637
Derivative liability	—	295,650
Other liabilities—non-current	27,436	33,326
Total liabilities	2,043,524	2,873,227
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Preferred stock, par value of $0.000025 per share— 200,000 shares authorized as of July 31, 2020 and October 31, 2020; no shares issued and outstanding as of July 31, 2020 and October 31, 2020	—	—
Common stock, par value of $0.000025 per share—1,200,000 (1,000,000 Class A, 200,000 Class B) shares authorized as of July 31, 2020 and October 31, 2020; 201,949 (186,846 Class A and 15,103 Class B) and 201,346 (189,883 Class A and 11,463 Class B) shares issued and outstanding as of July 31, 2020 and October 31, 2020	5	5
Additional paid-in capital	2,245,180	2,299,903
Accumulated other comprehensive income	2,030	880
Accumulated deficit	(2,522,192)	(2,858,143)
Total stockholders' deficit	(274,977)	(557,355)
Total liabilities and stockholders' deficit	$ 1,768,547	$ 2,315,872

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands, except per share data)	
Revenue:		
Product	$ 192,444	$ 155,752
Support, entitlements and other services	122,324	157,002
Total revenue	314,768	312,754
Cost of revenue:		
Product	21,233	12,814
Support, entitlements and other services	50,968	55,145
Total cost of revenue	72,201	67,959
Gross profit	242,567	244,795
Operating expenses:		
Sales and marketing	291,838	257,290
Research and development	138,206	135,804
General and administrative	32,860	33,774
Total operating expenses	462,904	426,868
Loss from operations	(220,337)	(182,073)
Other expense, net	(5,040)	(78,732)
Loss before provision for income taxes	(225,377)	(260,805)
Provision for income taxes	3,923	4,243
Net loss	$ (229,300)	$ (265,048)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (1.21)	$ (1.31)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	189,671	203,095

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Net loss	$ (229,300)	$ (265,048)
Other comprehensive loss, net of tax:		
Change in unrealized gain (loss) on available-for-sale securities, net of tax	565	(1,150)
Comprehensive loss	$ (228,735)	$ (266,198)

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)
(Unaudited)

	Three Months Ended October 31, 2019					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders’ Equity
	Shares	Amount				
	(in thousands)					
Balance - July 31, 2019	188,595	$ 5	$ 1,835,528	$ 669	$ (1,649,309)	$ 186,893
Issuance of common stock through employee equity incentive plans	2,620	—	2,608	—	—	2,608
Issuance of common stock from ESPP purchase	959	—	21,337	—	—	21,337
Stock-based compensation	—	—	81,426	—	—	81,426
Other comprehensive income	—	—	—	565	—	565
Net loss	—	—	—	—	(229,300)	(229,300)
Balance - October 31, 2019	192,174	$ 5	$ 1,940,899	$ 1,234	$ (1,878,609)	$ 63,529

	Three Months Ended October 31, 2020					
	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)

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (229,300)	$ (265,048)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	22,462	23,499
Stock-based compensation	81,426	89,198
Change in fair value of derivative liability	—	64,740
Amortization of debt discount and issuance costs	7,635	11,708
Operating lease cost, net of accretion	6,671	8,347
Impairment of lease-related assets	—	2,822
Non-cash interest expense	—	1,952
Other	103	1,671
Changes in operating assets and liabilities:		
Accounts receivable, net	30,592	60,094
Deferred commissions	(18,313)	(28,230)
Prepaid expenses and other assets	16,150	6,222
Accounts payable	5,208	(4,075)
Accrued compensation and benefits	(4,786)	10,041
Accrued expenses and other liabilities	(5,772)	(1,238)
Operating leases, net	(3,469)	(7,970)
Deferred revenue	65,230	22,194
Net cash used in operating activities	(26,163)	(4,073)
Cash flows from investing activities:		
Maturities of investments	171,441	97,578
Purchases of investments	(321,474)	(513,998)
Sales of investments	7,870	—
Purchases of property and equipment	(18,203)	(12,252)
Net cash used in investing activities	(160,366)	(428,672)
Cash flows from financing activities:		
Proceeds from sales of shares through employee equity incentive plans	23,973	19,600
Proceeds from the issuance of convertible notes, net of issuance costs	—	723,757
Repurchases of common stock	—	(125,079)
Net cash provided by financing activities	23,973	618,278
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (162,556)	$ 185,533
Cash, cash equivalents and restricted cash—beginning of period	399,520	321,991
Cash, cash equivalents and restricted cash—end of period	$ 236,964	$ 507,524
Restricted cash [(1)]	3,144	3,042
Cash and cash equivalents—end of period	$ 233,820	$ 504,482
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 7,779	$ 5,050
Supplemental disclosures of non-cash investing and financing information:		
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 12,200	$ 2,948

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

See the accompanying notes to condensed consolidated financial statements.

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 Hybrid Cloud Platform, that consists of software solutions and cloud services that power our customers' hybrid cloud and multicloud strategies. 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, 2020, filed with the Securities and Exchange Commission ("SEC") on September 23, 2020. 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, 2020 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, 2020, which was filed with the SEC on September 23, 2020.

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 operating 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 convertible senior notes due in 2026; 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.

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 months ended October 31, 2019 and 2020, 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 October 31,			
Partners	2019	2020	July 31, 2020	October 31, 2020
Partner A	27 %	29 %	33 %	31 %
Partner B	12 %	15 %	16 %	14 %
Partner C	12 %	13 %	(1)	11 %

(1) Less than 10%

Summary of Significant Accounting Policies

Except for the accounting for the derivative liability associated with the convertible notes due in 2026, 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, 2020, filed with the SEC on September 23, 2020, that have had a material impact on our condensed consolidated financial statements.

Derivative Liability

We evaluate convertible notes or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under the relevant sections of Accounting Standards Codification ("ASC") 815-40, Derivative Instruments and Hedging: Contracts in Entity’s Own Equity. The result of this accounting guidance could result in the fair value of a financial instrument being classified as a derivative instrument and recorded at fair market value at each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the condensed consolidated statements of operations as other income or other expense. Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, including trade receivables. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss model that requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. We adopted this new standard effective August 1, 2020 and the adoption did not have a material impact on our condensed consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. We adopted this new standard effective August 1, 2020 and the adoption did not have a material impact on our quarterly or annual disclosures.

Recently Issued and Not Yet Adopted Accounting Pronouncements

In August 2020, the FASB issued 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. ASU 2020-06 is effective for us in the first quarter of fiscal 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. As such, we can early adopt this standard beginning in the first quarter of fiscal 2022. We are currently evaluating the potential impact of adoption of this guidance 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 generally has a term equal to 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, are typically sold through Partners and can be purchased from one of our OEMs or in some cases directly from Nutanix. Our enterprise cloud platform is typically purchased with one or more years of support and entitlements, which includes 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.

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Subscription	$ 217,896	$ 278,165
Non-portable software	77,571	20,043
Hardware	9,724	729
Professional services	9,577	13,817
Total revenue	$ 314,768	$ 312,754

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 $114.9 million and $147.8 million of our subscription revenue for the three months ended October 31, 2019 and 2020, 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 $103.0 million and $130.4 million of our subscription revenue for the three months ended October 31, 2019 and 2020, 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 have a term equal to 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 we deliver the hardware appliance, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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, 2020 and October 31, 2020 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. Effective August 1, 2020, we changed our sales compensation plans such that commissions paid on software license renewals are not commensurate with commissions paid on the initial contract. Accordingly, commissions paid on initial sales of subscription software licenses are now being recognized in a pattern consistent with the revenue recognition for each performance obligation, including those we expect upon renewal, over the entire period of benefit, rather than only the term of the initial contract, thus resulting in less expense being recognized in the initial contract period.

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, 2020	$ 1,183,441	$ 215,528
Additions	180,044	67,630
Revenue/commissions recognized	(157,002)	(39,400)
Balance as of October 31, 2020	$ 1,206,483	$ 243,758

During the three months ended October 31, 2019, we recognized revenue of approximately $109.0 million pertaining to amounts deferred as of July 31, 2019. During the three months ended October 31, 2020, we recognized revenue of approximately $142.7 million pertaining to amounts deferred as of July 31, 2020.

The majority 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 $1,247.2 million as of October 31, 2020, of which we expect to recognize approximately 46% over the next 12 months, and the remainder thereafter.

NOTE 3. FAIR VALUE MEASUREMENTS

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

	As of July 31, 2020			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 142,936	$ —	$ —	$ 142,936
Commercial paper	—	8,999	—	8,999
Short-term investments:				
Corporate bonds	—	345,265	—	345,265
Commercial paper	—	29,702	—	29,702
U.S. government securities	—	26,074	—	26,074
Total measured at fair value	$ 142,936	$ 410,040	$ —	$ 552,976
Cash				166,802
Total cash, cash equivalents and short-term investments				$ 719,778

	As of October 31, 2020			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 260,398	$ —	$ —	$ 260,398
Commercial paper	—	42,494	—	42,494
Short-term investments:				
Corporate bonds	—	532,904	—	532,904
Commercial paper	—	151,267	—	151,267
U.S. government securities	—	129,432	—	129,432
Total measured at fair value	$ 260,398	$ 856,097	$ —	$ 1,116,495
Cash				201,590
Total cash, cash equivalents and short-term investments				$ 1,318,085

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value, with the exception of the 0% convertible senior notes, due in January 2023, (the "2023 Notes") and the 2.5% convertible senior notes, due in 2026, (the "2026 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, 2020		As of October 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
2023 Notes	$ 490,222	$ 529,385	$ 498,378	$ 558,894
2026 Notes	—	—	496,259	840,900
Total	$ 490,222	$ 529,385	$ 994,637	$ 1,399,794

The carrying value of the 2023 Notes as of July 31, 2020 and October 31, 2020 was net of the unamortized debt discount of $80.3 million and $72.6 million, respectively, and unamortized debt issuance costs of $4.5 million and $4.0 million, respectively.

The carrying value of the 2026 Notes as of October 31, 2020 was net of the unamortized debt discount of $227.7 million and unamortized debt issuance costs of $26.0 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.

Derivative Liability

The conversion feature of the 2026 Notes represents 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 are convertible into a variable number of shares until the conversion price becomes 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 is recorded at its estimated fair value at the end of each reporting period, with the change in fair value recognized within other expense, net in the condensed consolidated statements of operations.

The following table shows the estimated fair value of the derivative liability as of the issuance of the 2026 Notes and the change in fair value from issuance through October 31, 2020:

	Three Months Ended October 31, 2020
	(in thousands)
Derivative liability at issuance of the 2026 Notes	$ 230,910
Change in fair value	64,740
Derivative liability, end of period	$ 295,650

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

	As of	
	September 24, 2020	October 31, 2020
Conversion ratio (1)	Conversion price of $26.63 with a 37.552 conversion rate per $1,000	Conversion price of $26.63 with a 37.552 conversion rate per $1,000
Risk-free rate	0.4%	0.5%
Discount rate (2)	9.00%	8.25%
Volatility	42.7%	42.7%
Stock price	$21.26	$24.34

(1) The conversion ratio was estimated based on the latest forecast 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.

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, 2020 and October 31, 2020, 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, at July 31, 2020 and October 31, 2020, 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 October 31, 2020
	(in thousands)
Due within one year	$ 631,457
Due in one to two years	182,146
Total	$ 813,603

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following:

	As of	
	July 31, 2020	October 31, 2020
	(in thousands)	
Prepaid operating expenses	$ 31,690	$ 32,682
VAT receivables	8,381	8,497
Tenant improvement allowance receivables	8,557	—
Other current assets	14,404	15,540
Total prepaid expenses and other current assets	$ 63,032	$ 56,719

Property and Equipment, Net

Property and equipment, net consists of the following:

		As of	
	Estimated Useful Life	July 31, 2020	October 31, 2020
	(in months)	(in thousands)	
Computer, production, engineering and other equipment	36	$ 245,245	$ 253,389
Demonstration units	12	66,569	66,750
Leasehold improvements	(1)	65,557	62,142
Furniture and fixtures	60	17,026	16,050
Total property and equipment, gross		394,397	398,331
Less: accumulated depreciation (2)		(251,225)	(265,175)
Total property and equipment, net		$ 143,172	$ 133,156

(1) Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the remaining lease term.
(2) Includes a $1.2 million write-off related to the impairment of certain leasehold improvements for the fiscal quarter ended January 31, 2020 and a $0.9 million write-off related to the impairment of certain leasehold improvements for the fiscal quarter ended October 31, 2020. For additional information on these lease-related impairments, refer to Note 6.

Depreciation expense related to our property and equipment was $18.1 million and $19.2 million for the three months ended October 31, 2019 and 2020, respectively.

Goodwill and Intangible Assets, Net

There was no change in the carrying value of goodwill during the three months ended October 31, 2020.

Intangible assets, net consists of the following:

	As of July 31, 2020	As of October 31, 2020
	(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	(35,987)	(39,681)
Accumulated amortization of customer relationships	(4,953)	(5,343)
Accumulated amortization of trade name	(1,998)	(2,259)
Total accumulated amortization	(42,938)	(47,283)
Total intangible assets, net	$ 49,392	$ 45,047

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)
2021	$ 13,035
2022	16,183
2023	10,856
2024	3,210
2025	1,763
Total	$ 45,047

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of July 31, 2020	As of October 31, 2020
	(in thousands)	
Accrued commissions	$ 33,503	$ 39,489
Accrued vacation	24,006	26,022
Payroll taxes payable	10,742	13,466
Contributions to ESPP withheld	16,563	10,810
Accrued benefits	8,426	9,343
Accrued bonus	5,568	6,666
Other	10,301	9,929
Total accrued compensation and benefits	$ 109,109	$ 115,725

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of	
	July 31, 2020	October 31, 2020
	(in thousands)	
Income taxes payable	$ 9,703	$ 8,333
Accrued professional services	3,006	3,528
Other	13,215	12,702
Total accrued expenses and other current liabilities	$ 25,924	$ 24,563

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 2023 Notes are 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 Notes may convert their 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 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.

Based on the closing price of our Class A common stock of $24.34 on October 31, 2020, 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 October 31, 2020. As such, the 2023 Notes are not convertible for the fiscal quarter commencing after October 31, 2020.

On or after October 15, 2022, holders may convert all or any portion of their 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.

In accounting for the issuance of the 2023 Notes, we separated the 2023 Notes into liability and equity components. The carrying amount of the liability component of approximately $423.4 million was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component of approximately $151.6 million, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the 2023 Notes. The difference between the principal amount of the 2023 Notes and the liability component (the "debt discount") is amortized to interest expense using the effective interest method over the term of the 2023 Notes. The equity component of the 2023 Notes is included in additional paid-in capital in the condensed consolidated balance sheets and is not remeasured as long as it continues to meet the conditions for equity classification.

We incurred transaction costs related to the issuance of the 2023 Notes of approximately $11.5 million, consisting of an initial purchasers' discount of $10.8 million and other issuance costs of approximately $0.7 million. In accounting for the transaction costs, we allocated the total amount incurred to the liability and equity components using the same proportions as the proceeds from the 2023 Notes. Transaction costs attributable to the liability component were approximately $8.5 million, recorded as debt issuance costs (presented as contra debt in the condensed consolidated balance sheets), and are being amortized to interest expense over the term of the 2023 Notes. The transaction costs attributable to the equity component were approximately $3.0 million and were net with the equity component within stockholders’ equity.

The 2023 Notes consisted of the following:

	As of	
	July 31, 2020	October 31, 2020
	(in thousands)	
Principal amounts:		
Principal	$ 575,000	$ 575,000
Unamortized debt discount (1)	(80,298)	(72,573)
Unamortized debt issuance costs (1)	(4,480)	(4,049)
Net carrying amount	$ 490,222	$ 498,378
Carrying amount of equity component (2)	$ 148,598	$ 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. The effective interest rate is 6.62%.
(2) Included in the condensed consolidated balance sheets within additional paid-in capital, net of $3.0 million in equity issuance costs.

As of October 31, 2020, the remaining life of the 2023 Notes was approximately 26 months.

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Interest expense related to amortization of debt discount	$ 7,232	$ 7,725
Interest expense related to amortization of debt issuance costs	403	431
Total interest expense	$ 7,635	$ 8,156

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, 2020 and October 31, 2020. 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.

Impact to Earnings per Share

The 2023 Notes will have no impact on diluted earnings per share ("EPS") until they meet the criteria for conversion, as discussed above, as we intend to settle the principal amount of the 2023 Notes in cash upon conversion. Under the treasury stock method, in periods when we report net income, we are required to include the effect of additional shares that may be issued under the 2023 Notes when the price of our Class A common stock exceeds the conversion price. Under this method, the cumulative dilutive effect of the 2023 Notes would be approximately 3.9 million shares if the average price of our Class A common stock was $73.46. However, upon conversion, there will be no economic dilution from the 2023 Notes, as exercise of the note hedges eliminate any dilution that would have otherwise occurred. The note hedges are required to be excluded from the calculation of diluted earnings per share, as they would be antidilutive under the treasury stock method.

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 4.9 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 1.4 million shares at a common stock price of $83.46.

2026 Notes

In August 2020, we entered into an investment agreement (the "Investment Agreement") with BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP ("Bain") relating to the issuance and sale to Bain of $750.0 million in aggregate principal amount of the 2026 Notes. 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.

Pursuant to the Investment Agreement, and subject to certain exceptions, Bain will be restricted from transferring or entering into an agreement that transfers the economic consequences of ownership of the 2026 Notes or converting the 2026 Notes prior to the earlier of (i) the one-year anniversary of the original issue date of the 2026 Notes or (ii) immediately prior to the consummation of a change of control or entry into a definitive agreement for a transaction that, if consummated, would result in a change of control or fundamental change, as defined in the indenture governing the 2026 Notes. Exceptions to such restrictions on transfer include, among others: (a) transfers to affiliates of Bain, (b) transfers to us or any of our subsidiaries, (c) transfers to a third party where the net proceeds of such sale are solely used to satisfy a margin call or repay a permitted loan, or (d) transfers in connection with certain merger and acquisition events.

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 addition, at the one-year anniversary of the 2026 Notes, depending on the level of achievement of certain financial milestones, the conversion price is subject to a one-time adjustment, on a sliding scale in the range of $25.25 to $27.75 per share, at which time the conversion price will become fixed.

Upon conversion of the 2026 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 our Class A common stock, at our election.

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 the we provide the redemption notice 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, or holders can convert with an increase in the conversion rate to reflect a make-whole premium.

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.

The 2026 Notes consisted of the following:

	As of October 31, 2020 (in thousands)
Principal amounts:	
Principal	$ 750,000
Unamortized debt discount (conversion feature) [(1)]	(227,723)
Unamortized debt issuance costs [(1)]	(26,018)
Net carrying amount	$ 496,259

(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 October 31, 2020, the remaining life of the 2026 Notes was approximately 5.9 years.

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

	Three Months Ended October 31, 2020 (in thousands)
Interest expense related to amortization of debt discount	$ 3,187
Interest expense related to amortization of debt issuance costs	365
Non-cash interest expense	1,952
Total interest expense	$ 5,504

The non-cash interest expense is related to the 2.5% PIK interest that we accrued from the issuance of the 2026 Notes through October 31, 2020 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.

Impact to Earnings per Share

The 2026 Notes will have no impact on diluted EPS until the price of our Class A common stock is greater than the conversion price, discussed above, as we intend to settle the principal amount of the 2026 Notes in cash upon conversion. Under the treasury stock method, in periods when we report net income, we are required to include the effect of additional shares that may be issued under the 2026 Notes when the price of our Class A common stock exceeds the conversion price. During the three months ended October 31, 2020, the average price of our Class A common stock did not exceed the conversion price of the 2026 Notes.

NOTE 6. LEASES

We have operating leases for offices, research and development facilities and datacenters. Our leases have remaining lease terms of one year to approximately eight 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 $8.7 million and $10.4 million for the three months ended October 31, 2019 and 2020, 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.

During the second quarter of fiscal 2020, we ceased using certain office spaces internationally. As the carrying value of the related right-of-use assets exceeded fair value, we recorded a $3.0 million impairment in our consolidated statements of operations for the fiscal year ended July 31, 2020. Of the $3.0 million impairment, approximately $1.8 million relates to the impairment of our operating lease right-of-use assets and approximately $1.2 million relates to the impairment of leasehold improvements.

During the first quarter of fiscal 2021, we recorded additional 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 months ended October 31, 2020. 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 October 31, 2020 (in thousands)
Operating leases:	
Operating lease right-of-use assets, gross	$ 166,922
Impairment	(2,382)
Accumulated amortization	(37,998)
Operating lease right-of-use assets, net	$ 126,542
Operating lease liabilities—current	$ 41,080
Operating lease liabilities—non-current	113,491
Total operating lease liabilities	$ 154,571
Weighted average remaining lease term (in years):	3.6
Weighted average discount rate:	5.3 %

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

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2020
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 8,750	$ 9,976
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ 12,969	$ 9,918

The undiscounted cash flows for our operating lease liabilities as of October 31, 2020 were as follows:

Fiscal Year Ending July 31:	Amount (in thousands)
2021	$ 36,153
2022	47,715
2023	46,281
2024	31,828
2025	6,174
Thereafter	3,798
Total lease payments	171,949
Less: imputed interest	(17,378)
Total lease obligation	154,571
Less: current lease obligations	(41,080)
Long-term lease obligations	$ 113,491

As of October 31, 2020, we had additional operating lease commitments of approximately $5.5 million on an undiscounted basis for certain office leases that have not yet commenced. These operating leases will commence during fiscal 2021 and fiscal 2022, with lease terms of two to six 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 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 October 31, 2020, we had up to approximately $57.5 million of non-cancelable purchase obligations and other commitments pertaining to our daily business operations, and up to approximately $63.5 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 our 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. The court held a case management conference on October 27, 2020 and set a pretrial schedule for the case. The litigation is still in early stages, and 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.

Shareholder Derivative Actions. Beginning on July 1, 2019, several shareholder derivative complaints were filed in each of the U.S. District Court for the Northern District of California, the Superior Court of California for the County of San Mateo and the Superior Court of California for the County of Santa Clara, naming (i) fourteen of Nutanix's current and former officers and directors as defendants and (ii) the Company as a nominal defendant. The complaints generally alleged claims for breach of fiduciary duty, waste of corporate assets and unjust enrichment, all based on the same general underlying allegations that are contained in the securities class actions described above. The Superior Court complaints additionally alleged insider trading and violation of California Corporations Code Section 25402, and the Santa Clara County Superior Court complaints further included additional claims for "abuse of control" and "gross mismanagement." In August 2019, the Superior Court of California for the County of Santa Clara consolidated the Santa Clara derivative actions into a single action and, in January 2020, the court stayed the consolidated Santa Clara action in deference to the federal derivative actions described above. On September 17, 2019, the Superior Court of California for the County of San Mateo granted the plaintiff's request for voluntary dismissal without prejudice. On January 7, 2020, the U.S. District Court for the North District of California consolidated the federal actions and, on March 6, 2020, the plaintiffs filed a stipulation designating a lead plaintiff and deeming the lead plaintiff's original complaint as the designated complaint in the matter. On April 22, 2020, (i) the individual defendants filed a motion to dismiss the designated complaint on the grounds that it fails to state a claim, and (ii) we filed a motion to dismiss the designated complaint on the grounds that the plaintiffs failed to make a demand on our Board of Directors before filing the designated complaint. In response, the plaintiffs filed an amended complaint on June 17, 2020. On October 5, 2020, the court granted the individual defendants' motions to dismiss the amended complaint, while providing the plaintiffs leave to amend their complaint by October 26, 2020, which deadline was extended to December 1, 2020. In lieu of filing an amended complaint, the stockholders in the federal derivative actions have made a demand on our Board of Directors to investigate the allegations underlying the securities class action matters, and the parties subsequently filed a stipulation with the court to have the federal derivative lawsuit dismissed. The matters are in the very early stages and we are not able to determine what, if any, liabilities will attach to these matters.

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

We have two classes of authorized common stock, Class A common stock and Class B common stock. As of October 31, 2020, we had one billion shares of Class A common stock authorized, with a par value of $0.000025 per share, and 200 million shares of Class B common stock authorized, with a par value of $0.000025 per share. As of October 31, 2020, we had 189.9 million shares of Class A common stock issued and outstanding and 11.5 million 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. Holders of Class B common stock are entitled to 10 votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and are generally automatically converted into shares of our Class A common stock upon a sale or transfer. Shares issued in connection with exercises of stock options, vesting of restricted stock units, or shares purchased under the employee stock purchase plan are generally automatically converted into shares of our Class A common stock. Shares issued in connection with an exercise of common stock warrants are converted into shares of our Class B common stock.

Share Repurchase

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 three months ended October 31, 2020, we repurchased 5.2 million shares of 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 October 31, 2020, there is no remaining authorization and the program has expired, as our Board of Directors does not plan to authorize any additional share repurchases in the foreseeable future.

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, 2019 and 2020, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 9.4 million and 10.1 million shares, respectively, pursuant to these provisions. As of October 31, 2020, we had reserved a total of 49.9 million shares for the issuance of equity awards under the Stock Plans, of which 20.2 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.

Market Stock Units — In October 2018, the Compensation Committee of our Board of Directors approved the grant of 100,000 RSUs subject to certain market conditions ("MSUs") to our Chief Executive Officer, with a weighted average grant date fair value per unit of $25.16. The MSUs will vest based upon the achievement of an average stock price of $80 over a performance period of approximately 4.5 years (the "Performance Period"), subject to his continuous service on each vesting date. The average stock price is calculated based on the average closing price of one share of our Class A common stock, as reported on the Nasdaq Stock Market during the 180-day period ending on the last trading day prior to each measurement date (as applicable, the "Average Stock Price"). The Average Stock Price is measured once per quarter during the Performance Period, and:

- If the Average Stock Price on any given quarterly measurement date does not equal or exceed $80, then none of the MSUs will vest that quarter, and any unvested MSUs will carry over to the next quarter (the "Carryover MSUs");
- If the Average Stock Price on any given quarterly measurement date equals or exceeds $80, then 1/18th of the MSUs plus the applicable Carryover MSUs, if any, would vest; and/or
- If the Average Stock Price never equals or exceeds $80 during the Performance Period, the MSUs would terminate at the end of the Performance Period.

In December 2019, the Compensation Committee of our Board of Directors approved the grant of 200,000 additional MSUs to our Chief Executive Officer, with a weighted average grant date fair value per unit of $20.80. The MSUs will vest based upon the achievement of an average stock price of $65 over a performance period of approximately 4.5 years (the "Second Performance Period"), subject to his continuous service on each vesting date.

In February 2020, the Compensation Committee of our Board of Directors approved the grant of 75,000 MSUs to our Executive Vice President of Worldwide Sales, with a weighted average grant date fair value per unit of $20.80. The MSUs will vest based upon the achievement of an average stock price of $65 over a performance period of approximately 3.9 years (the "Second Performance Period"), subject to his continuous service on each vesting date.

The average stock price is calculated based on the average closing price of one share of our Class A common stock, as reported on the Nasdaq Stock Market during the 180-day period ending on the last trading day prior to each measurement date (as applicable, the "Second Average Stock Price"). The Second Average Stock Price is measured once per quarter during the Second Performance Period, and:

- If the Second Average Stock Price on any given quarterly measurement date does not equal or exceed $65, then none of the MSUs will vest that quarter, and any unvested MSUs will carry over to the next quarter (the "Carryover MSUs");
- If the Second Average Stock Price on any given quarterly measurement date equals or exceeds $65, then 1/18th of the MSUs plus the applicable Carryover MSUs, if any, would vest; and/or
- If the Second Average Stock Price never equals or exceeds $65 during the Second Performance Period, the MSUs would terminate at the end of the Second Performance Period.

We used Monte Carlo simulations to calculate the fair value of these awards on the grant date. 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 Performance Period or Second Performance Period, as applicable. As of October 31, 2020, 375,000 MSUs remained outstanding.

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

	Number of Shares (in thousands)	Grant Date Fair Value per Share
Outstanding at July 31, 2020	22,632	$ 32.70
Granted	3,454	$ 24.02
Released	(2,819)	$ 31.23
Forfeited	(806)	$ 34.00
Outstanding at October 31, 2020	22,461	$ 31.50

Stock Options

We did not grant any stock options during the three months ended October 31, 2020. A total of 0.3 million stock options were exercised during the three months ended October 31, 2020, with an average exercise price per share of $5.48. As of October 31, 2020, 7.2 million stock options, with a weighted average exercise price of $5.08 per share, a weighted average remaining contractual life of 3.4 years and an aggregate intrinsic value of $139.6 million, remained outstanding.

Employee Stock Purchase Plan

In December 2015, the Board adopted the 2016 Employee Stock Purchase Plan, which was subsequently amended in January 2016 and September 2016 and approved by our stockholders in March 2016 ("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 three months ended October 31, 2020, 1.5 million shares of common stock were purchased under the 2016 ESPP for an aggregate amount of $18.1 million. As of October 31, 2020, 7.7 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:

	Three Months Ended October 31,	
	2019	2020
Expected term (in years)	0.92	0.92
Risk-free interest rate	1.9 %	0.1 %
Volatility	68.7 %	73.3 %
Dividend yield	— %	— %

Stock-Based Compensation

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Cost of revenue:		
Product	$ 1,112	$ 1,504
Support, entitlements and other services	4,751	5,761
Sales and marketing	27,775	32,227
Research and development	37,563	37,887
General and administrative	10,225	11,819
Total stock-based compensation expense	$ 81,426	$ 89,198

As of October 31, 2020, unrecognized stock-based compensation expense related to outstanding stock awards was approximately $656.9 million and is expected to be recognized over a weighted average period of approximately 2.5 years.

NOTE 10. INCOME TAXES

The income tax provisions of $3.9 million and $4.2 million for the three months ended October 31, 2019 and 2020, respectively, primarily consisted of foreign taxes on our international operations and U.S. state income taxes. We continue to maintain a 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

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 treasury stock 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.

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

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

	Three Months Ended October 31,	
	2019	2020
	(in thousands, except per share data)	
Numerator:		
Net loss	$ (229,300)	$ (265,048)
Denominator:		
Weighted average shares—basic and diluted	189,671	203,095
Net loss per share attributable to common stockholders—basic and diluted	$ (1.21)	$ (1.31)

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:

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Outstanding stock options and RSUs	29,544	29,710
Employee stock purchase plan	2,845	2,823
Contingently issuable shares pursuant to business combinations	611	253
Common stock warrants	34	—
Total	33,034	32,786

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 October 31,	
	2019	2020
	(in thousands)	
U.S.	$ 184,767	$ 177,113
Asia Pacific	60,321	62,598
Europe, the Middle East and Africa	56,713	59,906
Other Americas	12,967	13,137
Total revenue	$ 314,768	$ 312,754

As of July 31, 2020 and October 31, 2020, $136.7 million and $124.9 million, respectively, of our long-lived assets, net were located in the United States.

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 for the fiscal year ended July 31, 2020 included in our Annual Report on Form 10-K filed on September 23, 2020. 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 our fiscal year ended July 31, 2020. 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 Hybrid Cloud Platform, that consists of software solutions and cloud services that power our customers’ hybrid cloud and multicloud strategies. 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 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 is delivered or sold alongside configured-to-order appliances with a license term equal to 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 directly from Nutanix. Our enterprise cloud platform is typically purchased with one or more years of support and entitlements, which includes 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, 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 18,040 end customers as of October 31, 2020, including approximately 930 Global 2000 enterprises. We define the number of end customers as the number of end customers for which we have received an order by the last day of the period, excluding partners to which we have sold products for their own demonstration purposes. A single organization or customer may represent multiple end customers for separate divisions, segments or subsidiaries. Since shipping our first product in fiscal 2012, our end customer base has grown rapidly. The number of end customers grew from approximately 14,960 as of October 31, 2019 to approximately 18,040 as of October 31, 2020.

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, including the development of our solutions, hiring for critical roles in our global teams, projects to increase the demand for our solutions and other sales and marketing initiatives. The number of our full-time employees increased from approximately 5,770 as of October 31, 2019 to approximately 6,160 as of October 31, 2020. We have an engineering team focused on distributed systems and IT infrastructure technologies at our San Jose, California headquarters and at our research and development centers in India, North Carolina, Washington, Serbia and Germany. We have in the past also expanded our international sales and marketing presence by continuing to build out our global teams and continuing to invest in sales and marketing initiatives, such as additional demand generation spending to increase pipeline growth. We plan to, in the long term, invest in our global engineering team to enhance the functionality of our enterprise cloud platform, including our newer subscription-based products, introduce new products and features to build upon our technology leadership, as well as expand our global sales and marketing teams. However, as discussed further in the "Impact of the COVID-19 Pandemic" and "Factors Affecting Our Performance" sections below, in response to the ongoing and rapidly evolving COVID-19 pandemic, 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 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, which have impacted and will continue to impact our workforce and operations, as well as those of our customers, vendors, suppliers, and partners.

In response to the COVID-19 pandemic, we have also been required – or have deemed it necessary – to take 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, such as our 2020 .NEXT customer and partner events, our 2020 Investor Day, and our fiscal 2021 sales kick off; and offering extended payment terms of up to 60 days to certain partners through July 2020. 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 payment terms; lengthened sales cycles, particularly with new customers and partners who do not have prior experience with our solutions; supply chain disruptions; 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. Furthermore, we have taken, and may continue to take, a number of proactive actions to manage our operating expenses in light of the uncertainty caused by the COVID-19 pandemic, including: effecting a global hiring pause outside of a small number of critical roles; implementing a temporary 10% reduction in executive salaries; pausing all fiscal 2020 merit salary increases and bonus payments; and implementing two, non-consecutive, mandatory one-week furloughs for our employees in the U.S., along with two, non-consecutive, voluntary one-week unpaid leave periods for our employees outside the U.S. Although the full impact of these actions is uncertain, they have resulted in a reduction in our operating expenses in recent quarters, including sales and marketing expenses. Many of these cost savings measures, however, are temporary, and we do expect to see our operating expenses increase from the suppressed levels in recent quarters, as we restart hiring efforts, the salary and bonus cost savings measures expire, and some level of travel and other related expenses return. See the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for our fiscal year ended July 31, 2020 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 our fiscal year ended July 31, 2020 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 October 31,	
	2019	2020
	(in thousands, except percentages)	
Total revenue	$ 314,768	$ 312,754
Year-over-year percentage increase (decrease)	0.5 %	(0.6)%
Subscription revenue	$ 217,896	$ 278,165
Total billings	$ 379,998	$ 334,948
Subscription billings	$ 275,538	$ 293,923
ACV billings	$ 125,575	$ 137,831
Run-rate ACV	$ 1,002,117	$ 1,290,742
Gross profit	$ 242,567	$ 244,795
Adjusted gross profit	$ 252,124	$ 256,041
Gross margin	77.1 %	78.3 %
Adjusted gross margin	80.1 %	81.9 %
Total deferred revenue	$ 975,274	$ 1,206,483
Net cash used in operating activities	$ (26,163)	$ (4,073)
Free cash flow	$ (44,366)	$ (16,325)
Non-GAAP operating expenses	$ 386,337	$ 341,243
Total end customers	14,960	18,040

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 October 31,	
	2019	2020
	(in thousands)	
Disaggregation of revenue:		
Subscription revenue	$ 217,896	$ 278,165
Non-portable software revenue	77,571	20,043
Hardware revenue	9,724	729
Professional services revenue	9,577	13,817
Total revenue	$ 314,768	$ 312,754
Disaggregation of billings:		
Subscription billings	$ 275,538	$ 293,923
Non-portable software billings	77,571	20,043
Hardware billings	9,724	729
Professional services billings	17,165	20,253
Total billings	$ 379,998	$ 334,948

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 $114.9 million and $147.8 million of our subscription revenue for the three months ended October 31, 2019 and 2020, 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 $103.0 million and $130.4 million of our subscription revenue for the three months ended October 31, 2019 and 2020, 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 have a term equal to 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 we deliver the hardware appliance, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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, professional services billings, ACV billings, run-rate ACV, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses, which are non-GAAP financial measures and key performance measures, to help us evaluate our growth and operational efficiencies, measure our performance, 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;
- 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 investors, as it represents the dollar value under binding purchase orders received and billed during a given period. Subscription billings and professional services billings are performance measures that we believe provide useful information to our management and investors as they allow 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, in particular as we progress further on our subscription-based business model transition, as they allow us to better track the top-line growth of our business during our transition to a subscription-based business model because they take into account variability in term lengths. 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. Adjusted gross profit, adjusted 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. 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, professional services billings, ACV billings, run-rate ACV, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses 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, professional services billings, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses are not substitutes for total revenue, subscription revenue, professional services revenue, gross profit, gross margin, cash provided by (used in) operating activities, or GAAP operating expenses, respectively. There is no GAAP measure that is comparable to either ACV billings or run-rate ACV, so we have not reconciled either ACV billings 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.

Professional services billings — We calculate professional services billings by adding the change in professional services deferred revenue between the start and end of the period to professional services 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 the contract, using, where applicable, an assumed term of five years for contracts that do not have a specified term.

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.

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

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.

Non-GAAP operating expenses — We define non-GAAP operating expenses as total operating expenses adjusted to exclude stock-based compensation expense, 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.

The following table presents a reconciliation of total billings, adjusted gross profit, adjusted 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 October 31,	
	2019	2020
	(in thousands, except percentages)	
Total revenue	$ 314,768	$ 312,754
Change in deferred revenue	65,230	22,194
Total billings (non-GAAP)	$ 379,998	$ 334,948
Gross profit	$ 242,567	$ 244,795
Stock-based compensation	5,863	7,265
Amortization of intangible assets	3,694	3,694
Impairment of lease-related assets	—	287
Adjusted gross profit (non-GAAP)	$ 252,124	$ 256,041
Gross margin	77.1 %	78.3 %
Stock-based compensation	1.8 %	2.3 %
Amortization of intangible assets	1.2 %	1.2 %
Impairment of lease-related assets	— %	0.1 %
Adjusted gross margin (non-GAAP)	80.1 %	81.9 %
Operating expenses	$ 462,904	$ 426,868
Stock-based compensation	(75,563)	(81,933)
Amortization of intangible assets	(651)	(651)
Impairment of lease-related assets	—	(2,535)
Other	(353)	(506)
Operating expenses (non-GAAP)	$ 386,337	$ 341,243
Net cash used in operating activities	$ (26,163)	$ (4,073)
Purchases of property and equipment	(18,203)	(12,252)
Free cash flow (non-GAAP)	$ (44,366)	$ (16,325)

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 October 31,	
	2019	2020
	(in thousands)	
Subscription revenue	$ 217,896	$ 278,165
Change in subscription deferred revenue	57,642	15,758
Subscription billings	$ 275,538	$ 293,923
Professional services revenue	$ 9,577	$ 13,817
Change in professional services deferred revenue	7,588	6,436
Professional services billings	$ 17,165	$ 20,253

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 our fiscal year ended July 31, 2020 for details. If we are unable to address these challenges, our business and operating results could be materially and adversely affected.

Investment in Growth

We plan to, in the long term, invest in sales and marketing so that we can capitalize on our market opportunity, including growing our sales and marketing teams, continuing our focus on opportunities with major accounts and large deals, which we define as transactions over $500,000, expanding our focus on opportunities in commercial accounts, as well as other sales and marketing initiatives, such as demand generation spending to increase our pipeline growth. Historically, we have significantly increased our sales and marketing personnel, however, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we have proactively taken steps to reduce our expenses and, as a result, our overall investments in growth and the size of our sales and marketing teams 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 October 31, 2020, we considered approximately 77% of our global sales team members to be fully ramped, while the remaining approximately 23% 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, may further increase, potentially significantly, the time it takes for our sales team members to become fully productive. We are focused on actively managing these realignments and potential effects. We intend to continue investing in our growth, while balancing such growth against our operating cash flow by continuing to maintain our focus 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 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 have effected a global hiring pause outside of a small number of critical roles and, as a result, the overall growth in our global research and development and engineering teams will fluctuate, and may decline, 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 Channel Partners and OEMs

We plan to continue to strengthen and expand our network of channel partners and OEMs to increase sales to both new and existing end customers. 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 and expanding our network of channel partners and OEMs.

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 October 31, 2020, approximately 68% 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 5.9x greater, on average, than their initial order. This number increases to approximately 16.4x, on average, for Global 2000 end customers who have been with us for 18 months or longer as of October 31, 2020. 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 products 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. Therefore, as we continue our transition, we may need to enhance our efforts to educate our end customers and as a result incur higher sales and marketing costs.

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 is delivered or sold alongside configured-to-order appliances with a license term equal to 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 directly from Nutanix. Our enterprise cloud platform is typically purchased with one or more years of support and entitlements, which includes 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 we deliver the hardware appliance, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. 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. The service period 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 increase the size of our global sales and marketing organizations. However, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we have proactively taken steps to reduce our expenses, including (i) effecting a global hiring pause outside of a small number of critical roles; (ii) implementing travel restrictions prohibiting all non-essential business travel; and (iii) postponing, cancelling, withdrawing from, or converting to virtual-only experiences (where possible and appropriate) our in-person sales and marketing events, including our 2020 .NEXT customer and partner events and our fiscal 2021 sales kick off. As a result, our sales and marketing expense will fluctuate, and may decline, in the near-term. Additionally, given our transition to a subscription-based business model and our continued emphasis on ACV, during the fiscal quarter ended October 31, 2020, we adjusted the compensation structure of our sales force, which has led to a higher proportion of commissions expense being deferred, and a decrease in commissions expense and overall sales and marketing expenses as a percentage of revenue and on an absolute basis. We expect this trend to continue for the duration of fiscal 2021. For additional information, refer to Note 2 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

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. 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. In addition, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we have effected a global hiring pause outside of a small number of critical roles and, as a result, our R&D expense will fluctuate, and may decline, from quarter to quarter in the near-term.

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. In addition, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we have effected a global hiring pause outside of a small number of critical roles and, as a result, our G&A expense will fluctuate, and may decline, from quarter to quarter in the near-term.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income and expense, which includes the amortization of the debt discount and issuance costs associated with our 0% convertible senior notes, due in January 2023, (the "2023 Notes") and our 2.5% convertible senior notes, due in 2026, (the "2026 Notes"), changes in the fair value of the derivative liability associated with the 2026 Notes, non-cash interest expense on the 2026 Notes, 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 October 31, 2019	Three Months Ended October 31, 2020
	(in thousands)	
Revenue:		
Product	$ 192,444	$ 155,752
Support, entitlements and other services	122,324	157,002
Total revenue	314,768	312,754
Cost of revenue:		
Product [1][2]	21,233	12,814
Support, entitlements and other services [1]	50,968	55,145
Total cost of revenue	72,201	67,959
Gross profit	242,567	244,795
Operating expenses:		
Sales and marketing [1][2]	291,838	257,290
Research and development [1]	138,206	135,804
General and administrative [1]	32,860	33,774
Total operating expenses	462,904	426,868
Loss from operations	(220,337)	(182,073)
Other expense, net	(5,040)	(78,732)
Loss before provision for income taxes	(225,377)	(260,805)
Provision for income taxes	3,923	4,243
Net loss	$ (229,300)	$ (265,048)
[1] Includes stock-based compensation expense as follows:		
Product cost of revenue	$ 1,112	$ 1,504
Support, entitlements and other services cost of revenue	4,751	5,761
Sales and marketing	27,775	32,227
Research and development	37,563	37,887
General and administrative	10,225	11,819
Total stock-based compensation expense	$ 81,426	$ 89,198
[2] Includes amortization of intangible assets as follows:		
Product cost of revenue	$ 3,694	$ 3,694
Sales and marketing	651	651
Total amortization of intangible assets	$ 4,345	$ 4,345

	Three Months Ended October 31,	
	2019	2020
	(as a percentage of total revenue)	
Revenue:		
Product	61.1 %	49.8 %
Support, entitlements and other services	38.9 %	50.2 %
Total revenue	100.0 %	100.0 %
Cost of revenue:		
Product	6.7 %	4.1 %
Support, entitlements and other services	16.2 %	17.6 %
Total cost of revenue	22.9 %	21.7 %
Gross profit	77.1 %	78.3 %
Operating expenses:		
Sales and marketing	92.7 %	82.3 %
Research and development	43.9 %	43.4 %
General and administrative	10.4 %	10.8 %
Total operating expenses	147.0 %	136.5 %
Loss from operations	(69.9)%	(58.2)%
Other expense, net	(1.6)%	(25.2)%
Loss before provision for income taxes	(71.5)%	(83.4)%
Provision for income taxes	1.2 %	1.4 %
Net loss	(72.7)%	(84.8)%

Comparison of the Three Months Ended October 31, 2019 and 2020

Revenue

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Product	$ 192,444	$ 155,752	$ (36,692)	(19)%
Support, entitlements and other services	122,324	157,002	34,678	28 %
Total revenue	$ 314,768	$ 312,754	$ (2,014)	(1)%

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
U.S.	$ 184,767	$ 177,113	$ (7,654)	(4)%
Asia Pacific	60,321	62,598	2,277	4 %
Europe, the Middle East and Africa	56,713	59,906	3,193	6 %
Other Americas	12,967	13,137	170	1 %
Total revenue	$ 314,768	$ 312,754	$ (2,014)	(1)%

The decrease in product revenue for the three months ended October 31, 2020 was due primarily to our continued transition to selling subscription term-based licenses, as these licenses generally have an average term of approximately four years, while those with a duration equal to the life of the associated appliance have an estimated life of approximately five years. For the three months ended October 31, 2019 and 2020, the total average contract term was approximately 3.9 years and 3.5 years, respectively. 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. The decrease in product revenue was also impacted by a decrease in hardware revenue, as more customers are purchasing hardware directly from our OEMs.

Support, entitlements and other services revenue increased for the three months ended October 31, 2020, as compared to the prior year period, 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 October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Cost of product revenue	$ 21,233	$ 12,814	$ (8,419)	(40)%
Product gross margin	*89.0 %*	*91.8 %*		
Cost of support, entitlements and other services revenue	$ 50,968	$ 55,145	$ 4,177	8 %
Support, entitlements and other services gross margin	*58.3 %*	*64.9 %*		
Total gross margin	*77.1 %*	*78.3 %*		

Cost of product revenue

Cost of product revenue decreased for the three months ended October 31, 2020, as compared to the prior year period, due primarily to the decreases in hardware revenue, as more and more customers are purchasing hardware directly from our OEMs.

Product gross margin increased by 2.8 percentage points for the three months ended October 31, 2020, as compared to the prior year period, due primarily to the higher mix of software revenue, as we continued to focus on more software-only transactions.

Cost of support, entitlements and other services revenue

Cost of support, entitlements and other services revenue increased for the three months ended October 31, 2020, as compared to the prior year period, due primarily to higher personnel costs, relating to growth in our global customer support organization. The increase in personnel costs was driven primarily by a 14% increase in our customer support, entitlements and other services headcount from October 31, 2019 to October 31, 2020.

Support, entitlements and other services gross margin increased by 6.6 percentage points for the three months ended October 31, 2020, as compared to the prior year period, 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 October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Sales and marketing	$ 291,838	$ 257,290	$ (34,548)	(12)%
Percent of total revenue	*92.7 %*	*82.3 %*		

Sales and marketing expense decreased for the three months ended October 31, 2020, as compared to the prior year period, due primarily to lower marketing costs, travel and entertainment expenses and personnel-related costs as a result of the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above. In addition, the decrease in sales and marketing expense was impacted by the changes to our sales compensation plans discussed above.

Research and development

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Research and development	$ 138,206	$ 135,804	$ (2,402)	(2)%
Percent of total revenue	*43.9 %*	*43.4 %*		

R&D expense decreased for the three months ended October 31, 2020, as compared to the prior year period, due primarily to lower personnel-related costs as a result of our response to the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above.

General and administrative

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
General and administrative	$ 32,860	$ 33,774	$ 914	3 %
Percent of total revenue	*10.4 %*	*10.8 %*		

G&A expense increased for the three months ended October 31, 2020, as compared to the prior year period, due primarily to higher stock-based compensation expense as a result of the increase in headcount, partially offset by decreases in other headcount-related expenses which were impacted by our response to the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above.

Other Expense, Net

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Interest income, net	$ 4,866	$ 1,300	$ 3,566	73 %
Change in fair value of derivative liability	—	(64,740)	64,740	100 %
Amortization of debt discount and issuance costs and non-cash interest expense	(7,635)	(13,660)	6,025	79 %
Other	(2,271)	(1,632)	(639)	(28)%
Other expense, net	$ (5,040)	$ (78,732)	$ 73,692	1,462 %

The increase in other expense, net for the three months ended October 31, 2020, as compared to the prior year period, was due primarily to additional expense resulting from the new 2026 Notes, including the change in the fair value of the derivative liability and interest expense associated with the amortization of the debt discount and issuance costs for the 2026 Notes.

Provision for Income Taxes

	Three Months Ended October 31,		Change	
	2019	2020	$	%
	(in thousands, except percentages)			
Provision for income taxes	$ 3,923	$ 4,243	$ 320	8 %

The increase in the income tax provision for the three months ended October 31, 2020, as compared to the prior year period, was due primarily to an increase in foreign taxes, as we continued our global expansion. 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 October 31, 2020, we had $504.5 million of cash and cash equivalents, $3.0 million of restricted cash and $813.6 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. There are no required principal payments prior to the maturity of the 2023 Notes. For additional information, see Note 5 of Part I, Item 1 of this Quarterly Report on Form 10-Q.

In August 2020, we entered into an investment agreement with BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP ("Bain") relating to the issuance and sale to Bain of $750.0 million in aggregate principal amount of 2.5% convertible senior notes due in 2026. For additional information, see Note 5 of 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 be negative 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:

	Three Months Ended October 31,	
	2019	2020
	(in thousands)	
Net cash used in operating activities	$ (26,163)	$ (4,073)
Net cash used in investing activities	(160,366)	(428,672)
Net cash provided by financing activities	23,973	618,278
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (162,556)	$ 185,533

Cash Flows from Operating Activities

Net cash used in operating activities was $4.1 million for the three months ended October 31, 2020, compared to cash used in operating activities of $26.2 million for the three months ended October 31, 2019. The decrease in cash used in operating activities for the three months ended October 31, 2020 was due primarily to lower operating expenses as a result of the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above.

Cash Flows from Investing Activities

Net cash used in investing activities of $160.4 million for the three months ended October 31, 2019 included $321.5 million of short-term investment purchases and $18.2 million of purchases of property and equipment, partially offset by $171.4 million of maturities of short-term investments and $7.9 million of sales of short-term investments.

Net cash used in investing activities of $428.7 million for the three months ended October 31, 2020 included $514.0 million of short-term investment purchases and $12.3 million of purchases of property and equipment, partially offset by $97.6 million of maturities of short-term investments.

Cash Flows from Financing Activities

Net cash provided by financing activities of $24.0 million for the three months ended October 31, 2019 consisted of net proceeds from the sale of shares through employee equity incentive plans.

Net cash provided by financing activities of $618.3 million for the three months ended October 31, 2020 consisted of $723.8 million of proceeds from the issuance of the 2026 Notes, net of issuance costs, and $19.6 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.

Contractual Obligations

The following table summarizes our contractual obligations as of October 31, 2020:

	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]	$ 1,325,000	$ —	$ 575,000	$ —	$ 750,000
Paid-in-kind interest on convertible senior notes [1]	1,952	—	—	—	1,952
Operating leases (undiscounted basis) [2]	177,448	36,408	96,268	40,195	4,577
Other commitments [3]	57,490	55,184	2,306	—	—
Guarantees with OEMs	63,526	33,526	30,000	—	—
Total	$ 1,625,416	$ 125,118	$ 703,574	$ 40,195	$ 756,529

(1) For additional information regarding our convertible senior notes, refer to Note 5 of 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 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 October 31, 2020, 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 October 31, 2020, 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, 2020.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally and we are exposed to market risk in the ordinary course of 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 $9.7 million and $10.7 million for the three months ended October 31, 2019 and 2020, respectively. The increase in this hypothetical change is due to an increase in our expenses denominated in foreign currencies due to of 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 three months ended October 31, 2020 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 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 our fiscal year ended July 31, 2020 (the "2020 Form 10-K"), 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 material changes from the risks and uncertainties previously disclosed under the "Risk Factors" section in our 2020 Form 10-K.

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

None.

Purchases of Equity Securities by the Issuer

Share Repurchase Program

The following table provides information with respect to the shares of our Class A common stock we repurchased during the three months ended October 31, 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program [(1)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [(1)]
October 1, 2020 - October 31, 2020	5,175,539	$ 24.15	5,175,539	$ —

(1) 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. As of October 31, 2020, there is no remaining authorization and the program has expired, as our Board of Directors does not plan to authorize any additional share repurchases in the foreseeable future.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

EXHIBIT INDEX

		Incorporated by Reference				
Number	**Exhibit Title**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
4.1	Indenture, dated as of September 24, 2020, by and between Nutanix, Inc. and U.S. Bank National Association, as Trustee.	8-K	001-37883	4.1	9/24/2020	
4.2	Form of 2.50% Convertible Senior Notes due 2026 (included in Exhibit 4.1).	8-K	001-37883	4.2	9/24/2020	
10.1	Investment Agreement, dated as of August 26, 2020, by and among Nutanix, Inc. and BCPE Nucleon (DE) SPV, LP	8-K	001-37883	10.1	8/27/2020	
10.2	Amendment to Investment Agreement, dated as of September 24, 2020, by and between Nutanix, Inc. and BCPE Nucleon (DE) SPV, LP	8-K	001-37883	10.1	9/24/2020	
10.3	Eighth Amendment, dated as of November 23, 2020, by and between Nutanix, Inc. and Hudson 1740 Technology, LLC					X
10.4	Second Amendment, dated as of November 23, 2020, by and between Nutanix, Inc. and Hudson Concourse, LLC					X
10.5	Ninth Amendment, dated as of November 23, 2020, by and between Nutanix, Inc. and Hudson Metro Plaza, LLC					X
10.6	Amendment Five to Manufacturing Services Agreement, dated October 5, 2020, by and between Nutanix, Inc., Nutanix Netherlands B.V. and Flextronics Telecom Systems, Ltd and its affiliates					X
10.7+	Executive Severance Policy	8-K	001-37883	10.1	10/08/2020	
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

* 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.

+ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: December 3, 2020	/s/ Duston M. Williams Duston M. Williams Chief Financial Officer (Principal Financial Officer)

Exhibit 10.3

EIGHTH AMENDMENT

(1740 TECHNOLOGY DRIVE)

THIS EIGHTH AMENDMENT (this "**Amendment**") is made and entered into as of November 23, 2020, by and between **HUDSON 1740 TECHNOLOGY, LLC, a Delaware limited liability company** ("**Landlord**") and **NUTANIX, INC., a Delaware corporation** ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to CA-1740 Technology Drive Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain Office Lease dated August 5, 2013 (the "**Original Lease**"), as previously amended by that certain First Amendment dated October 9, 2013 ("**First Amendment**"), by that certain Second Amendment dated April 17, 2014 ("**Second Amendment**"), by that certain Third Amendment dated October 13, 2014 ("**Third Amendment**"), by that certain Fourth Amendment dated March 23, 2015 ("**Fourth Amendment**"), by that certain Fifth Amendment dated July 28, 2016 (the "**Fifth Amendment**"), by that certain Confirmation Letter dated April 11, 2017, by that certain Sixth Amendment dated January 29, 2018 (the "**Sixth Amendment**"), and by that certain Seventh Amendment dated April 4, 2018 (the "**Seventh Amendment**") (as amended, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing a total of approximately **196,011** rentable square feet of office space and approximately **236** rentable square feet storage space in the building commonly known as 1740 Technology Drive located at 1740 Technology Drive, San Jose, California 95110.

B. By this Amendment, Landlord and Tenant desire to (a) extend the sunset date for Tenant's utilization of its remaining Allowance, and (b) otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. <u>**Allowances/Sunset Date**</u>. Landlord has provided Tenant with certain Allowances for construction of Tenant Improvements in various portions of the Premises. As of the date hereof, the following are the remaining Allowance funds:

   (a) $2,060,234.25 (per Section 2.3(B) of the Seventh Amendment) for construction of Tenant Improvements in Suite Nos. 150, 200, 270, 280, 290, 310, 320, 400, 500, 510, 530 and 600. The reference to "June 30, 2022" contained in Section 2.3(B)(ii) of the Seventh Amendment is hereby deleted and replaced with a reference to "August 31, 2022." Landlord and Tenant hereby acknowledge that per Section 2.3(B) of the Seventh Amendment these funds will become available for use by Tenant on April 1, 2021.

   (b) Landlord and Tenant hereby acknowledge that the Seventh Amendment is ambiguous as to whether the term "Existing Premises" as used in Section 2.3(B)(i) of the Seventh Amendment includes Suite 300 and Suite 550. Landlord hereby acknowledges that the $13.89 per rentable square foot Allowance referenced in Section 2.3(B)(i) of the Seventh Amendment is intended to apply to Suite 300 (containing 19,027 rentable square feet) and Suite 550 (containing 8,652 rentable square feet). Accordingly, Tenant has a remaining Allowance of $384,461.31 (27,679 x $13.89) for construction of Tenant Improvements in Suite 300 and Suite 550. Landlord acknowledges that notwithstanding anything contained in the Lease to the contrary, Tenant may apply these funds toward Tenant Improvements in Suites 400 and 600. Landlord and Tenant hereby acknowledge that per Section 2.3(B) of the Seventh Amendment these funds will become available for use by Tenant on April 1, 2021. Landlord and Tenant hereby agree and acknowledge that the Allowances referenced in Sections 12.7 and 13.7 of the Fifth Amendment have been used and disbursed and therefore such amounts are no longer owed to Tenant.

(c) $101,191.50 (per Section 2.4(B)(i) of the Seventh Amendment) for construction of Tenant Improvements in Suite 210. Landlord acknowledges that notwithstanding anything contained in the Seventh Amendment to the contrary, Tenant may apply these funds toward Tenant Improvements in Suite 250. The reference to "June 30, 2022" contained in Section 2.4(B)(ii) of the Seventh Amendment is hereby replaced with a reference to "August 31, 2022." Landlord and Tenant hereby acknowledge that these funds will become available for use by Tenant on November 1, 2021.

(d) $48,417.72 (per Section 7.7(i) of the Seventh Amendment and assuming a Suite 250 Expansion Effective Date of November 1, 2020) for construction of Tenant Improvements in the Suite 250 Must Take Space. The reference to "within twelve (12) months after the Suite 250 Expansion Effective Date" contained in Section 7.7(ii) of the Seventh Amendment is hereby deleted in its entirety and the phrase "by August 31, 2022" is substituted in lieu thereof.

2. **Miscellaneous.**

2.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.

2.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

2.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

2.4. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered it to Tenant.

2.5. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.

3. **No Further Modification**. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Amendment.

[Signatures are on the following page]

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Eighth Amendment as of the day and year first above written.

LANDLORD:

HUDSON 1740 TECHNOLOGY, LLC,
a Delaware limited liability company

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership, its sole member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation, its general partner

By: /s/ Mark Lammas

Name: Mark Lammas

Title: President

TENANT:

NUTANIX, INC.,
a Delaware corporation

By: /s/ Aaron Boynton

Name: Aaron Boynton

Title: VP, Corporate Controller

Exhibit 10.4

SECOND AMENDMENT

(1741 TECHNOLOGY – CONCOURSE V)

THIS SECOND AMENDMENT (this "**Amendment**") is made and entered into as of November 23, 2020, by and between **HUDSON CONCOURSE, LLC**, a Delaware limited liability company ("**Landlord**") and **NUTANIX, INC.**, a Delaware corporation ("**Tenant**").

RECITALS

A. Landlord and Tenant are parties to that certain Office Lease dated September 5, 2018 (the "**Original Lease**") whereby Landlord has leased to Tenant certain office space in the building located at 1741 Technology Drive, San Jose, California (the "**Building**"). The Original Lease was subsequently amended by that certain First Amendment to Lease dated October 22, 2019 (the "**First Amendment**"). The Original Lease, as amended by the First Amendment is referred to herein as the "**Lease**."

B. By this Amendment, Landlord and Tenant desire to extend the sunset date for Tenant's utilization of its remaining Allowance and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Original Lease.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Allowances/Sunset Date**. Landlord has provided Tenant with certain Allowances for construction of Tenant Improvements in various portions of the Premises. As of the date hereof, the following are the remaining Allowance funds:

   (a) $317,360.00 for construction of Tenant Improvements in Suite 100. The reference to "December 31, 2021" contained in 7th line of Section 1.1 of the Work Letter attached as **Exhibit B** to the Original Lease (as amended in Section 1 of the First Amendment) is hereby deleted and a reference to "August 31, 2022" is substituted in lieu thereof.

   (b) $241,549.57 (as prorated per Section 2.3.6(i) of the Original Lease based upon a February 1, 2019 Suite 130 Expansion Effective Date) for construction of Tenant Improvements in Suite 130. The reference to "December 31, 2020" contained in Section 2.3.6(ii) of the Original Lease is hereby revised to "August 31, 2022."

   (c) $798,095.36 (as prorated per Section 2.4.5(i) of the Original Lease based upon a November 1, 2019 Must Take Effective Date and accounting for $137,848.00 previously disbursed) for construction of Tenant Improvements in the Suite 500. The reference to "December 31, 2020" contained in Section 2.4.5(ii) of the Original Lease is hereby revised to "August 31, 2022."

2. **Miscellaneous.**

   2.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.

2.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

2.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

2.4. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered it to Tenant.

2.5. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.

3. **No Further Modification**. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Amendment.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

HUDSON CONCOURSE, LLC,
a Delaware limited liability company

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership, its sole member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation, its general partner

By: /s/ Mark Lammas

Name: Mark Lammas

Title: President

TENANT:

NUTANIX, INC.,
a Delaware corporation

By: /s/ Aaron Boynton

Name: Aaron Boynton

Title: VP, Corporate Controller

Exhibit 10.5

NINTH AMENDMENT

(METRO PLAZA)

THIS NINTH AMENDMENT (this "**Amendment**") is made and entered into as of November 23, 2020, by and between **HUDSON METRO PLAZA, LLC**, a Delaware limited liability company ("**Landlord**"), and **NUTANIX, INC.**, a Delaware corporation ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to CA-Metro Plaza Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain lease dated April 23, 2014, as previously amended by that certain First Amendment dated March 23, 2015, by that certain Second Amendment dated January 28, 2016, by that certain Third Amendment dated July 28, 2016, by that certain Fourth Amendment dated April 4, 2018, by that certain Fifth Amendment dated October 1, 2018, by that certain Sixth Amendment dated April 5, 2019, by that certain Seventh Amendment dated April 25, 2019, and by that certain Eighth Amendment dated September 17, 2019 (as amended, the "**Lease**").

B. Pursuant to the Lease, Landlord has leased to Tenant the "**Premises**" comprised of: (i) approximately **28,121** rentable square feet in the building located at 181 Metro Drive, San Jose, California 95110 (the "**181 Metro Premises**") comprised of (a) 9,716 rentable square feet described as Suite No. 280 located on the second (2nd) floor, and (b) approximately 18,405 rentable square feet described as Suite No. 300 located on the third (3rd) floor; and (ii) a total of approximately **80,489** rentable square feet in the building located at 25 Metro Drive, San Jose, California 95110 comprised of (a) approximately 7,396 rentable square feet described as "**Suite 220**", (b) approximately 23,135 rentable square feet described "**Suite 600**", (c) approximately 24,337 rentable square feet described as "**Suite 500**", and (d) approximately 25,621 rentable square feet described as "**Suite 400**".

C. By this Amendment, Landlord and Tenant desire to extend the sunset date for Tenant's utilization of its remaining Allowance and to otherwise modify the Lease as provided herein.

D. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the above recitals which by this reference are incorporated herein, the mutual covenants and conditions contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. **Allowances/Sunset Date**. Landlord has provided Tenant with certain Allowances for construction of Tenant Improvement Work (as defined in the Work Letter attached to the First Amendment as **Exhibit B**) in various portions of the Premises. As of the date hereof, the following are the remaining Allowance funds:

   (a) $158,156.69 (remaining from the Allowance granted in Section 4.2(i) of the Fourth Amendment) for construction of Tenant Improvement Work in the 181 Metro Premises. Additionally, the reference to "December 31, 2021" contained in Section 4.2(ii) of the Fourth Amendment is hereby revised to "August 31, 2022."

   (b) $96,800.61 for construction of Tenant Improvement Work in Suite 220; $302,796.39 for construction of Tenant Improvement Work in Suite 600; $1,338,535.00 for construction of Tenant Improvement Work in Suite 500; and $1,409,155.00 for construction of Tenant Improvement Work in Suite 400. Additionally, the reference to "August 31, 2020" contained in Section 1 of the Seventh Amendment is hereby revised to "August 31, 2022."

2. **Miscellaneous.**

2.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements. Tenant shall not be entitled, in connection with entering into this Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, except as may be otherwise expressly provided in this Amendment.

2.2. Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect.

2.3. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control.

2.4. Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered it to Tenant.

2.5. Capitalized terms used but not defined in this Amendment shall have the meanings given in the Lease.

3. **No Further Modification**. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Amendment.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Amendment as of the day and year first above written.

LANDLORD:

HUDSON CONCOURSE, LLC,
a Delaware limited liability company

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership, its sole member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation, its general partner

By: /s/ Mark Lammas

Name: Mark Lammas

Title: President

TENANT:

NUTANIX, INC.,
a Delaware corporation

By: /s/ Aaron Boynton

Name: Aaron Boynton

Title: VP, Corporate Controller

Exhibit 10.6

AMENDMENT FIVE TO MANUFACTURING SERVICES AGREEMENT

This Amendment Five (“Amendment Five”) to the Manufacturing Services Agreement (“Agreement”) by and between Flextronics Telecom Systems, Ltd and its Affiliates (“Flextronics”) and Nutanix, Inc. and Nutanix Netherlands B.V. (together known as “Nutanix”) is entered into as of October 5, 2020 (“Amendment Effective Date”). Collectively Flextronics and Nutanix are referred to as the “Parties”.

RECITALS

A. The Parties entered into the Agreement as of November 1, 2017.

B. The parties now desire to amend the Agreement to amend certain terms related to compliance and Counterfeit Components.

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. The following definitions are added:

   a. "**Nutanix Data"** means any data that is protected as "personal data" or "personal information" under applicable privacy laws or any data about Nutanix’s business operations, customers, vendors, strategy, pricing or any other information that should reasonably be considered confidential and that may be provided to Flextronics under this agreement.

   b. "**Data Security Incident**" means: any unauthorized access or unlawful breach of security leading to, or reasonably believed to have led to, the theft, accidental or unlawful destruction, loss, alteration, unauthorized disclosure or access to any Nutanix Data.

2. Section 12.5 “Counterfeit Components” is amended to add the following sentence:

   If a Counterfeit Component is detected or known by Flextronics, Flextronics shall use commercial reasonable efforts to notify Nutanix of such.

3. Section 12.5.1 is deleted in its entirety and replaced with the following:

   Any Counterfeit Components discovered in the Products must be immediately replaced at Flextronics’s expense even if such detection occurs after the warranty period described in Section 15; provided that these Components were procured by a supplier solely selected by Flextronics, including any Flextronics-selected supplier that is performing RMA or repair activities. Notwithstanding the foregoing, if Nutanix executes a release form or otherwise expressly authorizes Flextronics to purchase from certain vendors, distributors or brokers, then Flextronics shall not be liable for the quality of components or for any Counterfeit Components.

4. Section 20, “CONFIDENTIAL INFORMATION” is amended to add the following sections:

   a. 20.2 Flextronics shall notify Nutanix of any Data Security Incident within forty-eight (48) hours of the discovery of such Data Security Incident by providing notice in writing to: legal@nutanix.com and privacy@nutanix.com.

   b. 20.3 Flextronics agrees to the Nutanix Vendor Data Processing Agreement (“DPA”) attached hereto as Attachment 1 and such DPA is incorporated into the Agreement as Exhibit I.

5. No other changes are made to the Agreement, and following the Amendment Effective Date, all references to the “Agreement” shall include the amendments incorporated by this Amendment Four.

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

NUTANIX INC.

By: /s/ David Sangster

Name: David Sangster

Title: Chief Operating Officer, Nutanix

Date: 10/5/2020

NUTANIX NETHERLANDS, B.V.

By: /s/ Aaron Boynton

Name: Aaron Boynton

Title: Managing Director A

Date: 10/5/2020

NUTANIX NETHERLANDS, B.V.

By: /s/ Servais Willie Ngabo

Name: Servais Willie Ngabo

Title: Managing Director B

Date: 10/5/2020

ACKNOWLEDGED AND AGREED:

FLEXTRONICS TELECOM SYSTEMS, LTD.

By: /s/ B. Vijayandran A/L S. Balasingam

Name: B. Vijayandran A/L S. Balasingam

Title: Director

Date Oct 14, 2020

Attachment 1:

Nutanix – Vendor Data Processing Addendum

This Data Processing Addendum ("**Addendum**" or "DPA") sets out the terms that apply as between Nutanix and Flextronics Telecom Systems, Ltd. ("Company") when processing EEA personal data in connection with the Manufacturing Services Agreement dated November 1, 2017 (the "**Agreement**") and forms part of the Agreement between the parties. Capitalized terms used in this Addendum shall have the meanings given to them in the Agreement, the Model Clauses, or unless otherwise defined in this Addendum.

1. Definitions: (a) "controller," "processor," "data subject," and "processing" (and "process") shall have the meanings given to them in Applicable Data Protection Law; (b) "Applicable Data Protection Law" means any and all applicable privacy and data protection laws and regulations applicable to the Personal Data in question, including, where applicable, EU Data Protection Law and California Consumer Privacy Act (CCPA) (in each case, as may be amended, superseded or replaced from time to time); (c) "EU Data Protection Law" means: (i) the EU General Data Protection Regulation (Regulation 2016/679) ("GDPR"); and (ii) the EU e-Privacy Directive (Directive 2002/58/EC); and (iii) any national data protection laws made under or pursuant to clause (i) or (ii); (d) "Personal Data" means any information relating to an identified or identifiable natural person to the extent that such information is protected as personal data under Applicable Data Protection Law; (e) "Model Clauses" means the Standard Contractual Clauses for Controllers as approved by the European Commission and available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32004D0915 (as amended, superseded or updated from time to time); and (f) "CCPA" means Title 1.81.5 California Consumer Privacy Act of 2018 (California Civil Code §§ 1798.100–1798.199).

2. Purposes of processing. The parties acknowledge that in connection with the Agreement, each party may provide or make available to the other party Personal Data. Each party shall process such data: (i) for the purposes described the Agreement; and/or (ii) as may otherwise be permitted under Applicable Data Protection Law.

3. Relationship of the parties. Each party will process the copy of the Personal Data in its possession or control as an independent controller with the other party.

4. Compliance with law. Each party shall separately comply with its obligations under Applicable Data Protection Law and this Addendum when processing Personal Data. Neither party shall be responsible for the other party's compliance with Applicable Data Protection Law. In particular, each party shall be individually responsible for ensuring that its processing of the Personal Data is lawful, fair and transparent, and shall make available to data subjects a privacy statement that fulfils the requirements of Applicable Data Protection Law.

5. International transfers. Where Applicable Data Protection Law in the European Economic Area ("EEA"), United Kingdom and/or Switzerland (collectively for the purposes of this Addendum, the "EU'), applies to the Personal Data ("EU Personal Data"), neither party shall process any EU Personal Data (nor permit any EU Personal Data to be processed) in a territory outside of the EU unless it has taken such measures as are necessary to ensure the transfer is in compliance with Applicable Data Protection Law. To the extent either party transfers EU Personal Data in a territory outside the EU that does not provide adequate protection for Personal Data (as determined by Applicable Data Protection Law), both parties agree to abide by and process such EU Personal Data in accordance with the Model Clauses, which are hereby incorporated by reference in, and form an integral part of, this Addendum.

6. Security. Each party shall implement and maintain all appropriate technical and organizational measures to protect any copies of the Personal Data in their possession or control from (i) accidental or unlawful destruction, and (ii) loss, alteration, or unauthorised disclosure or access and to preserve the security and confidentiality of such Personal Data. Each party shall notify the other party without undue delay (but no later than seventy-two (72) hours) on becoming aware of any breach of EU Data Protection Law/Applicable Data Protection Law. Both parties to ensure that the level of security of personal data processed by them is appropriate to the risk, pursuant to Articles 32 to 36 of the GDPR, taking into account the nature of processing and the information available to each Party. Each party shall provide

notification of a Security Breach to the competent supervisory authority or the affected data subject(s), as required by Articles 33 and 34 of GDPR.

7. Cooperation and data subjects' rights. In the event that either party receives: (i) any request from a data subject to exercise any of its rights under Applicable Data Protection Law (including its rights of access, correction, objection, erasure, restriction or data portability, as applicable); or (ii) any other correspondence, enquiry or complaint received from a data subject, regulator or other third party in connection with the processing of the Personal Data (collectively, "Correspondence"), then where such Correspondence relates to processing conducted by the other party, it shall promptly inform the other party and the parties shall cooperate in good faith as necessary to respond to such Correspondence and fulfil their respective obligations under Applicable Data Protection Law. In the event additional documents are required for either party's compliance purposes, the parties each agree to cooperate in executing such compliance related documents.

8. Records of Processing Activities. Each Data Controller agrees to maintain a record of processing activities of personal data under its responsibility, in accordance with Article 30 of the GDPR.

9. Processors. Each party shall only engage a processor, after duly notifying the other party of such engagement, to process the personal data on its behalf if that processor provides sufficient guarantees, by way of a written contract or other legal act under European Union or Member State law, that it will implement the same data protection obligations as this Addendum and the requirements of the Regulation.

10. Indemnity. Each party shall indemnify (the "Indemnifying Party") the other party, including its subsidiaries, affiliates, officers, directors, agents (the "Indemnified Party"), from any and all third party claims and resulting fines, sanctions, claims, losses, liabilities, damages, costs and expenses demands, reasonable attorneys' fees, consultants' fees and court costs (collectively, "Claims") to the extent that such Claims arise from, or may be in any way attributable to (i) any violation by the Indemnifying Party of its obligations under this Data Privacy Addendum; and (ii) the negligence, gross negligence, bad faith, or intentional or willful misconduct of the Indemnifying Party or its personnel in connection with obligations set forth in this Data Privacy Addendum. The parties agree that the foregoing indemnification obligations shall (a) amend and replace any existing indemnification obligations under the Services Agreement (and any amendments thereto) with respect to the protection of Personal Data; and (b) apply irrespective of the location where such Claim is made, filed or adjudicated, and irrespective of any choice of law/forum language in the Services Agreement.

    Nothing within the Agreement or this DPA relieves the parties of their own direct responsibilities and liabilities under the GDPR.

11. Termination. This DPA constitutes an integral part of the Agreement and shall automatically terminate upon termination of the Agreement. If either party wishes to terminate its participation in the DPA, it may do so by providing written notice to the other party duly specifying the reason for its termination, at least 60 days prior to proposed termination.

    Notwithstanding the expiry or termination of this agreement for any reason the provisions of this DPA shall continue to apply to any personal data in the possession of either party which was covered by the DPA.

12. Dispute Resolution. In the event of a dispute or claim brought by a data subject or an EEA or UK data protection authority concerning the processing of personal data against either or both of the parties, the parties will inform each other about any such disputes or claims without undue delay and will cooperate with a view to settling them amicably in a timely fashion.

13. Further Amendments. Except as expressly provided in this DPA, the parties intend no amendment or modification of the Agreement.

Nutanix, Inc.
By: /s/ David Sangster
Name: David Sangster
Title: Chief Operating Officer, Nutanix
Date: 10/5/2020

Flextronics Telecom Systems, Ltd.
By: /s/ B. Vijayandran A/L S. Balasingam
Name: B. Vijayandran A/L S. Balasingam
Title: Director
Date: Oct 14, 2020

Exhibit 31.1

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

I, Dheeraj Pandey, certify that:

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

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

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

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

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

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

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

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

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

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

Date: December 3, 2020

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

Exhibit 31.2

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

I, Duston M. Williams, certify that:

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

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

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

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

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

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

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

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

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

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

Date: December 3, 2020

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

Exhibit 32.1

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

I, Dheeraj Pandey, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended October 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 3, 2020

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

Exhibit 32.2

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

I, Duston M. Williams, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the quarter ended October 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 3, 2020

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