2018
ANNUAL REPORT

NUTANIX™

DEAR STOCKHOLDERS,

This September, we completed two years as a public company and nine years since we were founded in 2009. It has not even been a decade and we have already done more than $3.5 billion in lifetime sales, transformed to a software business model while being publicly traded, surpassed $1 billion in annual software and support revenue run rate, and achieved the 10,000 customer mark while still keeping our Net Promoter Score above 90. And during this time, we've consistently maintained our leadership position in Gartner, Forrester, and IDC rankings for hyperconverged infrastructure (HCI).

For a company that until two years ago — during its IPO roadshow — was prematurely assumed by Wall Street as being swept away in the wake of public cloud, we've definitely held our own with Main Street. Our market thesis — of what cloud computing would look like between private (owned) and public (rented) models — is now the dominant thinking within the enterprise. The new era of hyper-convergence is upon us. Blurring the lines between owned and rented models is the most difficult computer science problem of this decade. Not many companies are ready to exploit the opportunity, their megaphones notwithstanding.

True Private Cloud is Hard; Requires Integrity

The core of HCI is software-defined infrastructure, in that all datacenter devices need to move to pure software running on commodity x86 servers. Standardized hardware, a common operating system, consumer-grade design, and deep automation are the distinct virtues that make a true cloud, public or private. An open source movement around commoditizing private cloud — displacing large incumbents in virtualization (compute), storage, networking, and management — has largely fizzled out in the last decade, because it lacked integrity of execution. While infrastructure is a large $100+ billion market, it is unforgiving for companies or movements that have lacked integrity.

Integrity: Do What You Say, Say What You Do

Our company mission, since the beginning of time, has been to make infrastructure invisible. Naysayers scoffed at us when we were trying to make storage invisible. Most everyone believed that we had a niche market for the SMB, only to realize that the large enterprise had suddenly woken up to this simple yet powerful idea of software-defined infrastructure for almost everything. Converged infrastructure (CI) — a coalition solution of large compute-storage-networking incumbents, masqueraded as private cloud — is now considered a much smaller market than HCI. In fact, it would not be rhetoric to say that CI is dead as a segment.

In 2014, when we set out to build our own hypervisor (AHV), pundits gave us no chance in a saturated market of compute virtualization dominated by one or two large companies. In the last 3 years, we've proved them wrong with the deep inroads that AHV has made with a large swathe of workloads in the enterprise. Industry watchers gave us no chance to shift from an appliance business model to a pure software business model as a public company. We committed to eradicating most of the zero-profit hardware from our books, and we ended the year ahead of the schedule we committed to Wall Street.

Our 2021 Goal: At Least $3 Billion in Software and Support Billings

Customers love Nutanix because it is an underdog that has strong character. There is a reason why our repeat business with existing customers is stronger than ever, as is our sales productivity. Given the strength in both supply (sales and robust products) and demand (repeat business), we laid down a realistic goal of achieving $3 billion in billings by FY21 (Jul '21). We are confident that we can do that without buying our way through M&A into a revenue base. Core HCI is a large enough high-CAGR market for a leader like Nutanix to get there organically. All we have to do is to go after new geographies, support more workloads, and certify new server platforms to get our existing HCI customers even more productive. Our recent acquisition of Frame, and our organic development of new data services make us increasingly confident that we can do at least $3 billion in the next 3 years.

Good vs. Great Companies: Growth, Delivery, and Leverage

In less than a decade, we've become one of the 45 software companies in the entire history of IT to achieve a billion dollars in annual revenue. And yet, we are a good company, not a great company. Our path to greatness will depend on defining (a) sustainable growth, (b) frictionless delivery, and (c) leverage of core products to build new products.

-*On sustainable growth:* We've talked about the Rule of 40 being our true compass to grow fast, but not at all costs. Without dipping into our balance sheet, we've committed to become one of only 15 software companies in the history of IT to achieve $3 billion in annual business. If a downturn were to hit us, and our growth were to slow down, we are confident that we will produce meaningful free cash flow, based on the strength of our existing sales force and customers.

-*On frictionless delivery:* We first delivered our core product as an appliance, then through our OEMs as pure software, and now as pure software-as-a-subscription on-premises. Like we committed to becoming a pure software company in fiscal 2018, we are committed in fiscal 2019 to delivering a large percentage of our on-premises business as subscription and recurring revenue.

-*On leverage:* We're confident that our core HCI product should take us to our stated goal of 2021. That clarity notwithstanding, we will serve our shareholders more meaningfully over the longer term, by keeping our eye on technology tuck-in's and organic products that leverage the core and provide a public cloud-like experience on-prem. Some of these have the potential to be billion dollar businesses on their own in the next 4-5 years. Our go-to-market is, therefore, progressively built around Nutanix **Core**, Nutanix **Essentials**, and Nutanix **Enterprise**, depending on the maturity of the customer and the depth of our relationship with them. Every engagement starts with the Core, then evolves to Essentials, and eventually graduates to the Enterprise.

Only the Paranoid Survive: Xi, Cloud is Software

Throughout the course of our company's history, we've been a paranoid bunch. In 2014, when VMware almost tried to shut us up, we decided to take control of our own destiny by building our own virtualization software. That one decision opened new doors for us into adjacent areas of software-defined networking and security. As markets get more comfortable with fractional consumption, it is imperative for us to deliver our operating system digitally, "streamed" over the Internet. Many software companies have successfully gone down the SaaS path, focusing not just on ***content***, but also on digital ***delivery***. That delivery vehicle for us is called Xi, and its first service will be around disaster recovery (a secondary site) for our customer's primary on-prem infrastructure.

Public markets are rightfully paranoid about the future of small-to-mid cap companies that compete with large incumbents. Through this letter, I want to assure our shareholders that the cloud is in its very early journey, just like the vertically integrated PC industry was in the late 80s. The technology industry has inevitably shattered big things into smaller things that also have shorter lifespans. From Mainframes to Unix servers to Intel x86 servers to virtual machines to containers, and from desktops to laptops to smartphones, we've constantly miniaturized technology. The public cloud players are building the new Mainframe, i.e., gigantic data centers with large capex investments and multi-year refresh cycles. Data sovereignty ("Laws of the Land") and data gravity ("Laws of Physics") will force clouds to be smaller and dispersed.

Xi, like Android and Windows, will be asset-lite, about software, and built with suppliers of smaller data centers. In this decade, we are betting very differently on the architecture of cloud than the hyper-scalers. This suits us well because of our private cloud lineage and software distribution. It also suits us because we believe **in all things distributed**. It doesn't hurt that history is on our side.

Finally, I want you to know that velocity is our only friend, and we've balanced it well with customer experience. We're a rare company that has navigated the shifting sands of IT better — and faster — than most other IT players. We simply happen to have a unique trait of bringing it all together with design.

Velocity makes us survive. It also makes us thrive.

Thank you,

Dheeraj Pandey

Dheeraj Pandey
Chief Executive Officer and Chairman

Forward-Looking Statements

This document contains express and implied forward-looking statements, including, but not limited to, statements relating to recent acquisitions, our total addressable market, our performance under the "Rule of 40" framework, our transition to a software-defined business model, and anticipated future financial results. These forward-looking statements are not historical facts and instead are based on our current expectations, estimates, opinions, and beliefs. Consequently, you should not rely on these forward-looking statements. The accuracy of such forward-looking statements depends upon future events and involves risks, uncertainties, and other factors beyond our control that may cause these statements to be inaccurate and cause our actual results, performance or achievements to differ materially and adversely from those anticipated or implied by such statements, including, among others, the risks detailed in our annual report on Form 10-K for the year ended July 31, 2018, filed with the SEC. Our SEC filings are available on the Investor Relations section of the company's website at ir.nutanix.com and on the SEC's website at www.sec.gov. These forward-looking statements speak only as of the date of this document and, except as required by law, we assume no obligation to update forward-looking statements to reflect actual results or subsequent events or circumstances.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended July 31, 2018

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	Name of each exchange on which registered:
Class A common stock, $0.000025 par value per share	NASDAQ Global Select Market

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 Securities Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of January 31, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $3.6 billion, based upon the closing sale price of such stock on the NASDAQ Stock Market. The registrant has no non-voting common equity.

As of August 31, 2018, the registrant had 135,144,663 shares of Class A common stock, $0.000025 par value per share, and 37,744,316 shares of Class B common stock, $0.000025 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

As noted herein, the information called for by Parts II and III is incorporated by reference to specified portions of the registrant's definitive proxy statement to be filed in conjunction with the registrant's 2018 annual meeting of stockholders, which is expected to be filed not later than 120 days after the registrant's fiscal year ended July 31, 2018.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "plan," "intend," "could," "would," "expect" and similar expressions that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Annual Report on Form 10-K include, but are not limited to, statements regarding:

- our future revenue, cost of revenue, and operating expenses, as well as changes in the cost of product revenue, component costs, product gross margins and support, entitlements and other services revenue, and changes in research and development, sales and marketing and general and administrative expenses;
- our business plan, our growth strategy and our ability to effectively manage our growth;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate, including the productivity of our sales team;
- our ability to develop new solutions, product features and technology, such as Nutanix Xi Cloud Services and Nutanix Era, and bring them to market in a timely manner;
- market acceptance of new technology and recently introduced solutions;
- the interoperability and availability of our solutions with and on third-party hardware platforms;
- our plans and objectives for future operations, including plans to continue to invest in our global engineering, research and development, and sales and marketing teams, and the impact of such investments on our operations;
- our ability to increase sales of our solutions;
- our ability to attract new end customers, and retain and grow sales from our existing end customers;
- our ability to maintain and strengthen our relationships with our channel and OEM partners;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including our ability to compress and stabilize sales cycles;
- our ability to maintain, protect and enhance our intellectual property;
- our exposure to and ability to guard against cyber attacks;
- 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;
- economic and industry trends, projected growth or trend analysis;
- our ability to attract and retain qualified employees and key personnel;
- our plans for and the impact of changes to our business model, including our expectation to shift to a more subscription-based model;

- our expectations concerning future shifts in the mix of whether our solutions are sold as an appliance or as software-only, and in the mix of the types of appliances we sell; and
- 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. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K. 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 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 Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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

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PART I

ITEM 1. Business

Overview

Nutanix, Inc. ("we," "us," "our" or "Nutanix") provides a leading enterprise cloud platform that powers many of the world's business applications and end user services by providing software solutions that digitize traditional silos of enterprise computing. With the advent of cloud as a mainstream consumption paradigm, enterprises are increasingly keen to re-platform existing IT environments with a hybrid cloud architecture that allows business to utilize a private cloud, leverage public cloud where applicable, and distribute this hybrid cloud architecture to the edge where their business engages with devices and users. Our solution allows our customers to virtualize various clouds - private, public, edge - into one seamless cloud enabling enterprises to choose the right cloud for the right application. Our solution converges compute, virtualization, storage, networking, desktop, governance and security services in one integrated, simple to consume solution delivered through software. Further, our software and software as a service ("SaaS") solutions allow enterprises to simplify the complexities of a multi-cloud environment with automation, cost governance and compliance. We underpin the platform with unique web-scale engineering and one-click operational simplicity that powers any scale deployment while giving customers the freedom of choice across various hardware platforms, across various virtualization solutions and across major public cloud providers.

Our Enterprise Cloud Platform

Our enterprise cloud platform is based on powerful distributed systems architecture that converge compute, virtualization, storage, networking and security resources into one integrated solution. Our platform, which includes the software features, products and services described below, melds on-premise, public and edge cloud operating infrastructures.

Core Infrastructure Platform. Acropolis is the foundation of our platform. It starts with hyperconvergence, then adds native virtualization, enterprise storage, virtual networking, and platform services, including application mobility and security, in a single turnkey platform. It is an open platform designed to address all needs for a wide range of workloads that can be run at nearly any scale. Acropolis is comprised of four foundational components:

- *Virtualization:* Acropolis supports all major virtualization solutions, but also includes our native built-in Acropolis Hypervisor ("AHV"). AHV is based on widely used open source hypervisor technology, known as Linux KVM, and includes enterprise-grade security, self-healing capabilities and robust virtual machine ("VM"), management. AHV is completely managed via Nutanix Prism to streamline the provisioning, placing and managing of VMs.
- *Enterprise Storage Capabilities:* Building on a distributed data fabric, Acropolis enables robust enterprise storage services across multiple storage protocols and hypervisors. Enterprise storage capabilities include performance acceleration capabilities, such as caching, data tiering and data locality, and storage optimization, such as deduplication, compression and erasure coding, along with data protection and disaster recovery features. Acropolis also includes Nutanix Buckets, which provides built-in support for container-based applications controlled via Kubernetes and Docker.
- *Platform Services:* Acropolis delivers a comprehensive set of platform services that enables IT organizations to consolidate nearly all of their workloads on the Nutanix platform and manage them centrally. These services include Nutanix Volume, a native scale-out block storage solution that enables enterprise applications running on external servers to leverage the Nutanix data fabric, and Acropolis File Services, now named Nutanix Files, a native file storage solution for unstructured data that allows our customers to easily scale their file-based storage for all applications and users.
- *Networking Services:* Nutanix Flow, which is supported by AHV, provides application-centric network and policy management and allows users to deploy microsegmentation to secure individual applications or groups of applications, without any changes to the existing network.

Management. Prism is our end-to-end consumer-grade management plane providing management and analytics across our software products and services. It delivers integrated virtualization and infrastructure management, robust operational analytics, self-service capabilities and one-click administration. Prism allows routine IT operations that are typically manual and cumbersome to be fully automated or completed with just one click, including capacity planning, provisioning of new applications and resources, troubleshooting and software upgrades. With innovative built-in machine intelligence technology, Prism provides capacity runway projections and capacity optimization recommendations to ensure just the right amount of resources are provisioned to support the applications running on the platform. Users can then precisely track infrastructure utilization across a distributed environment and add or remove nodes to any cluster in minutes. Prism enables efficient management of enterprise-wide deployments by serving as a central administration point to manage multiple clusters and hypervisors within a datacenter or across multiple sites. Prism is also built using a distributed, scale-out architecture, and software updates and patches can be executed non-disruptively without requiring the cluster to be brought offline. Prism also offers a self-service portal that enables developers and line-of-business owners to provision services, as well as a broad set of APIs for integration with third-party products.

Automation and Orchestration. Nutanix Calm adds native application orchestration, automation, and lifecycle management to our enterprise cloud platform. Nutanix Calm fully automates the provisioning, scaling and deletion of applications using pre-integrated blueprints that simplifies management of applications in both private and public clouds. IT teams can customize and publish blueprints for internal consumption across groups within their company, allowing for streamlining and sharing of operational expertise. The Nutanix Marketplace also allows application developers to publish blueprints for consumption by end users so new applications can quickly be introduced.

Cloud and Platform Services. We are extending our platform to provide new products and services that further extend our hybrid cloud vision across the entire software stack. Beam is our multi-cloud optimization service that gives organizations deep visibility into, and analytics on, their cloud consumption patterns, along with one-click cost optimization across cloud environments. Frame, a new offering we recently acquired, provides our customers with a desktop-as-a-service offering that combines the consumer-grade simplicity and web-scale design of cloud applications with the functionality of traditional virtual desktop applications.

We also continue to develop additional products and services, including Nutanix Xi Cloud Services and Nutanix Era. Nutanix Xi Cloud Services will allow IT leaders to leverage Nutanix software as a native cloud-delivered service, initially for disaster recovery through Nutanix Leap, and is expected to be available in late calendar year 2018. Nutanix Era automates database provisioning and lifecycle management and will initially provide copy data management services allowing customers to provision, clone, refresh and restore copies of production data. Nutanix Era is also expected to be available in late calendar year 2018.

Delivery of Our Solutions

Customers have the choice to buy our enterprise cloud software and deploy the software on a variety of qualified hardware platforms or to purchase the software pre-installed onto hardware through one of our original equipment manufacturer ("OEM") partners or other channel partners, including on the Nutanix-branded NX hardware line. Our OEM partners, Dell Technologies ("Dell"), Lenovo Group Ltd. ("Lenovo"), International Business Machines Corporation ("IBM") and Fujitsu Technology Solutions GmbH ("Fujitsu"), license our software and package it with their hardware into the Dell XC Series, Lenovo Converged HX Series, IBM CS Series and Fujitsu XF Series appliances, respectively. Super Micro Computer, Inc. ("Super Micro") and Flextronics Systems Limited ("Flextronics") license our software and package it with our Nutanix-branded NX appliances. Our OEM partners offer these appliances in a range of configurations and also sell associated support offerings, which we jointly support.

We also deliver certain of our cloud and platform solutions, such as Beam and Frame, and are continuing to develop additional cloud services, such as Nutanix Xi Cloud Services and Nutanix Era, all of which are intended to be delivered as a hosted service which can be purchased on a subscription basis.

Our Support Programs

We have a customer support organization that offers varying levels of support to our customers based on their needs. All support customers receive round-the-clock support service from our global support centers which are staffed by our employees, as well as software entitlements to receive upgrades and enhancements on a when-and-if-available basis. We also offer premium support programs through our technical account managers and designated support engineers.

Professional Services: We provide consulting and implementation services to customers through our professional services team. We typically provide these services at the time of initial installation to help the customer with configuration and implementation.

Our End Customers

Our solution addresses a broad range of workloads, including "tier-one" enterprise applications, databases, virtual desktop infrastructure ("VDI"), unified communications and big data analytics. As a result, we have end customers across a broad range of industries, including automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology and telecommunications, some of whom are service providers who utilize our platform to provide a variety of cloud-based services to their customers. We had a broad and diverse base of over 10,600 end customers as of July 31, 2018, including many 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 indicated. Our end customer count does not include 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.

Our platform is primarily sold through channel partners, including distributors and resellers, thus the distributor is typically considered the direct purchaser in a transaction. Carahsoft Technology Corp., a distributor to our end customers, represented 14%, 9% and 10% of our total revenue for fiscal 2016, 2017 and 2018, respectively. Promark Technology Inc., another distributor to our end customers, represented 18%, 19% and 20% of our total revenue for fiscal 2016, 2017 and 2018, respectively.

Growth Strategy

Key elements of our growth strategy include:

- ***Continually innovate and maintain technology leadership.*** Since inception, we have rapidly innovated from supporting limited applications and a single hypervisor to a full platform that is designed to support a wide variety of workloads. We intend to continue to invest heavily in developing our enterprise platform with new features, services and products to expand our market opportunity.

- ***Invest to acquire new end customers.*** We completed our first end customer sale in October 2011 and have since grown to over 10,600 end customers. We intend to grow our base of end customers by increasing our investment in sales and marketing, leveraging our network of channel partners and OEMs, furthering our international expansion and extending our enterprise cloud platform to address new customer segments. One area of continued focus is expanding our position within the Global 2000.

- ***Continue to drive follow-on sales to existing end customers.*** Our end customers typically deploy our technology initially for a specific workload. Our sales teams and channel partners then seek to systematically target follow-on sales opportunities to drive purchases of additional appliances and higher tier software editions. This land and expand strategy enables us to quickly expand our footprint within our existing end customer base from follow-on orders that in the aggregate are often multiples of the initial order.

- ***Deepen engagement with current channel and OEM partners and establish additional routes to market to enhance sales leverage.*** We have established meaningful channel partnerships globally and have driven strong engagement and initial commercial success with several major resellers and distributors. We believe that our OEM relationships can augment our routes to market to accelerate our growth and that there is a significant opportunity to grow our sales with our channel partners and OEMs. We intend to attract and engage new channel and OEM partners around the globe. while also selling our standalone software on qualified servers to maximize the availability of our solution for our customers.

- ***Invest in rapid growth while remaining focused on our overall financial health.*** We intend to continue investing in our rapid growth, while balancing such growth against our operating cash flow. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health.

Sales and Marketing

Sales. We primarily engage our end customers through our global sales force who directly interact with key IT decision makers while also providing sales development, opportunity qualification and support to our channel partners. We have established relationships with our channel partners, who represent many of the key resellers and distributors of datacenter infrastructure software and systems in each of the geographic regions where we operate. We also engage our end customers through our OEM partners, which license our software and package it with their hardware, and sell through their direct sales forces and channel partners.

Technology Alliances. We have developed relationships with a number of leading technology companies that help us deliver world-class solutions to our customers. Through our Elevate Technology Alliance Partner Program, our developer, application, hardware and infrastructure partners get access to resources that allow them to validate and integrate their products with Nutanix solutions and engage in joint sales training and enablement. In addition, we work closely with our technology partners through co-marketing and lead-generation activities in an effort to broaden our marketing reach and help us win new customers and retain existing ones.

Marketing. Our channel partners have joined our integrated partner program, the Nutanix Partner Network, which provides market development funds, preferred pricing through deal registration, sales enablement and product training, innovative marketing campaigns and dedicated account support. We also coordinate with our OEM partners on joint marketing activities. We supplement our sales efforts with our marketing program that includes print and online advertising, corporate and third-party events, demand generation activities, social media promotions, media and analyst relations, and community programs. For example, in May 2018 we hosted our fourth annual .NEXT Conference, where almost 5,000 attendees came to learn about our current and future products and solutions. We also establish deep integration with our ecosystem of third-party technology partners and engage in joint marketing activities with them.

Research and Development

Our research and development efforts are focused primarily on improving current technology, developing new technologies in current and adjacent markets and supporting existing end customer deployments. Our research and development teams primarily consist of distributed systems software and user interface engineers. Most of our research and development team is based in San Jose, California. We also maintain research and development centers in Bangalore, India, Durham, North Carolina, Seattle, Washington and Belgrade, Serbia. We plan to dedicate significant resources to our continued research and development efforts.

Research and development expense was $116.4 million, $288.6 million and $313.8 million for fiscal 2016, 2017 and 2018, respectively.

Manufacturing

We outsource the assembly of our branded NX product line to two contract manufacturers, Super Micro, and Flextronics. Super Micro and Flextronics assemble and test our NX products and they generally procure the components used in the NX product line directly from third-party suppliers. Our agreement with Super Micro expires in May 2019, and automatically renews for successive one-year periods thereafter, with the option to terminate upon each annual renewal. Our agreement with Flextronics expires in November 2020 and automatically renews for successive one-year periods thereafter, with the option to terminate upon each annual renewal. Distributors handle fulfillment and shipment for certain end customers, but do not hold inventory.

Backlog

We typically accept and ship orders within a short time frame. In general, customers may cancel or reschedule orders without penalty, and delivery schedules requested by customers in their purchase orders vary based upon each customer's particular needs. As a result, we do not believe that our backlog at any particular time is a reliable indicator of future revenue.

Competition

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

- software providers, such as Red Hat, Inc. and VMware, Inc. ("VMware"), that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise clouds;
- traditional IT systems vendors, such as Cisco Systems, Inc. ("Cisco"), Dell, Hewlett Packard Enterprise Company ("HPE"), Hitachi Data Systems ("Hitachi"), IBM, and Lenovo, that offer integrated systems that include bundles of servers, storage and networking solutions, as well as a broad range of standalone server and storage products;
- traditional storage array vendors, such as Dell, Hitachi, and NetApp, Inc. ("NetApp"), which typically sell centralized storage products; and
- providers of public cloud infrastructure and services, such as Amazon.com, Inc., Google Inc., and Microsoft Corporation.

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

We believe the principal competitive factors in our market include:

- product features and capabilities;
- system scalability, performance and resiliency;
- management and operations, including provisioning, analytics, automation and upgrades;
- total cost of ownership over the lifetime of the technology;
- product interoperability with third-party applications, infrastructure software, infrastructure systems and public clouds;
- application mobility across disparate silos of enterprise computing, including public and private cloud infrastructure; and
- complete customer experience, including usability, support and professional services.

We believe we are positioned favorably against our competitors based on these factors. However, many of our competitors have substantially greater financial, technical and other resources, greater brand recognition, larger sales forces and marketing budgets, broader distribution, and larger and more mature intellectual property portfolios.

Intellectual Property

Our success depends in part upon our ability to protect and use our core technology and intellectual property. We rely on patents, trademarks, copyrights and trade secret laws, confidentiality procedures, and employee nondisclosure and invention assignment agreements to protect our intellectual property rights. As of July 31, 2018, we had 66 United States patents that have been issued or allowed and 297 patent applications pending in the United States. Our issued patents expire between 2031 and 2037. We also leverage open source software in some of our products.

See Item 1A, "Risk Factors," for further discussion of risks related to protecting our intellectual property.

Facilities

Our corporate headquarters are located in San Jose, California where, under lease agreements that expire through April 2024, we currently lease approximately 326,000 square feet of space. We also maintain offices in North America, Europe, Asia Pacific, the Middle East, Latin America and Africa. We lease all of our facilities and do not own any real property. We expect to add facilities as we grow our employee base and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate the expansion of our operations.

Employees

We had approximately 4,000 employees worldwide as of July 31, 2018. None of our employees in the United States is represented by a labor organization or is a party to any collective bargaining arrangement. In certain of the European countries in which we operate, we are subject to, and comply with, local labor law requirements in relation to the establishment of works councils. We are often required to consult and seek the consent or advice of these works councils. We have never had a work stoppage and we consider our relationship with our employees to be good.

Information about Segment and Geographic Areas

The segment and geographic information required herein is contained in Note 12 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Corporate Information

We were incorporated in Delaware in September 2009 as Nutanix, Inc. Our principal executive offices are located at 1740 Technology Drive, Suite 150, San Jose, California 95110, and our telephone number is (408) 216-8360. We have operations throughout North America, Europe, Asia Pacific, the Middle East, Latin America and Africa. Our website address is www.nutanix.com. Information contained on or accessible through our website is not a part of this report and the inclusion of our website address in this report is an inactive textual reference only.

Available Information

Our website is located at www.nutanix.com and our investor relations website is located at ir.nutanix.com. This Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the investor relations portion of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). We also provide a link to the section of the SEC's website at www.sec.gov that has or will have all of our public filings, including this Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, our Proxy Statements, and other ownership-related filings. We use our investor relations website as a channel of distribution for important company information. For example, webcasts of our earnings calls and certain events we participate in or host with members of the investment community are on our investor relations website. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information, including our corporate governance guidelines, board committee charters and code of conduct, is also available on our investor relations website under the heading "Governance." The contents of our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

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

Risks Related to Our Business and Industry

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

We have incurred net losses in all periods since our inception and we expect that we will continue to incur net losses for the foreseeable future. We experienced net losses of $108.2 million, $379.6 million and $297.2 million for fiscal 2016, fiscal 2017 and fiscal 2018, respectively. As of July 31, 2018, we had an accumulated deficit of $1,028.1 million. In addition to the investments we expect to continue to make to grow our business, we also incur and expect to continue incurring significant additional legal, accounting and other expenses as a public company. If we fail to increase our revenue and manage our expenses, we may not achieve or sustain profitability in the future.

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

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

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

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

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

Our relationships with our original equipment manufacturer ("OEM") partners continue to shift as industry dynamics change, and our OEM partners may be less willing to partner with us as an OEM or otherwise as such shifts occur. For example, Dell Technologies ("Dell") is not just an OEM partner, but also a competitor of ours, and accounted for 13%, 11% and 8% of our total billings in fiscal 2016, fiscal 2017 and fiscal 2018, respectively. In September 2016, EMC Corporation ("EMC"), was acquired by Dell. As a result of the acquisition, Dell may be more likely to promote and sell its own solutions, including those from EMC's complementary product portfolio, over our products, or cease selling or promoting our products entirely. Also, Dell holds a majority of outstanding voting power in VMware Inc. ("VMware") and could combine the Dell, EMC and VMware product portfolios into unified offerings optimized for their platforms. If Dell decides to sell its own solutions over our products, that could adversely impact our OEM sales and harm our business, operating results and prospects, and our stock price could decline.

Further, since OEM sales, including sales made by Dell, are generally recognized upon delivery under Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASC 606"), which we adopted as of August 1, 2017, any reduction in OEM sales by any of our OEM partners will have an increased impact on our reported revenue and gross margins in future periods, potentially making it more difficult for us to forecast revenue and gross margins in future quarters. Under ASC 606, revenue from Dell accounted for approximately 11%, 10% and 9% of our total revenue in fiscal 2016, fiscal 2017 and fiscal 2018, respectively.

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

We have experienced significant revenue growth in recent periods, with total revenue of $503.4 million, $845.9 million, and $1,155.5 million for fiscal 2016, fiscal 2017 and fiscal 2018, respectively. While we have recently experienced significant revenue growth, you should not consider such revenue growth as indicative of our future performance and we may not achieve similar revenue growth in future periods.

In addition, we are in the process of transitioning our business to focus on more software-only transactions and expect to transition toward a subscription-based model in the longer term. Software-only sales typically reflect higher gross margins and lower revenue in a given period, as compared to software sales deployed on off-the-shelf servers, since the sale does not include the revenue or cost of the hardware components in an appliance. As we transition to more software-only transactions, we anticipate that, unless we can replace the hardware revenue with additional software sales, our revenue growth will slow during the transition period, our gross margins may fluctuate and our operating results may be adversely impacted.

Further, as we transition more of our business toward a subscription-based model, our revenue may be impacted in the short term. The revenue associated with certain subscription purchases, such as with Nutanix Xi Cloud Services, will be recognized over the term of the subscription resulting in less upfront revenue as compared to our historical software-only transactions. Also, the revenue we recognize from subscription sales, even if recognized upfront, may in some instances have a lower total dollar value than those associated with licenses for the life of the device because they may be of a shorter term than the life of the device. This may also make it difficult to rapidly increase our revenue in any period through additional sales.

Our success also depends heavily on the ability of our sales team to adjust their strategy to focus on software-only and subscription-based sales. Furthermore, our customers may not understand these changes to our product sales, and investors, industry and financial analysts may have difficulty understanding the changes to our business model, resulting in changes in financial estimates or failure to meet investor expectations. As our business changes, the transition may make it more difficult to accurately project our operating results or plan for future growth. Accordingly, you should not rely on our revenue growth for any prior periods as an indication of our future revenue or revenue growth.

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

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

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

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

The enterprise IT market is rapidly changing and expanding, and we expect competition to continue to intensify in the future from both established competitors and new market entrants.

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

- software providers, such as Red Hat, Inc. and VMware, that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise clouds;
- traditional IT systems vendors, such as Cisco Systems, Inc. ("Cisco"), Dell, Hewlett Packard Enterprise Company ("HPE"), Hitachi Data Systems Corporation ("Hitachi"), International Business Machines Corporation ("IBM"), and Lenovo Group Ltd., that offer integrated systems that include bundles of servers, storage and networking solutions, as well as a broad range of standalone server and storage products;
- traditional storage array vendors, such as Dell, Hitachi and NetApp, Inc. ("NetApp"), which typically sell centralized storage products; and
- providers of public cloud infrastructure, such as Amazon.com, Inc. ("Amazon"), Google Inc. and Microsoft Corporation.

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

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

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

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

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

Significant developments in enterprise IT infrastructure technologies, such as advances in storage, virtualization, containers, management software and public cloud and hybrid cloud infrastructure solutions, may materially and adversely affect our business, operating results and prospects in ways we do not currently anticipate. For example, improvements in hybrid cloud technologies, such as improvements in orchestration and automation tools, could emerge as a preferred alternative to our solutions, especially if they are introduced to the market before ours are. Any failure by us to develop new or enhanced technologies or processes, to react to changes or advances in existing technologies or to correctly anticipate these changes or advances as we create and invest in our product roadmap could materially delay our development and introduction of new solutions, which could result in the loss of competitiveness of our solutions, decreased revenue and a loss of market share to competitors. In addition, public cloud infrastructure offers alternatives to the on-premise infrastructure deployments that our platform currently supports. Various factors could cause the rate of adoption of public cloud infrastructure to increase, including continued or accelerated decreases in the price of public cloud offerings and improvements in the ability of public cloud providers to deliver reliable performance, enhanced security, better application compatibility and more precise infrastructure control. Any of these factors could make our platform less competitive as compared to the public cloud, and could materially and adversely affect the demand for our solutions.

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

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

If we fail to successfully execute on our planned transition to selling more cloud services which will be sold on a subscription-basis, our results of operations could be adversely affected.

We are beginning to transition portions of our business from on-premise products generating revenue through software licenses based on the life of the device, to selling our products and services as cloud-based offerings on a subscription business model. This shift requires a considerable investment of technical, financial, legal and sales resources and will continue to divert resources and increase costs, especially in cost of license and other revenues, in any given period. We also intend to make investments in the supporting infrastructure for such cloud-based offerings and may not recoup the costs of such investments. Such investments of resources may also not improve our long-term growth and results of operations. Further, the increase in some costs associated with our cloud services may be difficult to predict over time, especially in light of our lack of historical experience with the costs of delivering cloud-based versions of our applications.

We believe a subscription-based revenue model has certain advantages over our current business model, including better predictability of revenue; however, it also presents a number of risks to us including the following:

- arrangements entered into on a subscription basis generally delay when we can recognize revenue and can require up-front costs, which may be significant;
- since revenue is recognized over the term of the customer agreement, any decrease in customer purchases of our subscription-based products and services will not be fully reflected in our operating results until future periods. This will also make it difficult for us to rapidly increase our revenue through additional subscription sales in any one period;
- subscription-based revenue arrangements are under short-term agreements. Accordingly, our customers generally have no long-term obligation to us and may cancel their subscription at any time, even if our customers are satisfied with our subscription products;

- customers in a subscription arrangement may elect not to renew their contract upon expiration, or they may attempt to renegotiate pricing or other contractual terms at the point of, or prior to, renewal on terms that are less favorable to us;

- investors, industry and financial analysts may have difficulty understanding the shift in our business model, resulting in changes in financial estimates or failure to meet investor expectations; and

- there is no assurance that the solutions we offer on a subscription basis, including new revenue models or new products that we may introduce, will receive broad marketplace acceptance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We rely, to a significant degree, on our channel partners to select, screen and maintain relationships with their distribution networks and to distribute our solutions in a manner that is consistent with applicable law, regulatory requirements and our quality standards. If our channel partners or a partner in their distribution network violates applicable law or regulatory requirements or misrepresents the functionality of our solutions, our reputation could be damaged and we could be subject to potential liability. Additionally, if we are unable to establish relationships with strong channel partners in key growth regions, our ability to sell our solutions in these regions may be adversely affected. Our agreements with our channel partners are non-exclusive, meaning our channel partners may offer end customers the products of several different companies, including products that compete with ours. If our channel partners do not effectively market and sell our solutions, choose to use greater efforts to market and sell their own products or those of our competitors, or fail to meet the needs of our end customers, our business, operating results and prospects may be adversely affected. Our channel partners may cease marketing our solutions with limited or no notice and with little or no penalty. The loss of a substantial number of our channel partners, together with our inability to replace them, or the failure to recruit additional channel partners or establish an alternative distribution network could materially and adversely affect our business and operating results. For example, sales through Carahsoft Technology Corp. and Promark Technology Inc. to our end customers represented 9% and 19%, respectively, of our total revenue for the fiscal year ended July 31, 2017, and represented 10% and 20%, respectively, of our total revenue for the fiscal year ended July 31, 2018. In addition, if a channel partner offers its own products or services that are competitive to our solutions, is acquired by a competitor or reorganizes or divests its reseller business units, our revenue derived from that partner may be adversely impacted or eliminated altogether.

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

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

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

Our operating results may fluctuate significantly, which could make our future results difficult to predict and could cause our operating results to fall below expectations.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. If our revenue or operating results in any particular period fall below investor expectations, the price of our Class A common stock would likely decline. Factors that are difficult to predict and that could cause our operating results to fluctuate include:

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

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

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

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

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

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

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

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

Our agreement with Super Micro automatically renews in May 2019 for successive one-year periods thereafter, with the option to terminate upon each annual renewal, and does not contain any minimum long-term commitment to manufacture our solutions. Our agreement with Flextronics expires in November 2020 and automatically renews for successive one-year periods thereafter, with the option to terminate upon each annual renewal. The agreement does not contain any minimum long-term commitment to manufacture our solutions and any orders are fulfilled only after a purchase order has been delivered and accepted. If we are required to change contract manufacturers, we may lose revenue, incur increased costs and damage our channel partner and end customer relationships. We may also decide to switch or bring on additional contract manufacturers in order to better meet our needs. Switching to or bringing on a new contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing contract manufacturers or cause other disruptions. For example, while we have already transitioned some of our manufacturing operations to Flextronics, we may encounter unexpected issues as we scale our operations with them. Our agreements with Super Micro and Flextronics do not contain any price assurances, and any increases in component costs, without a corresponding increase in the price of our solutions, could harm our gross margins. Furthermore, we may need to increase our component purchases, manufacturing capacity and internal test and quality functions if we experience increased demand. The inability of Super Micro, Flextronics or other contract manufacturers to provide us with adequate supplies of high-quality products could cause a delay in our order fulfillment, and our business, operating results and prospects would be adversely affected. As of July 31, 2018, we had approximately $23.1 million in the form of guarantees to our contract manufacturers related to certain components.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- public sector budgetary cycles and funding authorizations;
- changes in fiscal or contracting policies;
- decreases in available government funding;
- changes in government programs or applicable requirements;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- potential delays or changes in the government appropriations or other funding authorization processes; and

- higher expenses associated with, or delays caused by, diligence and qualifying or maintaining qualification as a government vendor.

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

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

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

We currently have a number of agreements in effect pursuant to which we have agreed to defend, indemnify and hold harmless our end customers, suppliers and channel and other partners from damages and costs which may arise from the infringement by our solutions of third-party patents or other intellectual property rights. The scope of these indemnity obligations varies, but may, in some instances, include indemnification for damages and expenses, including attorneys' fees. A claim that our solutions infringe a third party's intellectual property rights, even if untrue, could harm our relationships with our end customers and/or channel partners, may deter future end customers from purchasing our solutions and could expose us to costly litigation and settlement expenses. Even if we are not a party to any litigation between a customer and a third party relating to infringement by our solutions, an adverse outcome in any such litigation could make it more difficult for us to defend our solutions against intellectual property infringement claims in any subsequent litigation in which we are a named party. Any of these results could harm our brand and operating results.

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

The success of our business depends in part on our ability to protect and enforce our intellectual property rights.

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

Protecting against the unauthorized use of our intellectual property, solutions and other proprietary rights is expensive and difficult, particularly internationally. Litigation may be necessary in the future to enforce or defend our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could result in substantial costs and diversion of management resources, either of which could harm our business, operating results and financial condition. Further, many of our current and potential competitors have the ability to dedicate substantially greater resources to defending intellectual property infringement claims and to enforcing their intellectual property rights than we have. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which our solutions are available. An inability to adequately protect and enforce our intellectual property and other proprietary rights could seriously harm our business, operating results, financial condition and prospects.

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

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

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

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

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

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

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting to comply with the SEC rules that implement Sections 302 and 404 of the Sarbanes-Oxley Act, we have expended and anticipate that we will continue to expend significant resources and undertake various actions, including incurring accounting-related costs and implementing new internal controls and procedures, and providing significant management oversight. In addition, our independent registered public accounting firm is also required to formally attest to the effectiveness of our internal control over financial reporting and may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, or an adverse report from our independent auditors, could increase our operating costs and could materially impair our ability to operate our business and could have a material and adverse effect on our operating results and could cause a decline in the price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ Stock Market.

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

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, antitrust laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages and civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in third-party professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition.

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

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

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

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

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

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Additionally, we expect that existing laws, regulations and standards may be interpreted in new manners in the future. There remains significant uncertainty surrounding the regulatory framework for the future of personal data transfers from the European Union to the United States, with regulations such as the recently adopted a General Data Protection Regulation ("GDPR"), which became effective in May 2018, that superseded prior EU data protection legislation, impose more stringent EU data protection requirements, provides an enforcement authority which substantially increases compliance costs, and imposes large penalties for noncompliance. Additionally, as a result of current and proposed data protection and privacy laws aimed at using personal data for marketing purposes, including the proposed ePrivacy Regulation to replace the ePrivacy Directive, we face an increased difficulty in marketing to current and potential customers, which impacts our ability to spread awareness of our products and services and, in turn, grow a customer base in particular countries. As we begin to offer more cloud-based services, we will increasingly be positioned as a data processor, which imposes additional obligations, and may increase our liability exposure by operation of law, contract, or penalties for noncompliance. Future laws, regulations, standards and other obligations, including the enforcement of the GDPR in courts, as well as changes in the interpretation of existing laws, regulations, standards and other obligations could impair our or our customers' ability to collect, use or disclose information relating to individuals, which could decrease demand for our solutions, require us to restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

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

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

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

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

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

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

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

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

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

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

We derive a significant portion of our revenue from end customers and channel partners outside the United States. We derived approximately 37%, 42% and 44% of our total revenue from our international customers based on bill-to-location for fiscal 2016, 2017 and 2018, respectively. We are continuing to adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As of July 31, 2018, approximately 44% of our full-time employees were located outside of the United States. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant management attention and financial resources. We are subject to risks associated with having significant worldwide operations, including:

- business practices may differ from those in the United States and may require us in the future to include terms other than our standard terms in customer, channel partner, employee, consultant and other contracts;
- political, economic and social instability or uncertainty around the world;
- potential changes in trade relations arising from policy initiatives implemented by, or statements made by, the U.S. government, which has been critical of existing and proposed trade agreements, such as the newly imposed tariffs for Chinese imports to the U.S.;
- greater difficulty in enforcing contracts, judgments and arbitration awards in international courts, and in collecting accounts receivable and longer payment and collection periods;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;

- risks associated with trade restrictions and foreign legal requirements, including the importation, certification and localization of our solutions required in foreign countries;
- greater risk of a failure of foreign employees, partners, distributors and resellers to comply with both U.S. and foreign laws, including antitrust regulations, the FCPA, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- requirements to comply with foreign privacy, data protection and information security laws and regulations and the risks and costs of noncompliance;
- reduced or uncertain protection for intellectual property rights in some countries;
- impediments to the flow of foreign exchange capital payments and receipts due to exchange controls instituted by certain foreign governments;
- increased expenses incurred in establishing and maintaining corporate entities, office space, and equipment for our international operations;
- difficulties in managing and staffing international offices and increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- greater difficulty in identifying, attracting and retaining local experienced personnel, and the costs and expenses associated with such activities;
- the challenge of managing a development team in geographically disparate locations;
- management communication and integration problems resulting from cultural and geographic dispersion;
- differing employment practices and labor relations issues;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business; and
- treatment of revenue from international sources for tax purposes and changes in tax laws, regulations or official interpretations, including being subject to foreign tax laws and being liable for paying withholding, income or other taxes in foreign jurisdictions.

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

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

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

- If open source software programmers, most of whom we do not employ, do not continue to develop and enhance open source technologies, our development expenses could increase and our product release and upgrade schedules could be delayed.
- Open source software is open to further development or modification by anyone. As a result, others may develop such software to be competitive with our platform and may make such competitive software available as open source. It is also possible for competitors to develop their own solutions using open source software, potentially reducing the demand for, and putting price pressure on, our solutions.
- The licenses under which we license certain types of open source software may require that, if we modify the open source software we receive, we are required to make such modified software and other related proprietary software of ours publicly available without cost and on the same terms. Accordingly, we monitor our use of open source software in an effort to avoid subjecting our proprietary software to such conditions and others we do not intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use, our processes used to monitor how open source software is used could be subject to error. In addition, there is little or no legal precedent governing the interpretation of terms in most of these licenses. Therefore, any improper usage of open source could result in unanticipated obligations regarding our solutions and technologies, which could have an adverse impact on our intellectual property rights and our ability to derive revenue from solutions incorporating the open source software.
- If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur legal expenses defending against such allegations, or engineering expenses in developing a substitute solution.

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

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

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

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

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

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

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

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

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

Sales to our non-U.S. customers are taxed at a lower rate, which is contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these lower tax rates.

Changes in global tax laws could increase our worldwide tax rate and could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

In December 2017, the U.S. Congress passed and the President signed legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA"), which includes a broad range of tax reform proposals affecting businesses, including a federal corporate rate reduction from 35% to 21%; limitations on the deductibility of interest expense and executive compensation; creation of new minimum taxes such as the base erosion anti-abuse tax, Global Intangible Low Taxed Income; and a new minimum tax on certain foreign earnings. We are analyzing the TCJA to determine the full impact of the new tax law. In addition, international organizations such as the Organization for Economic Cooperation and Development, have published Base Erosion and Profit Shifting, action plans that, if adopted by countries where we do business, could increase our tax obligations in these countries. Due to the large scale of our U.S. and international business activities, many of these enacted and proposed changes to the taxation of our activities could increase our worldwide effective tax rate and have an adverse effect on our operating results, cash flow or financial condition.

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

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

If we are the victim of a cyber attack and our networks, computer systems or software solutions are breached or unauthorized access to customer data otherwise occurs, our business operations may be interrupted, our reputation may be damaged and we may incur significant liabilities.

Cyber attacks designed to gain access to sensitive information by breaching mission critical systems of large organizations are constantly evolving, and high-profile electronic security breaches leading to the unauthorized release of sensitive customer information have occurred at a number of large companies in recent years. As we transition to offering more cloud-based solutions, such as Xi Cloud Services, we may increasingly be the target of cyber threats. Because the techniques used and vulnerabilities exploited to obtain unauthorized access or to sabotage systems change frequently, and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or vulnerabilities or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. If any unauthorized access to or security breach of our solutions occurs, or is believed to have occurred, such an event or perceived event could result in the loss of data, loss of intellectual property or trade secrets, loss of business, severe reputational or brand damage adversely affecting end customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, and penalties for violation of privacy, data protection and other applicable laws, regulations or contractual obligations. We may also be subject to significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused or incentives offered to end customers or other business partners in an effort to maintain business relationships after a breach and other liabilities. Additionally, any such event or perceived event could impact our reputation, harm customer confidence, hurt our sales and expansion into new markets or cause us to lose existing end customers. We could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches and to remediate our systems, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business may be impaired. Additionally, actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

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

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

Our business strategy may, from time to time, include acquiring other complementary products, technologies or businesses. For example, in August 2018 we acquired Mainframe2, Inc. ("Frame"), in March 2018 we acquired Minjar, Inc. and Netsil Inc., in August 2016, we acquired Calm.io Pte. Ltd. and in September 2016, we acquired PernixData, Inc. We also may enter into relationships with other businesses in order to expand our solutions, which could involve preferred or exclusive licenses, additional channels of distribution or discount pricing or investments in other companies. Negotiating these transactions can be time-consuming, difficult and expensive, and our ability to close these transactions may be subject to third-party approvals, such as government regulatory approvals, which are beyond our control. Consequently, we can make no assurance that these transactions once undertaken and announced, will close.

These kinds of acquisitions or investments may result in unforeseen expenditures and operating and integration difficulties, especially if the acquisitions or investments are more complex in structure and scope, including due to the geographic location of the acquired company. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of companies that we may acquire, particularly if the key personnel of the acquired business choose not to work for us. We may have difficulty retaining the customers of any acquired business or the acquired technologies or research and development expectations may prove unsuccessful. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for development of our business. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that the anticipated benefits of any acquisition or investment would be realized or that we would not be exposed to unknown liabilities. In connection with these types of transactions, we may issue additional equity securities that would dilute our stockholders, use cash that we may need in the future to operate our business, incur debt on terms unfavorable to us or that we are unable to repay, incur large charges or substantial liabilities, encounter difficulties integrating diverse business cultures, and become subject to adverse tax consequences, substantial depreciation or deferred compensation charges. These challenges related to acquisitions or investments could adversely affect our business, operating results, financial condition and prospects.

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

We are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") that will require us to perform due diligence and disclose and report whether our solutions contain conflict minerals. Although the SEC has recently provided guidance with respect to a portion of the conflict mineral filing requirements that may somewhat reduce our reporting practices, we have incurred and expect to incur additional costs to comply with these disclosure requirements, and the requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products.

Risks Related to the Notes

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. Moreover, we will be required to repay the Notes in cash at their maturity unless earlier converted or repurchased. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted or at their maturity.

In addition, our ability to repurchase Notes or to pay cash upon conversions of Notes or at their maturity may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase Notes at a time when the repurchase is required by the indenture or to pay cash upon conversions of Notes or at their maturity as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change under the indenture could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness or to pay cash amounts due upon conversion, upon required repurchase or at maturity of the Notes.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, even if holders of Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at the issuance date and the value of the equity component would be treated as debt discount for the purpose of accounting for the debt component of the Notes. As a result, we are required to record non-cash interest expense as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report larger net losses (or lower net income) in our financial results because ASC 470-20 will require interest to include the amortization of the debt discount, which could adversely affect our reported or future financial results or the trading price of our Class A common stock.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash may be accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of such Notes are not included in the calculation of diluted earnings per share, except to the extent that the conversion value of such Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of Class A common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable or otherwise elect not to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share could be adversely affected.

The convertible note hedge and warrant transactions may affect the value of the Notes and our Class A common stock.

In connection with the pricing of the Notes, we entered into convertible note hedge transactions with one or more of the initial purchasers of the Notes and/or their respective affiliates or other financial institutions, or the option counterparties. We also entered into warrant transactions with the option counterparties pursuant to which we will sell warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of any Notes. The warrant transactions could separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of the warrants.

The option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes or following any repurchase of Notes by us on any fundamental change repurchase date or otherwise). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock. In addition, if any such convertible note hedge and warrant transactions fail to become effective, the option counterparties may unwind their hedge positions with respect to our Class A common stock, which could adversely affect the value of our Class A common stock.

The potential effect, if any, of these transactions and activities on the market price of our Class A common stock will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our Class A common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties will be financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to bankruptcy or other insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in our Class A common stock market price and in the volatility of the market price of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and dilution with respect to our Class A common stock. We can provide no assurance as to the financial stability or viability of any option counterparty.

Risks Related to Ownership of Our Class A Common Stock

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

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

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- changes in financial estimates by any analysts who follow our company, including as a result of our plan to transition our business to focus on more software-only transactions and our announced plan to transition toward a subscription-based model, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments;
- public analyst or investor reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes or fluctuations in our operating results;

- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- actual or threatened litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or our solutions, or third-party proprietary rights;
- rumored, announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any major changes in our management or our Board of Directors;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

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

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

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

We have reserved a substantial number of shares of our Class A common stock for issuance upon vesting or exercise of our equity compensation plans, upon conversion of the Notes and in relation to warrant transactions we entered into in connection with the pricing of the Notes.

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

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

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

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of July 31, 2018, stockholders who hold shares of Class B common stock, including our investors and our directors, executive officers, and employees, and their affiliates, together hold a significant majority of the voting power of our outstanding capital stock. As a result, for the foreseeable future, such stockholders will have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

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

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

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

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

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

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

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

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

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

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

- our amended and restated certificate of incorporation provides for a dual class common stock structure for 17 years following the completion of our IPO;
- a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors;
- the ability of our Board of Directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

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

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

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

Not Applicable.

Item 2. Properties

Our corporate headquarters are located in San Jose, California where, under lease agreements that expire through April 2024, we currently lease approximately 326,000 square feet of space. We also maintain offices in North America, Europe, Asia Pacific, the Middle East, Latin America and Africa. We lease all of our facilities and do not own any real property. We expect to add facilities as we grow our employee base and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future and that, should it be needed, suitable additional space will be available to accommodate the expansion of our operations.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our Class A common stock began trading publicly on the NASDAQ Stock Market under the ticker symbol "NTNX" on September 30, 2016. Prior to that time, there was no public market for our Class A common stock. The following table sets forth, for the periods indicated, the high and low sale prices of our Class A common stock as reported on the NASDAQ Global Select Market.

	Fiscal 2017		Fiscal 2018	
Fiscal Quarter:	**High**	**Low**	**High**	**Low**
First quarter	$ 44.46	$ 24.50	$ 28.50	$ 20.70
Second quarter	$ 34.69	$ 23.37	$ 38.41	$ 27.33
Third quarter	$ 33.10	$ 15.19	$ 55.51	$ 30.34
Fourth quarter	$ 24.41	$ 14.46	$ 63.71	$ 48.88

Our Class B common stock is not listed nor traded on any stock exchange.

Holders of Record

As of July 31, 2018, there were 137 holders of record of our Class A common stock. This figure does not include a substantially greater number of "street name" holders or beneficial holders of our common stock whose shares are held of record by banks, brokers and other financial institutions. As of July 31, 2018, there were approximately 66 stockholders of record of our Class B common stock.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our Board of Directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board of Directors may deem relevant.

Sale of Unregistered Securities and Use of Proceeds

(a) **Unregistered Sales of Equity Securities**

None.

(b) **Use of Proceeds**

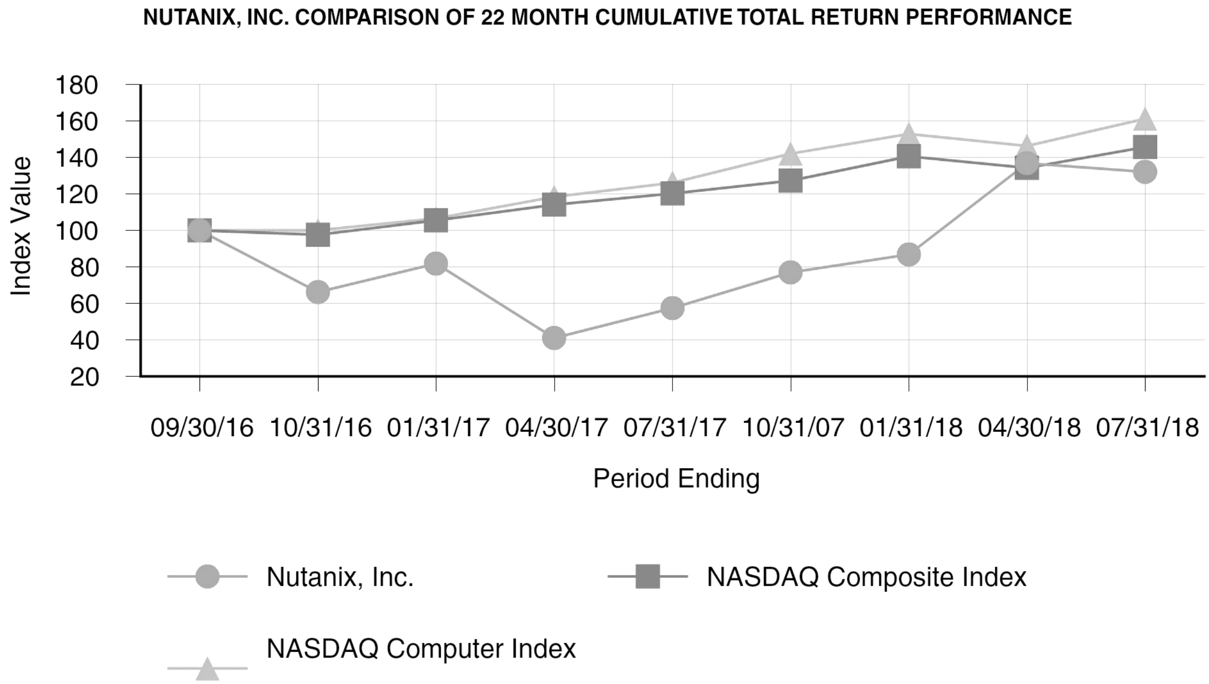
Our IPO of Class A common stock was effected through Registration Statements on Form S-1 (File Nos. 333-208711 and 333-213876), which were declared or became effective on September 29, 2016. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed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

Purchases of Equity Securities by the Issuer

None.

Stock Performance Graph

The following graph shows a comparison from September 30, 2016 (the date our Class A common stock commenced trading on the NASDAQ Stock Market) through July 31, 2018 of the cumulative total return for our Class A common stock based on the closing price on the last day of each respective period. The graph assumes an initial investment of $100 on September 30, 2016 in the common stock of Nutanix, Inc., the NASDAQ Composite Index and NASDAQ Computer Index, and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	Quarter Ended								
	September 30, 2016	October 31, 2016	January 31, 2017	April 30, 2017	July 31, 2017	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018
Nutanix, Inc.	$ 100	$ 66.22	$ 81.81	$ 41.05	$ 57.42	$ 77.03	$ 86.76	$136.73	$132.14
NASDAQ Composite Index	$ 100	$ 97.62	$105.47	$114.05	$120.18	$127.29	$140.48	$134.22	$145.70
NASDAQ Computer Index	$ 100	$100.13	$106.47	$118.27	$126.08	$141.97	$152.77	$146.25	$161.12

The information on the above graph shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act, and shall not be incorporated by reference into any registration statement or other document filed by us with the SEC, whether made before or after the date of this Annual Report on Form 10-K, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is incorporated herein by reference to our definitive proxy statement for our 2018 annual meeting of stockholders, which will be filed no later than 120 days after the end of our fiscal year ended July 31, 2018.

Item 6. Selected Consolidated Financial and Other Data

The selected consolidated statement of operations data for fiscal 2016, 2017, and 2018 and the consolidated balance sheet data as of July 31, 2017 and 2018 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations data for fiscal 2015 and fiscal 2014 and the consolidated balance sheet data as of July 31, 2014, 2015, and 2016 were derived from audited financial statements not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future. The selected consolidated financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7 of this Annual Report on Form 10-K and our consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K.

For the fiscal years ended July 31, 2016 and 2017, we have recast certain of the following financial data as a result of our adoption of Accounting Standard Update 2014-09, Revenue from Contracts with Customers ("ASC 606") in the first quarter of fiscal 2018, as indicated by the "as adjusted" note. Financial data for the fiscal years ended July 31, 2014 and 2015 has not been adjusted to reflect the adoption of ASC 606. See Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information regarding our adoption of ASC 606.

	Fiscal Year Ended July 31,				
	2014	2015	2016 *As Adjusted	2017 *As Adjusted	2018
	(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:					
Revenue:					
Product	$ 113,562	$ 200,833	$ 413,910	$ 673,297	$ 887,989
Support, entitlements and other services	13,565	40,599	89,500	172,606	267,468
Total revenue	127,127	241,432	503,410	845,903	1,155,457
Cost of revenue:					
Product [(1)(2)]	52,417	80,900	133,541	249,393	276,127
Support, entitlements and other services [(1)]	8,495	20,059	37,246	77,938	109,903
Total cost of revenue	60,912	100,959	170,787	327,331	386,030
Gross profit	66,215	140,473	332,623	518,572	769,427
Operating expenses:					
Sales and marketing [(1)(2)]	93,001	161,829	286,584	501,021	649,657
Research and development [(1)]	38,037	73,510	116,400	288,619	313,777
General and administrative [(1)]	13,496	23,899	34,265	77,341	86,401
Total operating expenses	144,534	259,238	437,249	866,981	1,049,835
Loss from operations	(78,319)	(118,765)	(104,626)	(348,409)	(280,408)
Other expense, net	(5,076)	(5,818)	(1,290)	(26,377)	(9,306)
Loss before provision for income taxes	(83,395)	(124,583)	(105,916)	(374,786)	(289,714)
Provision for income taxes	608	1,544	2,317	4,852	7,447
Net loss	$ (84,003)	$ (126,127)	$ (108,233)	$ (379,638)	$ (297,161)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (2.30)	$ (3.11)	$ (2.46)	$ (2.96)	$ (1.81)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	36,520,107	40,509,481	43,970,381	128,295,563	164,091,302

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended July 31,				
	2014	2015	2016	2017	2018
			(in thousands)		
Cost of revenue:					
Product	$ 124	$ 363	$ 391	$ 3,066	$ 2,580
Support, entitlements and other services	194	718	968	10,411	8,945
Total cost of revenue	318	1,081	1,359	13,477	11,525
Sales and marketing	2,150	6,474	8,006	78,117	65,060
Research and development	2,243	5,411	6,259	109,044	74,389
General and administrative	1,149	4,174	4,432	30,853	26,894
Total stock-based compensation expense	$ 5,860	$ 17,140	$ 20,056	$ 231,491	$ 177,868

During the three months ended October 31, 2016, we recorded approximately $83.0 million of stock-based compensation expense related to performance stock awards, as we determined that the performance conditions (certain liquidity events, including our IPO, and the achievement of specified performance targets) were probable of achievement.

(2) Includes amortization of intangible assets as follows:

	Fiscal Year Ended July 31,				
	2014	2015	2016	2017	2018
			(in thousands)		
Product cost of revenue	$ —	$ —	$ —	$ 1,314	$ 5,641
Sales and marketing	—	—	—	915	914
Total amortization of intangible assets	$ —	$ —	$ —	$ 2,229	$ 6,555

	As of July 31,				
	2014	2015	2016 *As Adjusted	2017 *As Adjusted	2018
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 57,485	$ 150,539	$ 185,200	$ 349,053	$ 934,303
Total assets	$ 118,964	$ 249,831	$ 411,715	$ 738,212	$ 1,599,880
Deferred revenue (current and non-current portion)	$ 36,477	$ 103,598	$ 218,481	$ 369,056	$ 631,207
Long-term debt	$ —	$ —	$ 73,260	$ —	$ 429,598
Preferred stock warrant liability	$ 5,507	$ 11,683	$ 9,679	$ —	$ —
Convertible preferred stock	$ 172,075	$ 310,379	$ 310,379	$ —	$ —
Total stockholders' (deficit) equity	$ (130,775)	$ (234,734)	$ (285,827)	$ 217,063	$ 326,779

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the consolidated financial statements and related notes that are included elsewhere in this Annual Report on Form 10-K. The last day of our fiscal year is July 31. Our fiscal quarters end on October 31, January 31, April 30 and July 31. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this Annual Report on Form 10-K.

Overview

Nutanix, Inc. ("we," "us," "our" or "Nutanix") provides a leading enterprise cloud platform that powers many of the world's business applications and end user services by providing software solutions that digitize traditional silos of enterprise computing. We offer both a public cloud-like infrastructure solution, which enterprises can deploy on-premise as well as distribute this hybrid cloud architecture closer to their users, while also enabling customers to leverage public clouds in a seamless manner. Our solution converges compute, virtualization, storage, networking, desktop, governance and security services in one integrated solution - all delivered as software. Further, our software and software as a service ("SaaS") solutions allow enterprises to simplify the complexities of a multi-cloud environment with automation, cost governance and compliance. We underpin the platform with unique web-scale engineering and one-click operational simplicity that powers any scale deployment while giving customers the freedom of choice - across various hardware platforms, across various virtualization solutions and across major public cloud providers. The ability to virtualize various clouds - private, public, edge - into one seamless cloud to enable enterprises to choose the right cloud for the right application is one of our most important differentiators from our competition.

Our enterprise cloud platform 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. Software delivered on configured to order appliances is not portable to other appliances and has a term equal to the life of the associated appliance, while separately purchased software typically has a term of one to five years. For the fiscal year ended July 31, 2018, the weighted average term for such software licenses was approximately 3.5 years. Configured to order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our original equipment manufacturer ("OEM") partners or directly from Nutanix. Our 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 sales of our solution and is generally recognized upon transfer of control to the customer. Support, entitlements and other services revenue is primarily derived from the related support and maintenance contracts and is recognized ratably over the term of those support contracts. Sales of our solution on appliances purchased from Nutanix have comprised the bulk of our historical product revenue; however, starting in the first quarter of fiscal 2018, more of our customers began buying appliances directly from our OEMs, or in some cases, purchasing separately sold term license subscriptions. We expect both of these trends to continue.

We had a broad and diverse base of over 10,600 end customers as of July 31, 2018, including over 700 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 over 7,000 as of July 31, 2017 to over 10,600 as of July 31, 2018. Our platform is primarily sold through channel partners, including distributors, resellers and OEMs, and delivered directly to our end customers. The majority of our sales and marketing investment is used to educate our end customers about the benefits of our solution, particularly as we continue to pursue large enterprises and mission critical workloads. Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure ("VDI"), unified communications, and big data analytics and we have recently announced the capability to support both virtualized and non-virtualized applications. We have end customers across a broad range of industries, such as automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology, and telecommunications. We also sell to service providers, who utilize our platform to provide a variety of cloud-based services to their customers.

We continue to invest heavily in the growth of our business, including the development of our solutions and build-out of our global sales force. The number of our full-time employees increased from approximately 2,800 as of July 31, 2017 to approximately 4,000 as of July 31, 2018. 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 Bangalore, India, Durham, North Carolina, Seattle, Washington and Belgrade, Serbia. We have also expanded our international sales and marketing presence by continuing to build out our global teams. We intend to continue to invest in our global engineering team to enhance the functionality of our platform, introduce new products and features and build upon our technology leadership, as well as continue to expand our global sales and marketing teams.

Our total revenue was $503.4 million, $845.9 million and $1,155.5 million for fiscal 2016, 2017 and 2018, respectively, representing increases of 68.0% and 36.6% in fiscal 2017 and fiscal 2018, as compared to the prior year periods. Our net losses were $108.2 million, $379.6 million and $297.2 million for fiscal 2016, 2017 and 2018, respectively. Net cash provided by operating activities was $3.6 million, $13.8 million and $92.6 million for fiscal 2016, 2017 and 2018, respectively. Free cash flow, which is calculated as net cash provided by (used in) operating activities less purchases of property and equipment, was an outflow of $38.7 million and $36.4 million for fiscal 2016 and fiscal 2017, respectively, and an inflow of $30.2 million for fiscal 2018. As of July 31, 2018, we had an accumulated deficit of $1,028.1 million.

In January 2018, we issued Convertible Senior Notes with a 0% interest rate for an aggregate principal amount of $575.0 million, due in 2023 (the "Notes"). The total net proceeds from this offering, after deducting the initial purchasers' discount of approximately $10.8 million, were approximately $564.2 million. Approximately $55.2 million of the proceeds were used to purchase a convertible note hedge, partially offset by the proceeds from the sale of warrants to purchase additional stock at a higher price. We incurred approximately $0.7 million of other issuance costs. The remaining proceeds from the Notes will be used for general corporate purposes, including working capital requirements, capital expenditures and potential acquisitions. For additional information, see Note 6 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

New Accounting Standards

We adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), the new accounting standard related to revenue recognition, effective August 1, 2017. Prior period information presented has been adjusted to reflect the adoption of this new standard. See Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a summary of adjustments.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the Fiscal Year Ended July 31,		
	2016	2017	2018
	(in thousands, except percentages)		
Total revenue	$ 503,410	$ 845,903	$ 1,155,457
Year-over-year percentage increase	(1)	68.0%	36.6%
Billings	$ 637,795	$ 990,467	$ 1,417,484
Gross profit	$ 332,623	$ 518,572	$ 769,427
Gross margin	66.1%	61.3%	66.6%
Adjusted gross profit	$ 333,982	$ 533,363	$ 786,593
Adjusted gross margin	66.3%	63.1%	68.1%
Total deferred revenue	$ 218,481	$ 369,056	$ 631,207
Net cash provided by operating activities	$ 3,636	$ 13,822	$ 92,555
Free cash flow	$ (38,658)	$ (36,359)	$ 30,183
Non-GAAP operating expenses	$ 418,552	$ 645,456	$ 883,244
Total end customers	3,770	7,050	10,610

(1) Fiscal 2016 growth rate is not shown, as only fiscal 2016 and fiscal 2017 financial data was recast under ASC 606.

Non-GAAP Financial Measures and Key Performance Measures

We regularly monitor billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses, which are non-GAAP financial measures and key performance measures, to help us evaluate our growth and operational efficiencies, measure our performance, 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.

Billings is a performance measure which management believes provides useful information to investors, as it represents the dollar value under binding purchase orders received and billed during a given period. Free cash flow is a performance measure that 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 management believes provides 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.

Billings, 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 ("GAAP") in the United States. Billings, adjusted gross profit, adjusted gross margin, free cash flow, and non-GAAP operating expenses are not substitutes for total revenue, gross profit, gross margin, cash provided by (used in) operating activities, or GAAP operating expenses, respectively. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

We calculate our non-GAAP measures as follows:

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

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

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

	Fiscal Year Ended July 31,		
	2016	2017	2018
	(in thousands, except percentages)		
Total revenue	$ 503,410	$ 845,903	$ 1,155,457
Change in deferred revenue, net of acquisitions	134,385	144,564	262,027
Billings (non-GAAP)	$ 637,795	$ 990,467	$ 1,417,484
Gross profit	$ 332,623	$ 518,572	$ 769,427
Stock-based compensation	1,359	13,477	11,525
Amortization of intangible assets	—	1,314	5,641
Adjusted gross profit (non-GAAP)	$ 333,982	$ 533,363	$ 786,593
Gross margin	66.1%	61.3%	66.6%
Stock-based compensation	0.2%	1.6%	1.0%
Amortization of intangibles	—%	0.2%	0.5%
Adjusted gross margin (non-GAAP)	66.3%	63.1%	68.1%
Net cash provided by operating activities	$ 3,636	$ 13,822	$ 92,555
Purchases of property and equipment	(42,294)	(50,181)	(62,372)
Free cash flow (non-GAAP)	$ (38,658)	$ (36,359)	$ 30,183
Operating expenses	$ 437,249	$ 866,981	$ 1,049,835
Stock-based compensation	(18,697)	(218,014)	(166,343)
Change in fair value of contingent consideration	—	(1,924)	2,423
Amortization of intangible assets	—	(915)	(914)
Acquisition-related costs	—	(672)	(1,757)
Operating expenses (non-GAAP)	$ 418,552	$ 645,456	$ 883,244

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" for details. If we are unable to address these challenges, our business and operating results could be adversely affected.

Investment in Growth

We plan to continue to invest in sales and marketing so that we can capitalize on our market opportunity and as part of this, we intend to specifically expand our focus on opportunities with major accounts and large deals, which we define as transactions over $500,000. We have significantly increased our sales and marketing personnel, which grew by approximately 42% from July 31, 2017 to July 31, 2018. We estimate, based on past experience, that 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 July 31, 2018, we considered approximately 59% of our global sales team members to be fully ramped, while the remaining approximately 41% of our global sales team members are in the process of ramping up. As we shift the focus of some of our new and existing sales team members to major accounts and large deals, it may take longer for these sales team members to become fully productive, and there may also be an impact to the overall productivity of our sales team. We are focused on actively managing this realignment and expect continuing improvement over the coming quarters. We intend to continue to grow our global sales and marketing team to acquire new end customers and to increase sales to existing end customers.

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

Market Adoption of Our Products

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

Leveraging Channel and OEM Partners

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

Continued Purchases and Upgrades within Existing Customer Base

Our end customers typically deploy our technology for a specific workload initially. After a new end customer's initial order, which includes the product and associated maintenance, support and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our support and maintenance renewals. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter as compared to new end customer deployments and selling efforts are typically less. As of July 31, 2018, approximately 67% of our end customers who have been with us for 18 months or longer have made a repeat purchase, which is defined as any purchase activity, including support and maintenance renewals, 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, to date in an amount that is more than 4.1x greater, on average, than their initial order. This number increases to approximately 10.1x, on average, for Global 2000 end customers who have been with us for 18 months or longer, and to more than 18.3x, on average, for our top 25 end customers as of July 31, 2018. 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 sell additional products to our existing and future base of end customers.

Changes in Product Mix and Associated Accounting Impact

Shifts in the mix of whether our solutions are sold with or without an appliance, or sales of our solution on a subscription basis, could result in fluctuations in our revenue and gross margin. Sales where customers separately procure an appliance typically reflect higher gross margins and lower revenue in a given period, since the sale does not include the revenue or cost of the hardware components in an appliance. Sales of subscription software include fixed-term licenses and other offerings with ongoing performance obligations, such as SaaS. Since our revenue is recognized as our performance obligations are delivered, sales in this manner may reflect lower revenue in a given period.

Historically, we have 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 appliance. However, starting in the first quarter of fiscal 2018, more of our customers began buying appliances directly from our OEMs, or in some cases, purchasing separately sold subscription software. We expect to continue see increases in the sales of our solutions without hardware appliances and sales of subscription software, which will be reflected in further corresponding changes to our revenue and gross margin.

Revenue for our solutions, whether or not sold on an appliance by us or as a software subscription, is generally recognized upon transfer of control to the customer. For additional information on revenue recognition, see Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K and "Critical Accounting Estimates" later in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section.

Revenue from Contracts with Customers

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

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The new standard would have been effective for us beginning August 1, 2018, but early adoption as of the original effective date of August 1, 2017 was also permitted. We elected to early adopt the standard effective August 1, 2017 using the full retrospective method, which required us to recast our historical financial information to conform with the new standard. The most significant impact of the standard related to the timing of revenue recognition for certain software licenses sold with post-contract support, for which we did not have vendor specific objective evidence ("VSOE") under the previous revenue recognition guidance. Under the new standard, the requirement to have VSOE for undelivered elements was eliminated and we now recognize revenue for such software licenses upon transfer of control to the customer. In addition, the adoption of ASC 606 also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impact to our provision for income taxes. For additional information on the impact to previously reported results, see Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Components of Our Results of Operations

Our results of operations for fiscal 2017 included significant cumulative stock-based compensation expense related to stock awards with performance conditions, referred to as performance stock awards, due to our initial public offering ("IPO"). Beginning in fiscal 2014, we began granting performance stock awards with vesting subject to (i) continuous service with us and (ii) the satisfaction of one or more performance conditions (a liquidity event or both a liquidity event and certain performance targets). As a result of our IPO, we began to recognize stock-based compensation expense related to these performance stock awards during the three months ended October 31, 2016, as the performance condition, a liquidity event or IPO, was deemed probable of achievement. The cumulative stock-based compensation expense recognized in the first quarter of fiscal 2017 was approximately $83.0 million and represented the portion of the awards for which the relevant service condition had been satisfied. We continue to amortize the expense over the remaining service period. Amortization during the fiscal years ended July 31, 2017 and 2018 related to these performance stock awards was approximately $120.9 million and $18.7 million, respectively. We expect the expense related to these awards to continue to decrease.

Revenue

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. Software delivered on configured to order appliances is not portable to other appliances and has a term equal to the life of the associated appliance, while separately purchased software typically has a term of one to five years. For the fiscal year ended July 31, 2018, the weighted average term for such software licenses was approximately 3.5 years. Configured to order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our OEM partners or directly from Nutanix. Our operating system 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.

Software 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. 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, or upon making the software available to our customers when not sold with an appliance.

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.

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

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 expense, sales commissions. Personnel costs also include stock-based compensation expense.

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

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 to increase in absolute dollars as we continue to invest in our future products and services, although R&D expense may fluctuate as a percentage of total revenue.

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 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.

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 the Notes, foreign currency exchange gains or losses and gains or losses on investments. Upon the completion of our IPO during the three months ended October 31, 2016, we reclassified the convertible preferred stock warrants, which, prior to our IPO, were classified as a liability on our consolidated balance sheet and remeasured to fair value at each balance sheet date, with the corresponding changes in fair value recorded as other expense, into warrants to purchase Class B common stock. As a result, the convertible preferred stock liability was remeasured to its then fair value, which was based on the closing price of our Class A common stock on October 4, 2016, and reclassified to additional paid-in capital. Subsequent to the conversion of our convertible preferred stock warrants in connection with our IPO, we no longer remeasured them at fair value or incurred any charges related to changes in fair value. In addition, during the three months ended October 31, 2016, we fully repaid our outstanding $75.0 million of senior notes due April 15, 2019 ("2019 Notes") and incurred a loss on debt extinguishment. During the fiscal year ended July 31, 2018, we recognized $14.7 million of interest expense related to the amortization of the debt discount and issuance costs associated with the Notes.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes for certain foreign jurisdictions in which we conduct business and federal alternative minimum tax 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 consolidated results of operations in dollars and as a percentage of total revenue for the fiscal years presented. The period-to-period comparison of results is not necessarily indicative of results for future periods. We adopted ASC 606, the new revenue recognition accounting standard, effective August 1, 2017. Prior period information presented has been adjusted to reflect the adoption of this new standard. See Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for a summary of adjustments.

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Revenue:			
Product	$ 413,910	$ 673,297	$ 887,989
Support, entitlements and other services	89,500	172,606	267,468
Total revenue	503,410	845,903	1,155,457
Cost of revenue:			
Product (1)(2)	133,541	249,393	276,127
Support, entitlements and other services (1)	37,246	77,938	109,903
Total cost of revenue	170,787	327,331	386,030
Gross profit	332,623	518,572	769,427
Operating expenses:			
Sales and marketing (1)(2)	286,584	501,021	649,657
Research and development (1)	116,400	288,619	313,777
General and administrative (1)	34,265	77,341	86,401
Total operating expenses	437,249	866,981	1,049,835
Loss from operations	(104,626)	(348,409)	(280,408)
Other expense, net	(1,290)	(26,377)	(9,306)
Loss before provision for income taxes	(105,916)	(374,786)	(289,714)
Provision for income taxes	2,317	4,852	7,447
Net loss	$ (108,233)	$ (379,638)	$ (297,161)

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Cost of revenue:			
Product	$ 391	$ 3,066	$ 2,580
Support, entitlements and other services	968	10,411	8,945
Total cost of revenue	1,359	13,477	11,525
Sales and marketing	8,006	78,117	65,060
Research and development	6,259	109,044	74,389
General and administrative	4,432	30,853	26,894
Total stock-based compensation expense	$ 20,056	$ 231,491	$ 177,868

(2) Includes amortization of intangible assets as follows:

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Product cost of revenue	$ —	$ 1,314	$ 5,641
Sales and marketing	—	915	914
Total amortization of intangible assets	$ —	$ 2,229	$ 6,555

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(as a percentage of total revenue)	
Revenue:			
Product	82.2 %	79.6 %	76.9 %
Support, entitlements and other services	17.8 %	20.4 %	23.1 %
Total revenue	100.0 %	100.0 %	100.0 %
Cost of revenue:			
Product	26.5 %	29.5 %	23.9 %
Support, entitlements and other services	7.4 %	9.2 %	9.5 %
Total cost of revenue	33.9 %	38.7 %	33.4 %
Gross profit	66.1 %	61.3 %	66.6 %
Operating expenses:			
Sales and marketing	56.9 %	59.2 %	56.2 %
Research and development	23.1 %	34.1 %	27.2 %
General and administrative	6.8 %	9.2 %	7.5 %
Total operating expenses	86.8 %	102.5 %	90.9 %
Loss from operations	(20.7)%	(41.2)%	(24.3)%
Other expense, net	(0.3)%	(3.1)%	(0.8)%
Loss before provision for income taxes	(21.0)%	(44.3)%	(25.1)%
Provision for income taxes	0.5 %	0.6 %	0.6 %
Net loss	(21.5)%	(44.9)%	(25.7)%

Revenue

	Fiscal Year Ended July 31, 2016	Fiscal Year Ended July 31, 2017	Change $	Change %	Fiscal Year Ended July 31, 2017	Fiscal Year Ended July 31, 2018	Change $	Change %
	(in thousands, except percentages)							
Product	$ 413,910	$ 673,297	$ 259,387	62.7%	$ 673,297	$ 887,989	$ 214,692	31.9%
Support, entitlements and other services	89,500	172,606	83,106	92.9%	172,606	267,468	94,862	55.0%
Total revenue	$ 503,410	$ 845,903	$ 342,493	68.0%	$ 845,903	$1,155,457	$ 309,554	36.6%

Total revenue by bill-to-location was as follows:

	Fiscal Year Ended July 31, 2016	Fiscal Year Ended July 31, 2017	Change $	Change %	Fiscal Year Ended July 31, 2017	Fiscal Year Ended July 31, 2018	Change $	Change %
	(in thousands, except percentages)							
U.S.	$ 319,296	$ 488,079	$ 168,783	52.9%	$ 488,079	$ 648,805	$ 160,726	32.9%
Europe, the Middle East and Africa	65,599	138,815	73,216	111.6%	138,815	224,392	85,577	61.6%
Asia Pacific	96,723	186,864	90,141	93.2%	186,864	240,247	53,383	28.6%
Other Americas	21,792	32,145	10,353	47.5%	32,145	42,013	9,868	30.7%
Total revenue	$ 503,410	$ 845,903	$ 342,493	68.0%	$ 845,903	$1,155,457	$ 309,554	36.6%

Product revenue increased year-over-year for both fiscal 2017 and fiscal 2018. The increase in product revenue reflects increased domestic and international demand for our solutions as we continue to penetrate and expand in global markets through increased sales and marketing activities. Our total end customer count increased from over 3,700 as of July 31, 2016 to over 7,000 as of July 31, 2017 and to over 10,600 as of July 31, 2018. Our product revenue during fiscal 2018 was also impacted by the reduction of hardware revenue from transactions where the hardware was not sold by us. We estimate that if we had sold the hardware in these transactions, our product revenue for the fiscal year ended July 31, 2018 would have been approximately $168.9 million higher. We continue to focus on more software-only transactions and therefore anticipate selling less hardware in future periods.

Support, entitlements and other services revenue increased year-over-year for both fiscal 2017 and fiscal 2018 in conjunction with the growth of our end customer base and the related support and software maintenance contracts.

Cost of Revenue and Gross Margin

	Fiscal Year Ended July 31, 2016	Fiscal Year Ended July 31, 2017	Change $	Change %	Fiscal Year Ended July 31, 2017	Fiscal Year Ended July 31, 2018	Change $	Change %
	(in thousands, except percentages)							
Cost of product revenue	$ 133,541	$ 249,393	$ 115,852	86.8 %	$ 249,393	$ 276,127	$ 26,734	10.7%
Product gross margin	*67.7%*	*63.0%*		*(4.7)%*	*63.0%*	*68.9%*		*5.9%*
Cost of support, entitlements and other revenue	$ 37,246	$ 77,938	$ 40,692	109.3 %	$ 77,938	$ 109,903	$ 31,965	41.0%
Support, entitlements and other services gross margin	*58.4%*	*54.8%*		*(3.6)%*	*54.8%*	*58.9%*		*4.1%*
Total gross margin	*66.1%*	*61.3%*		*(4.8)%*	*61.3%*	*66.6%*		*5.3%*

Cost of product revenue

Cost of product revenue increased year-over-year for both fiscal 2017 and fiscal 2018 due primarily to the corresponding increases in product revenue. In addition, for both fiscal 2017 and fiscal 2018, as compared to the respective prior year periods, the cost of certain of our hardware components, specifically DRAM and NAND, increased due to supply constraints. The total cost of our DRAM and NAND components represented approximately 20%, 22% and 30% of cost of product revenue for the fiscal years ended July 31, 2016, 2017 and 2018, respectively. DRAM and NAND component prices increased by approximately 102% and 51% for fiscal 2017 and fiscal 2018, respectively, as compared to the prior year periods.

Product gross margin decreased by 4.7 percentage points, from 67.7% in fiscal 2016 to 63.0% in fiscal 2017, due primarily to an increase in stock-based compensation expense and an increase in amortization of intangible assets. This was partially offset by cost savings achieved in our procurement process and changes in product mix. Product gross margin increased by 5.9 percentage points, from 63.0% in fiscal 2017 to 68.9% in fiscal 2018, due primarily to a higher mix of software revenue, as we continue to focus on more software-only transactions.

Cost of support, entitlements and other services revenue

Cost of support, entitlements and other services revenue increased year-over-year for both fiscal 2017 and fiscal 2018 due primarily to higher personnel-related costs relating to our global customer support organization. The increases in personnel-related costs were due primarily to increases in our customer support, entitlements and other services headcount of 62% from July 31, 2016 to July 31, 2017 and 56% from July 31, 2017 to July 31, 2018. Cost of support, entitlements and other services revenue in fiscal 2017 was also driven up by increased stock-based compensation expense related to pre-IPO grants that we started expensing in the first quarter of fiscal 2017.

Support, entitlements and other services gross margin decreased by 3.6 percentage points, from 58.4% in fiscal 2016 to 54.8% in fiscal 2017, due primarily to higher stock-based compensation expense, as discussed above. Support, entitlements and other services gross margin increased by 4.1 percentage points, from 54.8% in fiscal 2017 to 58.9% in fiscal 2018, due primarily to efficiencies gained in our support organization and personnel-related costs growing at a slower rate than support, entitlements and other services revenue.

Operating Expenses

Sales and marketing

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2016	2017	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Sales and marketing	$ 286,584	$ 501,021	$ 214,437	74.8%	$ 501,021	$ 649,657	$ 148,636	29.7%
Percent of total revenue	*56.9%*	*59.2%*			*59.2%*	*56.2%*		

Sales and marketing expense increased year-over-year both for fiscal 2017 and fiscal 2018 due primarily to higher personnel-related costs and sales commissions, as our sales and marketing headcount increased by 42% year-over-year in both fiscal 2017 and 2018. Sales and marketing personnel-related costs for fiscal 2017 were also driven up by increased stock-based compensation expense related to pre-IPO grants that we started expensing in the first quarter of fiscal 2017. Additionally, as part of our efforts to penetrate and expand in global markets, we continue to increase our marketing activities related to brand awareness, promotions, trade shows, and partner programs.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Research and development

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2016	2017	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Research and development	$116,400	$288,619	$ 172,219	148.0%	$288,619	$313,777	$ 25,158	8.7%
Percent of total revenue	*23.1%*	*34.1%*			*34.1%*	*27.2%*		

Research and development expense increased year-over-year both for fiscal 2017 and fiscal 2018 due primarily to higher personnel-related costs, as our R&D headcount increased year-over-year by 40% in fiscal 2017 and 42% in fiscal 2018, including additional headcount from acquisitions, in an effort to continue the expansion of our product development activities. R&D personnel-related costs for fiscal 2017 were also driven up by increased stock-based compensation expense related to pre-IPO grants that we started expensing in the first quarter of fiscal 2017.

General and administrative

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2016	2017	$	%	2017	2018	$	%
	(in thousands, except percentages)							
General and administrative	$ 34,265	$ 77,341	$ 43,076	125.7%	$ 77,341	$ 86,401	$ 9,060	11.7%
Percent of total revenue	*6.8%*	*9.2%*			*9.2%*	*7.5%*		

General and administrative expense increased year-over-year both for fiscal 2017 and fiscal 2018 due primarily to higher personnel-related costs, as our G&A headcount increased year-over-year by 24% in fiscal 2017 and 29% in fiscal 2018 in order to support our growing operations and international footprint. G&A personnel-related costs for fiscal 2017 were also driven up by increased stock-based compensation expense related to pre-IPO grants that we started expensing in the first quarter of fiscal 2017.

Other expense, net

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2016	2017	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Other expense, net	$ (1,290)	$ (26,377)	$ 25,087	1,944.7%	$ (26,377)	$ (9,306)	$ (17,071)	(64.7)%

Other expense, net in fiscal 2017 was primarily related to a $23.1 million change in the fair value of our convertible preferred stock warrant liability and a $3.3 million loss on debt extinguishment resulting from the early extinguishment of the 2019 Notes.

Other expense, net in fiscal 2018 was primarily related to $14.7 million of interest expense associated with the amortization of the debt discount and issuance costs for the Notes and $3.6 million of foreign currency losses, partially offset by $9.1 million of interest income from short-term investments.

Provision for income taxes

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2016	2017	$	%	2017	2018	$	%
	(in thousands, except percentages)							
Provision for income taxes	$ 2,317	$ 4,852	$ 2,535	109.4%	$ 4,852	$ 7,447	$ 2,595	53.5%

The year-over-year increase in the provision for income taxes in fiscal 2017 was due primarily to increases in foreign taxes as a result of higher taxable earnings in foreign jurisdictions, as we continued our global expansion, partially offset by a $1.5 million partial release of the U.S. valuation allowance from the PernixData acquisition. The net deferred tax liability from the PernixData acquisition provided an additional source of taxable income to support the realizability of the pre-existing deferred tax assets and, as a result, we released a portion of the U.S. deferred tax asset valuation allowance.

The year-over-year increase in the provision for income taxes in fiscal 2018 was due primarily to the alternative minimum tax related to the migration of certain intangible assets and foreign taxes as a result of higher taxable earnings in foreign jurisdictions, as we continued our global expansion. The increase was partially offset by a $3.9 million partial release of the U.S. valuation allowance related to acquisitions completed during fiscal 2018. We continue to maintain a full valuation allowance on our U.S. federal and state deferred tax assets, as revalued using the reduced federal tax rate.

Impact of U.S. Federal Income Tax Reform

In December 2017, the U.S. Congress passed and the President signed the Tax Cuts and Jobs Act ("TCJA"), which includes a broad range of tax reform proposals affecting businesses, including a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, the creation of new minimum taxes, such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax, and a new minimum tax on certain foreign earnings.

Our initial analysis of the impact of the TCJA resulted in a significant reduction to our net U.S. deferred tax assets and valuation allowance and an immaterial impact to income tax expense due to the valuation allowance on our net U.S. deferred tax assets. Certain provisions of the TCJA are not effective for us until fiscal 2019. We continue to assess the impact of these provisions, but we do not currently anticipate that the net impact will be material to our fiscal 2019 effective income tax rate.

The income tax provisions for the fiscal years ended July 31, 2016, 2017 and 2018 are based on the assumption that foreign undistributed earnings are indefinitely reinvested. We will continue to evaluate whether or not to continue to assert indefinite reinvestment on part or all of our foreign undistributed earnings. In the event we determine not to continue to assert the permanent reinvestment of part or all of our foreign undistributed earnings, such a determination could result in the accrual and payment of additional foreign, state and local taxes.

Liquidity and Capital Resources

As of July 31, 2018, we had $306.0 million of cash and cash equivalents and $628.3 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. We do not anticipate that we will need funds generated from foreign operations to fund our domestic operations.

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 Notes. For additional information, see Note 6 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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

Cash Flows

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

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Net cash provided by operating activities	$ 3,636	$ 13,822	$ 92,555
Net cash used in investing activities	(46,504)	(176,094)	(503,555)
Net cash provided by financing activities	74,198	201,422	578,616
Net increase in cash and cash equivalents	$ 31,330	$ 39,150	$ 167,616

Cash Flows from Operating Activities

Net cash generated from operating activities was $3.6 million, $13.8 million and $92.6 million for fiscal 2016, 2017 and 2018, representing increases of $29.3 million, $10.2 million and $78.7 million, respectively, as compared to the prior year periods. The generation of cash during each fiscal year was due primarily to higher billings and collections, partially offset by higher operating expenses as we continue to invest in the long-term growth of our business.

Cash Flows from Investing Activities

Net cash used in investing activities of $46.5 million for fiscal 2016 primarily consisted of $106.3 million of short-term investment purchases and $42.3 million of purchases of property and equipment, as we continue to invest in the long-term growth of our business, partially offset by $102.1 million of maturities of short-term investments.

Net cash used in investing activities of $176.1 million for fiscal 2017 primarily consisted of $242.5 million of short-term investment purchases, using a significant portion of the proceeds from our IPO, and $50.2 million of purchases of property and equipment, partially offset by $84.2 million of maturities of short-term investments and $32.6 million of sales of short-term investments.

Net cash used in investing activities of $503.6 million for fiscal 2018 primarily consisted of $716.4 million of short-term investment purchases, using a significant portion of the proceeds from the Notes, $62.4 million of purchases of property and equipment and $22.2 million of payments for business combinations, net of cash acquired, partially offset by $297.5 million of maturities of short-term investments.

Cash Flows from Financing Activities

Net cash provided by financing activities of $74.2 million for fiscal 2016 primarily consisted of $73.3 million of net proceeds from the 2019 Notes and $3.1 million of net proceeds from sales of shares through employee equity incentive plans, partially offset by $3.2 million in payments for IPO costs.

Net cash provided by financing activities of $201.4 million for fiscal 2017 primarily consisted of net IPO proceeds of $254.5 million, after deducting underwriting discounts and commissions, and $32.3 million of net proceeds from sales of shares through employee equity incentive plans, partially offset by the $76.6 million of repayment of the 2019 Notes, including debt extinguishment costs, a $7.1 million debt payment in conjunction with the PernixData acquisition and $1.7 million in payments for IPO costs.

Net cash provided by financing activities of $578.6 million for fiscal 2018 primarily consisted of $563.6 million of net proceeds from the Notes, after deducting the initial purchasers' discount and debt issuance costs, $88.0 million of proceeds from the sale of the warrants in connection with the Notes and $72.0 million of net proceeds from sales of shares through employee equity incentive plans, partially offset by $143.2 million of cash used to purchase bond hedges in connection with the Notes and a $1.7 million debt payment in conjunction with the Minjar acquisition.

Contractual Obligations

The following table summarizes our contractual obligations as of July 31, 2018:

	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)]	$ 575,000	$ —	$ —	$ —	$ 575,000
Operating lease obligations	122,328	26,158	45,598	37,854	12,718
Other purchase commitments [(2)]	36,716	36,716	—	—	—
Purchase commitments with contract manufacturers [(3)]	23,059	23,059	—	—	—
Total	$ 757,103	$ 85,933	$ 45,598	$ 37,854	$ 587,718

(1) For additional information regarding our convertible senior notes, refer to Note 6 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.
(2) Purchase obligations pertaining to our normal operations.
(3) Commitments in the form of guarantees to our contract manufacturers related to certain components.

As of July 31, 2018, payments related to our above outstanding non-cancelable lease obligations will be made through fiscal 2024.

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

As of July 31, 2018, we had accrued liabilities related to uncertain tax positions, which are reflected on our consolidated balance sheet. These accrued liabilities are not reflected in the table above, as it is unclear when these liabilities will be paid.

Off-Balance Sheet Arrangements

As of July 31, 2018, 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 consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires our 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 base our estimates, assumptions and judgments on historical experience and on 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 consolidated financial statements, which, in turn, could change the results from those reported. We evaluate our estimates, assumptions and judgments on an ongoing basis.

The critical accounting estimates, assumptions and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Some of our contracts with customers contain multiple performance obligations. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. 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 support and maintenance 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.

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

The new standard related to revenue recognition, ASC 606, had a material impact on our consolidated financial statements. Refer to Note 3 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further discussion.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year, and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We recognize uncertain tax positions only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Judgment is required in assessing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our consolidated financial statements.

The TCJA significantly changes existing U.S. tax law and includes numerous provisions that affect our business. Refer to Note 11 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for further discussion.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards, including stock options and purchase rights issued to employees under our 2016 Employee Stock Purchase Plan ("2016 ESPP"), based on the estimated fair value of the awards on the grant date. We use the Black-Scholes-Merton ("Black-Scholes") option pricing model to estimate the fair value of stock options and 2016 ESPP purchase rights. The fair value of restricted stock units ("RSUs"), is measured using the fair value of our common stock on the date of the grant. The fair value of stock options and RSUs is recognized as expense on a straight-line basis over the requisite service period, which is generally four years. For stock-based awards granted to employees with a performance condition, we recognize stock-based compensation expense using the accelerated attribution method over the requisite service period when management determines it is probable that the performance condition will be satisfied. The fair value of the 2016 ESPP purchase rights is recognized as expense on a straight-line basis over the offering period. We account for forfeitures of all share-based awards when they occur·

Our use of the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in our option pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

Business Combinations

We account for our acquisitions using the acquisition method. Goodwill is measured at the acquisition date as the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. Significant estimates and assumptions are made by management to value such assets and liabilities. Although we believe that those estimates and assumptions are reasonable and appropriate, they are inherently uncertain and subject to refinement. Additional information related to the acquisition date fair value of acquired assets and assumed liabilities obtained during the measurement period, not to exceed one year, may result in changes to the recorded values of such assets and liabilities, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly. We will record any adjustments to our preliminary estimates to goodwill, provided that we are within the one-year measurement period.

Any contingent consideration payable is recognized at fair value at the acquisition date. Liability-classified contingent consideration is remeasured each reporting period, with changes in fair value recognized in earnings until the contingent consideration is settled.

Goodwill, Intangible Assets and Impairment Assessment

Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, if any, in a business combination, and is allocated to our single reporting unit. We review our goodwill and other intangible assets determined to have an indefinite useful life, such as in-process research and development ("IPR&D"), for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Goodwill is tested for impairment by comparing the reporting unit's carrying value, including goodwill, to the fair value of the reporting unit. We operate under one reporting unit and for our annual goodwill impairment test, we determine the fair value of our reporting unit based on our enterprise value. We may elect to utilize a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. If, after assessing the qualitative factors, we determine that it is more likely than not that the fair value of our reporting unit is less than its carrying value, an impairment analysis will be performed. We will compare the fair value of our reporting unit with its carrying amount and if the carrying value of the reporting unit exceeds its fair value, an impairment loss will be recognized.

To date, we have not recorded any impairment charges related to our goodwill and intangible assets. However, deteriorating market conditions or any future events that negatively impact our business may result in an impairment charge.

Legal and Other Contingencies

The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

Recent Accounting Pronouncements

Refer to "Recent Accounting Pronouncements" in Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7A. 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 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 consolidated financial statements. Foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our consolidated financial statements.

A hypothetical 10% decrease in the U.S. dollar against other currencies would result in an increase in our operating loss of approximately $11.8 million, $19.3 million and $31.2 million for fiscal 2016, 2017 and 2018, 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 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Stockholders of Nutanix, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nutanix, Inc. and subsidiaries (the "Company") as of July 31, 2018 and 2017, the related consolidated statements of operations, comprehensive loss, stockholders' (deficit) equity, and cash flows, for each of the three years in the period ended July 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 21, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ *DELOITTE & TOUCHE LLP*
San Jose, California
September 21, 2018

We have served as the Company's auditor since 2012.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Nutanix, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Nutanix, Inc. and subsidiaries (the "Company") as of July 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended July 31, 2018, of the Company and our report dated September 21, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ *DELOITTE & TOUCHE LLP*
San Jose, California
September 21, 2018

NUTANIX, INC.

CONSOLIDATED BALANCE SHEETS

	As of July 31,	
	2017 *As Adjusted	2018
	(in thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 138,359	$ 305,975
Short-term investments	210,694	628,328
Accounts receivable, net of allowance of $132 and $815 as of July 31, 2017 and 2018	178,876	258,289
Deferred commissions—current	23,843	33,691
Prepaid expenses and other current assets	28,362	36,818
Total current assets	580,134	1,263,101
Property and equipment, net	58,072	85,111
Deferred commissions—non-current	49,684	80,688
Intangible assets, net	26,001	45,366
Goodwill	16,672	87,759
Other assets—non-current	7,649	37,855
Total assets	$ 738,212	$ 1,599,880
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 73,725	$ 65,503
Accrued compensation and benefits	57,521	85,398
Accrued expenses and other current liabilities	9,707	31,682
Deferred revenue—current	170,123	275,648
Total current liabilities	311,076	458,231
Deferred revenue—non-current	198,933	355,559
Convertible senior notes, net	—	429,598
Other liabilities—non-current	11,140	29,713
Total liabilities	521,149	1,273,101
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, par value of $0.000025 per share— 200,000,000 shares authorized as of July 31, 2017 and 2018; no shares issued and outstanding as of July 31, 2017 and 2018	—	—
Common stock, par value of $0.000025 per share— 1,200,000,000 (1,000,000,000 Class A, 200,000,000 Class B) shares authorized as of July 31, 2017 and 2018; 154,636,520 (93,570,171 Class A, 61,066,349 Class B) and 172,858,082 (135,109,672 Class A, 37,748,410 Class B) shares issued and outstanding as of July 31, 2017 and 2018	4	4
Additional paid-in capital	948,134	1,355,907
Accumulated other comprehensive loss	(106)	(1,002)
Accumulated deficit	(730,969)	(1,028,130)
Total stockholders' equity	217,063	326,779
Total liabilities and stockholders' equity	$ 738,212	$ 1,599,880

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

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended July 31,		
	2016 *As Adjusted	2017 *As Adjusted	2018
	(in thousands, except share and per share data)		
Revenue:			
Product	$ 413,910	$ 673,297	$ 887,989
Support, entitlements and other services	89,500	172,606	267,468
Total revenue	503,410	845,903	1,155,457
Cost of revenue:			
Product	133,541	249,393	276,127
Support, entitlements and other services	37,246	77,938	109,903
Total cost of revenue	170,787	327,331	386,030
Gross profit	332,623	518,572	769,427
Operating expenses:			
Sales and marketing	286,584	501,021	649,657
Research and development	116,400	288,619	313,777
General and administrative	34,265	77,341	86,401
Total operating expenses	437,249	866,981	1,049,835
Loss from operations	(104,626)	(348,409)	(280,408)
Other expense, net	(1,290)	(26,377)	(9,306)
Loss before provision for income taxes	(105,916)	(374,786)	(289,714)
Provision for income taxes	2,317	4,852	7,447
Net loss	$ (108,233)	$ (379,638)	$ (297,161)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (2.46)	$ (2.96)	$ (1.81)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	43,970,381	128,295,563	164,091,302

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

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Fiscal Year Ended July 31,		
	2016 *As Adjusted	2017 *As Adjusted	2018
		(in thousands)	
Net loss	$ (108,233)	$ (379,638)	$ (297,161)
Other comprehensive income (loss), net of tax:			
Change in unrealized gain (loss) on available-for-sale securities, net of tax	2	(94)	(896)
Comprehensive loss	$ (108,231)	$ (379,732)	$ (298,057)

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

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' (DEFICIT) EQUITY

	Convertible Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit *As Adjusted	Total Stockholders' (Deficit) Equity *As Adjusted
			(in thousands, except share data)					
Balance - July 31, 2015	76,319,511	$ 310,379	44,797,201	$ 1	$ 38,713	$ (14)	$ (273,434)	$ (234,734)
Cumulative effect of adjustment from adoption of ASC 606	—	—	—	—	—	—	30,222	30,222
Stock-based compensation	—	—	—	—	20,056	—	—	20,056
Issuance of common stock upon exercise of stock options	—	—	1,573,577	—	2,675	—	—	2,675
Vesting of early exercised stock options	—	—	—	—	3,205	—	—	3,205
Repurchase of common stock from early exercised stock options	—	—	(287,127)	—	—	—	—	—
Excess tax benefit from stock-based compensation	—	—	—	—	980	—	—	980
Other comprehensive loss	—	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	(108,233)	(108,233)
Balance - July 31, 2016	76,319,511	310,379	46,083,651	1	65,629	(12)	(351,445)	(285,827)
Conversion of convertible preferred stock to common stock upon IPO	(76,319,511)	(310,379)	76,319,511	2	310,377	—	—	310,379
Issuance of class A common stock upon IPO, net of issuance costs	—	—	17,100,500	1	249,169	—	—	249,170
Reclassification of convertible preferred stock warrant liability to APIC upon IPO	—	—	—	—	30,812	—	—	30,812
Issuance of common stock upon exercise of common stock warrants	—	—	775,554	—	77	—	—	77
Stock-based compensation	—	—	—	—	231,491	—	—	231,491
Issuance of common stock through employee equity incentive plans, net of repurchases	—	—	10,871,714	—	14,956	—	—	14,956
Issuance of common stock from ESPP purchase	—	—	1,246,054	—	16,946	—	—	16,946
Issuance of common stock for acquisitions	—	—	2,239,536	—	27,063	—		27,063
Vesting of early exercised stock options	—	—	—	—	1,614	—	—	1,614
Cumulative effect adjustment from adoption of ASU 2016-09	—	—	—	—	—	—	114	114
Other comprehensive income	—	—	—	—	—	(94)		(94)
Net loss	—	—	—	—	—	—	(379,638)	(379,638)
Balance - July 31, 2017	—	—	154,636,520	4	948,134	(106)	(730,969)	217,063
Issuance of common stock through employee equity incentive plans, net of repurchases	—	—	14,492,922	—	33,037	—	—	33,037
Issuance of common stock from ESPP purchase	—	—	2,417,850	—	39,009	—	—	39,009
Issuance of common stock for acquisitions	—	—	1,310,790	—	63,780	—		63,780
Vesting of early exercised stock options	—	—	—	—	681	—	—	681
Stock-based compensation	—	—	—	—	177,868	—	—	177,868
Equity component of convertible senior notes, net	—	—	—	—	148,598	—	—	148,598
Purchase of bond hedges related to the convertible senior notes	—	—	—	—	(143,175)			(143,175)
Sale of warrants related to the convertible senior notes					87,975			87,975
Other comprehensive loss	—	—	—	—	—	(896)	—	(896)
Net loss	—	—	—	—	—	—	(297,161)	(297,161)
Balance - July 31, 2018	—	$ —	172,858,082	$ 4	$ 1,355,907	$ (1,002)	$ (1,028,130)	$ 326,779

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

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended July 31,		
	2016 *As Adjusted	2017 *As Adjusted	2018
		(in thousands)	
Cash flows from operating activities:			
Net loss	$ (108,233)	$ (379,638)	$ (297,161)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	26,408	38,399	50,302
Stock-based compensation	20,056	231,491	177,868
Amortization of debt discount and issuance cost	—	—	14,685
Change in fair value of contingent consideration	—	1,924	(2,423)
Change in fair value of convertible preferred stock warrant liability	(2,004)	21,133	—
Loss on debt extinguishment	—	3,320	—
Other	129	764	(962)
Changes in operating assets and liabilities:			
Accounts receivable, net	(71,406)	(67,382)	(79,273)
Deferred commissions	(21,724)	(24,006)	(40,852)
Prepaid expenses and other assets	(3,460)	(15,830)	(37,359)
Accounts payable	19,985	21,280	(16,469)
Accrued compensation and benefits	10,709	32,687	27,877
Accrued expenses and other liabilities	(1,209)	5,116	34,295
Deferred revenue	134,385	144,564	262,027
Net cash provided by operating activities	3,636	13,822	92,555
Cash flows from investing activities:			
Purchases of investments	(106,345)	(242,525)	(716,417)
Maturities of investments	102,135	84,156	297,461
Sales of investments	—	32,640	—
Purchases of property and equipment	(42,294)	(50,181)	(62,372)
Payments for business combinations, net of cash acquired	—	(184)	(22,227)
Net cash used in investing activities	(46,504)	(176,094)	(503,555)
Cash flows from financing activities:			
Proceeds from issuance of convertible senior notes, net	—	—	563,587
Payments for convertible note hedges	—	—	(143,175)
Proceeds from issuance of warrants	—	—	87,975
Proceeds from sales of shares through employee equity incentive plans, net of repurchases	3,149	32,254	72,010
Payment of debt in conjunction with business combinations	—	(7,124)	(1,696)
Payments of offering costs	(3,186)	(1,717)	(85)
Proceeds from initial public offering, net of underwriting discounts and commissions	—	254,455	—
Repayment of senior notes	—	(75,000)	—
Debt extinguishment costs	—	(1,580)	—
Proceeds from issuance of senior notes, net	73,255	—	—
Other	980	134	—
Net cash provided by financing activities	74,198	201,422	578,616
Net increase in cash and cash equivalents	31,330	39,150	167,616
Cash and cash equivalents—beginning of period	67,879	99,209	138,359
Cash and cash equivalents—end of period	$ 99,209	$ 138,359	$ 305,975

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended July 31,		
	2016 *As Adjusted	2017 *As Adjusted	2018
		(in thousands)	
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$ 2,455	$ 5,213	$ 10,116
Cash paid for interest	$ 2,188	$ 1,271	$ —
Supplemental disclosures of non-cash investing and financing information:			
Issuance of common stock for business combinations	$ —	$ 27,063	$ 63,780
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 5,007	$ 5,591	$ 13,444
Vesting of early exercised stock options	$ 3,205	$ 1,614	$ 681
Offering costs included in accounts payable	$ 902	$ 85	$ —
Conversion of convertible preferred stock to common stock, net of issuance costs	$ —	$ 310,379	$ —
Reclassification of convertible preferred stock warrant liability to additional paid-in capital	$ —	$ 30,812	$ —

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

See the accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OVERVIEW AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 that digitizes traditional silos of enterprise computing, converging compute, virtualization, storage, networking, desktop, governance and security services in one integrated solution. We primarily sell our products and services to end customers through distributors, resellers and original equipment manufacturers ("OEMs") (collectively, "Partners").

Initial Public Offering

In October 2016, we completed our initial public offering ("IPO") of Class A common stock, in which we sold 17,100,500 shares, including 2,230,500 shares pursuant to the underwriters' over-allotment option. The shares were sold at an IPO price of $16.00 per share for net proceeds of $254.5 million, after deducting underwriting discounts and commissions of $19.2 million. Additionally, we incurred approximately $5.3 million offering costs. Immediately prior to the closing of our IPO, all outstanding shares of common stock were reclassified as Class B common stock, and all outstanding shares of our convertible preferred stock automatically converted into 76,319,511 shares of common stock on a one-to-one basis and then reclassified as shares of Class B common stock. Following the IPO, we have two classes of authorized common stock, Class A common stock, which entitles holders to one vote per share, and Class B common stock which entitles holders to 10 votes per share. Immediately prior to the closing of our IPO, 824,024 outstanding convertible preferred stock warrants automatically converted to common stock warrants, and then were reclassified as Class B common stock warrants. As a result of the automatic conversion of the convertible preferred stock warrants to Class B common stock warrants, we revalued the convertible preferred stock warrants as of the completion of the IPO and reclassified the outstanding preferred stock warrant liability balance to additional paid-in capital with no further remeasurements, as the common stock warrants are now deemed permanent equity. As of July 31, 2018, there were 34,180 Class B common stock warrants outstanding.

Principles of Consolidation

The accompanying 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"). All intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no impact on the previously reported net loss or accumulated deficit.

Effective August 1, 2017, we adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASC 606"), as discussed in detail in Note 3. All amounts and disclosures set forth in this Annual Report on Form 10-K have been updated to comply with ASC 606, as indicated by the "as adjusted" note. Certain prior period amounts have been adjusted as a result of our adoption of ASC 606. Refer to "Recently Adopted Accounting Pronouncements" below for more information.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such management estimates include, but are not limited to, the best estimate of selling prices for products and related support; useful lives of intangible assets and property and equipment; allowance for doubtful accounts; determination of fair value of common stock and convertible preferred stock, fair value of stock-based awards and convertible preferred stock warrant liability; accounting for income taxes, including the valuation allowance on deferred tax assets and uncertain tax positions; warranty liability; fair value of contingent consideration in a business combination; sales commissions expense; and contingencies and litigation. Management evaluates these estimates and assumptions on an ongoing basis using historical experience and other factors and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

Concentration Risk

Credit Risk—Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. We invest only in high-quality credit instruments and maintain our cash and cash equivalents and available-for-sale investments in fixed income securities. Management believes that the financial institutions that hold our investments are financially sound and, accordingly, are subject to minimal credit risk. Our deposits are with multiple institutions, however such deposits may exceed federally insured limits. We provide credit, in the normal course of business, to a number of companies and perform credit evaluations of our customers.

Concentration of Revenue and Accounts Receivable — We sell our products primarily through Partners and occasionally directly to end customers. For the fiscal years ended July 31, 2016, 2017 and 2018, no end customer accounted for more than 10% of total revenue.

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

	Revenue			Accounts Receivable as of July 31,	
	Fiscal Year Ended July 31,				
Partners	2016 As Adjusted (2)	2017 As Adjusted (2)	2018	2017	2018
Partner A	14%	(1)	10%	(1)	16%
Partner B	18%	19%	20%	12%	13%
Partner C	13%	16%	18%	14%	15%
Partner D	11%	10%	(1)	20%	(1)
Partner E	10%	(1)	(1)	(1)	(1)
Partner F	15%	14%	13%	18%	12%

(1) Less than 10%
(2) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

Vendor Risk — We rely on a limited number of suppliers for our contract manufacturing and certain raw material components. In instances where suppliers fail to perform their obligations, we may be unable to find alternative suppliers or satisfactorily deliver our products to our customers on time.

Summary of Significant Accounting Policies

Cash, Cash Equivalents and Short-Term Investments

We classify all highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents and all highly liquid investments with stated maturities of greater than three months as marketable securities.

We determine the appropriate classification of our marketable securities at the time of purchase and reevaluate such designation as of each balance sheet date. We classify and account for our marketable securities as available-for-sale securities. We classify our marketable securities with stated maturities greater than twelve months as short-term investments due to our intent and ability to use these securities to support our current operations.

Our marketable securities are recorded at their estimated fair value. Unrealized gains or losses on available-for-sale securities are reported in other comprehensive income (loss). We periodically review whether our securities may be other-than-temporarily impaired, including whether or not (i) we have the intent to sell the security or (ii) it is more likely than not that we will be required to sell the security before its anticipated recovery. If one of these factors is met, we will record an impairment loss associated with our impaired investment. The impairment loss will be recorded as a write-down of investments in the consolidated balance sheets and a realized loss within other expense in the consolidated statements of operations.

Fair Value Measurement

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which to transact and the market-based risk. We apply fair value accounting for all assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The fair value of the Notes is determined based on the closing trading price per $100 of the Notes as of the last day of trading for the period.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. Credit is extended to customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for doubtful accounts.

The allowance for doubtful accounts is based on the best estimate of the amount of probable credit losses in existing accounts receivable. We evaluate the collectability of our accounts receivable based on known collection risks and historical experience. In circumstances where we are aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings or substantial downgrading of credit ratings), we record an allowance for doubtful accounts in order to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we record an allowance for doubtful accounts based on the length of time the receivable is past due and our historical experience of collections and write-offs.

The changes in the allowance for doubtful accounts are as follows:

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Allowance for doubtful accounts—beginning balance	$ 410	$ 132	$ 132
Charged to provision for doubtful accounts (credit)	(85)	—	815
Write-offs	(193)	—	(132)
Allowance for doubtful accounts—ending balance	$ 132	$ 132	$ 815

Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. We include the cost to acquire demonstration units and the related accumulated depreciation in property and equipment as such units are generally not available for sale. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets.

Business Combinations

We account for our acquisitions using the acquisition method. Goodwill is measured at the acquisition date as the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. Significant estimates and assumptions are made by management to value such assets and liabilities. Although we believe that those estimates and assumptions are reasonable and appropriate, they are inherently uncertain and subject to refinement. Additional information related to the acquisition date fair value of acquired assets and assumed liabilities obtained during the measurement period, not to exceed one year, may result in changes to the recorded values of such assets and liabilities, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly. We will record any adjustments to our preliminary estimates to goodwill, provided that it is within the one-year measurement period. Any contingent consideration payable is recognized at fair value at the acquisition date. Liability-classified contingent consideration is remeasured each reporting period, with changes in fair value recognized in earnings until the contingent consideration is settled.

Acquisition related costs incurred in connection with a business combination, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition that are not individually identified and separately recorded. The excess of the purchase price over the estimated fair value of net assets of businesses acquired in a business combination is recognized as goodwill.

Intangible assets consist of identifiable intangible assets, including developed technology, customer relationships and in-process research and development ("IPR&D"), resulting from business combinations. Finite-lived intangible assets are recorded at fair value, net of accumulated amortization. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization expense is included as a component of cost of product revenue and sales and marketing expense in the accompanying consolidated statements of operations. Amounts included in sales and marketing expense relate to customer relationships.

Goodwill and other intangible assets acquired in a business combination and determined to have an indefinite useful life, such as IPR&D, are not amortized, but instead tested for impairment at least annually, as of May 1 of each year. Such goodwill and other intangible assets may also be tested for impairment between annual tests in the presence of impairment indicators such as, but not limited to: (i) a significant adverse change in legal factors or in the business climate; (ii) a substantial decline in our market capitalization; (iii) an adverse action or assessment by a regulator; (iv) unanticipated competition; (v) loss of key personnel; (vi) a more likely-than-not expectation of the sale or disposal of a reporting unit or a significant portion thereof; (vii) a realignment of our resources or restructuring of our existing businesses in response to changes to industry and market conditions; (viii) testing for recoverability of a significant asset group within a reporting unit; or (ix) a higher discount rate used in the impairment analysis as impacted by an increase in interest rates.

Goodwill is tested for impairment by comparing the reporting unit's carrying value, including goodwill, to the fair value of the reporting unit. We operate under one reporting unit and for our annual goodwill impairment test, we determine the fair value of our reporting unit based on our enterprise value. We may elect to utilize a qualitative assessment to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. If, after assessing the qualitative factors, we determine that it is more likely than not that the fair value of our reporting unit is less than its carrying value, an impairment analysis will be performed. We compare the fair value of our reporting unit with its carrying amount and if the carrying value of the reporting unit exceeds its fair value, an impairment loss will be recognized.

Long-lived assets, such as property and equipment and finite-lived intangible assets subject to depreciation and amortization, are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Among the factors and circumstances we consider in determining recoverability are: (i) a significant decrease in the market price of a long-lived asset; (ii) a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition; (iii) a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator; (iv) an accumulation of costs significantly in excess of the amount originally expected for the acquisition; and (v) current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

There have been no indicators of impairment of goodwill, intangible assets or other long-lived assets, and we did not record any impairment losses during fiscal 2016, 2017 or 2018.

Revenue Recognition

Effective August 1, 2017, we adopted ASC 606 using the full retrospective method. Refer to Note 3 for a detailed discussion of accounting policies related to revenue recognition, including deferred revenue and commissions.

Cost of Revenue

Cost of revenue consists of cost of product revenue and cost of support, entitlements and other services revenue. Personnel costs associated with our operations and global customer support organizations consist of salaries, benefits and stock-based compensation. Allocated costs consist of certain facilities, depreciation and amortization, recruiting, and information technology costs allocated based on headcount.

Warranties

We generally provide a one-year warranty on hardware and a 90-day warranty on software licenses. The hardware warranty provides for parts replacement for defective components and the software warranty provides for bug fixes. With respect to the hardware warranty obligation, we have a warranty agreement with our contract manufacturers under which the contract manufacturers are generally required to replace defective hardware within three years of shipment. Furthermore, our post-contract customer support ("PCS") agreements provide for the same parts replacement that customers are entitled to under the warranty program, except that replacement parts are delivered according to targeted response times to minimize disruption to the customers' critical business applications. Substantially all customers purchase PCS agreements.

Given the warranty agreement with our contract manufacturers and considering that substantially all products are sold together with PCS agreements, we generally have very limited exposure related to warranty costs and therefore no warranty reserve has been recognized.

Research and Development

Our research and development expense consists primarily of product development personnel costs, including salaries and benefits, stock-based compensation and allocated facilities costs. Research and development costs are expensed as incurred.

Stock-Based Compensation

Stock-based compensation expense is measured based on the grant date fair value of share-based awards. The fair value of the stock options and purchase rights issued to employees under our 2016 Employee Stock Purchase Plan ("2016 ESPP") is estimated using the Black-Scholes-Merton ("Black-Scholes") option pricing model, which is impacted by the fair value of our common stock, as well as changes in assumptions regarding a number of subjective variables. These variables include the expected common stock price volatility over the term of the awards, the expected term of the awards, risk-free interest rates and expected dividend yield. We grant stock awards with service conditions only and with both service and performance conditions. We recognize stock-based compensation expense for employee stock awards with a service condition only using the straight-line method over the requisite service period of the awards, which is generally the vesting period. We use the accelerated attribution method to recognize stock-based compensation expense related to employee stock awards that contain both service and performance conditions. The fair value of the 2016 ESPP purchase rights is recognized as expense on a straight-line basis over the offering period. We account for forfeitures of all share-based awards when they occur.

We determine the fair value of stock awards issued to nonemployees on the date of grant, utilizing the Black-Scholes option pricing model. Stock-based compensation expense for stock awards issued to nonemployees is recognized over the requisite service period or when it is probable that the performance condition will be satisfied. Nonemployee awards subject to vesting are periodically remeasured to current fair value over the vesting period.

Foreign Currency

The functional currency of our foreign subsidiaries is the U.S. dollar. Transactions denominated in currencies other than the functional currency are remeasured at the average exchange rate in effect during the reporting period. At the end of each reporting period all monetary assets and liabilities of our subsidiaries are remeasured at the current U.S. dollar exchange rate at the end of the reporting period. Remeasurement gains and losses are included within other expense, net in the accompanying consolidated statements of operations. During the fiscal years ended July 31, 2016, 2017 and 2018, we recognized foreign currency losses of $1.5 million, $2.6 million and $3.6 million, respectively. To date, we have not undertaken any hedging transactions related to foreign currency exposure.

Segments

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer and Chief Financial Officer. This group allocates resources and assesses financial performance based upon discrete financial information at the consolidated level. Accordingly, we have determined that we operate as a single operating and reportable segment.

Income Taxes

We account for income taxes using the asset and liability method. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance on amounts that are more likely than not to be realized.

We record a liability for uncertain tax positions if it is not more likely than not to be sustained based solely on its technical merits as of the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and may not accurately anticipate actual outcomes.

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred in the consolidated statements of operations. During the fiscal years ended July 31, 2016, 2017 and 2018, advertising expense was $6.5 million, $13.0 million and $14.6 million, respectively.

Recently Adopted Accounting Pronouncements

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

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

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, with further clarifications made recently with the issuance of ASU 2018-03 and 2018-04. These new standards require equity securities to be measured at fair value, with changes in fair value recognized through net income, which results in greater variability in our net income. We adopted the standard on January 1, 2018 and it did not have any impact on the consolidated financial statements, since other than our investments in money market funds, which are reported as part of cash and cash equivalents, we do not have any other investments that are classified as equity securities. There are no unrealized gains or losses related to our investments in money market funds, as the fair value is equal to the face value.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard was effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We adopted this ASU effective November 1, 2017 and our adoption did not have any impact on the consolidated financial statements.

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

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

Recently Issued and Not Yet Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases, which requires recognition of right-to-use lease assets and lease liabilities for all leases, except for short-term leases, on the balance sheet of lessees. ASU 2016-02 is effective for us beginning August 1, 2019, with early adoption permitted. This new standard requires a modified retrospective transition approach and provides certain optional transition relief. We currently anticipate that the adoption of this standard will have a material impact on our consolidated balance sheets, given that we had operating lease commitments in excess of $100 million as of July 31, 2018. We expect that most of our operating lease commitments will be subject to the new standard and recognized as lease liabilities and right-of-use assets upon adoption, which will increase the total assets and total liabilities reported. However, we do not anticipate that the adoption of this standard will have a material impact on our consolidated statements of operations, as the expense recognition under this new standard will be similar to current practice.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This new standard will require us to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 is effective for us beginning August 1, 2018, with early adoption permitted. We will adopt this standard in the first quarter of fiscal 2019 and anticipate an increase in deferred tax assets, which will be offset by a valuation allowance, thus resulting in an immaterial net impact to our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This new standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. ASU 2016-18 is effective for us beginning August 1, 2018, with early adoption permitted. We do not believe that the adoption of this ASU will have a material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which aligns the accounting for share-based payment awards issued to nonemployees with the guidance applicable to grants to employees. Under the new standard, equity-classified share-based payment awards issued to nonemployees will be measured on the grant date, instead of the current requirement to remeasure the awards through the performance completion date. ASU 2018-07 is effective for us beginning August 1, 2019, with early adoption permitted. We do not believe that the adoption of this ASU will have a material impact on our consolidated financial statements.

NOTE 2. BUSINESS COMBINATIONS

We completed two acquisitions in each of fiscal 2017 and fiscal 2018. The purchase price allocation for these acquisitions, discussed in detail below, reflects various preliminary fair value estimates and analyses, including certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, income taxes, and goodwill, which are subject to change within the measurement period as preliminary valuations are finalized. Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined. We determined the fair values of the intangible assets with the assistance of a valuation firm. The estimation of the fair value of the intangible assets required the use of valuation techniques and entailed consideration of all the relevant factors that might affect the fair value, such as present value factors and estimates of future revenues and costs.

Our consolidated financial statements for the fiscal years ended July 31, 2017 and 2018 include the operations of the acquired companies from the dates the deals closed. Pro forma results of operations have not been presented because they are not material to our consolidated financial statements, either individually or in the aggregate. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill recognized in these acquisitions is primarily attributable to the synergies expected from the expanded market opportunities with our offerings and the knowledgeable and experienced workforce that joined us as part of the acquisitions. Goodwill will not be amortized, but will instead be tested for impairment annually, or more frequently if certain indicators of impairment are present.

Fiscal 2017 Acquisitions

Calm Acquisition

On August 22, 2016, we completed the acquisition of all outstanding shares of Calm.io Pte. Ltd. ("Calm"), a company based in Singapore, which specialized in container and DevOps automation, for an aggregate purchase price of approximately $7.7 million, net of cash acquired ("Calm Acquisition"). Total consideration consisted of 528,517 shares of our common stock and approximately $1.4 million of cash. The purchase price allocation primarily included approximately $4.8 million of goodwill and approximately $4.0 million of intangible assets, which primarily consisted of developed technology, to be amortized over an estimated economic life of approximately 4.8 years. Goodwill is not expected to be deductible for income tax purposes. We incurred approximately $0.6 million of acquisition-related costs.

PernixData Acquisition

On September 6, 2016, we completed the acquisition of PernixData, Inc. ("PernixData"), a company based in the U.S., which specialized in scale-out data acceleration and analytics, for an aggregate purchase price of $23.0 million, net of cash acquired ("PernixData Acquisition"). Total consideration consisted of 1,711,019 shares of our common stock and contingent consideration. Total potential contingent payments amounted to $19.0 million and may be payable over the next three years upon the achievement of certain operating milestones. Up to $7.5 million of the contingent payments were deemed to be part of the purchase price, which were limited based on certain closing conditions, including PernixData's working capital upon completion of the acquisition. Up to $11.5 million of the contingent payments also required future services to be provided to us by the related employees and are being recorded as compensation expense over the service period. The fair value of the contingent consideration considered to be part of the purchase price was $2.4 million as of the acquisition date and was net of expected limitations of $1.8 million due to closing conditions. We incurred approximately $0.7 million of acquisition-related costs.

The purchase price allocation primarily included $11.9 million of goodwill, which is expected to be deductible for income tax purposes, and intangible assets, consisting of $16.1 million related to IPR&D, $3.6 million related to developed technology, which will be amortized over an estimated economic life of five years, and $4.6 million related to customer relationships, which will be amortized over an estimated economic life of six years. During the first quarter of fiscal 2018, the technology related to the IPR&D was completed and made generally available. As such, we started amortizing the IPR&D during the first quarter of fiscal 2018. We are amortizing developed technology using the straight-line method over a useful life of five years.

Fiscal 2018 Acquisitions

Minjar Acquisition

On March 16, 2018, we completed the acquisition of Minjar, Inc. ("Minjar"), a privately held Delaware corporation with its offices in Bangalore, India ("Minjar Acquisition"). Minjar was a cloud technology solutions company, and the acquisition will complement and enhance our products, allowing us to offer customers new capabilities to better manage their multi-cloud deployments. At the close of the acquisition, all outstanding shares of Minjar capital stock and all in-the-money options and warrants to purchase Minjar capital stock were purchased or canceled in exchange for an aggregate purchase price of approximately $19.3 million, consisting of $18.8 million in cash and approximately $0.5 million of holdback liability. The holdback liability represents deferred payments to Minjar's former key employees to be released in installments during the two years following the date of acquisition. As the release of these deferred payments is not contingent upon the future and continued service, the $0.5 million holdback liability, which approximated fair value, was considered as part of the purchase price.

Certain portions of the consideration for the acquisition had been placed in escrow to secure the indemnification obligations of certain Minjar security holders. In addition to the $19.3 million purchase price, we also entered into employee holdback or deferred payment arrangements with former employees of Minjar who joined us after the acquisition, totaling approximately $4.4 million. As payment of these deferred payments is contingent upon the continuous service of the employees, they are being accounted for as compensation over the required service period of two years.

The preliminary purchase price allocation primarily includes approximately $18.0 million of goodwill, $7.0 million of intangible assets, which primarily consists of approximately $5.6 million related to developed technology and $1.4 million related to customer relationships, both of which will be amortized over an estimated economic life of five years, and $5.7 million of deferred income tax and other tax liabilities. Goodwill is not expected to be deductible for income tax purposes.

We recognized approximately $0.6 million of acquisition-related costs, which were expensed as incurred, as general and administrative expenses in the consolidated statement of operations during the fiscal year ended July 31, 2018.

Netsil Acquisition

On March 22, 2018, we completed the acquisition of Netsil Inc. ("Netsil"), a privately held Delaware corporation headquartered in San Francisco, California ("Netsil Acquisition"). This acquisition represents an opportunity for us to accelerate our ability to deliver native multi-cloud operations with the addition of application discovery and operations management. The aggregate purchase price of approximately $67.5 million consisted of approximately $3.7 million in cash and 1,206,364 unregistered shares of our Class A common stock with an aggregate fair value of approximately $63.8 million. The fair value of the shares of common stock issued was determined to be $52.87 per share, the closing price of our stock on March 22, 2018. Certain portions of the consideration for the acquisition, both cash and shares of our Class A common stock, have been placed in escrow to secure the indemnification obligations of certain Netsil security holders.

We also entered into employee holdback or deferred payment arrangements with the founders of Netsil who joined us after the acquisition, whereby we issued 104,426 unregistered shares of our Class A common stock to the founders subject to their continuous employment with us for two years. The fair value of the Class A common stock issued pursuant to the holdback arrangements was approximately $5.5 million, or $52.87 per share, the closing price of our Class A common stock on March 22, 2018. This holdback is being accounted for as stock-based compensation over the required two-year service period.

The preliminary purchase price allocation primarily includes approximately $53.1 million of goodwill, $19.0 million of intangible assets, primarily related to developed technology, which will be amortized over an estimated economic life of seven years, $2.6 million of deferred income tax liabilities, and $1.4 million of assumed debt. Goodwill is not expected to be deductible for income tax purposes.

We recognized approximately $0.4 million of acquisition-related costs, which were expensed as incurred, as general and administrative expenses in the consolidated statement of operations during the fiscal year ended July 31, 2018.

The following table presents the preliminary aggregate purchase price allocation related to the acquisitions completed during fiscal 2017 and fiscal 2018:

	As of July 31,	
	2017	2018
	(in thousands)	
Goodwill	$ 16,672	$ 71,087
Amortizable intangible assets	28,230	25,920
Tangible assets acquired	2,884	842
Liabilities assumed	(16,988)	(11,041)
Total consideration	$ 30,798	$ 86,808

Note 3. REVENUE, DEFERRED REVENUE AND DEFERRED COMMISSIONS

Revenue Recognition

Effective August 1, 2017, we adopted ASC 606 using the full retrospective method, which required a recast of historical financial information to conform with the standard. The most significant impact of ASC 606 on our historical financial information relates to the timing of revenue recognition for certain software licenses sold with PCS, for which we did not have vendor specific objective evidence ("VSOE") of fair value under the previous revenue recognition guidance. Under ASC 606, the requirement to have VSOE for undelivered elements was eliminated and we now recognize revenue for such software licenses upon transfer of control to the customer. In addition, the adoption of ASC 606 also resulted in differences in the timing of recognition of contract costs, such as sales commissions, as well as the corresponding impact to the provision for income taxes. The adoption of the standard had no significant impact on the provision for income taxes and had no impact on the net cash from or used in operating, investing or financing activities on the consolidated statements of cash flows. See "ASC 606 Adoption Impact to Previously Reported Results" below for the impact of the adoption of the standard on the consolidated financial statements.

ASC 606 Adoption Impact to Previously Reported Results

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

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

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

Selected consolidated statement of operations line items, adjusted for the adoption of ASC 606, are as follows:

	Fiscal Year Ended July 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands, except per share data)		
Revenue			
Product	$ 350,798	$ 63,112	$ 413,910
Support, entitlements and other services	94,130	(4,630)	89,500
Total revenue	$ 444,928	$ 58,482	$ 503,410
Gross profit	$ 274,141	$ 58,482	$ 332,623
Operating expenses			
Sales and marketing expenses	$ 288,493	$ (1,909)	$ 286,584
Loss from operations	$ (165,017)	$ 60,391	$ (104,626)
Net loss	$ (168,499)	$ 60,266	$ (108,233)
Basic and diluted net loss per share	$ (3.83)	$ 1.37	$ (2.46)

	Fiscal Year Ended July 31, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands, except per share data)		
Revenue			
Product	$ 583,011	$ 90,286	$ 673,297
Support, entitlements and other services	183,858	(11,252)	172,606
Total revenue	$ 766,869	$ 79,034	$ 845,903
Gross profit	$ 439,538	$ 79,034	$ 518,572
Operating expenses			
Sales and marketing expenses	$ 500,529	$ 492	$ 501,021
Loss from operations	$ (426,951)	$ 78,542	$ (348,409)
Net loss	$ (458,011)	$ 78,373	$ (379,638)
Basic and diluted net loss per share	$ (3.57)	$ 0.61	$ (2.96)

Revenue by geographic location, based on bill-to location, adjusted for the adoption of ASC 606, is as follows:

	Fiscal Year Ended July 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
	(in thousands)		
U.S.	$ 280,800	$ 38,496	$ 319,296
Europe, the Middle East and Africa	81,320	(15,721)	65,599
Asia Pacific	63,610	33,113	96,723
Other Americas	19,198	2,594	21,792
Total revenue	$ 444,928	$ 58,482	$ 503,410

	Fiscal Year Ended July 31, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
		(in thousands)	
U.S.	$ 462,770	$ 25,309	$ 488,079
Europe, the Middle East and Africa	139,170	(355)	138,815
Asia Pacific	131,921	54,943	186,864
Other Americas	33,008	(863)	32,145
Total revenue	$ 766,869	$ 79,034	$ 845,903

Selected consolidated statement of cash flows line items, adjusted for the adoption of ASC 606, are as follows:

	Fiscal Year Ended July 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted
		(in thousands)	
Cash flows from operating activities:			
Net loss	$ (168,499)	$ 60,266	$ (108,233)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred commissions	$ (19,813)	$ (1,911)	$ (21,724)
Accrued expenses and other liabilities	$ (1,336)	$ 127	$ (1,209)
Deferred revenue	$ 192,867	$ (58,482)	$ 134,385

	Fiscal Year Ended July 31, 2017		
	As Previously Reported	Impact of Adoption	As Adjusted
		(in thousands)	
Cash flows from operating activities:			
Net loss	$ (458,011)	$ 78,373	$ (379,638)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Deferred commissions	$ (24,495)	$ 489	$ (24,006)
Accrued expenses and other liabilities	$ 4,944	$ 172	$ 5,116
Deferred revenue	$ 223,598	$ (79,034)	$ 144,564

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

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

- *Identification of the performance obligations in the contract* — Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on their own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, we apply judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.
- *Determination of the transaction price* — The transaction price is determined based on the consideration to which we will be entitled in exchange for transferring goods or services to the customer.
- *Allocation of the transaction price to the performance obligations in the contract* — If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP"). We determine SSP based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, we estimate the SSP, taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.
- *Recognition of revenue when, or as, performance obligations are satisfied* — We satisfy performance obligations either over time or at a point in time, as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied with the transfer of a promised good or service to a customer.

Disaggregation of Revenue

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. Software delivered on configured to order appliances is not portable to other appliances and has a term equal to the life of the associated appliance, while separately purchased software typically has a term of one to five years. For the fiscal year ended July 31, 2018, the weighted average term for such software licenses was approximately 3.5 years. Configured to order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our OEM partners or directly from Nutanix. Our 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:

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Software revenue	$ 287,603	$ 436,981	$ 630,675
Hardware revenue	126,307	236,316	257,314
Support, entitlements and other services revenue	89,500	172,606	267,468
Total revenue	$ 503,410	$ 845,903	$ 1,155,457

Software revenue — A majority of our product revenue is generated from the sale of our enterprise cloud platform. We also sell renewals of previously purchased software licenses. 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, or upon making the software available to our customers when not sold with an appliance.

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.

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.

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

Contract balances — The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is recognized in the period goods are delivered or services are provided, or when the right to consideration is unconditional.

Payment terms on invoiced amounts are typically 30 days. The balance of accounts receivable, net of allowance for doubtful accounts, as of July 31, 2017 and 2018 is presented in the accompanying 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 commission expense in the 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. Sales commissions for renewals of customer contracts are not commensurate with the commissions paid for the acquisition of the initial contract given the substantive difference in commission rates in proportion to their respective contract values. Commissions paid upon the initial acquisition of a contract are amortized over the estimated period of benefit, which may exceed the term of the initial contract. Accordingly, the amortization of deferred costs is recognized on a systematic basis that is consistent with the pattern of revenue recognition allocated to each performance obligation and included in sales and marketing expense in the 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.

Deferred revenue — We record deferred revenue when cash payments are received in advance of performance. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date.

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

	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of July 31, 2016	$ 218,481	$ 49,522
Additions	317,170	101,152
Revenue/commissions recognized	(172,606)	(77,147)
Assumed in a business combination	6,011	—
Balance as of July 31, 2017 (1)	369,056	73,527
Additions	529,495	150,122
Revenue/commissions recognized	(267,468)	(109,270)
Assumed in a business combination	124	—
Balance as of July 31, 2018	$ 631,207	$ 114,379

(1) See details above for a summary of adjustments to deferred commissions and deferred revenue as a result of the adoption of ASC 606.

Of the $114.4 million deferred commissions balance as of July 31, 2018, we expect to recognize approximately 29% as commission expense over the next 12 months, and the remainder thereafter.

During the fiscal year ended July 31, 2017, we recognized revenue of approximately $101.6 million pertaining to amounts deferred as of July 31, 2016. During the fiscal year ended July 31, 2018, we recognized revenue of approximately $170.1 million pertaining to amounts deferred as of July 31, 2017.

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 $657.1 million as of July 31, 2018, of which we expect to recognize approximately 45% over the next 12 months, and the remainder thereafter.

NOTE 4. FAIR VALUE MEASUREMENTS

The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy based on the observability of the inputs available in the market used to measure fair value as follows:

- *Level I* — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;
- *Level II* — Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
- *Level III* — Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Cash equivalents and short-term investments

Our money market funds are classified within Level I due to the highly liquid nature of these assets and have unadjusted inputs, quoted prices in active markets for these assets at the measurement date from the financial institution that carries these investment securities. Our investments in available-for-sale debt securities such as commercial paper, corporate bonds and U.S. government securities are classified within Level II. The fair value of these securities is priced by using inputs based on non-binding market consensus prices that are corroborated by observable market data, quoted market prices for similar instruments, or pricing models such as discounted cash flow techniques.

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

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

	As of July 31, 2018			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 41,763	$ —	$ —	$ 41,763
Commercial paper	—	77,818	—	77,818
U.S. government securities	—	4,985	—	4,985
Short-term investments:				
Corporate bonds	—	448,458	—	448,458
Commercial paper	—	120,772	—	120,772
U.S. government securities	—	59,098	—	59,098
Total measured at fair value	41,763	711,131	—	752,894
Cash				181,409
Total cash, cash equivalents and short-term investments				$ 934,303
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 1,872	$ 1,872

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 2023 (the "Notes"). Financial instruments that are not recorded at fair value 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, 2017		As of July 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
Convertible senior notes, net	$ —	$ —	$ 429,598	$ 685,527

The carrying value of the Notes as of July 31, 2018 was net of the unamortized debt discount of $137.7 million and unamortized debt issuance costs of $7.7 million.

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

A summary of the changes in the fair value of our contingent consideration, characterized as Level 3 in the fair value hierarchy, is as follows:

	Fiscal Year Ended July 31,	
	2017	2018
	(in thousands)	
Contingent consideration—beginning balance	$ —	$ 4,295
Assumed in a business combination	2,371	—
Change in fair value [(1)]	1,924	(2,423)
Contingent consideration—ending balance	$ 4,295	$ 1,872

(1) Recognized in the consolidated statements of operations within general and administrative expenses.

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

NOTE 5. BALANCE SHEET COMPONENTS

Short-Term Investments

The amortized cost of our short-term investments approximates their fair value. As of July 31, 2017 and 2018, unrealized gains and losses from our short-term investments were not material. As of July 31, 2017 and 2018, securities that were in an unrealized loss position for more than 12 months were not material. Unrealized losses related to short-term investments are due to interest rate fluctuations, as opposed to credit quality. In addition, unless we need cash to support our current operations, we do not intend to sell and it is not likely that we would be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. As a result, at July 31, 2017 and 2018, there were no other-than-temporary impairments 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 July 31, 2018
	(in thousands)
Due within one year	$ 463,940
Due in one year through three years	164,388
Total	$ 628,328

Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Life	As of July 31,	
		2017	2018
	(in months)	(in thousands)	
Computer, production, engineering, and other equipment	36	$ 85,280	$ 131,805
Demonstration units	12	46,387	53,547
Leasehold improvements	(1)	10,562	19,916
Furniture and fixtures	60	4,744	7,636
Total property and equipment, gross		146,973	212,904
Less: Accumulated depreciation and amortization		(88,901)	(127,793)
Total property and equipment, net		$ 58,072	$ 85,111

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

Depreciation expense related to our property and equipment was $26.4 million, $36.2 million and $43.7 million for the fiscal years ended July 31, 2016, 2017 and 2018, respectively.

Intangible Assets, Net

Intangible assets, net consists of the following:

	As of July 31,	
	2017	2018
	(in thousands)	
Indefinite-lived intangible asset:		
In-process R&D [(1)]	$ 16,100	$ —
Finite-lived intangible assets:		
Developed technology [(1)]	7,300	47,500
Customer relationships	4,830	6,650
Total finite-lived intangible assets, gross	12,130	54,150
Total intangible assets, gross	28,230	54,150
Less:		
Accumulated amortization of developed technology	(1,314)	(6,956)
Accumulated amortization of customer relationships	(915)	(1,828)
Total accumulated amortization	(2,229)	(8,784)
Intangible assets, net	$ 26,001	$ 45,366

(1) We started amortizing in-process R&D during the first quarter of fiscal 2018, as the related technology was completed and made generally available in the first quarter of fiscal 2018. We are amortizing developed technology using the straight-line method over a useful life of five years. Based on the foregoing, the balance of in-process R&D is now presented as part of developed technology as of July 31, 2018.

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

The changes in the net book value of intangible assets, net are as follows:

	As of July 31,	
	2017	2018
	(in thousands)	
Intangible assets, net—beginning balance	$ —	$ 26,001
Acquired intangible assets	28,230	25,920
Amortization of intangible assets [(1)]	(2,229)	(6,555)
Intangible assets, net—ending balance	$ 26,001	$ 45,366

(1) Represents amortization expense related to finite-lived intangible assets recognized during the year in the consolidated statements of operations, within product cost of revenue and sales and marketing expenses.

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

Fiscal Year Ending July 31:	Amount (in thousands)
2019	$ 9,551
2020	9,511
2021	9,511
2022	8,314
2023	3,971
Thereafter	4,508
Total	$ 45,366

Goodwill

The changes in the carrying amount of goodwill are as follows:

	Carrying Amount (in thousands)
Balance at July 31, 2016	$ —
Acquired in Calm Acquisition	4,819
Acquired in PernixData Acquisition	11,853
Balance at July 31, 2017	16,672
Acquired in Netsil Acquisition	53,085
Acquired in Minjar Acquisition	18,002
Balance at July 31, 2018	$ 87,759

Other Assets—Non-Current

Other assets—non-current consists of the following:

	As of July 31, 2017	As of July 31, 2018
	(in thousands)	
Other tax assets—non-current	$ —	$ 30,927
Deferred tax assets—non-current	3,420	2,860
Other	4,229	4,068
Total other assets—non-current	$ 7,649	$ 37,855

Other tax assets—non-current as of July 31, 2018 represents a receivable associated with alternative minimum tax credit carryforwards which will be refundable as a result of the Tax Cuts and Jobs Act. For additional details, refer to Note 11.

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of July 31,	
	2017	2018
	(in thousands)	
Contributions to ESPP withheld	$ 14,371	$ 21,931
Accrued commissions	20,388	21,660
Accrued bonus	7,342	12,129
Accrued vacation	6,286	10,548
Payroll taxes payable	3,434	9,563
Other	5,700	9,567
Total accrued compensation and benefits	$ 57,521	$ 85,398

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of July 31,	
	2017	2018
	(in thousands)	
Income taxes payable (1)(2)	$ 3,873	$ 20,863
Accrued professional services	4,167	5,838
Other	1,667	4,981
Total accrued expenses and other current liabilities	$ 9,707	$ 31,682

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

(2) The increase in income taxes payable during the fiscal year ended July 31, 2018 was due primarily to a payable related to the alternative minimum tax associated with the migration of certain intangible assets. For additional details, refer to Note 11.

NOTE 6. DEBT

Senior Notes

In April 2016, we issued an aggregate principal amount of $75.0 million of senior notes due on April 15, 2019 (the "2019 Notes") to a lender. The 2019 Notes contained a guaranteed minimum return to the holder of the 2019 Notes (the "Guaranteed Minimum Return"). In September 2016, we fully repaid all outstanding principal balance of the 2019 Notes and incurred approximately $3.3 million of loss on debt extinguishment, which consisted of $1.7 million of unamortized debt issuance costs and $1.6 million of debt extinguishment costs primarily related to the Guaranteed Minimum Return.

Convertible Senior Notes

In January 2018, we issued Convertible Senior Notes with a 0% interest rate for an aggregate principal amount of $575.0 million, due in 2023 (the "Notes"), in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. This included $75.0 million in aggregate principal amount of the 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 Notes. The total net proceeds from the 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 Notes do not bear any interest and will mature on January 15, 2023, unless earlier converted or repurchased in accordance with their terms. The 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 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 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 $48.89 on July 31, 2018, the if-converted value of the Notes was greater than the principal amount. However, since 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 July 31, 2018, the Notes were not convertible during the fiscal quarter ending on July 31, 2018.

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 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 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 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" per the indenture governing the 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 Notes at a repurchase price equal to 100% of the principal amount of the repurchased Notes, plus accrued and unpaid interest.

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

In accounting for the issuance of the Notes, we separated the 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 Notes. The difference between the principal amount of the Notes and the liability component (the "debt discount") is amortized to interest expense using the effective interest method over the term of the Notes. The equity component of the Notes is included in additional paid-in capital in the 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 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 Notes. Transaction costs attributable to the liability component were approximately $8.5 million, recorded as debt issuance costs (presented as contra debt in the consolidated balance sheets), and are being amortized to interest expense over the term of the 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 Notes consisted of the following:

	As of July 31, 2018 (in thousands)
Principal amounts:	
Principal	$ 575,000
Unamortized debt discount (1)	(137,719)
Unamortized debt issuance costs (1)	(7,683)
Net carrying amount	$ 429,598
Carrying amount of equity component (2)	$ 148,598

(1) Included in the consolidated balance sheets within "Convertible senior notes, net" and amortized over the remaining life of the Notes using the effective interest rate method. The effective interest rate is 6.62%.
(2) Included in the consolidated balance sheets within additional paid-in capital, net of $3.0 million in equity issuance costs.

As of July 31, 2018, the remaining life of the Notes was approximately 53 months.

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

	Fiscal Year Ended July 31, 2018
	(in thousands)
Interest expense related to amortization of debt discount	$ 13,909
Interest expense related to amortization of debt issuance costs	776
Total interest expense	$ 14,685

Note Hedges and Warrants

Concurrently with the offering of the 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 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 consolidated balance sheet as of July 31, 2018. The fair value of the note hedges and warrants are not remeasured each reporting period. The amounts paid for the note hedges are tax deductible expenses, while the proceeds received from the warrants are not taxable.

Impact to Earnings per Share

The Notes will have no impact to 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 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 Notes when the price of our Class A common stock exceeds the conversion price. Under this method, the cumulative dilutive effect of the 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 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 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.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Operating Leases

We have commitments for future payments related to our office facility leases and other contractual obligations. We lease our office facilities under non-cancelable operating lease agreements expiring through 2024. Certain of these lease agreements have free or escalating rent payments. We recognize rent expense under such agreements on a straight-line basis over the lease term, with any free or escalating rent payments amortized as a reduction or addition of rent expense over the lease term.

Future minimum payments due under operating leases as of July 31, 2018 are as follows:

Fiscal Year Ending July 31:	Amount
	(in thousands)
2019	$ 26,158
2020	23,849
2021	21,749
2022	20,739
2023	17,115
Thereafter	12,718
Total	$ 122,328

Rent expense incurred under operating leases was $7.6 million, $12.7 million and $19.0 million for the fiscal years ended July 31, 2016, 2017 and 2018, respectively.

Purchase Commitments

In the normal course of business, we make commitments with our third-party hardware product manufacturers to manufacture our inventory and non-standard components based on our forecasts. These commitments consist of obligations for on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge for firm, non-cancelable and unconditional purchase commitments with our third-party hardware product manufacturers for non-standard components when and if quantities exceed our future demand forecasts through a charge to cost of product sales. As of July 31, 2018, we had approximately $23.1 million in the form of guarantees to our contract manufacturers related to certain components and approximately $36.7 million of other non-cancelable purchase commitments pertaining to our normal operations.

Guarantees and Indemnifications

We have entered into agreements with some of our Partners and customers that contain indemnification provisions in the event of claims alleging that our products infringe the intellectual property rights of a third party. The scope of such indemnification varies, and may include, in certain cases, the ability to cure the indemnification by modifying or replacing the product at our own expense, requiring the return and refund of the infringing product, procuring the right for the partner and/or customer to continue to use or distribute the product, as applicable, and/or defending the partner or customer against and paying any damages from third-party actions based upon claims of infringement. Other guarantees or indemnification arrangements include guarantees of product and service performance.

We have also agreed to indemnify our directors, executive officers and certain other officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person’s service as a director or officer, including any action by us, arising out of that person’s services as a director or officer of our company or that person’s services provided to any other company or enterprise at our request. We maintain director and officer insurance coverage that may enable us to recover a portion of any future amounts paid.

The fair value of liabilities related to indemnifications and guarantee provisions are not material and have not had any material impact on the consolidated financial statements to date.

Litigation

From time to time, we may become involved in various litigation and administrative proceedings relating to claims arising from our operations in the normal course of business. Management is not currently aware of any matters that may have a material adverse impact on our business, financial position, results of operations or cash flows.

NOTE 8. STOCKHOLDERS' EQUITY

Preferred Stock

Immediately prior to the closing of our IPO, we filed an Amended and Restated Certificate of Incorporation, which authorized the issuance of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our Board of Directors (the "Board"). As of July 31, 2018, there were 200,000,000 shares of preferred stock authorized with a par value of $0.000025 and no shares of preferred stock issued and outstanding.

Common Stock

In connection with our IPO, we established two classes of authorized common stock, Class A common stock and Class B common stock. All shares of common stock outstanding immediately prior to the IPO, including shares of common stock issued upon the conversion of the Convertible Preferred Stock, were converted into an equivalent number of shares of Class B common stock. As of July 31, 2018, we had 1,000,000,000 shares of Class A common stock authorized with a par value of $0.000025 per share and 200,000,000 shares of Class B common stock authorized with a par value of $0.000025 per share. As of July 31, 2018, we had 135,109,672 shares of Class A common stock issued and outstanding and 37,748,410 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 ten votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and are generally automatically converted into shares of our Class A common stock upon 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.

Common Stock Reserved for Issuance

As of July 31, 2018, we had reserved shares of common stock for future issuance as follows:

	As of July 31, 2018
Shares reserved for future equity grants	11,169,061
Shares underlying outstanding stock options	11,332,554
Shares underlying outstanding restricted stock units	23,597,499
Shares reserved for future employee stock purchase plan awards	1,682,461
Shares underlying outstanding common stock warrants	34,180
Total	47,815,755

NOTE 9. EQUITY AWARD PLANS

Stock Plans

In June 2010, we adopted the 2010 Stock Plan ("2010 Plan"), in December 2011, we adopted the 2011 Stock Plan ("2011 Plan"), and in December 2015, the Board adopted the 2016 Equity Incentive Plan ("2016 Plan"), which was amended in September 2016 (collectively, the "Stock Plans"). Our stockholders approved the 2016 Plan in March 2016 and it became effective in connection with our 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 ("ISOs"), non-statutory stock options ("NSOs"), restricted stock, RSUs and stock appreciation rights to employees, directors and consultants. We initially reserved 22,400,000 shares of our Class A common stock for issuance under the 2016 Plan. The number of shares of Class A common stock available for issuance under the 2016 Plan will also include an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 18,000,000 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, 2017, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 7,731,826 shares pursuant to these provisions. As of July 31, 2018, we had reserved a total of 46,133,294 shares for the issuance of equity awards under the Stock Plans, of which 11,169,061 shares were still available for grant. On August 1, 2018, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 8,642,904 shares pursuant to the automatic increase provisions.

Restricted Stock Units

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

	Fiscal Year Ended July 31,			
	2017		2018	
	Number of Shares	Grant Date Fair Value per Share	Number of Shares	Grant Date Fair Value per Share
Outstanding at beginning of period	12,265,369	$ 13.23	17,376,090	$ 18.85
Granted	12,986,597	$ 21.84	14,947,403	$ 39.44
Released	(6,146,169)	$ 15.63	(5,823,800)	$ 19.96
Canceled/forfeited	(1,729,707)	$ 13.57	(2,902,194)	$ 22.34
Outstanding at end of period	17,376,090	$ 18.85	23,597,499	$ 31.20

Performance RSUs — We grant RSUs that contain 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 liquidity events, including the expiration of a lock-up period established in connection with the IPO and/or specified 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. During the first quarter of fiscal 2017, we began to recognize stock-based compensation expense related to certain Performance RSUs with liquidity event performance conditions, as the satisfaction of the performance conditions for vesting became probable.

Stock Options

The Board determines the period over which stock options become exercisable and stock options generally vest over a four-year period. Stock options generally expire 10 years from the date of grant. The term of an ISO grant to a 10% stockholder will not exceed five years from the date of the grant. The exercise price of an ISO will not be less than 100% of the estimated fair value of the shares of common stock underlying the stock option (or 110% of the estimated fair value in the case of an ISO granted to a 10% stockholder) on the date of grant. The exercise price of an NSO is determined by the Board at the time of grant and is generally not less than 100% of the estimated fair value of the shares of common stock underlying the stock option on the date of grant.

The stock option activity under the Stock Plans is as follows:

	Fiscal Year Ended July 31,							
	2017				2018			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(in years)	(in thousands)			(in years)	(in thousands)
Outstanding at beginning of period	26,166,968 (1)	$ 4.39	7.5	$ 208,101	20,334,531	$ 4.59	6.4	$ 338,787
Options granted	1,047,950	$ 12.14			—	$ —		
Options exercised	(4,786,381)	$ 3.27			(8,672,623)	$ 3.81		
Options canceled/forfeited	(2,094,006)	$ 8.89			(329,354)	$ 6.63		
Outstanding at end of period	20,334,531	$ 4.59	6.4	$ 338,787	11,332,554	$ 5.12	5.6	$ 496,022
Exercisable at end of period	19,645,676	$ 4.43	6.3	$ 330,486	11,159,045	$ 5.01	5.5	$ 489,682
Vested and expected to vest at end of period	20,334,531	$ 4.59	6.4	$ 338,787	11,332,554	$ 5.12	5.6	$ 496,022

(1) Includes 455,000 stock options with both service and performance conditions with a weighted average fair value per share of $3.78 (the "Performance Stock Options"). Vesting of the Performance Stock Options was subject to continuous service with us (the "service condition") and satisfaction of certain liquidity events (the "performance condition"). We recognized cumulative stock-based compensation expense related to the Performance Stock Options in the first quarter of fiscal 2017, as the performance condition was met upon the successful completion of our IPO. The cumulative stock-based compensation expense recorded in the first quarter of fiscal 2017 was for the portion of the awards for which the relevant service condition had been satisfied and the remaining expense is being recognized over the remaining service period.

Stock options exercisable as of July 31, 2017 includes 15,241,715 vested options and 4,403,961 unvested options with an early exercise provision. Stock options exercisable as of July 31, 2018 includes 9,660,757 vested options and 1,498,288 unvested options with an early exercise provision. The weighted average grant date fair value per share of stock options granted was $6.36 and $6.41 for the fiscal years ended July 31, 2016 and 2017, respectively. There were no options granted during fiscal 2018.

The aggregate intrinsic value of stock options exercised during the fiscal years ended July 31, 2016, 2017 and 2018 was $18.3 million, $73.9 million and $289.4 million, respectively. Aggregate intrinsic value represents the difference between the exercise price of the options and the estimated fair value of our common stock. Cash received from option exercises was $3.5 million, $15.6 million and $33.1 million for the fiscal years ended July 31, 2016, 2017 and 2018, respectively.

The total grant date fair value of stock options vested was $23.9 million, $16.1 million and $11.5 million for the fiscal years ended July 31, 2016, 2017 and 2018, respectively. The vested and expected to vest amounts included in the table above exclude 243,148 and 47,691 shares of early exercised stock options as of July 31, 2017 and 2018, respectively.

Employee Stock Purchase Plan

In December 2015, the Board adopted the 2016 ESPP, which was subsequently amended in January 2016 and September 2016 and approved by our stockholders in March 2016. The 2016 ESPP became effective in connection with our IPO. A total of 3,800,000 shares of Class A common stock were initially reserved for issuance under the 2016 ESPP. The number of shares of Class A common stock available for sale under the 2016 ESPP also includes an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 3,800,000 shares, 1% of the outstanding shares of 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, 2017, the number of shares of Class A common stock available for issuance under 2016 ESPP increased by 1,546,365 shares pursuant to these provisions.

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

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 fiscal year ended July 31, 2018, 2,417,850 shares of common stock were purchased under the 2016 ESPP for an aggregate amount of $39.0 million. As of July 31, 2018, 1,682,461 shares were available for future issuance under the 2016 ESPP. On August 1, 2018, the number of shares of Class A common stock available for issuance under the 2016 ESPP increased by 1,728,580 shares pursuant to the automatic increase provisions noted above.

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:

	Fiscal Year Ended July 31,	
	2017	2018
Expected term (in years)	0.75	0.75
Risk-free interest rate	0.6%	1.4%
Volatility	51.0%	49.8%
Dividend yield	—%	—%

Stock-Based Compensation

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

	Fiscal Year Ended July 31,		
	2016	2017	2018
		(in thousands)	
Cost of revenue:			
Product	$ 391	$ 3,066	$ 2,580
Support, entitlements and other services	968	10,411	8,945
Sales and marketing	8,006	78,117	65,060
Research and development	6,259	109,044	74,389
General and administrative	4,432	30,853	26,894
Total stock-based compensation expense	$ 20,056	$ 231,491	$ 177,868

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

As of July 31, 2018, unrecognized stock-based compensation expense related to the outstanding stock awards was approximately $647.9 million and is expected to be recognized over a weighted average period of approximately 2.7 years.

Determination of Fair Value

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option pricing model. Compensation expense related to options granted to nonemployees is recognized as the equity instruments vest, and such options are revalued at each reporting date. As a result, compensation expense related to unvested options granted to nonemployees fluctuates as the fair value of our common stock fluctuates.

The valuation model for stock-based compensation expense requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility of our common stock, risk-free interest rate and expected dividend yield.

The fair value of our stock options was estimated using the following weighted average assumptions:

	Fiscal Year Ended July 31,	
	2016	2017
Fair value of common stock	$ 14.81	$ 12.14
Expected term (in years)	6.1	6.1
Risk-free interest rate	1.6%	1.3%
Volatility	42%	52%
Dividend yield	—%	—%

We did not grant any stock options during fiscal 2018. The fair value of each grant of stock options was determined using the Black-Scholes option pricing model and the assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

Fair Value of Common Stock — Prior to our IPO, the fair value of the common stock underlying our stock options was determined by our Board. The valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The Board, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock at each grant date, including but not limited to, (i) contemporaneous valuations of common stock performed by unrelated third-party specialists; (ii) recent private stock sales transactions; (iii) the prices, rights, preferences and privileges of our convertible preferred stock relative to those of our common stock; (iv) the lack of marketability of our common stock; (v) developments in the business; (vi) the likelihood of achieving a liquidity event, such as an IPO or a merger or acquisition of our business, given prevailing market conditions; (vii) the market performance of comparable publicly traded companies; (viii) our actual operating and financial performance; (ix) U.S. and global capital market conditions; (x) the illiquidity of stock-based awards involving securities in a private company; (xi) our stage of development; and (xii) our history and the timing of the introduction of new products and services.

Subsequent to our IPO, we use the market closing price for our Class A common stock as reported on the NASDAQ Stock Market on the date of grant.

Expected Term — The expected term represents the period that the stock-based awards are expected to be outstanding. For option grants that are considered to be "plain vanilla," we determine the expected term using the simplified method as provided by the Securities and Exchange Commission. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

Risk-Free Interest Rate — The risk-free interest rate is based on U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Expected Volatility — Since we do not have a long trading history of our common stock, the expected volatility was derived from the average historical stock volatilities of several unrelated public companies within the industry that we consider to be comparable to our business over a period equivalent to the expected term of the stock option grants.

Dividend Rate — The expected dividend was assumed to be zero, as we have never paid dividends and have no current plans to do so.

NOTE 10. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Our Convertible Preferred Stock is considered a participating security. Participating securities do not have a contractual obligation to share in our losses. As such, for the periods we incur net losses, there is no impact on the calculated net loss per share attributable to common stockholders in applying the two-class method.

Basic net income (loss) per share is computed by dividing net income (loss) by 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 for the period, as their effect would be antidilutive. 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.

Net Loss Per Share Attributable to Class A and Class B Common Stockholders

The computation of basic and diluted net loss per share is as follows:

	Fiscal Year Ended July 31,		
	2016 As Adjusted [(1)]	2017 As Adjusted [(1)]	2018
	(in thousands, except share and per share data)		
Numerator:			
Net loss	$ (108,233)	$ (379,638)	$ (297,161)
Denominator:			
Weighted average shares—basic and diluted	43,970,381	128,295,563	164,091,302
Net loss per share—basic and diluted	$ (2.46)	$ (2.96)	$ (1.81)

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

The potential shares of common stock that would have been excluded from the computation of diluted net loss per share attributable to common stockholders for the fiscal years presented because including them would have been antidilutive are as follows:

	As of July 31,		
	2016	2017	2018
Convertible preferred stock	76,319,511	—	—
Outstanding stock options and RSUs	38,432,337	37,710,621	34,930,053
Employee stock purchase plan	—	1,447,385	1,310,653
Common stock subject to repurchase	954,215	243,148	47,691
Contingently issuable shares pursuant to a business combination	—	—	276,625
Common stock warrants	824,094	34,180	34,180
Total	116,530,157	39,435,334	36,599,202

Shares that will be issued in connection with our stock awards and shares that will be purchased under the employee stock purchase plan are generally automatically converted into shares of our Class A common stock. Shares issued in connection with an exercise of the common stock warrants are converted into shares of our Class B common stock and are voluntarily convertible into shares of Class A common stock at the option of the holder.

NOTE 11. INCOME TAXES

Income Taxes

Loss before provision for income taxes by fiscal year consisted of the following:

	Fiscal Year Ended July 31,		
	2016 As Adjusted (1)	2017 As Adjusted (1)	2018
		(in thousands)	
Domestic	$ (67,776)	$ (304,363)	$ (201,666)
Foreign	(38,140)	(70,423)	(88,048)
Loss before provision for income taxes	$ (105,916)	$ (374,786)	$ (289,714)

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

Provision for income taxes by fiscal year consisted of the following:

	Fiscal Year Ended July 31,		
	2016 As Adjusted (1)	2017 As Adjusted (1)	2018
		(in thousands)	
Current:			
U.S. federal	$ —	$ —	$ 2,059
State and local	140	193	429
Foreign	3,172	8,196	8,541
Total current taxes	3,312	8,389	11,029
Deferred:			
U.S. federal	—	(1,342)	(3,387)
State and local	—	13	(718)
Foreign	(995)	(2,208)	523
Total deferred taxes	(995)	(3,537)	(3,582)
Provision for income taxes	$ 2,317	$ 4,852	$ 7,447

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory income tax rate of 26.1% to pre-tax loss. The reconciliation of the statutory federal income tax and our effective income tax is as follows:

	Fiscal Year Ended July 31,		
	2016 As Adjusted (1)	2017 As Adjusted (1)	2018
		(in thousands)	
U.S. tax reform impact	$ —	$ —	$ 93,352
U.S. federal income tax at statutory rate	(36,011)	(127,427)	(75,779)
Stock-based compensation	3,655	6,701	(73,631)
Effect of foreign operations	15,144	16,891	26,117
Change in valuation allowance	19,268	86,941	25,274
Transfer pricing adjustments	—	11,822	4,584
Intangible asset migration	—	—	4,461
Non-deductible expenses	802	1,693	2,115
State income taxes	140	206	(290)
Warrant revaluation	(681)	7,185	—
Other	—	840	1,244
Total	$ 2,317	$ 4,852	$ 7,447

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

During the fiscal year ended July 31, 2016, we early adopted ASU 2015-17 on a prospective basis. As a result, we released $3.3 million of our non-current deferred tax assets, which are reported within other assets—non-current on the consolidated balance sheets, and $3.3 million of our current deferred tax liabilities, which are reported within accrued expenses and other liabilities on the consolidated balance sheets. We did not retrospectively adjust prior periods.

During the fiscal year ended July 31, 2017, our provision for income taxes was primarily attributable to foreign tax provisions in certain foreign jurisdictions in which we conduct business.

During the fiscal year ended July 31, 2018, our provision for income taxes was primarily attributable to the alternative minimum tax in the U.S. related to the migration of certain intangible assets and foreign tax provisions in certain foreign jurisdictions in which we conduct business, partially offset by a partial valuation allowance release in the U.S. due to acquisitions completed during fiscal 2018.

The temporary differences that give rise to significant portions of deferred tax assets and liabilities are as follows:

	As of July 31,	
	2017 As Adjusted (1)	2018
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforward	$ 135,929	$ 162,914
Tax credit carryforward	13,100	47,839
Deferred revenue	2,378	27,577
Stock-based compensation expense	27,512	21,252
Accruals and reserves	7,427	8,370
Property and equipment	1,118	—
Total deferred tax assets	187,464	267,952
Deferred tax liabilities:		
Deferred commission expense	(22,535)	(27,829)
Goodwill and intangible assets	(483)	(5,909)
Property and equipment	—	(3,870)
Other	(75)	(497)
Total deferred tax liabilities	(23,093)	(38,105)
Valuation allowance	(161,195)	(226,987)
Net deferred tax assets	$ 3,176	$ 2,860

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

Management believes that based on available evidence, both positive and negative, it is more likely than not that the U.S. deferred tax assets will not be utilized and as such, a full valuation allowance has been recorded.

The valuation allowance for deferred tax assets was $227.0 million as of July 31, 2018. The net increase in the total valuation allowance for the fiscal years ended July 31, 2017 and 2018 was $69.8 million and $65.8 million, respectively.

As of July 31, 2018, we had approximately $853.2 million of federal net operating loss carryforwards and $562.1 million of state net operating loss carryforwards available to reduce future taxable income, which will begin to expire in 2030. In addition, we had approximately $43.3 million of federal research credit carryforwards and $30.7 million of state research credit carryforwards. The federal credits will begin to expire in 2030 and the state credits can be carried forward indefinitely.

Utilization of the net operating loss and tax credit carryforwards may be subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. Any annual limitation may result in the expiration of net operating losses and credits before utilization. If an ownership change occurred, utilization of the net operating loss and tax credit carryforwards could be significantly reduced.

As of July 31, 2018, we held an aggregate of $146.5 million in cash and cash equivalents in our foreign subsidiaries, of which $122.6 million was denominated in U.S. dollars. None of our short-term investments were held in foreign subsidiaries as of July 31, 2018. We attribute net revenue, costs and expenses to domestic and foreign components based on the terms of our agreements with our subsidiaries. We do not provide for federal income taxes on the undistributed earnings of our foreign subsidiaries, as such earnings are to be reinvested offshore indefinitely. The income tax liability would be insignificant if these earnings were to be repatriated.

During the fiscal year ended July 31, 2018, we undertook an internal restructuring to align certain intangible assets with our U.S. business. These intangible assets will be subject to U.S. tax amortization.

We recognize uncertain tax positions in our financial statements if that position will more likely than not be sustained on audit, based on the technical merits of the position. A reconciliation of our unrecognized tax benefits, excluding accrued interest and penalties, is as follows:

	Fiscal Year Ended July 31,	
	2017	2018
	(in thousands)	
Balance at the beginning of the year	$ 19,711	$ 42,655
Increases related to current year tax positions	22,571	58,727
Increases related to prior year tax positions	373	4,893
Decreases related to prior year tax positions	—	(14,559)
Balance at the end of the year	$ 42,655	$ 91,716

During the fiscal year ended July 31, 2018, the increase in unrecognized tax positions was primarily attributable to federal and state research and development credits, intercompany charges and business combinations in fiscal 2018.

As of July 31, 2018, if uncertain tax positions are fully recognized in the future, it would result in a $7.4 million impact to our effective tax rate, and the remaining amount would result in adjustments to deferred tax assets and corresponding adjustments to the valuation allowance.

We recognize interest and/or penalties related to income tax matters as a component of income tax expense. As of July 31, 2018, we had recognized immaterial accrued interest and penalties related to uncertain tax positions.

We file income tax returns in the U.S. federal jurisdiction as well as various U.S. states and foreign jurisdictions. The tax years 2009 and forward remain open to examination by the major jurisdictions in which we are subject to tax. These fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in those early years, which have been carried forward and may be audited in subsequent years when utilized. We are subject to the continuous examination of income tax returns by various tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of the provision for income taxes. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from these examinations and do not anticipate a significant impact to the gross unrecognized tax benefits within the next 12 months related to these years.

Impact of U.S. Federal Income Tax Reform

In December 2017, the U.S. Congress passed and the President signed the Tax Cuts and Jobs Act ("TCJA"), which includes a broad range of tax reform proposals affecting businesses, including a federal corporate rate reduction from 35% to 21%, effective January 1, 2018, limitations on the deductibility of interest expense and executive compensation, the creation of new minimum taxes, such as the base erosion anti-abuse tax ("BEAT") and Global Intangible Low Taxed Income ("GILTI") tax and a new minimum tax on certain foreign earnings.

As a result, we are required to remeasure our U.S. deferred tax assets and liabilities at the new tax rate. Our U.S. operation is in a net deferred tax asset position, offset by a full valuation allowance. We reduced our net deferred tax assets and the corresponding valuation allowance by $93.8 million.

The TCJA includes a one-time mandatory repatriation transition tax on the net accumulated earnings and profits of a U.S. taxpayer's foreign subsidiaries. We have performed an earnings and profits analysis, and as a result of our overall deficit in net accumulated earnings and profits, there will be no transition tax income tax effect in the current period.

The income tax benefit and provision for the fiscal year ended July 31, 2018 are based on the assumption that foreign undistributed earnings are indefinitely reinvested. We will continue to evaluate whether or not to continue to assert indefinite reinvestment on part or all of our foreign undistributed earnings. In the event we determine not to continue to assert the permanent reinvestment of part or all of our foreign undistributed earnings, such a determination could result in the accrual and payment of additional foreign, state and local taxes.

We have not yet made a policy election with respect to our treatment of any potential GILTI tax. Companies can either account for taxes on GILTI as incurred or recognize deferred taxes when basis differences exist that are expected to affect the amount of the GILTI inclusion upon reversal. We are still in the process of analyzing the provisions of the TCJA associated with GILTI and the expected impact GILTI will have on us in the future.

Pursuant to SEC Staff Accounting Bulletin 118, which provides guidance on accounting for the tax effects of the TJCA, we will continue to evaluate the impact of various domestic and international provisions of the TCJA, as well as the impact of additional guidance that may be issued, to assess the full effects on our financial results.

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 area by bill-to location:

	Fiscal Year Ended July 31,		
	2016 As Adjusted (1)	2017 As Adjusted (1)	2018
		(in thousands)	
U.S.	$ 319,296	$ 488,079	$ 648,805
Europe, the Middle East and Africa	65,599	138,815	224,392
Asia Pacific	96,723	186,864	240,247
Other Americas	21,792	32,145	42,013
Total revenue	$ 503,410	$ 845,903	$ 1,155,457

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

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

As of July 31, 2017 and 2018, $63.3 million and $130.0 million, respectively, of our long-lived assets, net were located in the United States.

NOTE 13. RELATED-PARTY TRANSACTIONS

We enter into various transactions with related parties in the normal course of business. During the fiscal years ended July 31, 2016, 2017 and 2018, we did not have any material related party transactions.

In connection with the PernixData Acquisition, entities affiliated with Lightspeed Venture Partners, which owned approximately 36.7% of our outstanding Convertible Preferred Stock as of July 31, 2016, owned approximately 26.4% of the outstanding capital stock of PernixData immediately prior to the completion of the PernixData Acquisition. One member of our Board is affiliated with Lightspeed Venture Partners. As of July 31, 2018, entities affiliated with Lightspeed Venture Partners owned approximately 6.7% of our total outstanding Class A and Class B common stock.

NOTE 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following sets forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended July 31, 2018. The information for each of these quarters has been prepared on a basis consistent with our audited annual consolidated financial statements included elsewhere in this report and, in the opinion of management, includes all adjustments of a normal, recurring nature that are necessary for the fair presentation of the results of operations for these periods in accordance with U.S. GAAP. This data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. These historical quarterly operating results are not necessarily indicative of the results that may be expected for a full fiscal year or any future period.

	Three Months Ended							
	October 31, 2016 (1)	January 31, 2017 (1)	April 30, 2017 (1)	July 31, 2017 (1)	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018
	(unaudited, in thousands, except per share amounts)							
Revenue:								
Product	$ 153,536	$ 158,213	$ 160,076	$ 201,472	$ 219,052	$ 223,170	$ 221,117	$ 224,650
Support, entitlements and other services	35,025	41,001	45,594	50,986	56,500	63,574	68,296	79,098
Total revenue	188,561	199,214	205,670	252,458	275,552	286,744	289,413	303,748
Cost of revenue:								
Product (3)(4)	52,210	58,403	62,593	76,187	85,162	83,217	66,680	41,068
Support, entitlements and other services (3)	17,552	18,443	20,613	21,330	23,460	25,311	28,935	32,197
Total cost of revenue	69,762	76,846	83,206	97,517	108,622	108,528	95,615	73,265
Gross profit	118,799	122,368	122,464	154,941	166,930	178,216	193,798	230,483
Operating expenses:								
Sales and marketing (3)(4)	128,625	111,374	126,746	134,276	145,405	151,201	169,860	183,191
Research and development (3)	75,281	70,914	74,607	67,817	64,512	70,924	81,291	97,050
General and administrative (3)	29,372	15,481	15,610	16,878	16,052	15,948	24,929	29,472
Total operating expenses	233,278	197,769	216,963	218,971	225,969	238,073	276,080	309,713
Loss from operations	(114,479)	(75,401)	(94,499)	(64,030)	(59,039)	(59,857)	(82,282)	(79,230)
Other income (expense), net	(25,712)	(421)	303	(547)	(189)	(861)	(4,235)	(4,021)
Loss before provision for income taxes	(140,191)	(75,822)	(94,196)	(64,577)	(59,228)	(60,718)	(86,517)	(83,251)
Provision for income taxes	111	547	2,639	1,555	2,259	1,913	(843)	4,118
Net loss	$ (140,302)	$ (76,369)	$ (96,835)	$ (66,132)	$ (61,487)	$ (62,631)	$ (85,674)	$ (87,369)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted (2)	$ (1.89)	$ (0.54)	$ (0.67)	$ (0.43)	$ (0.39)	$ (0.39)	$ (0.51)	$ (0.51)

(1) Adjusted to include the impact of ASC 606. Refer to Note 3 for more details on the impact of the adoption of this standard.

(2) Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share amounts may not equal annual basic and diluted per share amounts.

(3) Includes stock-based compensation as follows:

	Three Months Ended							
	October 31, 2016	January 31, 2017	April 30, 2017	July 31, 2017	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018
	(unaudited, in thousands)							
Product cost of sales	$ 966	$ 848	$ 610	$ 642	$ 570	$ 684	$ 634	$ 692
Support, entitlements and other services cost of sales	3,350	2,389	2,471	2,201	2,072	2,133	1,951	2,789
Sales and marketing	33,891	15,528	15,726	12,972	13,766	15,942	18,051	17,301
Research and development	34,026	28,759	27,041	19,218	15,542	17,023	16,474	25,350
General and administrative	18,495	5,083	4,503	2,772	3,565	6,229	7,836	9,264
Total	$ 90,728	$ 52,607	$ 50,351	$ 37,805	$ 35,515	$ 42,011	$ 44,946	$ 55,396

(4) Includes amortization of intangible assets as follows:

	Three Months Ended							
	October 31, 2016	January 31, 2017	April 30, 2017	July 31, 2017	October 31, 2017	January 31, 2018	April 30, 2018	July 31, 2018
	(unaudited, in thousands)							
Product cost of sales	$ 238	$ 360	$ 358	$ 358	$ 895	$ 1,164	$ 1,447	$ 2,135
Sales and marketing	167	248	250	250	211	192	222	289
Total	$ 405	$ 608	$ 608	$ 608	$ 1,106	$ 1,356	$ 1,669	$ 2,424

NOTE 15. SUBSEQUENT EVENT

Frame Acquisition

On August 24, 2018, we completed the acquisition of Mainframe2, Inc., ("Frame"), a privately held Delaware corporation with its principal offices in San Mateo, California. Frame provides a cloud-based Windows desktop and application delivery service. The aggregate preliminary purchase price of approximately $129.7 million consisted of approximately $26.7 million in cash and 1,807,576 unregistered shares of our Class A common stock with an aggregate fair value of approximately $103.0 million. The fair value of the shares of common stock issued was determined to be $56.97 per share, the closing price of our stock on August 24, 2018. Certain portions of the consideration for the acquisition, both cash and shares of our Class A common stock, have been placed in escrow to secure the indemnification obligations of certain Frame security holders.

We also entered into employee holdback or deferred payment arrangements with certain employees of Frame who joined Nutanix after the acquisition, totaling approximately $6.6 million. As payment of these deferred payments is contingent upon the continuous service of the employees, they are being accounted for as compensation over the required service period of three years. In addition, we also issued 643,746 unregistered shares of our Class A common stock to these Frame employees subject to their continuous employment with us. The fair value of the Class A common stock issued pursuant to the holdback arrangements was approximately $36.7 million, or $56.97 per share, the closing price of our Class A common stock on August 24, 2018. This holdback will be accounted for as stock-based compensation over the required three-year service period.

We are currently in the process of finalizing the accounting for this transaction and expect to complete our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of the first quarter of fiscal 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act")) prior to the filing of this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were, in design and operation, effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Exchange Act. Internal control over financial reporting consists of policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) are designed and operated to provide reasonable assurance regarding the reliability of our financial reporting and our process for the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Our management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of July 31, 2018.

The effectiveness of our internal control over financial reporting as of July 31, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Limitations on the Effectiveness of Controls

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this item is incorporated herein by reference to our definitive proxy statement for our 2018 annual meeting of stockholders ("2018 Proxy Statement"), which will be filed not later than 120 days after the end of our fiscal year ended July 31, 2018.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to our 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated herein by reference to our 2018 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated herein by reference to our 2018 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to our 2018 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Consolidated Financial Statements

We have filed the consolidated financial statements listed in the Index to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable, not material, or the required information is shown in the consolidated financial statements or the notes thereto.

(a)(3) Exhibits

See the Exhibit Index below in this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

		Incorporated by Reference				
Number	**Exhibit Title**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Amended and Restated Certificate of Incorporation.	10-Q	001-37883	3.1	12/8/2016	
3.2	Amended and Restated Bylaws.	S-1/A	333-208711	3.4	5/27/2016	
4.1	Amended and Restated Investors' Rights Agreement, dated as of August 26, 2014, as amended, by and among the Registrant and certain of its stockholders.	S-1	333-208711	4.1	12/22/2015	
4.2	Specimen Class A Common Stock Certificate of the Registrant.	S-1/A	333-208711	4.2	4/4/2016	
4.3	Form of Warrant to Purchase Shares of Capital Stock by and between the Registrant and certain of its investors.	S-1	333-208711	4.3	12/22/2015	
4.4	Indenture, dated as of January 22, 2018, between Nutanix, Inc. and U.S. Bank National Association and Form of 0% Convertible Senior Note due 2023.	8-K	001-37883	4.1	1/23/2018	
10.1†	Memorandum of Understanding by and between the Registrant and Flextronics Telecom Systems Limited, executed on March 13, 2017.	10-Q/A	001-37883	10.1	7/5/2017	
10.2	Form of Indemnification Agreement by and between the Registrant and each of its directors and executive officers.	S-1	333-208711	10.1	12/22/2015	
10.3+	2010 Stock Plan and forms of equity agreements thereunder.	S-1/A	333-208711	10.2	8/16/2016	
10.4+	2011 Stock Plan and forms of equity agreements thereunder.	S-1	333-208711	10.3	12/22/2015	
10.5+	2016 Equity Incentive Plan and forms of equity agreements thereunder.	S-1/A	333-208711	10.4	9/19/2016	
10.6+	2016 Employee Stock Purchase Plan and forms of equity agreements thereunder.	S-1/A	333-208711	10.5	9/19/2016	
10.7+	Employment Agreement, dated as of February 26, 2015, by and between the Registrant and Dheeraj Pandey.	S-1	333-208711	10.6	12/22/2015	
10.8+	Offer Letter, dated as of April 26, 2014, by and between the Registrant and Duston Williams.	S-1	333-208711	10.7	12/22/2015	
10.9+	Offer Letter, dated as of October 15, 2017 by and between the Registrant and Lou Attanasio	10-Q	001-37883	10.1	12/13/2017	
10.10+	Offer Letter, dated as of January 2, 2015, by and between the Registrant and Sunil Potti.	S-1	333-208711	10.9	12/22/2015	
10.11+	Offer Letter, dated as of October 17, 2011, by and between the Registrant and David Sangster.	S-1	333-208711	10.11	12/22/2015	
10.12+	Offer Letter, dated as of December 11, 2013, by and between the Registrant and Michael P. Scarpelli.	S-1	333-208711	10.12	12/22/2015	
10.13+	Offer Letter, dated as of July 24, 2014, by and between the Registrant and John McAdam.	S-1	333-208711	10.13	12/22/2015	
10.14+	Executive Bonus Plan.	S-1	333-208711	10.14	12/22/2015	
10.15	Office Lease, dated as of August 5, 2013, as amended to date, by and between the Registrant and CA-1740 Technology Drive Limited Partnership.	S-1/A	333-208711	10.15	8/16/2016	
10.16	Office Lease, dated as of April 23, 2014, as amended to date, by and between the Registrant and CA-Metro Plaza Limited Partnership.	S-1/A	333-208711	10.16	8/16/2016	
10.17†	Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of May 16, 2014, by and between the Registrant and Super Micro Computer, Inc., as amended by Amendment One to OEM Purchase Agreement dated as of November 13, 2017	10-Q	001-37883	10.03	3/15/2018	
10.18+	Offer Letter, dated as of August 8, 2016, by and between the Registrant and Sudheesh Nair Vadakkedath.	S-1/A	333-208711	10.19	9/12/2016	
10.19+	Change of Control and Severance Policy.	S-1/A	333-208711	10.21	9/12/2016	

10.20†	Integration Services Agreement, dated as of May 19, 2016, by and among the Registrant, Nutanix Netherlands B.V., Avnet, Inc. and Avnet Europe Comm. VA, Kouterveldstraat 20, B-1831, Belgium.	S-1/A	333-208711	10.18	5/27/2016	
10.21+	Outside Director Compensation Policy.	10-Q	001-37883	10.1	3/10/2017	
10.22+	Offer Letter, dated as of November 20, 2017, by and between the Registrant and Tyler Wall	10-Q	001-37883	10.1	3/15/2018	
10.23†	Manufacturing Services Agreement, by and between Nutanix, Inc. and Flextronics Telecom Systems Limited, entered into on November 1, 2017, as amended by Amendment #1 to Manufacturing Services Agreement entered into on December 19, 2017	10-Q	001-37883	10.2	3/15/2018	
10.24	Sixth Amendment to the Office Lease dated as of January 29, 2018, by and between the Registrant and Hudson 1740 Technology, LLC	10-Q	001-37883	10.1	6/12/2018	
10.25	Seventh Amendment to the Office Lease dated as of April 4, 2018, by and between the Registrant and Hudson 1740 Technology, LLC	10-Q	001-37883	10.2	6/12/2018	
10.26	Fourth Amendment to the Office Lease dated as of April 4, 2018, by and between the Registrant and Hudson Metro Plaza, LLC	10-Q	001-37883	10.3	6/12/2018	
10.27	Office Lease dated as of April 4, 2018, by and between the Registrant and Hudson Concourse, LLC	10-Q	001-37883	10.4	6/12/2018	
10.28	Purchase Agreement, dated January 17, 2018, by and among Nutanix, Inc. and Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co. LLC, as representatives of the initial purchasers named therein, Form of Convertible Note Hedge Confirmation and Form of Warrant Confirmation	8-K	001-37883	10.1	1/23/2018	
10.29	Form of Sales Incentive Plan by and between the Registrant and certain of its sales executives					X
21.1	List of subsidiaries of the Registrant					X
23.1	Consent of Deloitte & Touche LLP, Independent Registered Accounting Firm					X
24.1	Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K)					X
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14a and 15d-14a, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14a and 15d-14a, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.	XBRL Taxonomy Extension Definition.					X
101.	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted and have been filed separately with the Securities and Exchange Commission.

* These exhibits are furnished with this Annual Report on Form 10-K 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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

NUTANIX, INC.

Date: September 21, 2018

By: /s/ Dheeraj Pandey
Dheeraj Pandey
Chief Executive Officer and Chairman

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dheeraj Pandey and Duston M. Williams, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Dheeraj Pandey Dheeraj Pandey	Chief Executive Officer and Chairman *(Principal Executive Officer)*	September 21, 2018
/s/ Duston M. Williams Duston M. Williams	Chief Financial Officer *(Principal Financial Officer)*	September 21, 2018
/s/ Kenneth W. Long III Kenneth W. Long III	Vice President, Corporate Controller and Chief Accounting Officer *(Principal Accounting Officer)*	September 21, 2018
/s/ Susan L. Bostrom Susan L. Bostrom	Director	September 21, 2018
/s/ Craig Conway Craig Conway	Director	September 21, 2018
/s/ Steven J. Gomo Steven J. Gomo	Director	September 21, 2018
/s/ John McAdam John McAdam	Director	September 21, 2018
/s/ Ravi Mhatre Ravi Mhatre	Director	September 21, 2018
/s/ Jeffrey T. Parks Jeffrey T. Parks	Director	September 21, 2018
/s/ Michael P. Scarpelli Michael P. Scarpelli	Director	September 21, 2018

NUTANIX™

1740 Technology Drive, Suite 150
San Jose, California 95110

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On December 17, 2018 at 9 a.m. Pacific Time

To the Stockholders of Nutanix, Inc.

On behalf of our board of directors, it is our pleasure to invite you to attend the 2018 Annual Meeting of stockholders of **Nutanix, Inc.**, a Delaware corporation, or the Annual Meeting. The Annual Meeting will be held virtually, via live webcast at *www.virtualshareholdermeeting.com/NTNX2018*, originating from San Jose, California, on Monday, December 17, 2018 at 9 a.m. Pacific Time, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect two Class II directors, Craig Conway and Michael P. Scarpelli, to serve until the annual meeting of stockholders to take place after the end of the fiscal year ending July 31, 2021.
2. To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2019.
3. To approve, on a non-binding advisory basis, the compensation of our Named Executive Officers.
4. To approve, on a non-binding advisory basis, the frequency of future stockholder advisory votes on the compensation of our Named Executive Officers.
5. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy materials accompanying this notice.

The record date for the Annual Meeting is October 18, 2018. Only stockholders of record of our Class A common stock and Class B common stock at the close of business on that date may vote at the Annual Meeting or any adjournment thereof.

On or about November 5, 2018, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials, or the Notice, containing instructions on how to access our proxy statement and annual report. The Notice provides instructions on how to vote via the Internet or by telephone and includes instructions on how to receive a paper copy of our proxy materials by mail. The accompanying proxy statement and our annual report can be accessed directly at the following Internet address: www.proxyvote.com. You will be asked to enter the sixteen-digit control number located on your Notice or proxy card.

By Order of the Board of Directors

Dheeraj Pandey

Dheeraj Pandey
Chief Executive Officer & Chairman

San Jose, California
November 5, 2018

You are cordially invited to attend the virtual Annual Meeting. YOUR VOTE IS IMPORTANT. Whether or not you expect to attend the Annual Meeting, you are urged to vote and submit your proxy by following the voting procedures described in the proxy card. Even if you have voted by proxy, you may still vote during the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other agent and you wish to vote during the Annual Meeting, you must follow the instructions from your broker, bank or other agent.

TABLE OF CONTENTS

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NUTANIX™
PROXY STATEMENT

For the 2018 Annual Meeting of Stockholders
To Be Held On Monday, December 17, 2018 at 9 a.m. Pacific Time

Our board of directors is soliciting your proxy to vote at the 2018 annual meeting of stockholders, or the Annual Meeting, of **Nutanix, Inc.**, a Delaware corporation, to be held via live webcast at *www.virtualshareholdermeeting.com/NTNX2018*, originating from San Jose, California, on Monday, December 17, 2018 at 9 a.m. Pacific Time, and any adjournment or postponement thereof.

For the Annual Meeting, we have elected to furnish our proxy materials, including this proxy statement and our Annual Report on Form 10-K, to our stockholders primarily via the Internet. On or about November 5, 2018, we expect to mail to our stockholders a *Notice of Internet Availability of Proxy Materials*, or the Notice, that contains the notice of the Annual Meeting and instructions on how to access our proxy materials on the Internet, how to vote at the Annual Meeting, and how to request printed copies of the proxy materials. Stockholders may request to receive all future materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact and cost of our annual meetings.

Only stockholders of record of our Class A common stock and Class B common stock at the close of business on October 18, 2018 will be entitled to vote at the Annual Meeting. On this record date, there were 141,037,932 shares of Class A common stock and 37,701,880 shares of Class B common stock outstanding and entitled to vote. A list of stockholders entitled to vote at the meeting will be available for examination during normal business hours for ten days before the meeting at our principal place of business at the address below. The stockholder list will also be available online during the meeting to those that attend the meeting.

In this proxy statement, we refer to Nutanix, Inc. as "Nutanix," "we" or "us" and the board of directors of Nutanix as "our board of directors." Our Annual Report on Form 10-K, which contains consolidated financial statements as of and for the year ended July 31, 2018, or fiscal 2018, accompanies this proxy statement. You also may obtain, without charge, a copy of this proxy statement and the Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission, or SEC, by writing to our Secretary at 1740 Technology Dr., Suite 150, San Jose, CA 95110 or by following the directions set forth in the Notice.

QUESTIONS AND ANSWERS ABOUT PROXY MATERIALS AND VOTING

The information provided in the "questions and answers" format below is for your convenience only and is merely a summary of the information contained in the proxy statement. You should read this entire proxy statement carefully. Information contained on, or that can be accessed through, our website is not intended to be incorporated by reference into this proxy statement and references to our website addressed in this proxy statement are inactive textual references only.

Why did I receive a notice regarding the availability of proxy materials on the Internet?

We have elected to provide access to our proxy materials over the Internet. Accordingly, we have sent you a Notice because our board of directors is soliciting your proxy to vote at the Annual Meeting, including at any adjournments or postponements thereof. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice.

We expect to mail the Notice on or about November 5, 2018 to all stockholders of record entitled to vote at the meeting.

How do I attend and participate in the Annual Meeting online?

We will be hosting the Annual Meeting via live webcast only. Any stockholder can attend the Annual Meeting live online at *www.virtualshareholdermeeting.com/NTNX2018*. The webcast will start at 9 a.m. Pacific Time. Stockholders may vote and submit questions while attending the meeting online. The webcast will open 15 minutes before the start of the meeting. In order to enter the meeting, you will need the control number. The control number will be included in the Notice or on your proxy card if you are a stockholder of record of shares of common stock, or included with your voting instructions received from your broker, bank or other agent if you hold your shares of common stock in a "street name." Instructions on how to attend and participate online are available at *www.virtualshareholdermeeting.com/NTNX2018*.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on October 18, 2018 will be entitled to vote at the Annual Meeting. On this record date, there were 141,037,932 shares of Class A common stock and 37,701,880 shares of Class B common stock outstanding and entitled to vote, together referred to as our common stock.

Stockholder of Record: Shares Registered in Your Name

If, on October 18, 2018, your shares of common stock were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are a stockholder of record. As a stockholder of record, you may vote online during the meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If, on October 18, 2018, your shares of common stock were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name" and the Notice will be forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the virtual Annual Meeting. Since you are not the stockholder of record, you may vote your shares online during the meeting only by following the instructions from your broker, bank or other agent.

What matters am I voting on?

There are four matters scheduled for a vote:

- Election of two Class II directors to hold office until the annual meeting of stockholders to take place after the end of fiscal year ending July 31, 2021;

- Ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2019;
- The approval, on a non-binding advisory basis, of the compensation of our Named Executive Officers; and
- The approval, on a non-binding advisory basis, of the frequency of future stockholder votes to approve the compensation of our Named Executive Officers.

How do I vote?

The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote online during the Annual Meeting, vote by proxy through the Internet, vote by proxy over the telephone, or vote by proxy using a proxy card that you may request. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. Even if you have submitted a proxy before the Annual Meeting, you may still attend online and vote during the meeting. In such case, your previously submitted proxy will be disregarded.

- To vote online during the Annual Meeting, follow the provided instructions to join the meeting at *www.virtualshareholdermeeting.com/NTNX2018,* starting at 9 a.m. Pacific Time on December 17, 2018.
- To vote online before the Annual Meeting, go to www.proxyvote.com.
- To vote by toll-free telephone, call 1-800-690-6903 if you are a stockholder of record or 1-800-454-8683 if you are a "beneficial" stockholder (be sure to have your Notice or proxy card in hand when you call).
- To vote by mail, simply complete, sign and date the proxy card or voting instruction card, and return it promptly in the envelope provided.

If we receive your vote by Internet or phone or your signed proxy card up until 11:59 p.m. Eastern Time the day before the Annual Meeting, we will vote your shares as you direct.

To vote, you will need the control number. The control number will be included in the Notice or on your proxy card if you are a stockholder of record of shares of common stock, or included with your voting instructions received from your broker, bank or other agent if you hold your shares of common stock in a "street name".

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a Notice containing voting instructions from that organization rather than from us. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote online during the meeting, you must follow the instructions from your broker, bank or other agent.

Internet proxy voting is provided to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. Please be aware that you must bear any costs associated with your Internet access.

Can I change my vote?

Yes. Subject to the voting deadlines above, if you are a stockholder of record, you may revoke your proxy at any time before the close of voting using one of the following methods:

- You may submit another properly completed proxy card with a later date.
- You may grant a subsequent proxy by telephone or through the Internet.
- You may send a written notice that you are revoking your proxy to our Secretary at 1740 Technology Dr., Suite 150, San Jose, California 95110.
- You may attend and vote online during the Annual Meeting. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by such party.

What happens if I do not vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and do not vote during the Annual Meeting, or through the Internet, by telephone or by completing your proxy card before the Annual Meeting, your shares will not be voted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner or (ii) the broker lacked discretionary authority to vote the shares. Abstentions represent a stockholder's affirmative choice to decline to vote on a proposal, and occur when shares present at the meeting are marked "abstain." Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present but have no effect on the outcome of matters voted.

A broker has discretionary authority to vote shares held for a beneficial owner on "routine" matters without instructions from the beneficial owner of those shares. On the other hand, absent instructions from the beneficial owner of such shares, a broker is not entitled to vote shares held for a beneficial owner on "non-routine" matters.

Proposals 1, 3 and 4 are non-routine matters, so your broker or nominee may not vote your shares on Proposals 1, 3 or 4 without your instructions. Proposal 2, the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2019, is a routine matter so your broker or nominee may vote your shares on Proposal 2 even in the absence of your instruction. ***Please instruct your bank, broker or other agent to ensure that your vote will be counted.***

What if I return a proxy card or otherwise vote but do not make specific choices?

If you return a signed and dated proxy card or otherwise vote but do not make specific choices, your shares will be voted **FOR** the election of both nominees for Class II director, **FOR** the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm, **FOR** the approval of the compensation of our Named Executive Officers, and for future stockholder advisory votes on the compensation of our Named Executive Officers to be held every **ONE YEAR**. If any other matter is properly presented at the Annual Meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his best judgment.

How many votes do I have?

Each holder of Class A common stock will have the right to one vote per share of Class A common stock and each holder of Class B common stock will have the right to ten votes per share of Class B common stock. Our Class A common stock and Class B common stock will vote as a single class on all matters described in this proxy statement for which your vote is being solicited. Stockholders are not permitted to cumulate votes with respect to the election of directors.

How do I find out whether I have Class A common stock or Class B common stock?

If you are unsure whether you hold shares of Class A common stock or Class B common stock, contact our stock administrator at stocks@nutanix.com.

How many votes are needed to approve each proposal and how are the votes counted?

- *Proposal 1:* Directors are elected by a plurality vote. Therefore, the two director nominees for Class II receiving the highest number of **FOR** votes will be elected. You may vote **FOR** or **WITHHOLD** on each of the nominees for election as director. **WITHHOLD** votes and broker non-votes have no legal effect on the election of directors.
- *Proposal 2:* The ratification of the selection of our independent registered public accounting firm must receive **FOR** votes from the holders of a majority in voting power of the shares present at the Annual Meeting or represented by proxy and entitled to vote on the proposal. You may vote **FOR**, **AGAINST**, or

ABSTAIN with respect to this proposal. Abstentions are considered votes present and entitled to vote on this proposal, and thus will have the same effect as a vote **AGAINST** the proposal. Broker non-votes and abstentions will have no effect as a vote on the outcome of this proposal.

- *Proposal 3:* The approval, on an advisory basis, of the compensation of our Named Executive Officers requires the affirmative vote of a majority of the voting power of the shares present at the Annual Meeting or represented by proxy and entitled to vote on the proposal. You may vote **FOR**, **AGAINST**, or **ABSTAIN** with respect to this proposal. Abstentions are considered votes present and entitled to vote on this proposal, and thus will have the same effect as votes **AGAINST** this proposal. Broker non-votes will have no effect on the outcome of this proposal. Although the advisory vote is non-binding, our board of directors values stockholders' opinions. The compensation committee will review the results of the vote and, consistent with our record of stockholder responsiveness, consider stockholders' concerns and take into account the outcome of the vote when considering future decisions concerning our executive compensation program.
- *Proposal 4:* For the approval, on an advisory basis, of the frequency of future stockholder advisory votes on the compensation of our Named Executive Officers, the frequency receiving the highest number of votes from holders of shares present at the Annual Meeting or represented by proxy and entitled to vote on the proposal will be considered the frequency preferred by the stockholders. You may vote for the frequency of future advisory votes on executive compensation to be **ONE YEAR**, **TWO YEARS**, or **THREE YEARS**, or you may **ABSTAIN** with respect to this proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote. Because this vote is advisory only, it will not be binding on us or on our board of directors. However, our board of directors values stockholders' opinions. The compensation committee will review the results of the vote and take into account the outcome of the vote when considering future decisions on the frequency of future stockholder advisory votes on the compensation of our Named Executive Officers.

Who counts the votes?

We have engaged Broadridge Financial Solutions as our independent agent to tabulate stockholder votes. If you are a stockholder of record, and you choose to vote over the Internet (either prior to or during the Annual Meeting) or by telephone, Broadridge will access and tabulate your vote electronically, and if you choose to sign and mail your proxy card, your executed proxy card is returned directly to Broadridge for tabulation. As noted above, if you hold your shares through a broker, your broker (or its agent for tabulating votes of shares held in street name, as applicable) returns one proxy card to Broadridge on behalf of all its clients.

Who is paying for this proxy solicitation?

We will pay for the cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid additional compensation for soliciting proxies. We may reimburse brokers, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

When are stockholder proposals due for next year's annual meeting?

Requirements for stockholder proposals to be brought before an annual meeting.

Our bylaws provide that, for stockholder director nominations or other proposals to be considered at an annual meeting, the stockholder must give timely notice thereof in writing to our Secretary at Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, CA 95110. No stockholders provided timely notice of a director nomination or other proposal for this 2018 Annual Meeting, thus no other matters will be presented for consideration at the Annual Meeting other than the proposals set forth in this proxy statement. To be timely for the 2019 annual meeting of stockholders, a stockholder's notice must be delivered to or mailed and received by our Secretary at our principal executive offices between August 19, 2019 and September 18, 2019. A stockholder's notice to the Secretary must also set forth the information required by our amended and restated bylaws.

Requirements for stockholder proposals to be considered for inclusion in our proxy materials.

Stockholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and intended to be presented at the 2019 annual meeting of stockholders must be received by us no later than July 5, 2019 in order to be considered for inclusion in our proxy materials for that meeting.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the aggregate voting power of the shares of common stock issued, outstanding and entitled to vote at the meeting are present at the meeting or represented by proxy.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote during the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, either the chairperson of the Annual Meeting or the stockholders entitled to vote that are present at the Annual Meeting or represented by proxy may adjourn the meeting to another date.

How can I find out the results of the voting at the Annual Meeting?

We expect that preliminary voting results will be announced during or shortly following the Annual Meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting.

What does it mean if I receive more than one Notice?

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the instructions on the Notices to ensure that all your shares are voted.

What does it mean if multiple members of my household are stockholders but we only received one Notice or full set of proxy materials in the mail?

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for notices and proxy materials with respect to two or more stockholders sharing the same address by delivering a single Notice or set of proxy materials addressed to those stockholders. In accordance with a prior notice sent to certain brokers, banks, dealers or other agents, we are sending only one Notice or full set of proxy materials to those addresses with multiple stockholders unless we received contrary instructions from any stockholder at that address. This practice, known as "householding," allows us to satisfy the requirements for delivering Notices or proxy materials with respect to two or more stockholders sharing the same address by delivering a single copy of these documents. Householding helps to reduce our printing and postage costs, reduces the amount of mail you receive and helps to preserve the environment. If you currently receive multiple copies of the Notice or proxy materials at your address and would like to request "householding" of your communications, please contact your broker. Once you have elected "householding" of your communications, "householding" will continue until you are notified otherwise or until you revoke your consent.

To receive a separate copy, or, if a stockholder is receiving multiple copies, to request that we only send a single copy of the Notice and, if applicable, our proxy materials, such stockholder may contact us at the following address:

Nutanix, Inc.
Attention: Investor Relations
1740 Technology Drive, Suite 150
San Jose, California 95110

CORPORATE GOVERNANCE AT NUTANIX

Nutanix is strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management can pursue our strategic objectives for the benefit of our stockholders. Our board of directors has adopted corporate governance guidelines that set forth the role of our board of directors, director independence standards, board structure and functions, director selection considerations, and other governance policies. In addition, our board of directors has adopted written charters for its standing committees (audit, compensation, and nominating and corporate governance), as well as a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our nominating and corporate governance committee reviews the corporate governance guidelines annually, and recommends changes to our board of directors as warranted. The corporate governance guidelines, the committee charters, and the code of business conduct and ethics, and any waivers or amendments to the code of business conduct and ethics, are all available on our investor relations website (*http://ir.nutanix.com*) in the "Governance" section.

BOARD OF DIRECTORS AND ITS COMMITTEES

Current Composition of the Board of Directors and its Committees

Name	Age	Position/Office Held With Nutanix	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Independent	Tenure
Class II directors for election at this annual meeting of stockholders							
Craig Conway	64	Director			Member	✓	1 year
Michael P. Scarpelli	51	Director	Chair			✓	5 years
Class III directors whose terms expire at the annual meeting of stockholders after the end of fiscal 2019							
John McAdam	67	Director		Member		✓	3 years
Ravi Mhatre	51	Lead Independent Director		Member	Chair	✓	8 years
Dheeraj Pandey	43	CEO and Chairman					9 years
Class I directors whose terms expire at the annual meeting of stockholders after the end of fiscal 2020							
Susan L. Bostrom	58	Director		Member		✓	1 year
Steven J. Gomo	66	Director	Member		Member	✓	3 years
Jeffrey T. Parks	37	Director	Member	Chair		✓	5 years

Director Independence

Our Class A common stock is listed on the NASDAQ Global Select Market, or NASDAQ. Under the listing requirements and rules of NASDAQ, independent directors must comprise a majority of our board of directors. In addition, the rules of NASDAQ require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of NASDAQ, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member. Additionally, audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities and Exchange Act of 1934, as amended, or the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee, accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that each of Ms. Bostrom and Messrs. Conway, Gomo, McAdam, Mhatre, Parks and Scarpelli, representing seven of our eight current directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and were "independent directors" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of NASDAQ. In addition, the board of directors determined that Bipul Sinha, a former member of our board of directors who resigned on October 27, 2017, was an "independent director" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of NASDAQ during the portion of the fiscal year that he served as a director.

Board Leadership

Our nominating and corporate governance committee periodically considers the leadership structure of our board of directors and makes such recommendations to our board of directors as our nominating and corporate governance committee deems appropriate. Our corporate governance guidelines also provide that, when the positions of chairperson and chief executive officer are held by the same person, the independent directors may designate a "lead independent director."

Currently, our board of directors believes that it is in the best interests of our company and our stockholders for our Chief Executive Officer, or CEO, Mr. Pandey, to serve as both CEO and Chairman given his knowledge of our company and industry and his strategic vision. Because Mr. Pandey has served and continues to serve in both these roles, in August 2015, our board of directors appointed Mr. Mhatre to serve as our lead independent director. As lead independent director, Mr. Mhatre will preside at all meetings of the board of directors at which the Chairman is not present, preside over executive sessions of our independent directors, serve as a liaison between our Chairman and our independent directors and perform such additional duties as our board of directors may otherwise determine and delegate. Our board of directors believes that its independence and oversight of management is maintained effectively through this leadership structure, the composition of our board of directors and sound corporate governance policies and practices.

Executive Sessions of Non-Employee Directors

In order to encourage and enhance communication among non-employee directors, and as required under applicable NASDAQ rules, our corporate governance guidelines provide that the non-employee directors will meet in executive sessions without management directors or company management on a periodic basis, no less than twice a year. Our lead independent director, Mr. Mhatre, is the presiding director at these meetings.

Communications with our Board of Directors

Stockholders or interested parties who wish to communicate with our board of directors or with an individual director may do so by mail to our board of directors or the individual director, care of our Chief Legal Officer at 1740 Technology Dr., Suite 150, San Jose, CA 95110. The communication should indicate that it contains a stockholder or interested party communication. In accordance with our corporate governance guidelines, all such communication will be reviewed by the Chief Legal Officer, in consultation with appropriate directors as necessary, and, if appropriate, will be forwarded to the director or directors to whom the communications are addressed or, if none are specified, to the Chairman of our board of directors.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, which have the composition and responsibilities described below. Our board of directors may establish other committees to facilitate the management of our business. Copies of the charters of the audit, compensation, and nominating and corporate governance committees are available in the "Governance" section of our investor relations website (*http://ir.nutanix.com*). Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of Messrs. Gomo, Parks and Scarpelli, each of whom is a non-employee member of our board of directors. Mr. Scarpelli is the Chairman of our audit committee. Our board of directors has determined that each of the members of our audit committee satisfies the requirements for independence and financial literacy under the rules and regulations of NASDAQ and the SEC. Our board of directors has also determined that each of Messrs. Gomo and Scarpelli qualifies as an "audit committee financial expert," as defined in the SEC rules, and satisfies the financial sophistication requirements of NASDAQ. The audit committee is responsible for, among other things:

- selecting and hiring our independent registered public accounting firm;
- evaluating the performance and independence of our registered public accounting firm;
- pre-approving the audit and any non-audit services to be performed by our independent registered public accounting firm;
- reviewing the adequacy and effectiveness of our internal control policies and procedures and our disclosure controls and procedures;
- overseeing procedures for the treatment of complaints on accounting, internal accounting controls or audit matters;
- reviewing and discussing with management and the independent registered public accounting firm, our audited and quarterly unaudited financial statements, the results of our annual audit, and our publicly filed reports;
- reviewing and discussing with management and the independent registered public accounting firm, our major financial risk exposures and steps managements has taken to monitor and control those exposures;
- reviewing and overseeing any related-person transactions; and
- preparing the audit committee report in our annual proxy statement.

Compensation Committee

Our compensation committee is comprised of Ms. Bostrom and Messrs. McAdam, Mhatre and Parks, each of whom is a non-employee member of our board of directors. Mr. Parks is the Chairman of our compensation committee. Our board of directors has determined that each member of our compensation committee meets the requirements for independence under the rules of NASDAQ and the SEC, is a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act. The compensation committee is responsible for, among other things:

- reviewing and approving our CEO's and other executive officers' annual base salaries, incentive compensation plans, including the specific goals and amounts, equity compensation, employment agreements, severance arrangements and change in control agreements, and any other benefits, compensation or arrangements;
- administering our equity compensation plans;
- overseeing our overall compensation philosophy, compensation plans and benefits programs; and
- reviewing the compensation disclosures in our annual proxy statement.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee have been an officer or employee of our company. None of our executive officers currently serve, or during fiscal 2018 have served, as a member of the compensation committee or director (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers serving on our compensation committee or our board of directors.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Messrs. Conway, Gomo and Mhatre, each of whom is a non-employee member of our board of directors. Mr. Mhatre serves as the chairman of the committee. Our board of directors has determined that each member of our nominating and corporate governance committee meets the requirements for independence under the rules of NASDAQ. The nominating and corporate governance committee is responsible for, among other things:

- determining the qualifications required to be a member of the board of directors and recommending to the board of directors the criteria to be considered in selecting director nominees;
- evaluating and making recommendations regarding the composition, organization and governance of our board of directors and its committees;
- evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;
- developing and monitoring a set of corporate governance guidelines; and
- reviewing and approving conflicts of interest of our directors and officers, other than related-person transactions reviewed by the audit committee.

Other Committees

Pursuant to our bylaws, the board of directors may designate other standing or ad hoc committees to serve at the discretion of the board of directors from time to time. For example, the board of directors has delegated certain authority to a mergers and acquisitions committee (comprised of Messrs. Conway, Gomo and Mhatre).

Board and Committee Meetings and Attendance

Our board of directors is responsible for the oversight of company management and strategy and for establishing corporate policies. Our board of directors and its committees meet throughout the year on a regular basis and also hold special meetings and act by written consent from time to time. Our board of directors met 12 times (including regularly scheduled and special meetings) during our last fiscal year. The audit committee met nine times during our last fiscal year. The compensation committee met six times during our last fiscal year. The nominating and corporate governance committee met five times during our last fiscal year. During our last fiscal year, each director attended 75% or more of the aggregate of the meetings of our board of directors and of the committees on which he or she served.

We encourage our directors and nominees for director to attend our annual meeting of stockholders but do not require that they attend. Five of our eight directors attended our 2017 annual meeting of stockholders.

Risk Oversight

Our board of directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and to enhance stockholder value. Our board of directors, as a whole, is responsible for determining the appropriate level of risk for Nutanix, assessing the specific risks that we face and reviewing management's strategies for adequately mitigating and managing the identified risks. Although our board of directors is responsible for administering this risk management oversight function, the committees of our board of directors support our board of directors in discharging its oversight duties and addressing risks inherent in their respective areas.

Our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Our audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines. Our compensation committee assesses and monitors whether our compensation philosophy and practices have the potential to encourage excessive risk-taking and evaluates compensation policies and practices that could mitigate such risks.

At periodic meetings of our board of directors and its committees, management reports to and seeks guidance from our board of directors and its committees with respect to the most significant risks that could affect our business, such as legal, financial, tax and audit related risks. In addition, among other matters, management provides our audit committee with periodic reports on our compliance programs and investment policy and practices.

NOMINATIONS PROCESS AND DIRECTOR QUALIFICATIONS

Nomination to the Board of Directors

Candidates for nomination to our board of directors are selected by our board of directors based on the recommendation of the nominating and corporate governance committee in accordance with the committee's charter, our policies, our certificate of incorporation and bylaws, our corporate governance guidelines, and the criteria adopted by our board of directors regarding director candidate qualifications. In recommending candidates for nomination, the nominating and corporate governance committee considers candidates recommended by directors, officers, and employees, as well as candidates that are properly submitted by stockholders in accordance with our policies and bylaws, using the same criteria to evaluate all such candidates. A stockholder that wishes to recommend a candidate for election to the board of directors may send a letter directed to our Chief Legal Officer at 1740 Technology Drive, Suite 150, San Jose, CA 95110. The letter must include, among other things, the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, and information regarding any relationships between the candidate and Nutanix. Additional information regarding the process for properly submitting stockholder nominations for candidates for membership on our board of directors is set forth above under "Questions and Answers About Proxy Materials and Voting" and in our bylaws.

Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate and, in addition, the nominating and corporate governance committee may engage consultants or third-party search firms to assist in identifying and evaluating potential nominees.

Director Qualifications

With the goal of developing a diverse, experienced and highly qualified board of directors, the nominating and corporate governance committee is responsible for developing and recommending to our board of directors the desired qualifications, expertise and characteristics of members of our board of directors, including qualifications that the committee believes must be met by a committee-recommended nominee for membership on our board of directors and specific qualities or skills that the committee believes are necessary for one or more of the members of our board of directors to possess.

In addition to the qualifications, qualities, and skills that are necessary to meet U.S. legal, regulatory and NASDAQ listing requirements and the provisions of our certificate of incorporation, bylaws, corporate governance guidelines, and charters of the board committees, the nominating and corporate governance committee requires the following minimum qualifications to be satisfied by any nominee for a position on the board of directors: (i) the highest personal and professional ethics and integrity, (ii) proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, (iii) skills that are complementary to those of the existing board of directors, (iv) the ability to assist and support management and make significant contributions to our success, and (v) an understanding of the fiduciary responsibilities that are required of a member of the board of directors and the commitment of time and energy necessary to diligently carry out those responsibilities. When considering nominees, our nominating and corporate governance committee may take into consideration many other factors including, among other things, the candidates' character, integrity, judgment, independence, area of expertise, corporate experience, length of service, and potential conflicts of interest, the candidates' other commitments, and the size and composition of the board of directors and the needs of the board of directors and its committees. Our board of directors and nominating and corporate governance committee believe that a diverse, experienced and highly qualified board of directors fosters a robust, comprehensive and balanced decision-making process for the continued effective functioning of our board of directors and success of the company. Accordingly, through the nomination process, the nominating and corporate governance committee seeks to promote board membership that reflects diversity, factoring in gender, race, ethnicity, differences in professional background, education, skill, and experience, and other individual qualities and attributes that contribute to the total mix of viewpoints and experience. The nominating and corporate governance committee evaluates the foregoing factors, among others, and does not assign any particular weighting or priority to any of the factors.

The brief biographical description of each director set forth below in Proposal 1 below includes the primary individual experience, qualifications, attributes and skills of each of our directors that led to the conclusion that each director should serve as a member of our board of directors at this time.

PROPOSAL NO. 1: ELECTION OF DIRECTORS

Our board of directors consists of eight members. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election until the third annual meeting following the election. Our directors are divided into the three classes as follows:

- ***Class I directors***: Susan L. Bostrom, Steven J. Gomo and Jeffrey T. Parks, whose terms will expire at the annual meeting of stockholders to be held after the end of the fiscal year ending July 31, 2020;
- ***Class II directors***: Craig Conway and Michael P. Scarpelli, whose terms will expire at the upcoming Annual Meeting unless re-elected; and
- ***Class III directors***: John McAdam, Ravi Mhatre and Dheeraj Pandey, whose terms will expire at the annual meeting of stockholders to be held after the end of the fiscal year ending July 31, 2019.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control of Nutanix.

Messrs. Conway and Scarpelli are currently directors of Nutanix and have been nominated to serve as Class II directors. Each of these nominees has agreed to stand for re-election at the meeting. Our management has no reason to believe that any nominee will be unable to serve. If elected at the meeting, each of these nominees would serve until the annual meeting of stockholders to be held after the end of fiscal 2021 and until his successor has been duly elected, or if sooner, until the director's death, resignation or removal.

Vote Required

Directors are elected by a plurality of the voting power of the shares present at the meeting or represented by proxy and entitled to vote on the election of directors. Accordingly, the two nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named above. If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for that nominee will instead will be voted for the election of a substitute nominee proposed by us.

Nominees

Our nominating and corporate governance committee seeks to assemble a board of directors that, as a group, can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgement using its diversity of background and experience in various areas. To that end, the committee has identified and evaluated nominees in the broader context of our board's overall composition, with the goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities deemed critical to effective functioning of our board of directors. Each of the nominees listed below is currently a director. Mr. Scarpelli was appointed to our board of directors prior to our IPO, while Mr. Conway was appointed to our board of directors on October 27, 2017.

Set forth below is biographical information for the nominees and each person whose term of office as a director will continue after the meeting. This includes information regarding each director's experience, qualifications, attributes or skills that led our board of directors to recommend them for board service.

Nominees for Re-Election at this Annual Meeting of Stockholders

Craig Conway has served as a member of our board of directors since October 2017. Mr. Conway previously served as President and Chief Executive Officer of PeopleSoft, Inc., an enterprise application software company from 1999 to 2004. Mr. Conway currently serves on the board of directors of Salesforce.com, a cloud-based customer relationship management company, and on the board of directors of Guidewire Software, Inc., a provider of software products to insurance companies. Mr. Conway previously served as a director of Advanced Micro Devices, Inc., a semiconductor company, from September 2009 until May 2013. Mr. Conway holds a B.S. in Computer Science and Mathematics from the State University of New York at Brockport. We believe that Mr. Conway is qualified to serve as a member of our board of directors based on his extensive and broad management experience, gained from his background as the president and chief executive officer of multiple technology companies and from serving on the board of directors of several public companies.

Michael P. Scarpelli has served as a member of our board of directors since December 2013. Mr. Scarpelli has served as the Chief Financial Officer of ServiceNow, Inc., a company providing cloud-based solutions, since August 2011. From July 2009 to August 2011, Mr. Scarpelli served as Senior Vice President of Finance and Business Operations of the Backup Recovery Systems Division at EMC Corporation, a computer data storage company. Mr. Scarpelli served as Chief Financial Officer of Data Domain, Inc., an information technology company, from September 2006 to July 2009, when it was acquired by EMC. Mr. Scarpelli holds a B.A. in Economics from the University of Western Ontario. We believe Mr. Scarpelli is qualified to serve as a member of our board of directors because of his substantial corporate governance, operational and financial expertise gained as an executive at several companies in the technology industry.

Directors Continuing in Office Until the Annual Meeting of Stockholders After the End of the Fiscal Year Ending July 31, 2019

John McAdam has served as a member of our board of directors since August 2015. Mr. McAdam currently also serves as a director, and was previously the Chairman of the board of directors, of F5 Networks, Inc., a developer and provider of software-defined application services for which he served as President and Chief Executive Officer from July 2000 to July 2015 and again from December 2015 until his retirement in April 2017. He also currently serves on the board of directors of Tableau Software, Inc., a company that provides business intelligence software, and Apptio, Inc., a company that provides solutions for technology business management. Mr. McAdam holds a B.S. in Computer Science from the University of Glasgow, Scotland. We believe Mr. McAdam is qualified to serve on our board of directors because of his extensive executive management experience and substantial expertise in our industry.

Ravi Mhatre has served as our lead independent director since August 2015, and as a member of our board of directors since July 2010. Mr. Mhatre co-founded Lightspeed Venture Partners, a global technology venture capital firm, and has served as Managing Director of Lightspeed Venture Partners since August 1999. He currently serves on the board of directors of several private companies. Mr. Mhatre holds a B.S. in Electrical Engineering and a B.A. in Economics from Stanford University and an M.B.A. from Stanford University's Graduate School of Business. We believe Mr. Mhatre is qualified to serve as a member of our board of directors because of his significant corporate finance and business expertise gained from his experience in the venture capital and IT industries, including his time spent serving on the boards of directors of various technology companies. We also value his perspective as a representative of one of our largest stockholders.

Dheeraj Pandey co-founded our company and has served as our Chief Executive Officer and as the Chairman of our board of directors since our inception in September 2009, as well as our President from September 2009 until February 2016. Prior to co-founding our company, Mr. Pandey served as Vice President, Engineering at Aster Data Systems (now Teradata Corporation), a data management and analysis software company, from February 2009 to September 2009 and as its Director of Engineering from September 2007 to February 2009. Mr. Pandey holds a B. Tech. in Computer Science from the Indian Institute of Technology, Kanpur, a M.S. in Computer Science from the University of Texas at Austin and was a Graduate Fellow of Computer Science in the Ph.D. program at the University of Texas at Austin. We believe that the perspective and experience that Mr. Pandey brings as our Chief Executive Officer and Chairman uniquely qualify him to serve on our board of directors.

Directors Continuing in Office Until the Annual Meeting of Stockholders After the End of the Fiscal Year Ending July 31, 2020

Susan L. Bostrom has served as a member of our board of directors since October 2017. Ms. Bostrom served as Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs of Cisco Systems, Inc., a networking equipment provider, from January 2006 to January 2011. Prior to that, from 1997 to January 2006, Ms. Bostrom served in various positions at Cisco, including Senior Vice President, Global Government Affairs and the Internet Business Solutions Group and Vice President of Applications and Services Marketing. Ms. Bostrom currently serves on the boards of directors of Cadence Design Systems, Inc., an electronic design software company, ServiceNow, Inc., a company providing cloud-based solutions, and Varian Medical Systems, Inc., a manufacturer of medical devices and software. Ms. Bostrom previously served as a member of the board of directors of Rocket Fuel Inc., an artificial intelligence media buying company, from February 2013 until its acquisition by Sizmek, Inc. in September 2017, and Marketo, Inc., a provider of software as a service marketing automation solutions, from May 2012 until its acquisition by Vista Equity Partners in August 2016. Ms. Bostrom holds a B.S. in Business from the University of Illinois and an M.B.A. from the Stanford Graduate School of Business. We believe that Ms. Bostrom is qualified to serve as a member of our board of directors due to her extensive experience and leadership roles in the technology industry, and her experience serving on the board of directors of several public companies.

Steven J. Gomo has served as a member of our board of directors since June 2015. Mr. Gomo served as Executive Vice President, Finance and Chief Financial Officer of NetApp, Inc., a storage and data management company from October 2004 until his retirement in December 2011, as well as Senior Vice President, Finance and Chief Financial Officer from August 2002 to September 2004. He currently serves on the board of directors of Enphase Energy, Inc., a solar energy management device maker, and previously served on the board of directors of NetSuite Inc., a business management software company, from March 2012 until it was acquired in November 2016. Mr. Gomo also served on the board of directors of SanDisk Corporation, a flash memory storage solutions and software company, from December 2005 until the company was acquired by Western Digital Corporation in May 2016. Mr. Gomo holds a B.S. in Business Administration from Oregon State University and an M.B.A. from Santa Clara University. We believe Mr. Gomo is qualified to serve as a member of our board of directors because of his substantial corporate governance, operational and financial expertise gained from holding various executive positions at publicly-traded technology companies and from serving on the board of directors of several public companies.

Jeffrey T. Parks has served as a member of our board of directors since December 2013. Mr. Parks co-founded and has been a general partner of Riverwood Capital, a private equity firm, since January 2008. Mr. Parks currently serves on the board of directors of several privately-held companies. Prior to co-founding Riverwood Capital, Mr. Parks served as an investment executive with KKR & Co. L.L.P., a private equity firm, as an investment professional in the Principal Opportunities Fund at Oaktree Capital Management, an asset management firm, and as an investment banker at UBS, a global financial services company. Mr. Parks holds dual B.A. degrees in Economics and Mathematics from Pomona College, where he currently serves on the Board of Trustees. We believe Mr. Parks is qualified to serve as a member of our board of directors because of his extensive corporate governance and management experience with technology companies, including as a director and private equity investor.

Our board of directors recommends a vote **FOR** each Class II director nominee above.

DIRECTOR COMPENSATION

Fiscal 2018 Director Compensation Table

The following table provides information for all compensation awarded to, earned by or paid to each person who served as a non-employee director in the fiscal year ended July 31, 2018. Bipul Sinha is not included in the table below as he resigned in October 2017 and did not receive any compensation in the fiscal year ended July 31, 2018. Mr. Pandey, our CEO and Chairman, is also not included in the table below because he did not receive additional compensation for his service as a director. The compensation received by Mr. Pandey as an employee is shown in "Executive Compensation - Executive Compensation Tables - Fiscal 2018 Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)	Stock Awards[(1)] ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Susan L. Bostrom[(2)]	—	777,218	—	—	—	—	777,218
Craig Conway[(3)]	—	777,218	—	—	—	—	777,218
Steven J. Gomo	—	293,145	—	—	—	—	293,145
John McAdam	—	285,027	—	—	—	—	285,027
Ravi Mhatre	—	295,888	—	—	—	—	295,888
Jeffrey T. Parks	—	304,006	—	—	—	—	304,006
Michael P. Scarpelli	—	298,594	—	—	—	—	298,594

(1) The amounts reported in this column represent the aggregate grant date fair value of the restricted stock units, or RSUs, granted, as computed in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification Topic 718, Compensation—Stock Compensation, or ASC Topic 718. The assumptions used in the valuation of these awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K for our fiscal year ended July 31, 2018, filed with the SEC on September 24, 2018. These amounts do not necessarily correspond to the actual value that may be recognized by the director upon the vesting of such awards.

(2) Ms. Bostrom joined our board of directors on October 27, 2017 and received a multi-year initial grant under our then-existing non-employee director compensation policy in addition to an annual grant in fiscal 2018.

(3) Mr. Conway joined our board of directors on October 27, 2017 and received a multi-year initial grant under our then-existing non-employee director compensation policy in addition to an annual grant in fiscal 2018.

Our non-employee directors held the following outstanding option and RSU awards as of July 31, 2018. The table excludes Mr. Pandey, whose outstanding awards are reflected in the section entitled "Executive Compensation - Executive Compensation Tables -Outstanding Equity Awards at Fiscal 2018 Year-End Table."

Name	# of Outstanding Options (in shares)	# of Outstanding RSUs (in shares)
Susan L. Bostrom	—	25,511
Craig Conway	—	25,511
Steven J. Gomo	—	29,266
John McAdam	—	34,357
Ravi Mhatre	—	8,091
Jeffrey T. Parks	—	8,313
Michael P. Scarpelli	75,000	8,165

Non-Employee Director Compensation Policy

In October 2018, our board of directors approved changes to our non-employee director compensation policy. Pursuant to the updated policy, our non-employee directors are compensated entirely through equity awards, which the board of directors believes best aligns the long-term interests of our directors and our stockholders. Non-employee directors receive no other form of remuneration, perquisites or benefits, but are reimbursed for their reasonable travel expenses incurred in attending board and committee meetings.

Pursuant to the policy, our non-employee directors will receive the RSU awards described below. In the event of a change in control, each RSU award granted pursuant to the policy may be subject to accelerated vesting in accordance with the terms of the 2016 Equity Incentive Plan.

Annual Grant

On the date of each annual meeting of our stockholders, each non-employee director will be granted an award of RSUs with a total dollar value, or the Annual Award Value, based on board and committee service as follows:

Board Member	$330,000
Lead Independent Director	$20,000

Committee Awards	Chair	Member
Audit	$25,000	$12,500
Compensation	$20,000	$10,000
Nominating and Corporate Governance	$10,000	$ 5,000

Notwithstanding the above, on the date of each annual meeting of our stockholders, each non-employee director who holds an initial grant with a multi-year vesting schedule, or an Initial Grant, any portion of which is unvested as of the date of such annual meeting, or a Currently Vesting Director, will be granted an award of RSUs with the portion of the Annual Award Value for service as a Board member equal to $255,000.

Each such annual RSU grant will vest in full on the earlier of (i) the day prior to the next annual meeting held after the date of grant or (ii) the one-year anniversary of the date of grant, in each case subject to the non-employee director continuing to provide service as a director through the applicable vesting date.

Prorated Grants

For Currently Vesting Directors. Upon the completion of the vesting of an Initial Grant, a Currently Vesting Director will receive a RSU award with a total dollar value equal to a prorated portion of $75,000, based on the number of days between the first day of the week in which the grant is made and the day prior to the next annual meeting of our stockholders.

For New Directors. New directors will receive a RSU award with a total dollar value equal to a prorated portion of the Annual Award Value, based on the number of days between the first day of the week in which the grant is made and the day prior to the next annual meeting of our stockholders.

Each such prorated RSU grant will vest in full on the day prior to the next annual meeting held after the date of grant, in each case subject to the non-employee director continuing to provide service as a director through the applicable vesting date.

Stock Ownership Guidelines

Our stock ownership guidelines provide that each non-employee director is expected to attain a minimum share ownership position with an aggregate value equal to the value of his or her annual equity award for service on the board of directors (not including any equity awards for serving as lead independent director or a member or chair of any committees) as follows: (i) for existing directors, by the annual stockholders meeting to occur in 2020, and (ii) for any new directors, by the fourth annual stockholders meeting after the date such director joined the board of directors.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed in the sections titled "Corporate Governance at Nutanix - Director Compensation" and "Executive Compensation," the following is a description of each transaction since August 1, 2017 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or entities affiliated with them, or any immediate family members of or person sharing the household with any of these individuals, had or will have a direct or indirect material interest.

Transactions with Directors and Officers

In March 2017, we entered into an agreement with ServiceNow, Inc., a company that provides service management software as a service for which one of our non-employee directors, Michael P. Scarpelli, serves as the Chief Financial Officer. Pursuant to the agreement, we will purchase ServiceNow products and services over a 33-month term for a total value of approximately $673,000. In the fiscal year ended July 31, 2018, we purchased approximately $300,000 of products and services from ServiceNow under this agreement. Mr. Scarpelli had no involvement in the negotiation of the agreement.

In March 2018, we acquired Netsil Inc., a company that povides application discovery and operations management that enables observability in distributed cloud environments. Our CEO, Dheeraj Pandey had previously made a personal investment in Netsil prior to our consideration of Netsil as an acquisition target. Pursuant to the closing of the acquisition, Mr. Pandey acquired 8,074 shares of our Class A Common Stock in exchange for his equity interest in Netsil, which was equal in value to $426,872 based on the closing price of our Class A common stock on March 22, 2018 of $52.87 per share. A portion of the shares are currently being held in escrow and are subject to forfeiture under certain circumstances. Mr. Pandey has donated all of the gains on his investment in Netsil to charity.

Equity Awards to Executive Officers and Directors

We have granted equity awards to our Named Executive Officers. For a description of these stock awards, see the sections titled "Executive Compensation - Executive Compensation Tables - Outstanding Equity Awards at Fiscal 2018 Year-End Table."

Policies and Procedures for Related-Party Transactions

We have a formal written policy providing that our executive officers, directors, nominees for election as directors, beneficial owners of more than 5% of any class of our common stock and any member of the immediate family of any of the foregoing persons, is not permitted to enter into a related-party transaction with us without the consent of our audit committee, subject to the exceptions described below.

In approving or rejecting any such proposal, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to our audit committee, including, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, and the extent of the related party's interest in the transaction. Our audit committee has determined that certain transactions will not require audit committee approval, including certain employment arrangements of executive officers, director compensation, transactions with another company at which a related party's only relationship is as a non-executive employee, director or beneficial owner of less than 10% of that company's shares and the aggregate amount involved does not exceed $120,000 in any fiscal year, transactions where a related party's interest arises solely from the ownership of our common stock and all holders of our common stock received the same benefit on a pro rata basis and transactions available to all employees generally.

We believe that we have executed all of the transactions set forth above on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates are approved by the audit committee of our board of directors and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

AUDIT COMMITTEE MATTERS

PROPOSAL NO. 2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our audit committee has re-appointed Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2019 and has further directed that management submit this selection for ratification by the stockholders at the Annual Meeting. Although ratification by stockholders is not required by law, we have determined that it is good practice to request ratification of this selection by the stockholders. In the event that Deloitte & Touche LLP is not ratified by our stockholders, the audit committee will review its future selection of Deloitte & Touche LLP as our independent registered public accounting firm.

Deloitte & Touche LLP audited our financial statements for the fiscal years ended July 31, 2017 and 2018. Representatives of Deloitte & Touche LLP are expected to be present during the Annual Meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

Our board of directors is submitting this selection as a matter of good corporate governance and because we value our stockholders' views on our independent registered public accounting firm. Neither our bylaws nor other governing documents or law require stockholder ratification of the selection of our independent registered public accounting firm. If the stockholders fail to ratify this selection, our board of directors will reconsider whether or not to retain that firm. Even if the selection is ratified, our board of directors may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of Nutanix and its stockholders.

Vote Required

An affirmative vote from holders of a majority in voting power of the shares present at the meeting or represented by proxy and entitled to vote on the proposal will be required to ratify the selection of Deloitte & Touche LLP.

Principal Accountant Fees and Services

The following table provides the aggregate fees for services provided by Deloitte & Touche LLP for the fiscal years ended July 31, 2017 and 2018.

	Fiscal Year Ended July 31,	
	2017	2018
Audit fees(1)	$2,229,900	$3,597,500
Audit-related fees(2)	365,600	195,000
Tax fees(3)	411,135	703,234
Total fees	$3,006,635	$4,495,734

(1) Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements, including audited financial statements presented in our Annual Report on Form 10-K, review of the interim consolidated financial statements included in our quarterly reports and services normally provided in connection with regulatory filings. Fees for our fiscal year ended July 31, 2017 also consisted of professional services rendered in connection with our Registration Statement on Form S-1 related to our IPO completed in October 2016.

(2) Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees."

(3) Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance.

Pre-Approval Policies and Procedures

Consistent with the requirements of the SEC and the Public Company Accounting Oversight Board, or PCAOB, regarding auditor independence, the audit committee has responsibility for appointing, setting compensation, retaining and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the audit committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, Deloitte & Touche LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the audit committee's approval of the scope of the engagement of the independent auditor or on an individual, explicit, case-by-case basis before the independent auditor is engaged to provide each service.

All of the services provided by Deloitte & Touche LLP for our fiscal years ended July 31, 2017 and 2018 described above were pre-approved by the audit committee or our board of directors. Our audit committee has determined that the rendering of services other than audit services by Deloitte & Touche LLP is compatible with maintaining the principal accountant's independence.

Our board of directors recommends a vote **FOR** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2019.

REPORT OF THE AUDIT COMMITTEE

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended July 31, 2018 with the management of Nutanix. The audit committee has discussed with its independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees,* as amended, as adopted by the Public Company Accounting Oversight Board. The audit committee has also received the written disclosures and the letter from its independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the audit committee has recommended to our board of directors that the audited financial statements be included in Nutanix's Annual Report on Form 10-K for the fiscal year ended July 31, 2018.

The Audit Committee

Michael P. Scarpelli (Chair)
Steven J. Gomo
Jeffrey T. Parks

The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of Nutanix under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

OUR EXECUTIVE OFFICERS

The following is biographical information for our executive officers not discussed above, as of the date of this proxy statement:

Name	Age	Position/Office Held With Nutanix
Dheeraj Pandey	43	Chief Executive Officer and Chairman
Duston M. Williams	60	Chief Financial Officer
Louis J. Attanasio	59	Chief Revenue Officer
Sunil Potti	47	Chief Product and Development Officer
David Sangster	54	Executive Vice President, Engineering & Operations
Tyler Wall	52	Chief Legal Officer

Our board of directors chooses our executive officers, who then serve at the board's discretion. There are no family relationships among any of our directors or executive officers.

For biographical information regarding Mr. Pandey, please refer to the section above titled "*Proposal No. 1 Election of Directors*."

Duston M. Williams has served as our Chief Financial Officer since June 2014. Prior to joining us, Mr. Williams served as Chief Financial Officer for Gigamon Inc., a network security company, from March 2012 until June 2014. From March 2011 to January 2012, he served as Chief Financial Officer for SandForce, Inc., a data storage company acquired by LSI Corporation. From July 2010 to February 2011, Mr. Williams served as the Chief Financial Officer of Soraa, Inc., a solid state lighting company. From June 2006 to June 2010, Mr. Williams served as Vice President and Chief Financial Officer of Infinera Corporation, an optical networking systems provider. Mr. Williams holds a B.S. in Accounting from Bentley College and an M.B.A. from the University of Southern California.

Louis J. Attanasio has served as our Chief Revenue Officer since November 2017. From May 2016 until November 2017, Mr. Attanasio served as Executive Vice President and Chief Revenue Officer for Informatica LLC, a data integration and management company. From 1979 to April 2016, he served in various roles at International Business Machines, or IBM, a manufacturer of computer hardware and software, most recently as General Manager Global Sales, IBM Hybrid Cloud, General Manager Global Sales, IBM Systems Middleware, Vice President Global Sales, Cloud & Smarter Infrastructure and Vice President Software Sales, North America - East. Mr. Attanasio holds an A.A.S in Electronics from Rockland Community College - State University of New York.

Sunil Potti has served as our Chief Product and Development Officer since February 2016 and was our Senior Vice President, Engineering and Product Management from January 2015 to February 2016. Prior to joining us, Mr. Potti was with Citrix Systems, Inc., a cloud and mobile computing technology company, from April 2009 to January 2015, where he most recently served as Vice President and General Manager and previously as Vice President, Product Management and Marketing. Mr. Potti holds a B.E. in Computer Science from Osmania University and an M.S. in Computer Science from Pennsylvania State University.

David Sangster has served as our Executive Vice President, Engineering & Operations since February 2018 and was our Executive Vice President, Support & Operations from February 2016 to February 2018, our Senior Vice President, Operations from April 2014 to February 2016, and Vice President, Operations from December 2011 to April 2014. Prior to joining us, Mr. Sangster served as Vice President, Manufacturing Technology at EMC Corporation, an IT storage hardware solutions company, from July 2009 to December 2011. Mr. Sangster holds a B.S. in Mechanical Engineering from Massachusetts Institute of Technology, an M.S. in Manufacturing Systems Engineering from Stanford University and an M.B.A. in Operations and Marketing from Santa Clara University.

Tyler Wall has served as our Chief Legal Officer since November 2017. Prior to joining us, Mr. Wall was the Senior Vice President, General Counsel, at Red Book Connect, LLC, a restaurant industry SaaS and technology solutions company, from April 2014 to September 2017. Prior to that, Mr. Wall was the Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary at Brocade, a supplier of networking hardware, software, and services, from 2005 to April 2014. Mr. Wall holds a B.S. in Economics from University of Utah, a J.D. from Santa Clara University - School of Law, and an M.B.A. from Santa Clara University - School of Business.

EXECUTIVE COMPENSATION

PROPOSAL NO. 3: NON-BINDING ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables stockholders to approve, on an advisory or non-binding basis, the compensation of our Named Executive Officers as disclosed pursuant to Section 14A of the Exchange Act. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers' compensation as a whole. This vote is not intended to address any specific item of compensation or any specific Named Executive Officer, but rather the overall compensation of all of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement.

The say-on-pay vote is advisory, and therefore not binding on us. The say-on-pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the compensation committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our board of directors and our compensation committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this proxy statement, we will communicate directly with stockholders to better understand the concerns that influenced the vote, consider our stockholders' concerns and the compensation committee will evaluate whether any actions are necessary to address those concerns.

We believe that the information provided in the "*Executive Compensation*" section of this proxy statement, and in particular the information discussed in "*Executive Compensation - Compensation Discussion and Analysis*," demonstrates that our executive compensation program was designed appropriately and is working to ensure management's interests are aligned with our stockholders' interests to support long-term value creation. Accordingly, we ask our stockholders to vote **FOR** the following resolution at the Annual Meeting:

> "*RESOLVED, that the stockholders approve, on a non-binding advisory basis, the compensation paid to the Company's Named Executive Officers, as disclosed in the proxy statement for the Annual Meeting pursuant to the compensation disclosure rules of the Securities Exchange Commission, including in the Compensation Discussion and Analysis, the compensation tables and the narrative discussions that accompany the compensation tables.*"

Vote Required

The non-binding advisory vote on executive compensation requires the affirmative vote of a majority of the voting power of the shares present at the meeting or represented by proxy and entitled to vote on the proposal. Abstentions will have the effect of a vote **AGAINST** the proposal and broker non-votes will have no effect.

Our board of directors recommends a vote **FOR** the approval, on a non-binding advisory basis, of the compensation of our Named Executive Officers, as disclosed in this proxy statement.

PROPOSAL NO. 4: NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF FUTURE STOCKHOLDER ADVISORY VOTES TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Act and Section 14A of the Exchange Act also enables our stockholders to indicate their preference at least once every six years regarding how frequently we should solicit a non-binding advisory vote on the compensation of our Named Executive Officers as disclosed in our proxy statement. Accordingly, we are asking our stockholders to indicate whether they would prefer an advisory vote every one, two or three years. Alternatively, stockholders may abstain from casting a vote.

After careful consideration, our board of directors has determined that a non-binding advisory vote on the compensation of our Named Executive Officers that occurs annually is the most appropriate alternative for us, and therefore our board of directors recommends that you vote for a one-year interval for the non-binding advisory vote on the compensation of our Named Executive Officers.

In formulating its recommendation, our board of directors considered that given the nature of our compensation programs, an annual vote is appropriate because it would enable our stockholders to provide us with their input on our compensation philosophy, policies and practices on a timely basis, and is consistent with our belief in the importance of engaging our stockholders and obtaining their input on our corporate governance matters and our executive compensation philosophy, policies and practices.

Vote Required

The alternative among one year, two years or three years that receives the highest number of votes from the holders of the shares present at the meeting or represented by proxy and entitled to vote on the proposal will be deemed to be the frequency preferred by our stockholders. Abstentions and broker non-votes will have no effect on this proposal.

Stockholders are not voting to approve or disapprove the recommendation of our board of directors, but are instead asked to indicate their preference, on an advisory basis, as to whether the non-binding advisory vote on the approval of the compensation of our Named Executive Officer should be held every year, two years or three years.

Our board of directors and our compensation committee value the opinions of our stockholders in this matter and, to the extent there is any significant vote in favor of one time period over another, will take into account the outcome of this vote when making future decisions regarding the frequency of holding future advisory votes on the compensation of our Named Executive Officers. However, because this is an advisory vote and therefore not binding on our board of directors or our company, our board of directors may decide that it is in the best interests of our stockholders that we hold an advisory vote on the compensation of our Named Executive Officers more or less frequently than the option preferred by our stockholders. The results of the vote will not be construed to create or imply any change or addition to the fiduciary duties of our board of directors.

Our board of directors recommends a vote to hold future stockholder advisory votes on the compensation of our Named Executive Officers every "ONE YEAR"

COMPENSATION DISCUSSION AND ANALYSIS

The compensation provided to our Named Executive Officers for our fiscal year ended July 31, 2018 is set forth in detail in the Fiscal 2018 Summary Compensation Table and the other tables that follow in this Compensation Discussion and Analysis. The following discussion provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each component of compensation that we provide to our Named Executive Officers. In addition, we explain how and why the compensation committee of our board of directors arrived at the specific compensation policies and decisions for our Named Executive Officers. The following are the individuals who served as our Named Executive Officers during our fiscal year ended July 31, 2018:

- Dheeraj Pandey, Chief Executive Officer and Chairman;
- Duston M. Williams, Chief Financial Officer;
- Louis J. Attanasio, Chief Revenue Officer;
- Sunil Potti, Chief Product and Development Officer; and
- Tyler Wall, Chief Legal Officer

Our board of directors has delegated to the compensation committee the authority and responsibility for establishing and overseeing salaries, administering the incentive compensation programs, and establishing and overseeing other forms of compensation for our executive officers, general remuneration policies for the balance of our employee population and for overseeing and administering our equity incentive and benefit plans.

EXECUTIVE SUMMARY

Our goal is to create an executive compensation program that attracts and motivates the top executives who are essential for building Nutanix into the enterprise cloud platform company that we aspire to be. Achieving this goal depends on our continued discipline as we execute on our growth strategy and significantly invest in our business in order to build scale and increase our leadership in our industry. Since our IPO in 2016, our business has grown rapidly, and maintaining this growth requires the intense focus and dedication of our executives. The velocity of our growth has also required that we recruit new seasoned leaders who have experienced the complexity involved in this level of rapid growth and who can grow a company at scale. Accordingly, we continue to design and update our executive compensation programs to match the maturity, size, scale, growth and continuing aspirations of our business to create value for our stockholders. We operate in a highly competitive and rapidly evolving market, and our ability to compete and succeed in this dynamic environment is directly correlated to our ability to recruit, incentivize and retain talented and seasoned top-caliber technology leaders. The market for skilled management and personnel that we seek to hire and retain is fiercely competitive, therefore our executive compensation programs are critical in supporting the growth of our business.

This executive summary provides an overview of:

- Our fiscal 2018 business highlights;
- Our executive compensation practices; and
- And our Say-on-Pay vote for executive compensation and Say-on-Pay frequency vote.

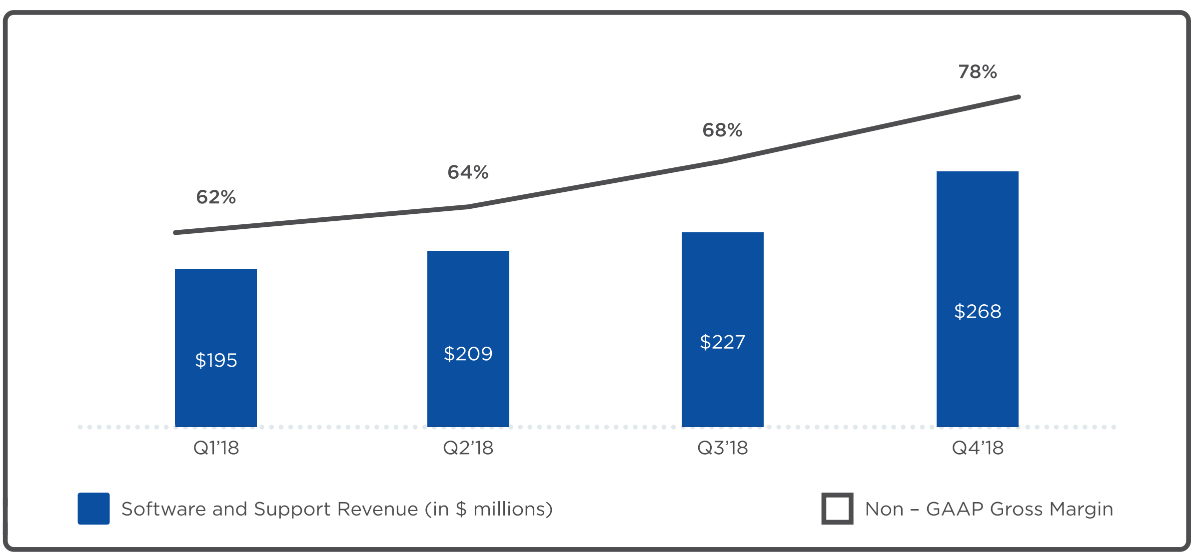
Fiscal 2018 Business Highlights

We provide a leading enterprise cloud platform that powers many of the world's business applications and end user services by digitizing traditional silos of enterprise computing. With the advent of cloud as a mainstream consumption paradigm, enterprises are increasingly keen to re-platform existing IT environments with a hybrid cloud architecture that allows businesses to utilize a private cloud, leverage public cloud where applicable, and distribute this hybrid cloud architecture to the edge where their business engages with devices and users. Our solution allows our customers to virtualize various clouds - private, public, edge - into one seamless cloud enabling enterprises to choose the right cloud for the right application. Nutanix's solution converges compute, virtualization, storage, networking, desktop, governance and security services in one integrated, simple to consume solution delivered through software. Further, our software and software-as-a-service, or SaaS, solutions allow enterprises to simplify the complexities of a multi-cloud environment with automation, cost governance and compliance. Nutanix underpins the platform with unique web-scale engineering and one-click operational simplicity that powers any scale deployment, while giving customers the freedom of choice across various hardware platforms, virtualization solutions and major public cloud providers.

In fiscal 2018, we embarked on a business model transition toward a software-centric business over the near term and a consumption model transition toward a subscription-based business model over the long term. The successful and disciplined execution of this transition against our plan resulted in significant growth and strong financial performance, including significant expansion of our gross margins and increased software and support billings and revenues. However, due to this continuing transition in our business and consumption model, our targets with respect to certain top-line metrics, such as total revenue and total billings, continue to shift as well. Therefore, we designed the annual incentive component of our executive compensation program in fiscal 2018 to align with key performance measures, such as the imputed software value on bookings, that we believe to be indicators of our success through these transitions in our business model. In addition, we believe we have a unique opportunity many other companies may not have, and will continue to focus on capturing this large and growing market opportunity, which requires that we continue to heavily invest in our business.

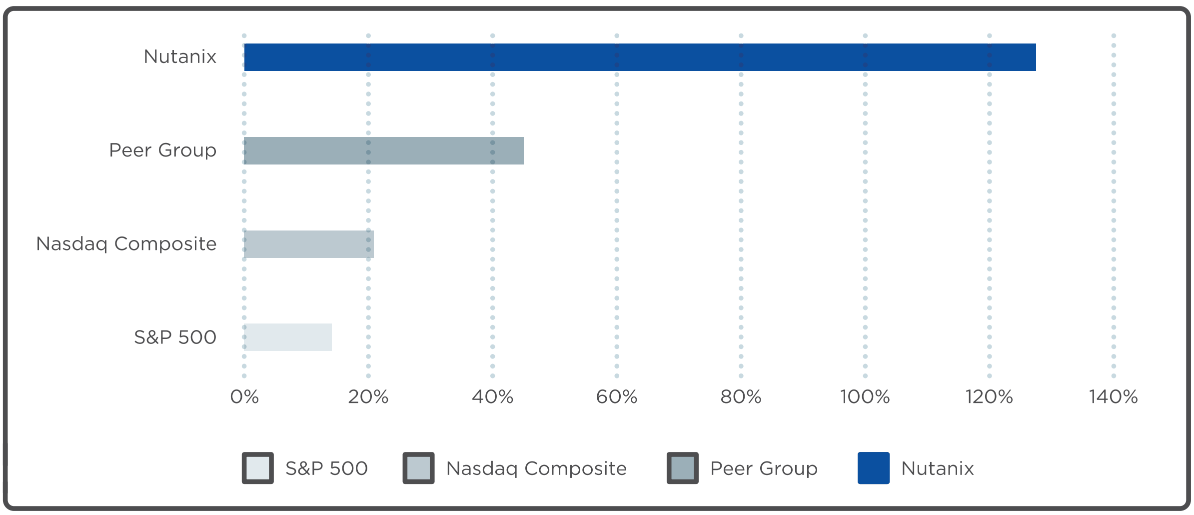
Our strong business results in fiscal 2018 provides context for stockholders reviewing our executive compensation disclosures:

- Fiscal 2018 revenue grew to $1.16 billion, crossing the $1 billion revenue milestone, while executing our shift to software-only sales and eliminating $169 million in lower margin pass-through hardware revenue. We grew software and support revenue 49% in the fourth quarter compared to the fourth quarter of fiscal 2017. Information on the disaggregation of revenue is set forth on page 84 of our Annual Report on Form 10-K, as filed with the SEC on September 24, 2018.



- Fiscal 2018 GAAP gross margin increased to 66.6% from 61.3% in fiscal 2017; non-GAAP gross margin increased to 68.1% from 63.1% in fiscal 2017. Ended fiscal 2018 with a fourth quarter GAAP gross margin of 75.9% and non-GAAP gross margin of 77.7%, compared to a GAAP gross margin of 61.4% and non-GAAP gross margin of 62.6% in the fourth quarter of fiscal 2017. The reconciliation of GAAP gross margin and non-GAAP gross margin is set forth on page 46 of our Annual Report on Form 10-K, as filed with the SEC on September 24, 2018.
- Approximately 1,000 new end customers were added in the fourth quarter of fiscal 2018, bringing our total end customer count as of July 31, 2018 to over 10,600, which included over 700 total Global 2000 customers as of July 31, 2018, up from over 500 total Global 2000 customers as of July 31, 2017.
- In fiscal 2018, we closed 201 deals worth more than $1 million and had 26 customers with a lifetime spend of more than $10 million. This compares to 144 deals worth over $1 million and 11 customers with a lifetime spend of over $10 million in fiscal 2017.
- Total stockholder return was 128% for the one-year period ending July 31, 2018, compared to an average total shareholder return of 45% for our 2018 peer group, 20% for the NASDAQ Composite Index and 14% for the S&P 500.

Fiscal 2018 Total Stockholder Return*



* Based on closing prices on August 1, 2017 and July 31, 2018.

Fiscal 2018 also saw the addition of a number of top executives whom we believe have the skillset and discipline to help us grow at scale and deliver stockholder value. We have recruited unique executives who have played integral roles in helping software and technology companies reach multi-billions in billings and revenue. The number of executives with this experience is relatively low, therefore, we created very competitive compensation packages to attract these individuals in anticipation of the stockholder value they will help create.

We believe our Named Executive Officers' compensation for fiscal 2018 appropriately reflected and rewarded their collective contributions to our performance, as well as laid the foundational investment in our executives, as they execute our longer-term ambitions. As we surpass $1.1 billion in annual revenue, we have attracted and retained an executive management team of seasoned and accomplished leaders capable of driving top-line growth at a larger scale, focusing on executing on our market opportunities and leading us through our next phase of growth.

Executive Compensation Practices

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The compensation committee evaluates our executive compensation program on a regular basis to ensure consistency with our short-term and long-term goals, given the dynamic nature of our business and the market in which we compete for executive talent. The following policies and practices were in effect during fiscal 2018:

What We Do	What We Don't Do
* Performance-based cash and equity incentives * 100% independent compensation committee * Independent compensation consultant engaged by the compensation committee * Annual executive compensation review of compensation strategy and risks * Equity-based executive and director compensation to align with the interests of our stockholders * Multi-year vesting requirements for performance-based RSU, or PRSU, and RSU awards granted to our executive officers * Our executives participate in broad-based company health and welfare benefits programs alongside all other full-time salaried employees * Our directors are compensated 100% with equity to align our directors with the long-term interests of our stockholders * Director stock ownership guidelines	* No retirement or pension-type plans other than the standard 401(k) offered to all employees * No perquisites and other personal benefits, other than standard benefits typically received by other employees * No tax gross-ups for change of control payments and benefits * No short sales, hedging, or pledging of stock ownership positions and transactions involving derivatives of our common stock * No strict benchmarking of compensation to a specific percentile of our peer group

Say-on-Pay Vote on Executive Compensation and Say-on-Pay Frequency Vote

In prior years, we were an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 and were not required to hold a non-binding, advisory vote on the compensation of our Named Executive Officers, or a Say-on-Pay vote. At the Annual Meeting, we will be conducting our first Say-on-Pay vote, as described in Proposal No. 3 of this proxy statement, as well as a vote to determine how frequently we should be holding a Say-on-Pay vote, as described in Proposal No. 4 of this proxy statement.

DISCUSSION OF OUR FISCAL 2018 EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program is designed to attract, motivate and retain the key executives who drive our success and to align our executives with the long-term interests of our shareholders. This section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program and each component of our executive compensation program. In addition, we explain how and why the compensation committee arrived at the specific compensation policies and decisions involving our executive compensation program.

Executive Compensation Philosophy

Our desire is to create a premier enterprise cloud platform software company, and our compensation philosophy is singularly focused on the achievement of that goal. We operate in a highly competitive business environment characterized by a rapidly changing market and frequent technological advances, and we expect competition among companies in our market to continue to increase. In the past several years, we have experienced a high level of growth and have focused our current business strategy on maintaining that growth at scale. To successfully execute on this growth strategy in this dynamic environment, we need to recruit, incentivize and retain talented and seasoned leaders who are able to execute at the highest level and deliver stockholder value. We have structured our executive compensation program to align with this strategy by adopting a mix of short-term and long-term incentives, which we believe will motivate our executive officers to execute to our short-term and long-term growth strategy.

We actively compete with many other companies in seeking to attract and retain a skilled executive management team that has successfully and rapidly scaled and managed multi-billion dollar software businesses. This is especially challenging in the San Francisco Bay Area and Silicon Valley markets in which we have our headquarters, where there are a large number of rapidly expanding technology companies, especially in the software space, intensely competing for highly qualified candidates. We have responded to this intense competition for talent by implementing compensation practices designed to attract and motivate our executive officers to pursue our corporate objectives, while incentivizing them to create long-term value for our stockholders, such that these executives can help lead us to become the premier software platform company we aspire to be.

Our executive compensation program combines short-term and long-term components, including salary, cash bonuses and equity awards. In particular, we have a strong belief that our employees should share in the ownership of Nutanix. Therefore, equity compensation is a significant part of our compensation packages, which we believe best aligns the interests of our employees with those of our stockholders.

Our compensation committee regularly reviews and adjusts our executive compensation program to align with the maturity, size, scale, growth and aspirations of our business. Due to the dynamic nature of our industry and our business, we expect to continue to adjust our approach to executive compensation to respond to our needs and market conditions as they evolve.

Executive Compensation Objectives

The current objectives of our executive compensation program are to:

- Attract, motivate and retain highly qualified executive officers who have successfully and rapidly scaled other technology companies, and who possess the skills and leadership to execute on our growth business strategy and lead us to become the company we aspire to be to deliver stockholder value;
- Reflect our growth-centric strategy, which includes significant investments for our future growth;
- Reward our executive officers for achieving or exceeding our strategic and financial performance goals; and
- Align the long-term goals of our executive officers and employees with those of our stockholders through a focus on ownership.

Compensation-Setting Process

Role of the Compensation Committee

Pursuant to its charter, the compensation committee is primarily responsible for establishing, approving and adjusting compensation arrangements for our Named Executive Officers, including our CEO, and for reviewing and approving corporate goals and objectives relevant to these compensation arrangements, evaluating executive performance and in determining the long-term incentive component of compensation, considering factors related to our performance, including accomplishment of our long-term business and financial goals. For additional information about the compensation committee, see "*Corporate Governance at Nutanix - Board of Directors and Its Committees - Compensation Committee*" in this proxy statement.

Compensation decisions for our executive officers are made by the compensation committee, with the input of its independent compensation consultant, as well as from our CEO and our management team (except with respect to their own compensation). The compensation committee periodically reviews the cash and equity compensation of our executive officers with the goal of ensuring that our executive officers are properly incentivized and makes adjustments as necessary.

The compensation committee considers compensation data from our peer group as one of several factors that inform its judgment of appropriate parameters for target compensation levels. The compensation committee, however, does not strictly benchmark compensation to a specific percentile of our peer group, nor does it apply a formula or assign relative weights to specific compensation elements. In addition, while compensation peer group data is a factor, the compensation committee is forward-looking in aligning our executive compensation program with the unique growth opportunity we believe we have, which is not captured by reviewing peer data.

The compensation committee makes compensation decisions after the consideration of many factors, including:

- The performance and experience of each executive officer;
- The scope and strategic impact of the executive officer's responsibilities and the criticality of the executive officer's role to the performance of the company;
- Our past business performance and future expectations;
- Our long-term goals and strategies;
- The performance of our executive team as a whole;
- For each executive officer, other than our CEO, the recommendation of our CEO based on an evaluation of his or her performance;
- The difficulty and cost of replacing high-performing leaders with in-demand skills;
- The past compensation levels of each individual;
- The relative compensation among our executive officers; and
- The competitiveness of compensation relative to our peer group.

The compensation committee operates under a written charter adopted by our board of directors. A copy of the charter is posted on the investor relations section of our website located at *http://ir.nutanix.com*.

Role of Management

The compensation committee works with members of our management team, including our CEO and our human resources, finance and legal professionals (except with respect to their own compensation). Typically, our CEO makes recommendations to our compensation committee, often attends compensation committee meetings and is involved in the determination of compensation for our executive officers, except that our CEO does not make recommendations as to his own compensation. Because of his direct role overseeing our executive officers, our CEO makes recommendations to our compensation committee regarding short- and long-term compensation for all executive officers (other than himself) based on our results, an individual executive officer's contribution toward these results and performance toward individual goal achievement. Our compensation committee then reviews the recommendations and other data and makes decisions as to total compensation for each executive officer, as well as each individual compensation component.

Role of Compensation Consultant

The compensation committee is authorized, in its sole discretion, to retain the services of one or more compensation consultants, outside legal counsel and such other advisors as necessary to assist with the execution of its duties and responsibilities. For fiscal 2018, the compensation committee engaged Compensia, Inc., or Compensia, a nationally recognized compensation consulting firm, to conduct market research and analysis on our various executive positions, to assist the committee in developing appropriate incentive plans for our executives on an annual basis, to provide the committee with advice and ongoing recommendations regarding material executive compensation decisions, and to review compensation proposals of management. Compensia evaluated the following components to assist the committee in establishing compensation for fiscal 2018, including:

- Base salary;
- Target and actual annual incentive compensation, or sales incentive compensation;
- Target and actual total cash compensation (base salary and annual incentive compensation);
- Long-term incentive compensation (equity awards); and
- Beneficial ownership of our common stock.

Based on the consideration of the factors specified in the rules of the SEC and the listing standards of NASDAQ, the compensation committee does not believe that its relationship with Compensia and the work of Compensia on behalf of the compensation committee and our management team has raised any conflicts of interest. The compensation committee reviews these factors on an annual basis. As part of the compensation committee's determination of Compensia's independence for fiscal 2018, it received written confirmation from Compensia addressing these factors and stating its belief that it remains an independent compensation consultant to the compensation committee.

Peer Group

The compensation committee reviews market data of companies that we believe are comparable to us. With Compensia's assistance, the compensation committee developed a peer group for use when making its fiscal 2018 compensation decisions, which consisted of companies that are located in the same geographical area and that had revenues, growth rates, market capitalization and a number of employees within a range similar to that of Nutanix. While the compensation committee takes into account compensation practices of the peer companies, the compensation committee uses this information as one of many factors in its deliberations on compensation matters, as described above, and does not set compensation levels to meet specific percentiles.

The compensation committee referred to compensation data from this peer group when making fiscal 2018 base salary, cash bonus and equity award decisions for our executive officers. The following is a list of the public companies that comprised our fiscal 2018 peer group:

Arista Networks	Box	Cornerstone OnDemand
F5 Networks	FireEye	Fortinet
j2 Global	Palo Alto Networks	Proofpoint
Pure Storage	Splunk	Tableau Software
Twilio	Ultimate Software Group	

In July 2018, the compensation committee reviewed the compensation peer group that would be used for fiscal 2019 compensation decision making. In light of the rapid growth and increase in market capitalization that we experienced since the beginning of fiscal 2018, the compensation committee determined that j2 Global, The Ultimate Software Group, FireEye, Box and Cornerstone OnDemand should be removed and, VMware, Red Hat, Workday, ServiceNow, Shopify, Veeva Systems, Guidewire Software, Pivotal Software, New Relic and Okta should be added to the peer group, given their market capitalization, their size, scale, and growth as software companies, and the fact that they compete with Nutanix for executive talent. The committee believes that this updated peer group is a better reflection of the company's current status following our immense growth during fiscal 2018 and will help align our executive compensation with our growth plan in the near and long term.

The following is a list of the public companies that comprise our fiscal 2019 peer group:

Arista Networks	F5 Networks	Fortinet	Guidewire Software
New Relic	Okta	Palo Alto Networks	Pivotal Software
Proofpoint	Pure Storage	Red Hat	ServiceNow
Shopify	Splunk	Tableau Software	Twilio
Veeva Systems	VMware	Workday	

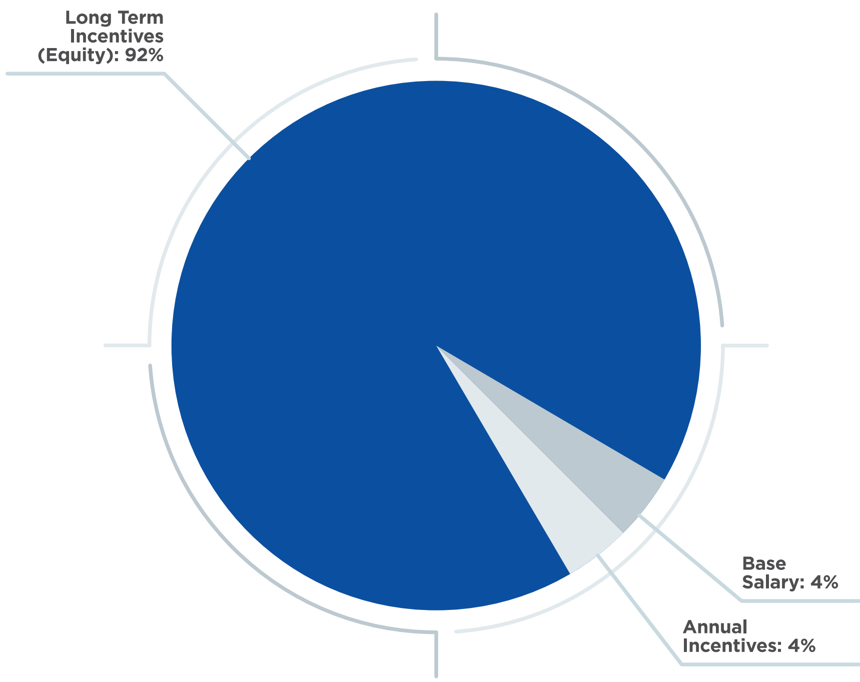
COMPONENTS OF COMPENSATION PROGRAM AND FISCAL 2018 COMPENSATION

Our executive compensation program consists of the following primary components:

- base salary;
- target and actual annual incentive compensation or sales incentive commission;
- long-term equity compensation;
- beneficial ownership of our common stock; and
- severance and change in control-related payments and benefits.

We also provide our executive officers with comprehensive employee benefit programs such as medical, dental and vision insurance, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs generally made available to all of our eligible employees.

We believe these elements provide a compensation package that attracts and retains qualified individuals, links individual performance to Company performance, focuses the efforts of our Named Executive Officers and other executive officers on the achievement of both our short-term and long-term objectives and aligns the interests of our executive officers with those of our stockholders. In particular, our corporate culture encourages a long-term focus by our executive officers, including our Named Executive Officers, as well as all our other employees, by placing a heavy emphasis on granting equity awards, the value of which depends on our stock performance and other performance measures, to achieve strong long-term performance. On average, our fiscal 2018 compensation packages for our Named Executive Officers were comprised of 4% in base salary, 4% in annual incentives, and 92% in long-term incentives:



Base Salaries

We pay base salaries to our Named Executive Officers to compensate them for services rendered during the year and provide predictable income. Generally, we establish the initial base salaries of our executive officers at the time we hire the individual executive officer, taking into account the executive officer's experience, skills and knowledge and the scope of the responsibilities, as well as benchmarking against our peer group. In addition, the competition in the market in which we recruit from plays a role in setting salary levels due to the difficulty in recruiting candidates with the level of talent and experience we believe are necessary for us to execute on our business and growth plans. We do not apply specific formulas to determine changes in salaries. Instead, the salaries of our Named

Executive Officers are reviewed on an annual basis by our CEO (other than his own salary, which is reviewed and determined by the compensation committee) and the compensation committee, based on their experience setting salary levels and in determining compensation for senior executives.

Fiscal 2018 Base Salaries

In December 2017, in connection with its review of our executive compensation program, our compensation committee approved adjustments to the base salary of our Named Executive Officers (other than Messrs. Attanasio and Wall), which were effective December 1, 2017, to reward them for their performance in the prior year. Based on an analysis prepared by Compensia, the then-current base salary level for each Named Executive Officer (other than Messrs. Attanasio and Wall, who were not considered for a salary increase in light of their recent hires) was below the median for the comparable executive in our compensation peer group. To move the target total cash compensation opportunity closer towards the median of the competitive market, and to reward each individual's outstanding performance, our compensation committee approved base salary increases for each Named Executive Officer, as set forth below.

Name Executive Officer	Base Salary	Percentage Increase from Fiscal 2017 Base Salary
Dheeraj Pandey	$400,000	60%
Duston Williams	$400,000	60%
Louis J. Attanasio(1)	$775,000	0%
Sunil Potti	$365,000	46%
Tyler Wall(2)	$350,000	0%

(1) Mr. Attanasio's base salary was determined in connection with his employment agreement, dated October 15, 2017. See the section below entitled "*Executive Compensation - Employment Arrangements*" for more details.

(2) Mr. Wall's base salary was determined in connection with his employment agreement, dated November 20, 2017. See the section below entitled "*Executive Compensation - Employment Arrangements*" for more details.

Target and Actual Annual Incentive Compensation

Our board of directors adopted the Executive Incentive Compensation Plan, or the Executive Bonus Plan. Our Executive Bonus Plan will allow our compensation committee to provide incentive awards to employees selected by our compensation committee, including our Named Executive Officers.

Under our Executive Bonus Plan, our compensation committee determines the performance goals (if any) applicable to any award or portion of an award and may choose the performance goals from a wide range of possible metrics as set forth in the Executive Bonus Plan. The performance goals may differ from participant to participant and from award to award.

Our compensation committee administers our Executive Bonus Plan and may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, at the discretion of the compensation committee. The compensation committee may determine the amount of any reduction on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards are paid in cash in a single lump sum only after they are earned, which usually requires continued employment through the last day of the performance period. If a participant terminates employment because of death or disability before the actual award is paid, the award may be paid to the participant's estate or to the participant, as applicable, subject to the compensation committee's discretion to reduce or eliminate the award. Payment of awards occurs as soon as administratively practicable after they are earned, but no later than the dates set forth in our Executive Bonus Plan.

Our board of directors and our compensation committee have the authority to amend, alter, suspend or terminate our Executive Bonus Plan, provided such action does not impair the existing rights of any participant with respect to any earned awards.

Fiscal 2018 Executive Bonus Plan

Each year, our compensation committee determines the terms and conditions for the Executive Bonus Plan for the year. In fiscal 2018, our compensation committee adopted and approved the terms and conditions for fiscal 2018, or the Fiscal 2018 Executive Bonus Plan, which provided for potential performance-based incentive payouts to certain executives not paid sales commissions, including our Named Executive Officers other than Mr. Attanasio. Further, the Fiscal 2018 Executive Bonus Plan provided opportunities for cash incentive compensation payouts based on our actual achievement of pre-established corporate objectives, as set forth in our annual operating plan. The target levels for the corporate objectives in our annual operating plan were set at levels determined to be challenging and requiring substantial skill and effort on the part of senior management. Payouts under the Fiscal 2018 Executive Bonus Plan ranged between 0% to 200% depending on achievement of the performance measures, with bonus payouts made as a lump sum payment every six months. In the first half of the year, the amount paid would be 50% of the calculated payout, with a minimum performance requirement of 100% achievement to receive the payment.

In December 2017, the dollar amount of the target annual incentive compensation opportunities increased for each of our Named Executive Officers (except for Messrs. Attanasio and Wall) as part of the compensation committee's annual analysis of the total cash compensation package provided to the executive officers. Messrs. Attanasio and Wall were not considered for adjustments to their annual bonus or commission targets as they had recently joined us at the time the increases were approved. The target annual incentive compensation opportunities established under the Fiscal 2018 Executive Bonus Plan for our Named Executive Officers were as follows:

Name Executive Officer	Annual Bonus Target	Annual Bonus Target as a % of Base Salary	Change from Fiscal 2017 Bonus Target(1)
Dheeraj Pandey	$400,000	100%	60%
Duston Williams	$260,000	65%	73%
Louis J. Attanasio(2)	—	—	—
Sunil Potti	$235,000	64%	57%
Tyler Wall(3)	$150,000	43%	(3)

(1) Represents the percentage increase in the dollar amount of the Annual Bonus Target from fiscal 2017.

(2) Mr. Attanasio participated in our sales incentive plan in fiscal 2018, as explained further below.

(3) Mr. Wall's annual bonus target was determined in connection with his employment agreement, dated November 20, 2017. See the section entitled "*Executive Compensation - Employment Arrangements*" for more details

Performance Measures

The Named Executive Officers' performance measures for payment under the Fiscal 2018 Executive Bonus Plan included: 1) imputed software value, or ISV, on bookings, 2) bookings from Global 2000 customers and 3) new customer adds. We define bookings as the total billable amount under binding purchase orders received by the company during a given period. ISV on bookings is calculated by subtracting the cost of the hardware for a relevant order from total bookings. The compensation committee believes that ISV on bookings is a performance metric that allows us to better track the true growth of our software business by excluding the amounts attributable to the pass-through hardware that we use to deliver our solutions. Bookings from Global 2000 customers represents the aggregate dollar amount of bookings from companies on the Forbes 2017 Global 2000 list. New customer adds counts total new logos added in the period and is measured against our annual operating plan. The compensation committee believes that bookings from Global 2000 companies and new customer adds are important indicators of the success of key elements of our growth strategy, which includes our focus on expanding our position with the Global 2000 and continued investment in acquiring new end customers.

The compensation committee believed that these performance measures were objective measures of our successful achievement of its growth and business strategy, especially in light of our ongoing business and consumption model transition. These performance measures under our Fiscal 2018 Executive Bonus Plan, while significant to our achievement of our growth and business strategy, are our internal metrics that we do not disclose in our financial statements.

The following table describes the relative weighting of each performance measure and the payout percentages that would be used to calculate the actual payout based on achievements of the targets at and between the low end of the target range and the high end of the target range. Any achievement of the plan targets between the low and high end of the target range would correlate to a lower or higher payout percentage between zero and 200 percent.

Performance Metric	Weighting	Plan Targets	Payout %
Imputed Software Value on Bookings	50%	Less than 87% of Target	0%
		Between 87% and 100% of Target	Between 0% and 100%
		100% of Target	100%
		Between 100% and 107% of Target	Between 100 and 200%
		107% or more of Target	200%
Bookings from Global 2000 Customers	25%	Less than 26% of Total Bookings	0%
		Between 26% and 30% of Total Bookings	Between 0% and 100%
		30% of Total Bookings	100%
		Between 30% and 32% of Total Bookings	Between 100% and 200%
		32% or more of Total Bookings	200%
New Customer Adds	25%	Less than 90% of Target	0%
		Between 90% and 100% of Target	Between 0% and 100%
		100% of Target	100%
		Between 100% and 110% of Target	Between 100% and 200%
		110% or more of Target	200%

Fiscal 2018 Executive Bonus Plan Payouts

The achievement of the individual performance metrics for the Named Executive Officers under the Fiscal 2018 Executive Bonus Plan were as follows:

Performance Metric	Achievement of Plan Target	Payout %	Weighting	Weighted Total
Imputed Software Value on Bookings	101.1%	110.7%	50%	55.4%
Bookings from Global 2000 Customers	106.9%	193.3%	25%	48.3%
New Customer Adds	92.5%	24.5%	25%	6.1%
			Total	**109.8%**

The aggregate payout amounts were calculated by multiplying the Named Executive Officer's annual bonus target and the total performance achievement percentage, which was 109.81% in fiscal 2018. The aggregate payouts received by each Named Executive Officer under the Fiscal 2018 Executive Bonus Plan were:

Name Executive Officer	Annual Bonus Target	Payout Amount for Fiscal 2018
Dheeraj Pandey	$400,000	$439,225
Duston Williams	$260,000	$285,496
Louis J. Attanasio[1]	—	—
Sunil Potti	$235,000	$258,044
Tyler Wall[2]	$150,000	$111,895

(1) Mr. Attanasio participated in our annual sales incentive commission plan in fiscal 2018, as explained below.

(2) Mr. Wall's payout was pro-rated based on his starting date at the company.

Sales Incentive Plan

Since much of Mr. Attanasio's responsibilities are focused on sales of our solutions, our compensation committee determined that it would be more appropriate for Mr. Attanasio to participate in a sales incentive plan with terms that correspond to the results achieved by his team in the initial year of providing services to us as Chief Revenue Officer, rather than in the Fiscal 2018 Executive Bonus Plan described above. Thus, in fiscal 2018, Mr. Attanasio participated in an individualized sales incentive plan that is similar to the plans used for all of our sales employees and earned commissions based on the bookings generated by his sales team. Mr. Attanasio's annual target under the sales commission plan was $775,000, which was determined by our compensation committee and took into account the compensation factors described above under the heading "*Executive Compensation - Compensation Discussion and Analysis - Compensation-Setting Process*."

Under the sales incentive plan, Mr. Attanasio was eligible to receive commissions based on a first half quota tied to total bookings and a second half quota tied to ISV on bookings, reflective of the fiscal 2018 shift in our business to software-only. In addition, as set forth in the table below, Mr. Attanasio was eligible for higher commission percentages if he achieved over 100% of his quota targets.

Period	Payout Target	Quota Target Tiers	Commission Payout % for Each Tier	Payouts at Each Commission Tier	Total Payout
First Half of Fiscal 2018	$191,597[1]	Tier 1: Up to 100% of quota	0.0511%	$191,597	$245,987[2]
		Tier 2: Over 100% up to 102% of quota	0.1022%	$7,664	
		Tier 3: Above 102% of quota	0.1533%	$46,725	
Second Half of Fiscal 2018	$387,500	Tier 1: Up to 100% of quota	0.0625%	$387,500	$405,975[3]
		Tier 2: Over 100% up to 102% of quota	0.1251%	$15,500	
		Tier 3: Above 102% of quota	0.1876%	$2,975	

(1) Mr. Attanasio's first half payout was pro-rated based on his starting date at the company.

(2) Reflects 110% achievement of total quota target.

(3) Reflects 102% achieve of total quota target.

Pursuant to the terms of the employment agreement with Mr. Attanasio, starting with fiscal 2019, we had the option to shift Mr. Attanasio to the Executive Bonus Plan from the sales incentive plan. The compensation committee has made the determination that Mr. Attanasio's participation in the Executive Bonus Plan would better align his target incentive compensation with the long-term interests of our stockholders and he is thus currently a participant in the fiscal 2019 Executive Bonus Plan, with an annual bonus target of $775,000.

Long-Term Equity Compensation

Our corporate culture encourages a long-term focus by our executive officers, including our Named Executive Officers, as well as all our other employees. In keeping with this culture, our executive compensation program places a heavy emphasis on granting equity awards, the value of which depends on our stock performance and other performance measures, to achieve strong long-term performance.

These equity awards are typically time-based RSUs but where appropriate, we also grant PRSUs that are tied to the development to our transformation to a subscription-based company.

We believe that RSUs offer predictable value delivery to our executive officers while promoting alignment of their interests with the long-term interests of our stockholders in a manner consistent with competitive market practices. We also believe that PRSUs directly link a significant portion of an executive officers' target total direct compensation to our financial performance based on the achievement of one or more pre-established financial performance metrics. In fiscal 2018, we granted a PRSU to our CEO, and certain of our our executive officer's hold PRSUs from prior fiscal years. Together, RSUs and PRSUs are important tools to motivate and retain our highly sought-after executive officers since the value of the awards is delivered to our executive officers over multi-year periods, subject to their continued service. Going forward, we may introduce other forms of equity awards to our executive officers, including our Named Executive Officers, to continue to maintain a strong alignment of their interests with the interests of our stockholders.

The compensation committee, in consultation with our CEO (other than with respect to himself) and its independent compensation consultant, determines the size, mix, material terms and, in the case of PRSUs, performance metrics of the equity awards granted to our executive officers, taking into account a number of factors as described in the section "*Executive Compensation - Compensation Discussion and Analysis - Compensation-Setting Process*."

Fiscal 2018 Equity Awards

The following table sets forth the number of shares of our common stock subject to the RSUs and PRSUs granted to each Named Executive Officer in fiscal 2018. For Messrs. Attanasio and Wall, the RSUs granted reflect the new hire grants each Named Executive Officer received when they joined the company and are thus larger than the annual refresh equity awards we granted to our continuing executives. As discussed above in "*Executive Compensation - Compensation Discussion and Analysis - Executive Summary - Fiscal 2018 Business Highlights*," the compensation packages for our newly hired executives in fiscal 2018 are reflective of our desire to recruit unique executives with the experience, skills, and transformational mindset needed for us to maintain our rapid growth at scale and provide stockholder value. With respect to Mr. Attanasio's grant, the compensation committee believed that he represented a unique mix of experience and vision to not only execute on our growth-centric business plan, but to also lead our sales organization through the complexity of our transition to software-only and our longer-term goal to shift to selling cloud-based services on a subscription basis.

Name Executive Officer	Number of RSUs(1)	Grant Date Fair Value of RSUs(2)	Number of PRSUs	Grant Date Fair Value of PRSUs(3)
Dheeraj Pandey	200,000	$ 6,942,000	100,000(4)	$3,471,000
Duston Williams	120,000	$ 4,165,200	—	—
Louis J. Attanasio(5)	1,200,000	$41,556,000	—	—
Sunil Potti	100,000	$ 3,471,000	—	—
Tyler Wall(6)	300,000	$10,389,000	—	—

(1) Except for Messrs. Attanasio and Wall, our Named Executive Officers received their RSU awards in December 2017 in connection with the annual executive officer compensation review, and such RSU awards vest quarterly over four years, subject to the Named Executive Officer's continued service. The additional information regarding the vesting schedules of these RSU awards, see the section titled "*Executive Compensation - Executive Compensation Tables*" below.

(2) The amounts reported are computed in accordance with ASC Topic 718 based on the closing price of our Class A common stock on the date of grant. These amounts do not reflect the actual economic value that may ultimately be realized by the Named Executive Officers.

(3) The amounts reported represent the grant date fair value of the PRSUs, as computed in accordance with ASC Topic 718, which excludes the impact of estimated forfeitures related to service-based and performance-based vesting conditions, reflects the accounting cost for the equity awards, and does not correspond to the actual economic value that may be received by the Named Executive Officers from the equity awards. The amounts reported assume the probable outcome of the applicable performance conditions at the grant date.

(4) Subject to Mr. Pandey's continuous service, the shares underlying this PRSU will vest upon the achievement of certain milestones as determined by the compensation committee. See the section below entitled "*Executive Compensation - Employment Arrangements*" for more details.

(5) Mr. Attanasio's RSU award was granted in connection with his employment agreement, dated October 15, 2017. See the section entitled "*Executive Compensation - Employment Arrangements*" for more details.

(6) Mr. Wall's RSU award was granted in connection with his employment agreement, dated November 20, 2017. See the section entitled "*Executive Compensation - Employment Arrangements*" for more details.

Severance and Change in Control-Related Benefits

Our Named Executive Officers are each eligible to participate in our Change of Control and Severance Policy, which provides each of them with protections in the event of their involuntary termination of employment following a change in control of the company. In addition, certain of the executive officers may have such provisions in their employment agreements. We believe that these protections assist us in retaining these individuals. We also believe that these protections serve our executive retention objectives by helping our Named Executive Officers maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event that there is a potential transaction that could involve a change in control. The terms of these agreements and the Change of Control and Severance Policy were determined after our board of directors and compensation committee reviewed our retention goals for each Named Executive Officer and an analysis of relevant market data.

For a summary of the material terms and conditions of these post-employment compensation arrangements, see section titled "*Executive Compensation - Employment Arrangements.*"

EMPLOYMENT ARRANGEMENTS

We have entered into employment agreements with our Named Executive Officers. Each of these arrangements provides for "at-will" employment and sets forth the initial terms and conditions of employment of each Named Executive Officer, including base salary, target annual bonus opportunity, standard employee benefit plan participation, a recommendation for an initial grant of an option to purchase shares of our common stock or other equity awards, opportunities for post-employment compensation and vesting acceleration terms. These agreements also set forth the rights and responsibilities of each party and may protect both parties' interests in the event of a termination of employment by providing for certain payments and benefits under specified circumstances, including following a change in control of the company. These offers of employment were each subject to the execution of a standard proprietary information and invention assignment agreement and proof of identity and work eligibility in the United States.

Each of these agreements was approved on our behalf by the compensation committee or our board of directors at the recommendation of the compensation committee. We believe that these arrangements were necessary to induce these individuals to forego other employment opportunities or leave their then-current employer for the uncertainty of a demanding position in a new and unfamiliar organization.

In filling our executive positions, the compensation committee was aware that, in some situations, it would be necessary to recruit candidates with the requisite experience and skills to manage a growing business. Accordingly, it recognized that it would need to develop highly competitive compensation packages to attract qualified candidates in a competitive labor market. At the same time, the compensation committee was sensitive to the need to integrate new executive officers into the executive compensation structure that it was seeking to develop, balancing both competitive and internal equity considerations.

For a summary of the material terms and conditions of our employment agreements with the Named Executive Officers, see section below titled "*Executive Compensation - Employment Arrangements.*"

OTHER COMPENSATION POLICIES

Employee Benefits

We provide employee benefits to all eligible employees in the United States, including our Named Executive Officers, which the compensation committee believes are reasonable and consistent with its overall compensation objective to better enable us to attract and retain employees. These benefits include medical, dental and vision insurance, health savings accounts, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan and other plans and programs.

Stock Trading Practices; Hedging and Pledging Policy

We maintain an Insider Trading Policy that, among other things, prohibits our officers, including our Named Executive Officers, directors and employees from trading during quarterly and special blackout periods. We also prohibit short sales, hedging and similar transactions designed to decrease the risks associated with holding our securities, as well as pledging our securities as collateral for loans and transactions involving derivative securities relating to our common stock. Our Insider Trading Policy requires that all directors, executive officers, and certain other key employees, including our Named Executive Officers, pre-clear with our legal department any proposed open market transactions.

Impact of Accounting and Tax Requirements on Compensation

Deductibility of Executive Compensation

Generally, Section 162(m) of the Internal Revenue Code of 1986, as amended, disallows a tax deduction to any publicly-held corporation for any remuneration in excess of $1 million paid in any taxable year to its chief executive officer and certain other highly compensated officers. For tax years beginning before January 1, 2018, remuneration in excess of $1 million may be deducted if it qualifies as “performance-based compensation” within the meaning of Section 162(m).

The exemption from Section 162(m)’s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 5, 2017 that has not been subsequently materially modified.

We have not previously taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation for our Named Executive Officers and do not currently have any immediate plans to do so. The compensation committee may, in its judgment, authorize compensation payments that are not fully tax deductible when it believes that such payments are appropriate to attract and retain executive talent or meet other business objectives. The compensation committee intends to continue to compensate our Named Executive Officers in a manner consistent with the best long-term interests of the company and our stockholders.

Taxation of “Parachute” Payments and Deferred Compensation

We do not provide our Named Executive Officers with a “gross-up” or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code. Sections 280G and 4999 of the Code provide that certain officers and directors, and service providers who hold significant equity interests, and certain highly compensated service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and that the company, or a successor, may forfeit a deduction on the amounts subject to this additional tax. However, under our Change of Control and Severance Policy, if any payment or benefits to a policy participant, including the payments and benefits under the policy, would constitute a “parachute payment” within the meaning of Section 280G of the Code and would therefore be subject to an excise tax under Section 4999 of the Code, then such payments and benefits will be either (1) reduced to the largest portion of the payments and benefits that would result in no portion of the payments and benefits being subject to the excise tax, or (2) not reduced, whichever, after taking into account all applicable federal, state and local employment and income taxes and the excise tax, results in the participant’s receipt, on an after-tax basis, of the greater payments and benefits.

Section 409A also imposes additional significant taxes on the individual in the event that an executive officer, director or other service provider receives “deferred compensation” that does not meet certain requirements of Section 409A of the Code.

Accounting for Stock-Based Compensation

We follow ASC Topic 718 for our stock-based awards. ASC Topic 718 requires companies to measure the compensation expense for all share-based payment awards made to employees and directors, including stock options, restricted stock unit awards and performance units, based on the grant date "fair value" of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based compensation awards in their income statements over the period that a Named Executive Officer is required to render service in exchange for the option or other award.

For performance units, stock-based compensation expense recognized may be adjusted over the performance period based on interim estimates of performance against pre-set objectives.

Compensation Risk Assessment

Our compensation committee reviews and discusses with management the risks arising from our compensation philosophy and practices applicable to all employees to determine whether they encourage excessive risk-taking and to evaluate compensation policies and practices that could mitigate such risks. In addition, our compensation committee has engaged Compensia to independently review our executive compensation program. Based on these reviews, our compensation committee structures our executive compensation program to encourage our named executive officers to focus on both short-term and long-term success. We do not believe that our executive compensation program creates risks that are reasonably likely to have a material adverse effect on us.

REPORT OF THE COMPENSATION COMMITTEE

Our compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, our compensation committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by the members of the compensation committee of our board of directors:

Jeffrey T. Parks (Chair)
John McAdam
Ravi Mhatre
Susan L. Bostrom

EXECUTIVE COMPENSATION TABLES

FISCAL 2018 SUMMARY COMPENSATION TABLE

The following table presents all of the compensation awarded to, or earned by, our Named Executive Officers during the fiscal year ended July 31, 2018.

Name and Principal Position	Fiscal Year	Salary ($)	Option Awards[(1)] ($)	Stock Awards[(2)] ($)	Non-Equity Incentive Plan Compensation[(3)] ($)	Total ($)
Dheeraj Pandey	2018	350,000	—	10,413,000[(5)]	439,225	11,202,225
Chief Executive Officer and Chairman[(4)]	2017	250,000	6,350,000[(6)]	—	80,700[(7)]	6,680,700
	2016	250,000	—	—	198,258[(8)]	448,258
Duston M. Williams	2018	350,000	—	4,165,200	285,496	4,800,696
Chief Financial Officer	2017	250,000	—	3,660,000	80,700	3,990,700
	2016	250,000	—	—	198,259	448,259
Louis J. Attanasio	2018	578,314	—	41,556,000	651,901	42,786,215
Chief Revenue Officer[(9)]	2017	—	—	—	—	—
	2016	—	—	—	—	—
Sunil Potti	2018	326,667	—	3,471,000	258,044	4,055,711
Chief Product & Development Officer	2017	250,000	—	—	80,700	330,700
	2016	250,000	—	3,482,500	198,258	3,930,758
Tyler Wall	2018	238,636	—	10,389,000	111,895	10,739,531
Chief Legal Officer[(10)]	2017	—	—	—	—	—
	2016	—	—	—	—	—

(1) The amounts in this column represent the aggregate grant-date fair value of stock option awards as computed in accordance with ASC Topic 718. Assumptions used in the calculation of this amount are included in the notes to our consolidated financial statements in our Annual Report on Form 10-K, as filed with the SEC on September 24, 2018.

(2) The amounts in this column represent the aggregate grant date fair value calculated in accordance with ASC Topic 718 for RSU awards. The grant date fair value was determined using the closing share price of our common stock on the date of grant.

(3) The amounts reported represent the amounts paid under our executive bonus plan or, in the case of Mr. Attanasio, our sales incentive plan.

(4) Mr. Pandey served as our President, CEO and Chairman until February 2016, at which point his title was changed to CEO and Chairman. He continues to hold all of the responsibilities of the principal executive officer.

(5) Mr. Pandey was granted RSUs in fiscal 2018 with a total grant date fair value of $10,413,000, of which $3,471,000 is subject to certain performance conditions which had been assessed as probable of being achieved as of the date of grant.

(6) Mr. Pandey was granted stock options with a total granted date fair value of $6,350,000, of which $3,275,000 is subject to certain performance conditions which had been assessed as probable of being achieved as of the date of grant.

(7) Under our executive bonus plan, Mr. Pandey was eligible to receive a payment of $80,700 based on achievement of plan metrics for fiscal 2017. However, Mr. Pandey waived his right to receive incentive payments for fiscal 2017. Thus, the amounts reported as earned in this column were not paid to Mr. Pandey.

(8) Under our executive bonus plan, Mr. Pandey was eligible to receive a payment of $198,258 based on achievement of plan metrics for fiscal 2016. However, Mr. Pandey waived his right to receive incentive payments for fiscal 2016. Thus, the amounts reported as earned in this column were not paid to Mr. Pandey.

(9) Mr. Attanasio joined the company in November 2017.

(10) Mr. Wall joined the company in November 2017.

GRANT OF PLAN BASED AWARDS

The following table presents, for each of our Named Executive Officers, information concerning each equity award grant made during the fiscal year ended July 31, 2018. This information supplements the information about these awards set forth in the "*Fiscal 2018 Summary Compensation Table*" above.

Named Executive Officer	Grant Date	Approval Date	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units[1] (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards[2] ($)
Dheeraj Pandey	12/12/2017	12/12/2017	—	100,000[3]	100,000[3]				3,471,000
	12/12/2017	12/12/2017				200,000[4]			6,942,000
Duston M. Williams	12/12/2017	12/12/2017				120,000[5]			4,165,200
Louis J. Attanasio	11/28/2017	11/28/2017				1,000,000[6]			34,630,000
	11/28/2017	11/28/2017				200,000[7]			6,926,000
Sunil Potti	12/12/2017	12/12/2017				100,000[8]			3,471,000
Tyler Wall	11/28/2017	11/28/2017				300,000[9]			10,389,000

(1) Represents the number of shares of common stock subject to RSUs. For additional information, see "Compensation Discussion and Analysis — Elements of Executive Compensation — Long-Term Incentive Compensation."

(2) Represents the aggregate grant date fair value of equity grants in fiscal 2018 computed in accordance with ASC Topic 718.

(3) One-third of the RSUs will vest on the later of January 1, 2019 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date. One-third of the RSUs will vest on the later of January 1, 2020 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date. One-third of the RSUs will vest on the later of January 1, 2021 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date.

(4) The RSUs vest as to 12,500 shares quarterly, subject to continuous service through the applicable vesting date.

(5) The RSUs vest as to 7,500 shares quarterly, subject to continuous service through the applicable vesting date.

(6) The RSUs vest as to twenty-five percent of the shares on December 15, 2018, with the remaining shares to vest in quarterly installments of 62,500 shares thereafter, subject to continuous service through the applicable vesting date.

(7) The RSUs vest as to 12,500 shares quarterly, beginning on March 15, 2020, subject to continuous service through the applicable vesting date.

(8) The RSUs vest as to 6,250 shares quarterly, subject to continuous service through the applicable vesting date.

(9) The RSUs vest as to twenty-five percent of the shares on December 15, 2018, with the remaining shares to vest in quarterly installments of 18,750 shares thereafter, subject to continuous service through the applicable vesting date.

OUTSTANDING EQUITY AWARDS AT FISCAL 2018 YEAR-END TABLE

The following table presents, for each of our Named Executive Officers, information concerning each equity award grant made during the fiscal year ended July 31, 2018. This information supplements the information about these awards set forth in the "*Fiscal 2018 Summary Compensation Table*" above.

		Option Awards				Stock Awards			
Named Executive Officer	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested[1] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Yet Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested[1] ($)
Dheeraj Pandey	3/28/2012	886,000[2]	—	$ 0.49	3/27/2022				
	6/3/2012	705,000[2]	—	$ 0.49	06/12/2022				
	9/16/2016	500,000[3]	—	$12.00	09/15/2026				
	9/16/2016	—	500,000[4]	$12.00	09/15/2026				
	12/12/2017							100,000[4]	4,889,000
	12/12/2017					175,000[5]	8,555,750		
Duston M. Williams	6/19/2014	450,000[2]	—	$ 3.20	06/18/2024				
	6/19/2014	205,000[2]	—	$ 3.20	06/18/2024				
	9/16/2016					250,000[6]	12,222,500		
	12/12/2017					105,000[7]	5,133,450		
Louis J. Attanasio	11/28/2017					1,000,000[8]	48,890,000		
	11/28/2017					200,000[9]	9,778,000		
Sunil Potti	1/26/2015					87,500[10]	4,277,875		
	1/26/2015					32,143[11]	1,571,421		
	1/26/2015					40,625[12]	1,986,156		
	12/12/2017					87,500[13]	4,277,875		
	4/27/2016							250,000[4]	12,222,500
Tyler Wall	11/28/2017					300,000[14]	14,667,000		

(1) Based on the closing price of Nutanix Class A common stock on July 31, 2018, which was $48.89.

(2) The shares subject to the options are fully vested and exercisable immediately.

(3) The options allow early exercise and are immediately exercisable. The shares subject to the options vest as to 10,416 shares monthly, subject to continuous service through the applicable vesting date.

(4) One-third of the shares subject to the awards will vest on the later of January 1, 2019 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date. One-third of the shares subject to the awards will vest on the later of January 1, 2020 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date. One-third of the shares subject to the awards will vest on the later of January 1, 2021 or upon the compensation committee's certification that the Company has achieved the performance goal, subject to continuous service through the vesting date.

(5) The RSUs vest as to 12,500 shares quarterly, subject to continuous service through the applicable vesting date.

(6) The RSUs vest as to 25,000 shares quarterly, subject to continuous service through the applicable vesting date.

(7) The RSUs vest as to 7,500 shares quarterly, subject to continuous service through the applicable vesting date.

(8) The RSUs vest as to twenty-five percent of the shares on December 15, 2018, with the remaining shares to vest in quarterly installments of 62,500 shares thereafter, subject to continuous service through the applicable vesting date.

(9) The RSUs vest as to 12,500 shares quarterly, beginning on March 15, 2020, subject to continuous service through the applicable vesting date.

(10) The RSUs vest as to 43,750 shares quarterly, subject to continuous service through the applicable vesting date.

(11) The RSUs vest as to 3,571 shares quarterly, subject to continuous service through the applicable vesting dates.

(12) The RSUs vest as to 3,125 shares quarterly, subject to continuous service through the applicable vesting dates.

(13) The RSUs vest as to 6,250 shares quarterly, subject to continuous service through the applicable vesting date.

(14) The RSUs vest as to twenty-five percent of the shares on December 15, 2018, with the remaining shares to vest in quarterly installments of 18,750 shares thereafter, subject to continuous service through the applicable vesting date.

2018 OPTION EXERCISES AND STOCK VESTED VALUE

The following table presents, for each of the Named Executive Officers, the shares of our common stock that were acquired upon the exercise of stock options and vesting of RSU and PRSU awards and the related value realized during fiscal 2018.

	Option Awards		Stock Awards	
Named Executive Officer	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise[1] ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting[2] ($)
Dheeraj Pandey	—	—	25,000	1,453,750
Duston M. Williams	600,000	24,926,208	65,000	3,779,750
Louis J. Attanasio	—	—	—	—
Sunil Potti	—	—	211,161	9,365,279
Tyler Wall	—	—	—	—

(1) The value realized upon the exercise of stock options is calculated by (i) subtracting the option exercise price from the closing price of our Class A common stock on the date of exercise, multiplied by (ii) the number of shares underlying the stock option exercised.

(2) The value realized upon vesting of RSUs and PSUs is calculated by multiplying the number of shares vested by the closing price of our Class A common stock on the vest date (or, in the event the vest date occurs on a holiday or weekend, the closing price of our Class A common stock on the immediately preceding trading day).

EMPLOYMENT ARRANGEMENTS

EMPLOYMENT ARRANGEMENTS WITH NAMED EXECUTIVE OFFICERS

We have entered into employment agreements with each of the Named Executive Officers in connection with his commencement of employment with us. Each of these arrangements was negotiated on our behalf by the compensation committee or our CEO.

Typically, these arrangements provide for at-will employment and set forth the initial terms and conditions of employment of each Named Executive Officer, including base salary, target annual bonus opportunity, standard employee benefit plan participation, a recommendation for initial equity awards and in certain cases the circumstances, if applicable, under which post-employment compensation or vesting acceleration terms might apply. These offers of employment were each subject to execution of a standard proprietary information and invention agreement and proof of identity and work eligibility in the United States.

Dheeraj Pandey

We entered into an employment letter with Dheeraj Pandey, our Chief Executive Officer and Chairman on February 26, 2015. The employment letter does not have a fixed expiration date and Mr. Pandey's employment is at-will. Mr. Pandey's current annual base salary is $500,000, and he is currently eligible to earn annual incentive compensation with a target equal to $500,000, based upon achievement of milestones determined by our board of directors or compensation committee for each fiscal year.

In connection with entering into the employment letter, we granted Mr. Pandey four RSU grants under our 2010 Plan and RSU agreements, covering an aggregate of 1,900,000 shares. In March 2016, Mr. Pandey voluntarily forfeited his rights with respect to a number of the RSUs. For additional details regarding Mr. Pandey's equity awards, see "*Executive Compensation - Executive Compensation Tables*" above.

Mr. Pandey is a participant in the Change of Control and Severance Policy, which is described below

Duston Williams

We entered into an employment letter with Duston Williams, our Chief Financial Officer, on April 26, 2014. The employment letter has an indefinite term and Mr. Williams' employment is at-will. Mr. Williams' current annual base salary is $450,000, and he is currently eligible to earn annual incentive compensation with a target equal to $300,000, based upon achievement of individual and corporate targets determined by our board of directors or compensation committee for each fiscal year.

In connection with his hire, Mr. Williams was granted two option grants and one RSU grant covering an aggregate of 1,460,000 shares under our 2010 Plan all of which have vested in full. For additional details regarding Mr. Williams' outstanding equity awards, see "*Executive Compensation - Executive Compensation Tables*" above.

Mr. Williams is a participant in the Change of Control and Severance Policy, which is described below.

Louis J. Attanasio

We entered into an employment letter with Louis J. Attanasio, our Chief Revenue Officer, on October 15, 2017. The employment letter has an indefinite term and Mr. Attanasio's employment is at-will. Mr. Attanasio's current annual base salary is $775,000 and was eligible to earn annual sales incentive compensation with a target equal to $775,000 until the end of fiscal 2018. Pursuant to the terms of the employment letter the compensation committee determined that for fiscal 2019 Mr. Attanasio shall be eligible to earn incentive compensation under our Executive Bonus Plan rather than the sales incentive compensation plan, with the same target equal to $775,000.

In connection with his hire, Mr. Attanasio was granted 1,200,000 RSUs under our 2016 Plan which vest on time-based schedules subject to his continuous service, including the following: (1) 1,000,000 RSUs subject to quarterly time-based vesting over four years with a one-year vesting cliff, or the First Tranche RSUs, and (2) 200,000 RSUs that shall vest quarterly over four years beginning after December 15, 2019, or the Second Tranche RSUs. For additional details regarding Mr. Attanasio's equity awards, see "*Executive Compensation - Executive Compensation Tables*" above.

Pursuant to the employment agreement, if Mr. Attanasio is terminated by the Company for any reason other than cause or Mr. Attanasio resigns for good reason, prior to the one-year anniversary of Mr. Attanasio's start date and a change of control period as defined in the Change of Control and Severance Policy, 250,000 of the First Tranche RSUs shall immediately vest. If Mr. Attanasio is terminated by the Company for any reason other than cause or Mr. Attanasio resigns for good reason, following the one-year anniversary and prior to the two-year anniversary of Mr. Attanasio's start date and a change of control period as defined in the Change of Control and Severance Policy, 250,000 of the unvested First Tranche RSUs shall immediately vest.

Mr. Attanasio is also a participant in the Change of Control and Severance Policy, which is described below.

Sunil Potti

We entered into an employment letter with Sunil Potti, our Chief Product and Development Officer, on January 4, 2015. The employment letter has an indefinite term and Mr. Potti's employment is at-will. Mr. Potti's current annual base salary is $400,000, and he is currently eligible to earn annual incentive compensation with a target equal to $275,000, based upon achievement of milestones determined by our board of directors or compensation committee for each fiscal year

In connection with his hire, Mr. Potti was granted three RSU grants covering an aggregate of 800,000 shares under our 2010 Plan and RSU agreements, as follows: (1) 700,000 shares subject to quarterly time-based vesting over four years with a one-year vesting cliff; (2) 50,000 shares that vest quarterly thereafter over 42 months, subject to his continued service through the applicable vesting dates; and (3) 50,000 shares that commenced vesting on the six month anniversary of lock-up expiration following our IPO and vest quarterly thereafter over four years, subject to his continued service through the applicable vesting dates. For additional details regarding Mr. Potti's equity awards, see "*Executive Compensation - Executive Compensation Tables*" above.

Mr. Potti is a participant in the Change of Control and Severance Policy, which is described below.

Tyler Wall

We entered into an employment letter with Tyler Wall, our Chief Legal Officer, on November 20, 2017. The employment letter has an indefinite term and Mr. Wall's employment is at-will. Mr. Wall's current annual base salary is $400,000 and is currently eligible to earn annual incentive compensation with a target equal to $150,000 based upon achievement of milestones determined by our board of directors or compensation committee for each fiscal year. In connection with his hire, Mr. Wall was granted 300,000 RSUs under our 2016 Plan which vest over 4 years with a one-year vesting cliff. For additional details regarding Mr. Wall's equity awards, see "*Executive Compensation - Executive Compensation Tables*" above.

Mr. Wall is a participant in the Change of Control and Severance Policy, which is described below.

SEVERANCE AND CHANGE IN CONTROL-RELATED BENEFITS

In August 2016, we adopted a Change of Control and Severance Policy, or the severance policy, pursuant to which a designated employee is eligible to receive severance benefits in lieu of any other severance payments and benefits, subject to the employee signing a participation agreement. Each of our Named Executive Officers is a participant in the severance policy. Generally, if a participant's employment is terminated within three months prior to or 12 months following the consummation of a change of control, which such period is referred to as the change of control period, either by us or a subsidiary of ours other than for cause, death or disability or by the participant for good reason, then the severance policy provides for:

(1) the applicable percentage of the then-unvested shares subject to each of the participant's then-outstanding time-based equity awards, except for performance-based equity awards that were converted by their terms into time-based equity awards upon a change of control transaction, will immediately vest and become exercisable, with such percentage being 100% for each of the Named Executive Officers,

(2) a lump sum payment equal to the participant's annual base salary, as in effect immediately prior to the participant's termination or, if the termination is due to a resignation for good reason based on a material reduction in base salary, immediately prior to such reduction, or immediately prior to the change of control, whichever is greater, multiplied by 100% for our CEO and 75% for each of our other Named Executive Officers,

(3) a lump sum payment equal to the participant's target annual bonus as in effect for the fiscal year in which his or her termination of employment occurs, multiplied by 100% for our CEO and 75% for each of our other Named Executive Officers, and

(4) payment or reimbursement of the cost of continued health benefits for a period of up to 12 months for our CEO and nine months for each of our other Named Executive Officers.

In order to receive severance benefits under the severance policy, a participant must timely execute and not revoke a release of claims in favor of us. In addition, the severance policy provides that, if any payment or benefits to a participant, including the payments and benefits under the severance policy, would constitute a parachute payment within the meaning of Section 280G of the Code and would therefore be subject to an excise tax under Section 4999 of the Code, then such payments and benefits will be either (1) reduced to the largest portion of the payments and benefits that would result in no portion of the payments and benefits being subject to the excise tax, or (2) not reduced, whichever, after taking into account all applicable federal, state and local employment and income taxes and the excise tax, results in the participant's receipt, on an after-tax basis, of the greater payments and benefits.

For purposes of the severance policy, cause means any of the following reasons (with any references to us interpreted to include any subsidiary, parent, affiliate or successor of ours):

- the participant's willful failure to perform his or her duties and responsibilities to us or the participant's violation of any written policy of ours;
- the participant's commission of any act of fraud, embezzlement, dishonesty or any other willful misconduct that has caused or is reasonably expected to result in injury to us;
- the participant's unauthorized use or disclosure of any proprietary information or trade secrets of ours or any other party to whom the participant owes an obligation of nondisclosure as a result of his or her relationship with us; or
- the participant's material breach of any of his or her obligations under any written agreement or covenant with us.

For purposes of the severance policy, good reason means the participant's termination of his or her employment in accordance with the next sentence after the occurrence of one or more of the following events without the participant's express written consent:

- a material reduction of the participant's duties, authorities or responsibilities relative to the participant's duties, authorities or responsibilities in effect immediately prior to such reduction;
- a material reduction by us in the participant's rate of annual base salary; provided, however, that, a reduction of annual base salary that also applies to substantially all other similarly situated employees of ours will not constitute good reason;
- a material change in the geographic location of the participant's primary work facility or location; provided, that a relocation of less than 35 miles from the participant's then present location will not be considered a material change in geographic location; or
- our failure to obtain from any successor or transferee of ours an express written and unconditional assumption of our obligations to the participant under the severance policy.

In order for the participant's termination of his or her employment to be for good reason, the participant must not terminate employment with us without first providing us with written notice of the acts or omissions constituting the grounds for good reason within 90 days of the initial existence of the grounds for good reason and a cure period of 30 days following the date of written notice, such grounds must not have been cured during such time, and the participant must terminate his or her employment within 30 days following the expiration of our 30-day cure period.

Potential Payments upon Termination or Change in Control

The following table sets forth the estimated payments that would be received by the Named Executive Officers if, pursuant to the terms of the Change of Control and Severance Policy, a hypothetical termination of employment without cause or following a resignation for good reason in connection with a change in control of the Company had occurred on July 31, 2018. The table below reflects amounts that would have been payable to each Named Executive Officer assuming that, if applicable, his employment was terminated on July 31, 2018 and, if applicable, a change in control of the Company also occurred on that date.

	Upon Termination without Cause or Resignation for Good Reason During Change of Control Period				
Named Executive Officer	Salary Severance(1)	Bonus Severance(2)	Value of Accelerated Vesting(3)	Continuation of Medical Benefits(4)	Total
Dheeraj Pandey	$400,000	$400,000	$18,546,816	$25,521	$19,372,337
Duston M. Williams	$300,000	$195,000	$17,355,950	$19,140	$17,870,090
Louis J. Attanasio	$581,250	$581,250	$58,668,000	$14,724	$59,845,224
Sunil Potti	$273,750	$176,250	$12,113,378	$19,140	$12,582,518
Tyler Wall	$262,500	$112,500	$14,667,000	$19,140	$15,061,140

(1) Reflects payment 75% of base salary as of July 31, 2018 for all Named Executive Officers, except for Mr. Pandey, who would receive a payment of 100% of his base salary.

(2) Reflects payment 75% of each Named Executive Officer's annual bonus target as of July 31, 2018, except for Mr. Pandey, who would receive a payment of 100% of his annual bonus target.

(3) Reflects the accelerated stock option and RSU payment values based upon the closing price of our Class A common stock of $48.89 on July 31, 2018, less any applicable exercise price in the case of stock options.

(4) Reflects COBRA premiums based on each Named Executive Officer's elected level of healthcare coverage.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes our equity compensation plan information as of July 31, 2018. Information is included for equity compensation plans approved by our stockholders. We do not have any equity compensation plans not approved by our stockholders.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(2)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(3)
Equity plans approved by stockholders	34,964,233	$5.12	12,851,522
Equity plans not approved by stockholders	—	—	—

(1) Includes 11,332,554 outstanding stock options, 23,597,499 outstanding RSUs and 34,180 outstanding common stock warrants.

(2) The weighted average exercise price is calculated based solely on outstanding stock options, and does not take into account stock underlying restricted stock units, which generally have no exercise price.

(3) Includes 11,169,061 shares reserved for future equity grants under our 2016 Equity Incentive Plan, or 2016 Plan, and 1,682,461 shares reserved for future stock purchase plan awards under our 2016 Employee Stock Purchase Plan, or ESPP. Our 2016 Plan provides that the total number of shares reserved for issuance under the 2016 Plan will be automatically increased on the first day of each fiscal year beginning in fiscal 2018, by an amount equal to the least of (i) 18,000,000 shares, (ii) 5% of the outstanding shares of all classes of common stock as of the last day of our immediately preceding fiscal year, or (iii) such other amount as our board of directors may determine. Our ESPP provides that the number of shares of our Class A common stock available for sale under our 2016 ESPP will be automatically increased on the first day of each fiscal year beginning in fiscal 2018, by an amount equal to the least of (i) 3,800,000 shares, (ii) 1% of the outstanding shares of our Class A common stock as of the last day of the immediately preceding fiscal year, or (iii) such other amount as our board of directors may determine. Accordingly, on August 1, 2018, the number of shares of Class A common stock available for issuance under our 2016 Plan and our ESPP increased by 8,642,904 shares and 1,728,580 shares, respectively, pursuant to these provisions. These increases are not reflected in the table above.

STOCK OWNERSHIP INFORMATION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of October 18, 2018, certain information with respect to the beneficial ownership of our common stock: (a) by each person known by us to be the beneficial owner of more than five percent of the outstanding shares of Class A common stock or Class B common stock, (b) by each of our directors, (c) by each of our Named Executive Officers, and (d) by all of our current executive officers and directors as a group.

The percentage of shares beneficially owned shown in the table is based on 141,037,932 shares of Class A common stock and 37,701,880 shares of our Class B common stock outstanding as of October 18, 2018. In computing the number of shares of capital stock beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares of our capital stock subject to options held by the person that are currently exercisable or exercisable within 60 days of October 18, 2018. However, we did not deem such shares of our capital stock outstanding for the purpose of computing the percentage ownership of any other person.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown beneficially owned by them, subject to applicable community property laws. The information contained in the following table is not necessarily indicative of beneficial ownership for any other purpose, and the inclusion of any shares in the table does not constitute an admission of beneficial ownership of those shares. Except as otherwise noted below, the address for persons listed in the table is c/o Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, CA 95110. The information provided in the table below is based on our records, information filed with the SEC and information provided to us, except where otherwise noted.

	Shares Beneficially Owned				% of Total Voting Power(1)
	Class A		Class B		
Name of Beneficial Owner	Shares	%	Shares	%	
5% Stockholders:					
Entities affiliated with Lightspeed Venture Partners(2)	190,363	*	11,441,783	30.3	22.1
Entities affiliated with Khosla Ventures(3)	326,698	*	9,274,060	24.6	18.0
Entities affiliated with Fidelity(4)	13,813,096	9.8	7,464,637	19.8	17.1
Ajeet Singh(5)	—	—	4,019,801	10.7	7.8
Entities affiliated with the Vanguard Group(6)	7,510,279	5.3	—	—	1.4
Named Executive Officers and Directors:					
Dheeraj Pandey(7)	233,308	*	11,837,592	31.4	22.9
Duston M. Williams(8)	173,842	*	655,000	1.7	1.3
Louis J. Attanasio(9)	250,000	*	—	—	*
Sunil Potti(10)	179,051	*	—	—	*
Tyler Wall(11)	75,335	*	—	—	*
Susan L. Bostrom(12)	13,551	*	—	—	*
Craig Conway(13)	13,551	*	—	—	*
Steven J. Gomo(14)	77,079	*	—	—	*
Ravi Mhatre(15)	802,366	*	11,441,783	30.3	22.2
John McAdam(16)	61,856	*	—	—	*
Jeffrey T. Parks(17)	52,017	*	—	—	*
Michael P. Scarpelli(18)	8,165	*	75,000	*	*
All directors and executive officers as a group (13 persons)(19)	1,978,246	1.4	24,056,876	63.8%	46.8%

* Denotes less than 1%

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. The holders of our Class B common stock are entitled to 10 votes per share, and holders of our Class A common stock are entitled to one vote per share.

(2) Consists of (i) 11,441,783 shares of Class B common stock held of record by Lightspeed Venture Partners VIII, L.P., or Lightspeed VIII, and (ii) 190,363 shares of Class A common stock held of record by Lightspeed Venture Partners Select LP. Lightspeed Ultimate General Partner VIII, Ltd., or LUGP VIII, is the sole general partner of Lightspeed General Partner VIII, L.P., or LGP VIII, which serves as the sole general partner of Lightspeed VIII. Barry Eggers, Ravi Mhatre, Peter Y. Nieh and Christopher J. Schaepe, the directors of LUGP VIII, share voting and dispositive power with respect to the shares held of record by Lightspeed VIII. Lightspeed Ultimate General Partner Select, Ltd. is the sole general partner of Lightspeed General Partner Select, L.P., which is the sole general partner of Lightspeed Venture Partners Select, L.P. The individual directors of Lightspeed Ultimate General Partner Select, Ltd. are Christopher J. Schaepe, Barry Eggers, Jeremy Liew, Ravi Mhatre, Peter Nieh and John Vrionis. Messrs. Schaepe, Eggers, Liew, Mhatre, Nieh and Vrionis disclaim their beneficial ownership of the shares except to the extent of their pecuniary interest therein. The address for each of these entities is 2200 Sand Hill Road, Menlo Park, California 94025.

(3) Consists of (i) 557,279 shares of Class B common stock held of record by Khosla Ventures IV (CF), L.P., or KV IV CF, (ii) 8,716,781 shares of Class B common stock held of record by Khosla Ventures IV, L.P., or KV IV LP and (iii) 326,698 shares of Class A common stock held of record by VK Services LLC. The general partner of KV IV CF and KV IV LP is Khosla Ventures Associates IV, LLC, or KVA IV. VK Services, LLC is the sole manager of KVA IV. Vinod Khosla is the managing member of VK Services, LLC. Each of Mr. Khosla, VK Services, LLC and KVA IV may be deemed to share voting and dispositive power over the shares held by KV IV CF and KV IV LP. Based on a Schedule 13G filing made on February 12, 2018. The address for each of these entities is 2128 Sand Hill Road, Menlo Park, California 94025

(4) Consists of 13,813,096 shares of Class A common stock and 7,464,637 shares of Class B common stock held by investment companies advised by FMR CO., INC. and Fidelity Management & Research (Hong Kong) Limited, both indirect wholly-owned subsidiaries of FMR LLC. Edward C. Johnson III is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC and shares voting and dispositive power with respect to all shares held by such entities. Members of the family of Edward C. Johnson III, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. Neither FMR LLC nor Edward C. Johnson III nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act, or Fidelity Funds, advised by Fidelity Management & Research Company, or FMR Co, a wholly-owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. FMR Co carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. Based on a Schedule 13G/A filing made on February 13, 2018. The address for FMR LLC is 245 Summer Street, V13H, Boston, Massachusetts 02110.

(5) Consists of (i) 400,000 shares of Class B common stock held of record by Ajeet Singh & Renu Saharan Co Trustees of the Singh/Sarahan 2014 Irrevocable Descendants Trust and (ii) 3,619,801 shares of Class B common stock held of record by Sing/Sarahan Revocable Trust Dated January 25, 2014 with Ajeet Singh and Renu Sarahan as Trustees. Based on a Schedule 13G filing made on February 13, 2018.

(6) Consists of 7,510,279 shares of Class A common stock beneficially owned by the Vanguard Group 23-1945930. Based on a Schedule 13G filing made on February 8, 2018. The address for each of these entities is 100 Vanguard Blvd, Malvern, PA 19355.

(7) Consists of (i) 5,230,367 shares of Class B common stock held of record by The Pandey Revocable Trust for which Mr. Pandey and Mr. Pandey's spouse serve as trustees, (ii) 2,970,000 shares of Class B common stock held of record by The Pandey 2017 Irrevocable Trust for which Mr. Pandey and his spouse serve as trustee, (iii) 1,516,225 shares of Class B common stock held of record by The Pandey 2016 Annuity Trust for which Mr. Pandey service as trustee, (iv) 30,000 shares of Class B common stock held of record by the 2012 Pandey Irrevocable Descendants' Trust for which Mr. Pandey's spouse serves as trustee, (v) 220,808 shares of Class A common stock held by Mr. Pandey, (vi) 2,091,000 shares of Class B common stock subject to options exercisable within 60 days of October 18, 2018, of which 218,750 shall not vest within 60 days of October 18, 2018 and would, if exercised, be subject to a right of repurchase in our favor upon a cessation of service prior to vesting, and (vii) 12,500 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Pandey's continued service. Excludes 500,000 shares of Class B common stock and 450,000 shares of Class A common stock subject to time-based or performance-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(8) Consists of (i) 141,342 shares of Class A common stock held of record by Mr. Williams, (ii) 655,000 shares of Class B common stock subject to options exercisable within 60 days of October 18, 2018, and (iii) 32,500 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Williams' continued service. Excludes 290,000 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(9) Consists of shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Attanasio's continued service. Excludes 950,000 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(10) Consists of (i) 166,105 shares of Class A common stock held of record by Mr. Potti and (ii) 12,946 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Potti's continued service. Excludes 434,822 RSUs subject to time-based or performance-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(11) Consists of (i) 335 shares of Class A common stock held of record by Mr. Wall and (ii) 75,000 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Wall's continued service. Excludes 225,000 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(12) Consists of shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Ms. Bostrom's continued service. Excludes 11,960 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(13) Consists of shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Conway's continued service. Excludes 11,960 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(14) Consists of (i) 63,750 shares of Class A common stock held of record by Mr. Gomo and (ii) 13,329 shares of Class A common stock received from RSUs, subject to Mr. Gomo's continued service. Excludes 10,625 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(15) Consists of (i) 206,350 shares of Class A common stock held of record by the Mhatre Investments LP Fund I, (ii) 397,562 shares of Class A common stock held by Mr. Mhatre, (iii) the shares listed in footnote (2) above held by the Lightspeed entities, and (iv) 8,091 shares of Class A common stock received from RSUs, subject to Mr. Mhatre's continued service.

(16) Consists of 53,487 shares of Class A common stock held of record by Mr. McAdam and (ii) 13,106 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. McAdam's continued service. Excludes 15,938 RSUs subject to time-based vesting that shall not vest and settle within 60 days of October 18, 2018.

(17) Consists of (i) 39,417 shares of Class A common stock held of record by The Parks Trust, a trust beneficially owned by Mr. Parks, (ii) 4,287 shares of Class A common stock held of record by RC LP, which is holding such shares for the benefit of The Parks Trust, and (iii) 8,313 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Parks' continued service.

(18) Consists of (i) 75,000 shares of Class B common stock subject to options exercisable within 60 days of October 18, 2018 and (ii) 8,165 shares of Class A common stock received from RSUs that shall vest and settle within 60 days of October 18, 2018, subject to Mr. Scarpelli's continued service.

(19) Consists of (i) 1,479,069 shares of Class A common stock beneficially owned by our executive officers and directors, (ii) 21,188,375 shares of Class B common stock beneficially owned by our executive officers and directors, (iii) 2,868,501 shares of Class B common stock subject to options exercisable within 60 days of October 18, 2018, 250,418 of which shall not vest within 60 days of October 18, 2018 and would, if exercised, be subject to a right of repurchase in our favor upon a cessation of service prior to vesting, and (iv) 478,865 RSUs that shall settle into shares of Class A common stock within 60 days of October 18, 2018. Excludes 3,889,055 RSUs and 500,000 shares of Class B common stock subject to time-based or performance-based vesting that shall not vest and settle within 60 days of October 18, 2018.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of Nutanix's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of Nutanix. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended July 31, 2018, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with, except for one Form 4 filed late by our former President, Sudheesh Nair Vadekkedath.

OTHER MATTERS

Our board of directors knows of no other matters that will be presented for consideration at the virtual Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the associated proxy to vote on such matters in accordance with their best judgment.

We have filed our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 with the SEC. It is available free of charge at the SEC's web site at www.sec.gov. Stockholders can also access this proxy statement and our Annual Report on Form 10-K at http://ir.nutanix.com, or a copy of our Annual Report on Form 10-K for the fiscal year ended July 31, 2018 is available without charge upon written request to our Secretary at 1740 Technology Dr., Suite 150, San Jose, California 95110.

BOARD OF DIRECTORS

Dheeraj Pandey
Chief Executive Officer and Chairman, Nutanix, Inc.

Susan L. Bostrom
Former Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs, Cisco Systems, Inc.

Craig Conway
Former Chief Executive Officer, PeopleSoft, Inc.

Steven J. Gomo
Former Chief Financial Officer, NetApp, Inc.

John McAdam
Former Chief Executive Officer, F5 Networks, Inc.

Ravi Mhatre
Managing Director, Lightspeed Ventures

Jeffrey T. Parks
General Partner, Riverwood Capital

Michael P. Scarpelli
Chief Financial Officer, ServiceNow, Inc.

NUTANIX EXECUTIVE OFFICERS

Dheeraj Pandey
Chief Executive Officer and Chairman

Duston Williams
Chief Financial Officer

Louis Attanasio
Chief Revenue Officer

Sunil Potti
Chief Product and Development Officer

David Sangster
Executive Vice President, Engineering & Operations

Tyler Wall
Chief Legal Officer

NUTANIX CORPORATE HEADQUARTERS

1740 Technology Drive, Suite 150
San Jose, CA 95110
(408) 216-8360
(408) 890-4833
www.nutanix.com

INVESTOR RELATIONS

Tonya Chin
Vice President, Investor Relations and Corporate Communications
(408) 560-2675
Email: tonya@nutanix.com

You may also reach us by visiting the investor relations portion of our website at: ir.nutanix.com

Nutanix's stock trades on the NASDAQ Global Select Market under the ticker symbol NTNX.

REGISTRAR AND TRANSFER AGENT

For questions regarding stockholder accounts or changes of address please contact Nutanix, Inc.'s transfer agent:

Computershare Trust Company, N.A.
462 South 4th Street, Suite 1600
Louisville, KY 40202
(781) 575 3100
(877) 373 6374
www.computershare.com

Nutanix is a global leader in cloud software and hyperconverged infrastructure solutions, making infrastructure invisible so that IT can focus on the applications and services that power their business. Companies around the world use Nutanix Enterprise Cloud OS software to bring one-click application management and mobility across public, private and distributed edge clouds so they can run any application at any scale with a dramatically lower total cost of ownership. The result is organizations that can rapidly deliver a high-performance IT environment on demand, giving application owners a true cloud-like experience.

NUTANIX™
YOUR ENTERPRISE CLOUD