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Nutanix, Inc. (NTNX)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Nutanix Q2 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Rich Valera, Vice President of Investor Relations. Please go ahead.

Richard Valera

Vice President-Investor Relations, Nutanix, Inc.

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

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

Please note, unless otherwise specifically referenced, all financial measures we use on today's call, except for revenue, are expressed on a non-GAAP basis and have been adjusted to exclude certain charges. We have provided, to the extent available, reconciliations of these non-GAAP financial measures to GAAP financial measures on our IR website and in our earnings press release.

Nutanix will be participating in the Morgan Stanley TMT Conference on Monday, March 2, in San Francisco, and we will be holding our Investor Day in conjunction with our .NEXT user conference on Tuesday, April 7, in Chicago. We hope to see you at these events. Finally, our third quarter fiscal 2026 quiet period will begin on Friday, April 17.

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

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

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

I'm excited to announce our strategic partnership with AMD, which focuses on the growth opportunity in agentic AI. This multiyear collaboration is focused on development and marketing of a Nutanix-powered agentic AI platform for enterprises and service providers, built on AMD accelerated compute infrastructure. As part of the agreement, AMD will make a strategic investment of \$150 million in Nutanix common stock and fund up to \$100 million for R&D and go-to-market for the combined solutions.

We look forward to delivering the first jointly developed platform from this partnership to our customers in late 2026. More broadly, we see AI as driving a whole new set of new enterprise inferencing and agentic applications, for which we are in the early innings. Nutanix provides the ideal platform to run them efficiently and securely on the hardware of their choice across any location, enterprise data centers, edges, or cloud service providers. We see this as a significant long-term growth opportunity for us.

Moving to our results. In our second quarter, we delivered quarterly revenue of \$723 million, above our guidance range, grew our ARR 16% year-over-year to \$2.36 billion and saw solid free cash flow generation. We also added over 1,000 new customers, representing our strongest quarterly new logo additions in eight years.

Looking ahead, we continue to operate in a dynamic environment. And supply chain challenges, which were not a meaningful factor in our first fiscal quarter, became much more acute subsequent to our last earnings call. Specifically, there have been well-documented shortages of memory and resulting increases in memory prices, as well as shortages of CPUs. This is driving higher prices and lengthening lead times for servers. Thus far, longer lead times, largely driven by lack of CPU availability, have been a significantly bigger challenge for us than pricing.

Nutanix's focus on customer choice across multiple vectors should help to mitigate the impact of supply chain challenges on our business. These options include choice of server platform from multiple providers; choice of running in multiple public clouds with our Nutanix Cloud Clusters, or NC2; our support for selected external storage platforms, where there is typically no hardware change required; and finally, support for software swaps on existing hyperconverged hardware.

We have been working with our customers on these options to help them better manage the current supply chain dynamics in the server market and maintain their deployment timelines. However, we expect that the longer lead times our customers are seeing for servers will have some impact on the timing of our near-term revenue and free cash flow generated from our land-and-expand business. We have factored this anticipated impact into our updated outlook. Rukmini will provide more details on these changes in her comments, but there are a couple of key points I'd like to make.

First, we believe the fundamentals of our business are strong. Second, bookings growth expectations for the full fiscal year are higher than prior expectations, but the timing of the conversion of some of these bookings to revenue and free cash flow is expected to be delayed by availability of third-party servers. And finally, we see this solely as a timing issue. And the amount of revenue and free cash flow we expect to recognize over time from business booked in FY 2026 remains unchanged.

In Q2, we continued to see success in the marketplace with our cloud platform. Our most notable wins, a few of which I'll highlight, demonstrate the appeal of our solution to businesses that are looking to modernize their IT footprints, deploy modern apps and AI, and adopt hybrid multi-cloud operating models.

One of our largest new logo wins in the quarter was with a North American headquartered Global 2000 financial services provider that is one of the largest asset managers in the world. This new customer was looking for an

alternative to their incumbent infrastructure provider for a portion of their estate, following a substantial price increase. They chose the Nutanix Cloud Platform, including Nutanix Cloud Manager, to run some of their mission-critical applications, appreciating its common management interface, superior ease of use, simple one-click upgrades, and the public cloud optionality provided by our NC2 capability.

Another significant new logo win was with a North American-based provider of healthcare services. This new customer approached Nutanix initially looking for an on-prem alternative to their existing infrastructure environment. However, they ultimately also decided to leverage our NC2 on AWS to expedite the migration of a portion of their estate into the public cloud before their upcoming renewal with their incumbent provider. We see this win as demonstrating the flexibility of our cloud platform in enabling customers to quickly migrate and operate in the environment of their choice, including public cloud.

Finally, a large full stack expansion win with an EMEA-based IT services provider reflected ongoing progress with our customers adopting the Nutanix Cloud Platform to deploy cloud-native and AI applications. This customer is using Nutanix Enterprise AI and Nutanix Kubernetes Platform, or NKP, running on our cloud platform to deploy additional AI use cases in the areas of automation and optimization. They are also expanding their use of Nutanix Database Service for database automation and Nutanix Unified Storage for managing their unstructured data.

During the second quarter, we continued to make progress on our initiative to support external storage with our platform, including multiple meaningful wins with our solutions supporting Dell PowerFlex. We also delivered general availability of our solution supporting Everpure, formerly Pure Storage, and saw our first wins for this new offering.

In Q2, we also introduced several enhancements to the Nutanix Cloud Platform, designed to strengthen security and drive operational resilience across increasingly distributed environments. These updates are a response to the growing demand we see from organizations that require the flexibility to run their entire estate, including traditional, cloud-native, and AI workloads, on a single consistent platform. This is particularly relevant for customers operating in highly regulated sectors, including those looking to deploy sovereign clouds and fully disconnected sites.

In closing, we believe our business performed solidly in the second quarter, including strong bookings, strong new logo additions, and solid free cash flow performance. While we have updated our outlook to reflect the expected near-term impact of supply chain challenges on our business, these changes relate solely to timing of revenue and free cash flow. I believe our partnership with AMD meaningfully expands our opportunity in the enterprise AI market. Our opportunities with AI, modern applications, hybrid multi-cloud, and support for external storage provide us with a strong foundation for multi-year growth.

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

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Thank you, Rajiv, thank you everyone for joining us today. I will first discuss our Q2 2026 results, followed by an update on Q3 2026 and full fiscal year 2026. In Q2, we reported results that were above the high end of the range for all guided metrics. In Q2, we reported quarterly revenue of \$723 million, higher than the guided range of \$705 million to \$715 million. ARR at the end of Q2 was \$2.356 billion, representing year-over-year growth of 16%. NRR, or net dollar-based retention rate, at the end of Q2 was 107%.

Land-and-expand bookings in Q2 were higher than our expectations, which we believe is partially due to customers anticipating supply-related shortages and price increases for server hardware from our partners. As we moved through the latter half of Q2, we began to see that the challenging supply environment for CPUs, memory, storage, and other components is delaying our customers' ability to procure servers from our hardware partners in order to run our software.

We did not see this as a meaningful driver of our results in our fiscal Q1, as mentioned in our last earnings call. But later in Q2, we did start to see it become more pronounced to a greater extent than anticipated and expect it to continue through the rest of the fiscal year. Thus far, longer lead times, largely driven by lack of CPU availability, have been a significantly bigger challenge for us than pricing.

Revenue in Q2 saw a headwind from these factors, but was more than offset by higher-than-expected TCV bookings that grew in the mid-teens percent and lower-than-expected percentage of land-and-expand bookings with future start dates. In Q2, average contract duration was 3.1 years, largely consistent with our expectations.

Non-GAAP gross margin in Q2 was 88.6%. Non-GAAP operating margin in Q2 was 26.2%, higher than our guided range of 20.5% to 21.5%, due to lower operating expenses related to timing of hiring, among other factors, and higher revenue than expected. Non-GAAP net income in Q2 was \$164 million, or fully diluted EPS of \$0.56 per share, based on fully diluted weighted average shares outstanding of approximately 292 million shares.

The fully diluted weighted average share count incorporates the impact of the \$300 million accelerated share repurchase transaction that was completed in Q2. GAAP net income and fully diluted GAAP EPS in Q2 were \$103 million and \$0.36 per share, respectively. Free cash flow in Q2 was \$191 million, representing a free cash flow margin of 26%.

Moving to the balance sheet, we ended Q2 with cash, cash equivalents, and short-term investments of \$1.874 billion, down from \$2.062 billion at the end of Q1.

Moving to capital allocation. In Q2, we repurchased \$333 million worth of common stock under our existing share repurchase authorization. We completed a \$300 million accelerated share repurchase transaction. And the remaining approximately \$33 million worth of stock was repurchased through our ongoing share repurchase program. We also used about \$48 million of cash to retire shares related to our employees' tax liability for their quarterly RSU vesting. All of these helped to manage share dilution.

Moving to Q3 guidance. Our guidance for Q3 fiscal 2026 is as follows: revenue of \$680 million to \$690 million, non-GAAP operating margin of 16% to 17%, fully diluted weighted average shares outstanding of approximately 288 million shares.

Moving to the full year, our updated guidance for fiscal year 2026 is as follows: revenue of \$2.8 billion to \$2.84 billion, non-GAAP operating margin of 21% to 22%, same as our prior guide, despite the lower revenue guide, and free cash flow of \$745 million to \$775 million, representing a free cash flow margin of 27% at the midpoint.

I will now provide some additional context regarding our fiscal year 2026 guidance. First, as Rajiv mentioned, while we continue to operate in a dynamic environment, our bookings expectations for the full year are higher relative to our last earnings call, indicating continued strong and growing demand for our solutions. Second, the challenging supply environment I described earlier is, however, delaying our customers' ability to procure servers from our hardware partners in order to run our software. For our orders that are linked to the shipment of server hardware, which are a minority of our bookings, we can only recognize software revenue and collect cash

alongside the shipment. These include bookings that are sold through our OEM partners, such as Cisco, Dell, or Lenovo, and our integrated offering partnered with Supermicro.

As a result of this, we expect some revenue and free cash flow to be shifted out from this fiscal year. Both the Q3 and updated full year guidance are impacted by these dynamics. This is solely timing related and does not change the overall revenue and cash flow expected to be recognized over time from bookings in fiscal year 2026. Absent this worsening supply chain dynamic, we would have been in a position to raise all guided metrics for fiscal year 2026, following our good Q2 bookings performance. We expect TCV bookings growth to exceed revenue growth for fiscal year 2026.

Third, we are doing several things to actively manage through these dynamics. A, as Rajiv said, we provide customers with options, including choice of server platform, choice of running in public clouds with our NC2 solution, our support for selected external storage platforms, where there is typically no hardware change required, and finally, support for software swaps on existing hyperconverged hardware. B, we are providing selected tools and promotions for our customers who are ready to make a decision to partner with Nutanix and lock in their server prices, while facing uncertainty about server lead time. These include options around licensing start dates and increased flexibility to purchase the software separately from the server. We expect a higher percent of bookings in the second half of the year with future start dates than previously assumed.

Fourth, we are maintaining our full year operating margin guidance as we invest for continued growth while maintaining our focus on efficiencies and expanding margins over time.

Fifth and finally, a note on seasonality of free cash flow. We expect that free cash flow in the second half to be more weighted towards Q4 rather than Q3, based on our current visibility into the supply chain dynamic outlined previously.

In closing, we believe the underlying fundamental drivers of our business remain strong. Bookings expectations for the year are higher than before. Revenue and free cash flow realized from these bookings are coming in later.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] One moment for our first question. Our first question will be coming from Radi Sultan of UBS. Your line is open, Radi.

Radi Sultan

Analyst, UBS Securities LLC

Q

Awesome. Thank you very much, guys. Starting with Rajiv, just on the VMware replacements, like could you just take a step back for us and like Broadcom isn't making a lot of changes, like reworking the hyperscaler agreements for VMware on cloud, ramping up audits, things like that. Like just taking a step back, like how do you think about the magnitude of the VMware replacement opportunity versus 12 months ago, and maybe what have been the biggest drivers of that change?

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

Yeah. Hello, Radi. Rajiv here. I don't think anything has really changed from an opportunity perspective. You can see that we are still continuing to add new customers at a healthy clip. We added 1,000-plus customers this last quarter. Our AHV percentage, which is our hypervisor adoption, has hit an all-time high. To your point around the cloud partners, you've seen that we've extended our partnership with AWS post this Broadcom acquisition, and we're seeing some good traction. We talked about some examples on NC2 and how that's being used in the public cloud.

And then we continue to add more external storage support. And you see the Everpure solutions now in the market, PowerFlex has been in the market, and more public cloud options now with Google coming on. So, all of these make migrations easier, right, from VMware. So, we don't think anything has changed from an opportunity perspective. I've always said that this is a multi-year journey, and it'll continue to be a multi-year journey for us.

Radi Sultan

Analyst, UBS Securities LLC

Q

Got it. Crystal clear. And then, just a follow-up for Rukmini. Just as you think about like in light of these supply chain constraints, like the implied Q4 guide does imply pretty steep [ph] app sell (00:24:44). So, just like what gives you confidence in that? And if you could just speak to your level of visibility, like what leading indicators should we be looking at to kind of give us confidence in underwriting that Q4 [ph] app sell (00:24:54)?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Yes. Hi, Radi. So, I would say a few things. One is that Q4 is traditionally our – a very strong quarter for us. It's the end of the fiscal year, of course, so our sellers are all incentivized to maximize what they can do in Q4. And we also are guiding to Q3, and by implication, to Q4, based on what we're seeing today in terms of supply in the market and when we can expect those to be reflected in our revenue, Radi. So, those are sort of the two things I'd point to. And I'd also say, look, our RPO had a nice growth in Q2, at the end of Q2. RPO grew 24%. So, that's one other metric you can look at in terms of how much is remaining, right, in terms of our performance obligations and CRPO as well. So, those are some of the two or three things I'll point to in terms of Q3 to Q4 seasonality.

Radi Sultan

Analyst, UBS Securities LLC

Thank you very much, guys.

Q

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Thanks, Radi.

A

Operator: And our next question will be coming from the line of James Fish of Piper Sandler. Your line is open, James.

James E. Fish

Analyst, Piper Sandler & Co.

Hey, guys. I mean, Rukmini, you probably were teeing that up for me with the RPO comment there. But did want to touch on that. Help me with this dynamic where you guys have mid-teens TCV bookings, but RPO bookings growing 4% against that really tough 34% comp last year. I mean, that implies about 10 points coming from sort of off-balance sheet bookings that is a materially higher amount than what you guys have historically suggested. Or what am I missing here that you're starting to see more off-balance sheet bookings?

Q

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Hi, Jim. Yeah, so as I said, we saw strong year-over-year RPO bookings sort of 24%. And I believe what you're referring to, Jim, is the calculated bookings, which for everyone's reference is calculated as Q2 revenue plus quarter-over-quarter change in RPO. So, similar to last quarter, Jim, the exclusion of cancelable backlog from our reported RPO had a meaningful impact on the RPO bookings calculation and year-over-year growth rate, despite the fact that that cancelable backlog remains a very small portion relative to our total RPO number. It's in the low single-digit percent, as a percent of the total RPO.

A

Now, including that cancelable backlog number, which historically has very rarely been canceled, in the RPO bookings calculation, that results in a mid-teens percent year-over-year growth rate, aligned with the overall TCV bookings growth rate that I alluded to in my prepared remarks.

James E. Fish

Analyst, Piper Sandler & Co.

Okay, And Rajiv, for you, I guess you're talking about a really good pipeline of conversion opportunity, but how are customers balancing the outlook of having to renew again with that incumbent and delaying their hardware purchasing versus the savings they get by deploying the hardware now and purchasing Nutanix?

Q

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

Yeah, it's a good question, Jim. And we see kind of a combination of different things here, right, for all these customers. So, there are customers who have gone out there and ordered hardware, and they realize that prices are going to go up, and they've ordered that ahead of time, and they are going ahead with the migrations. There are also customers who are looking there and saying, okay, well, I've got my external storage now, and you guys can actually help me on that front without having to have me replace hardware. And that's a good that works very well for us, actually. And so, the migration, if you look at a customer migrating from VMware, it's obviously already

A

... tied to hardware refresh cycles. And if a hardware refresh is needed, we do very well from a TCO benefit compared to our competition, which is why people are moving over.

Now, if a customer decides to sweat their hardware in this environment, given pricing of new hardware, we can still enable a software migration, right, because of the fact that now we're supporting a larger number of third-party storage, and also being able to work on existing HCI hardware that runs VMware today. So, we are offering our customers all of these options. And on top of that, they can also migrate to the public cloud, by the way, if they choose to. And there are some customers who are doing that. In fact, we talked about one of them here on the call. So, we have all these choices, and that helps offset some of these hardware migration concerns – hardware cost constraints, I should say.

James E. Fish

Analyst, Piper Sandler & Co.

Thanks.

Q

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Thanks, Jim.

A

Operator: And our next question will be coming from Sanjit Singh of Morgan Stanley. Your line is open.

Sanjit K. Singh

Analyst, Morgan Stanley & Co. LLC

Yeah. Thank you for taking the questions. Just some follow-ups on the on some of the headwinds in terms of revenue. Rukmini, last quarter, we talked about deferred start dates, and that higher mix of deferred start dates. That doesn't seem to be the sort of near-term concern. It seems like that maybe it came in line with your expectations and it's more of the supply constraints around CPU. I wanted to make sure that I understand the dynamics happening right now.

Q

And then it seems like the longer-term or the mid-term strategy here is to keep the bookings momentum alive by – or keeping the booking momentum strong by giving customers more flexibility when it comes to licensing and start dates. Is that how I should be thinking about it in terms of how you plan to navigate kind of the near-term turbulence around – [ph] ongoing around revenue (00:30:50) timing?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Yeah. Hi, Sanjit. Let me perhaps first lay out sort of how we take our software to market, and then I'll address your question on future start dates and flexibility and so on. So, we have two types of orders for our software, right? So, one go-to-market motion, which typically accounts for the majority of our ACV bookings, involves software not linked to any hardware delivery, which we often refer to as software only. Now, for the software-only deals, we typically will bill the customer and recognize revenue. So, sorry. We bill customer at the time the purchase order is made, and revenue is recognized at the time of the license start date, as we've talked about before, and that's what you are alluding to.

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Now, the other type of order involves software that is tied to the delivery of the associated server. Now, this includes business that's sold through our OEM partners as well as integrated offerings, such as we offer with

Supermicro. And in that case is where this software is tied to hardware delivery, revenue recognition is also tied to that delivery of the hardware.

So, now, to your question on future start dates. You are correct that the percent of orders in future start dates in Q2 was lower than we'd expected and was lower than what we saw in Q1. And that percent or that mix depends on a variety of factors, right? It includes customer migration timelines, it includes their timeline to procure hardware, as we're talking about now, and our approval processes around that. And that number can move around from quarter-to-quarter. And given the recent supply chain dynamics and ongoing migrations, we have factored in a higher percent of orders than we've had previously to come in with future start dates going into the second half of the forecast.

Sanjit K. Singh

Analyst, Morgan Stanley & Co. LLC

Q

That's very clear, Rukmini. Appreciate the color there. Let me talk a little bit about the partnership with AMD. So, Rajiv, maybe in terms of a timeline of having a solution out to the market, maybe get your viewpoint on that. Sounds like it's going to be later this year. And then in terms of which customer segments within the Nutanix or the AMD customer base will be most interested in the joint solution, is it sort of particular industries, higher segments, like large enterprise? Just want to get a profile of who's going to be most viable as potential joint customers of the partnership.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

Yeah. First of all, the target, just to be very clear, is we are building a platform together that supports essentially inferencing and agentic applications, right? So, this would be a full stack platform on top of which people could use, run models and build these multi-agent applications, or even simpler inferencing applications. The target customer base, to your question, really are enterprise customers, okay? Enterprise customers. And if you were to say, within that enterprise customer base, it would be typically customers in more regulated industries, customers who care about sovereignty, wanting to run their AI close to where their data is located. So, it could also mean people who are running AI applications at the edge.

So, if you were to look at this set of customer base, what it translates into is people who care about, protecting their data, running it locally, running it inside their data center for the most part, running it in edges. But also, some subset of these customers are going to consume them from service providers. We have a lot of service providers these days who are also offering GPU as a service. So, that would be the second way of serving the same end customer being the enterprise.

So in short, targeting enterprise use cases for these agentic AI applications, mostly regulated industries, to start with, but also people who are interested in being service providers delivering to these enterprises. And as you said, the first solution out of this will be delivered by the end of this calendar year, and we are excited about the long-term potential for this partnership.

Sanjit K. Singh

Analyst, Morgan Stanley & Co. LLC

Q

Thank you [ph] for all the thoughts (00:35:11). Thank you.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Thanks, Sanjit.

Operator: And our next question will be coming from the line of Wamsi Mohan of Bank of America. Your line is open, Wamsi.

Ruplu Bhattacharya

Analyst, BofA Securities, Inc.

Q

Hi. Thanks. It's Ruplu filling in for Wamsi. I've got two questions, I think today, both for Rukmini. Just looking at the margin dynamics, I mean, the fiscal quarter you reported was very strong, is it stronger than expected? You're guiding fiscal 3Q operating margins to 16% to 17% and then the full year unchanged at 21% to 22%. Can you just help us understand the dynamics impacting fiscal 3Q margins and what are the factors that will help get to the full year 21% to 22%?

And the same question on free cash flow. Looks like revenues are down \$20 million for the full year, but you're taking down free cash flow, down \$60 million, but there's also potentially some, the \$100 million from AMD, and they're also buying back shares or buying your shares. So, can you just give us your thoughts on the cadence of free cash flow, the investments you're making, and how we should model out free cash flow? And I have a follow-up. Thank you.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Thank you, Ruplu. And then, on operating margin, I'll start there. So, historically, our seasonality around operating margin is that it's higher in Q2 and Q4, and lower in Q1 and Q3 on a relative basis. And that's because the revenue roughly follows that pattern as well. And of course, we are investing typically through the year, so that also flows in. It's not unusual for us to have operating margin be higher in Q2 and Q4, relative to Q3, which I think is the dynamic that you're pointing out.

And I will say that in terms of our overall view on investment, look, we still continue to believe there's a large growth opportunity ahead of us, and so we're investing for that growth, but doing so in a thoughtful way, in a prudent way, while also working on efficiencies and productivity within the business. So, that's on the margin point, Ruplu. And then, on free cash flow and your point about revenue versus free cash flow, so one thing I'll say is that when you think about the orders that I described earlier, where orders that are linked to the shipment of server hardware, and we said that those are a minority of our bookings.

We can only recognize software revenue and collect cash alongside the shipment. And as a reminder, we typically recognize about half of an order's TCv bookings upfront as revenue, while we typically collect all of the cash upfront. So, you would impact the cash – impact on free cash flow to be higher than on revenue, and that is in fact what we're expecting. So, the change to our free cash flow guidance was largely due to these longer lead – server lead times, which is delaying the timing of when we can bill and collect from customers. And that's why the free cash flow guidance change is higher than the revenue change, Ruplu. So, those are some of the dynamics around free cash flow and on operating margin.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

So, Rukmini, he also asked about the AMD piece, right? Do you want to cover the accounting?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Yeah. So, AMD is choosing to invest some \$150 million in our common stock and that really has no impact on free cash flow because it's not going to be in the operating cash flow section.

Ruplu Bhattacharya

Analyst, BofA Securities, Inc.

Q

Right. But they're also investing \$100 million. Is that all [ph] this year (00:38:44)?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Right. Correct. So, that's – I will say, look, I think we aren't getting into the specifics of that, Ruplu, but we did say it was a multi-year strategic partnership with AMD, and it's up to \$100 million over that period – over a multi-year period.

Ruplu Bhattacharya

Analyst, BofA Securities, Inc.

Q

Got it. If I can ask a quick follow-up. So, you mentioned two delays. One is the delay because of availability of servers, and then you also, in the commentary, said that there's a higher – there's orders with delayed start dates. I mean, that is also growing versus your thought 90 days ago. Can you help us quantify this? I think last quarter you had said it was about \$80 million of revenue that was being pushed out because of future start dates. Can you help us quantify how much is the impact from delayed availability of servers versus orders with later start dates? Like, how are each of these impacting revenue recognition?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Yeah. So for this quarter's updated guide, Ruplu, I would say the more meaningful change is in the supply chain environment. It is worse than what we had expected three months ago. And so, that is a meaningful portion of the change in guidance. And as we said on the call, we're also assuming that the second half orders with future start dates, the mix of those orders is also expected to be higher than we had thought, so that is also factored in there. We're not breaking out the quantification, Ruplu, but the more significant change was what we saw in the supply chain environment.

Ruplu Bhattacharya

Analyst, BofA Securities, Inc.

Q

Got it. Thank you for all the detail.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Thank you.

Operator: [Operator Instructions] Our next question will come from Matthew Martino of Goldman Sachs. Your line is open.

Matthew Martino

Analyst, Goldman Sachs & Co. LLC



Yeah. Hey. Thanks for the question, guys. Maybe to start with Rukmini. You mentioned in the prepared remarks, extended lead times have been the bigger headwind and less so server prices. Can you provide us with some color on kind of what you've contemplated around guidance in the back half of the year, whether it's largely extended lead times or potentially lower initial deal sizes on higher server costs, just given the fluctuations out there in memory prices today?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.



Yeah. Hi, Matt. So in terms of the forecast for the second half, we have factored in delays in availability of servers, right? So, that is we've factored in based on the visibility we have right now and what we see. But I will say, I think we've said this before, that we are indirectly impacted by this, given that it's our server partners that we rely on and our customers rely on to procure their hardware. But yes, we factored in some of the delays around server lead times and when we expect those to become available.

Now, the second point about potentially impact of pricing on our software, as we've said, we continue to see solid demand for our solutions in Q2. We've talked about the bookings growth. And so, so far, I would say the impact of this higher server price and longer lead times can be mixed, Matt. And what I mean by that, in some cases, it is accelerating projects, while in other cases it's requiring more approvals and lengthening procurement timelines. And as we said, we're also working with our customers to offer them many options, including choice of server vendor, external storage support, public cloud with NC2 solution, and swapping software and existing hardware.

So, so far, we have not seen a meaningful impact to our software deal sizes or pricing in the market, although customers are in fact experiencing higher server prices and looking for ways to mitigate that. So, we'll continue to emphasize our software value proposition and provide a range of options to customers as we have described. So, that's the way we're approaching this, Matt.

Matthew Martino

Analyst, Goldman Sachs & Co. LLC



Yeah, very clear. Thanks. Thanks, Rukmini. And then, for you, Rajiv, you guys are offering multiple workarounds. Rukmini just flagged it with NC2, expanded server platform choices, external storage. I'm curious, Rajiv, from your perspective, what's proving most effective for those deals that are staying on track in terms of providing that wider array of options? And then in context of that, the new logo velocity was really strong this quarter, so wondering if Pure Storage was a large contributor to that dynamic.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.



Yeah, I think Pure Storage, or Everpure is still very early. We did close our first wins this quarter, Matt, but I wouldn't say that was a big contributor to logos yet. Most of the logos came from our typical VMware migrations onto the HCI platform. External storage is growing, but it's still a small portion.

Now, as we look at sort of which of these is moving the needle in a significant way, it's really a combination of all of these factors. The fact that we're able to run our HCI platform, I mean, now, support a broader set of configurations and provide more choice to customers. There was a lot of arbitrage in the quarter about people looking at different server vendors to say, who can get me the best price and best lead time? And the fact that we

could support all of them, I think that's clearly a value proposition and a factor that our customers took advantage of, for sure.

NC2 had a pretty good quarter, right? So, people are starting to use the public cloud more and more as – in terms of the getting around the fact that they can't get servers on-prem. They can also potentially use NC2 to do a migration to the cloud. And if they want to move it later on-prem and they have servers available, they can do that, too. So, we are starting to see some of that come through as well.

The external storage, like I said, is a third component, which is still early days. We're starting to see the traction very clearly, though. And I do expect that as customers, if they start looking at sweating their existing hardware more, given the supply constraints that they're seeing, then it's going to start to become even more important. So, I think it's not that there's one thing that's driving all of – helping us in a big way compared to the other. It's a combination of all of these things that's helping us mitigate the supply situation.

Matthew Martino

Analyst, Goldman Sachs & Co. LLC

Q

Very clear. Thanks for all the color.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Thank you, Matt.

Operator: And our next question will be coming from the line of Samik Chatterjee of JPMorgan. Your line is open.

Manmohanpreet Singh

Analyst, JPMorgan Securities LLC

Q

Hi. Thank you for taking my question. This is MP on behalf of Samik Chatterjee. So, firstly, just wanted to double-click on your AMD deal. What is the best way to size up your revenue opportunity here and the go-to-market strategy? Will it be just the attach rate with AMD's inferencing platforms, or you'll be able to do independent software sales as well? And then what is the likelihood of similar future deals and how does the market look like?

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

Good question, MP. Let me take that. So, first, in terms of the revenue itself, right? Obviously, so the solution is the Nutanix software stack running on servers that include AMD's accelerated compute platform, right? So, we take – by the way, we already have solutions in the market today with NVIDIA on this front, right? In fact, all our AI solutions today run on NVIDIA, and now we're adding AMD to the mix to provide more choice for customers.

So, the go-to-market model is that we sell our software, the full stack, which is Nutanix Cloud Platform, our Kubernetes Platform, and then our NAI, the Nutanix AI piece that runs on top of all of that. All of that is now – the R&D effort is to take all of that, get it to work very nicely and optimally on AMD hardware, right, that's inside the servers, AMD's GPU hardware and accelerated computer hardware. And so, we sell our software, just like we sell today, and more of that software will land on platforms that have AMD hardware inside.

So, that is the go-to-market collaboration, right? So, AMD brings together their hardware solution, their ecosystem, and we then put our software stack on top, and we take that to market, take it into our enterprise

customer base, and that is the go-to-market portion of this. Now, revenue-wise, of course, the solution is going to be in the market at the end of this year. We expect to start seeing small amounts of revenue next calendar year or the second half of FY 2027 – our fiscal FY 2027.

Manmohanpreet Singh*Analyst, JPMorgan Securities LLC*

Q

Thank you. And my second one would be around supply constraints. Between CPUs and memory, which are bigger supply constraints in your opinion currently for server deliveries? And then when do you expect supply constraints to ease? Like, do you expect it to ease within this fiscal year or go beyond this fiscal year as well? Thank you.

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

A

Both good questions, again, MP. So, currently, I mean, look, I think the real answer is actually both. Right now, the critical item in the path is the CPUs. But very quickly, if the CPU supply situation starts getting better – in fact, Intel has talked about this, right? During their last earnings call, they talked about how they were way behind in terms of meeting their demand. And certainly, we're seeing some of that, right? So, that's in the critical path right now. We also are bringing in more and more AMD SKUs to market, right, so that we can actually offer both AMD and Intel to ameliorate the situation a bit. But then very soon, right after that, you run into memory. So, the answer is actually it's both.

And with respect to timing on when this could get better, frankly, I think it's unclear at this point. I don't think it is very short term. I think it's going to be there for a period of time, because obviously this is being driven by the massive uptick in AI spending across some of these bigger hyperscaler providers that's causing this big supply issue overall in the industry. And so, I do expect it's going to take some time to play out for the supply situation to normalize. And it's hard for me to tell you exactly when that's going to happen.

And keep in mind that we are a step removed from all of this, right? We are indirectly impacted. So, it's very hard to predict exactly how quickly. But I do expect that, I mean, obviously, the suppliers there, both the CPU folks as well as the memory folks are working hard to go get more supply online. And this is an industry-wide phenomenon. So, again, it's hard for me to give you an exact prediction on when this is going to get normalized, but it will get normalized over some period of time here over the next couple of years.

Manmohanpreet Singh*Analyst, JPMorgan Securities LLC*

Q

Okay. Thank you.

Operator: And our next question will be coming from Ben Bollin of Cleveland Research Company. Your line is open, Ben.

Ben Bollin*Analyst, Cleveland Research Co. LLC*

Q

Thank you. Good afternoon, everyone. I appreciate you taking my questions. Rajiv, I'm curious your thoughts, how you think about the mix of revenue or ARR orders that you're getting from AI inference agentic opportunities today. Essentially, how big is it? And what type of growth rate do you think you're seeing from that opportunity? And then I had a follow-on for Rukmini.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

Yeah. So, Ben, first of all, it was zero a year and a half ago. So, clearly, you're growing from a very small base, and it is still fairly small for us in the scheme of things, because we are in the very early innings of enterprise AI adoption, really early, right? Our customers today – we talked about one of these customers in the EMEA region, who's now created this shared GPU platform that they are providing to various departments. So, the use cases today tend to be fairly simple applications, simple inferencing applications, not multi-agent use cases yet. So, we are in the very early stages of enterprises building these more sophisticated AI applications that they will consume.

So, for us, I mean, I look at this and say, over the next 5, 10 years, there's going to be a whole bunch of new applications that are going to be built in the enterprise. Existing applications will all start incorporating AI, workflows are going to change. So, there's going to be a whole new set of workloads from our perspective that are including GenAI as part of their – these applications. And so, for us, the opportunity is to become the underlying platform to run those applications, manage all the data associated with it. So, we are pretty early in the cycle at this point. And enterprise adoption, like I said, is just starting really, I mean, because most enterprises at this point are still grappling with AI. They're starting to use it more and more, but they haven't really built a lot of their own custom applications and custom workflows, but they're all starting to do it. And when that happens, I think this will grow.

So, short answer to your question, it is – it was zero two years ago. It is small right now, but growing, and growing very nicely. And we have – again, the fact that we now have a broad ecosystem that cuts across NVIDIA and AMD, along with more third-party people coming to the mix here, we are very focused on this. Please come to our April conferencing event, where we will talk more about our AI strategy and roadmap. But we do expect this to be a good long-term driver for us.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Q

That's helpful. Thanks, Rajiv. Rukmini, I'm also interested in your thoughts. When we look at the RPO and booking strength, obviously the appliance pricing is going higher from these vendors and it's changing by the week or the month or the whatever. How much of what you're seeing right now would you attribute to customers getting in line, because they'd rather put the PO in today, try and get current prices versus assuming the price may be higher at some point in the future? How do you think about that?

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Yeah. Look, we do think that some of our bookings performance – outperformance in Q2, Ben, was tied to that. It's hard to be very precise and try to quantify that. But we do believe that our bookings in Q2 benefited from some orders being placed, as you say, earlier than originally expected, as customers looked to get ahead of server price increases or try to ensure access to servers. But it is difficult to quantify.

Ben Bollin

Analyst, Cleveland Research Co. LLC

Q

Thank you, both.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Yeah. Thank you, Ben.

A

Operator: And our next question will be coming from Brandon Nispel of KeyBanc Capital Markets. Your line is open, Brandon.

Brandon Nispel

Analyst, KeyBanc Capital Markets, Inc.

Great. Thanks for taking the question. I think just one for me. NRR decelerated this quarter. I think, Rukmini, you called out 107%. Could you give us some color in terms of why NRR decelerated? That would be helpful. Thank you.

Q

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Yes. Hi, Brandon. So, the first thing I'd say is it's important to note that the factors that we outlined last quarter and are talking about this quarter as shifting out the recognition of revenue also impacts ARR and NRR, because the dynamics are similar in terms of how we recognize revenue versus when something would show up in ARR, and therefore will be also reflected in NRR. So, just important to keep that in mind, Brandon, right, because those dynamics are very similar. Now, in addition, I will say that our NRR in Q2 specifically, was also impacted by timing delays we saw on some renewals with regard in our US Fed business specifically that was created to some backlog related to the recent government shutdown, and we expect to receive those in Q3. So, that was the timing delay from Q2 into Q3.

A

And so, those are sort of the things [ph] I'll call out (00:54:38), other than things we've talked about before, right, in terms of, look, our ASP of new logos have become – have [ph] steadily (00:54:44) increased over time. And we've also talked about as ARR growth every quarter, the ACV dollars required to offset a point of churn increases even at the same churn percentage. And so, that can make it challenging to achieve the same NRR over time. So, the last two I mentioned are ones we've talked about before, but I will call out the first two as being just things to keep in mind as you look at NRR.

Brandon Nispel

Analyst, KeyBanc Capital Markets, Inc.

Great. Thank you.

Q

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

Thanks, Brandon.

A

Operator: And our next question will be coming from Nehal Chokshi of Northland Capital Markets. Your line is open.

Nehal Chokshi

Analyst, Northland Capital Markets

Q

Yeah. Thank you. Congratulations on the good bookings quarter there. Talking about bookings, based on the color you've provided so far, Rukmini, it sounds like cancelable bookings, while it's still in the single digit of the overall RPO, it is materially more than the total in terms of the year-over-year growth rate. So, can you discuss what is behind [ph] cancelable (00:55:46) bookings year-over-year growth being much higher than non-cancelable bookings?

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

A

Yeah. Hi, Nehal. So, cancelable bookings, like you said, I think this is, again, referring just for everybody's benefit, a bookings number that I think folks can calculate based on looking at our revenue in Q2 and adding that to the quarter-over-quarter change in RPO. And the way RPO is defined for us, like it is for most companies, is only includes orders that are non-cancelable. Now, as I said earlier, we have a small portion, it's in the low single-digit percent of our total RPO that is cancelable. It remains in the low single-digit percent, but it can move around somewhat, Nehal, right, and which is why it sometimes distorts these year-over-year growth rates, because you're looking at a quarter-over-quarter change in RPO, and then we're trying to do a year-over-year calculation in terms of growth rates for bookings. So, I would say it moves around a little bit.

And why do we even have these cancelable orders? Like I said, internally, we look at them all as bookings, because historically, these cancelable orders, even though they're officially cancelable, have very rarely been cancelable. And so, yeah, there's really nothing else there other than we've had some old or partners that have some of those clauses, and we're actually working to make sure that those are no longer the case, frankly, going forward, right? So, over time, we would expect that cancelable number to go down, but it can move around from quarter to quarter because we have some of these from before.

Nehal Chokshi*Analyst, Northland Capital Markets*

Q

Okay. So just to be clear, it's basically just quarter-over-quarter variability in these cancelable bookings, but it is two quarters in a row where we are seeing cancelable bookings have a greater growth rate than non-cancelable bookings.

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

A

Yeah. As I said, when you calculate the bookings number by using RPO, that is taking entire bookings and – that's taking all of the RPO into account, the TCV bookings growth rate is in the mid-teens, which is also what we said in the prepared remarks. And there's some variation, because what we report out externally to you all, we only include the non-cancelable orders in the RPO.

Nehal Chokshi*Analyst, Northland Capital Markets*

Q

Okay. My other question, which I think is probably more for Rajiv, can you explain – I mean, clearly, Nutanix does not need the cash from AMD. Why accept an investment at \$36 a share, when arguably that's a very attractive price for AMD and not so attractive for existing Nutanix shareholders?

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

A

Yeah. No, Nehal, that's a good question for sure, right? So, our belief is that the equity investment from AMD aligns their interest with Nutanix's success, and they are a very important ecosystem partner for us. If you look at

the AI ecosystem out there, it's built around NVIDIA, to start with, and AMD. All right? So, for us, it's really important to make sure that we are well-aligned and both sides want us to succeed. And this equity investment from AMD makes it very much their interest to see Nutanix succeed.

The dilution from this, clearly – we understand there is dilution. It is quite small, overall, if you look at it. It's somewhere slightly over 1%, I believe. But the fact is that this partnership enables Nutanix to become a leader, right, in providing an agentic AI platform for enterprises and service providers. And together with NVIDIA, I think now we have a complete solution that we can take to market across both of the major players in AI.

Nehal Chokshi*Analyst, Northland Capital Markets*

Q

That makes sense. Thank you.

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

A

Thank you, Nehal.

Operator: And our next question will be coming from Matt Hedberg of RBC. Your line is open, Matt.

Daniel Bergstrom*Analyst, RBC Capital Markets LLC*

Q

Hey. It's Dan Bergstrom for Matt Hedberg. Thanks for squeezing us in here. To follow on with another bookings question, sounds like Q3 bookings expectations are higher than previous, which is great. Now, with the supply chain challenges, can you just help us think through your available to renew second half pipeline on a year-over-year basis, and then maybe how that's changed versus assumptions coming into the year?

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

A

Yeah. So, look, I think the available-to-renew pool is largely land and expand. It's driven by land and expand bookings that we've made in prior years. And the other thing to note on renewals is that typically those are not as tied to hardware requirements as land and expand would be, right? So, a lot of the dynamics we're talking about here with regard to supply chain are really more tied to land and expand rather than to renewals. And so, yeah, I think the available-to-renew pool, again, doesn't change based on these. [ph] These are usually set (01:00:42) largely based on land-and-expand bookings that we did in the past and are coming up for renewal in the second half. And so, that's still the case for the second half in terms of just how that's factored into our forecast.

Daniel Bergstrom*Analyst, RBC Capital Markets LLC*

Q

Thank you.

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

A

Thank you.

Operator: And our next question will be coming from Mike Cikos of Needham. Your line is open, Mike.

Mike Cikos

Analyst, Needham & Company



Great. Thank you for taking the questions here, guys. I just wanted to come back to this AMD partnership announcement real quickly. And I think it's probably for you, Rajiv, but if I think about how Nutanix has developed or evolved over the past couple of years, the entire product roadmap really ties to providing customer choice, right? And I know that you're highlighting the expanded AI opportunity here, but is that the number one takeaway we should be thinking about with this Nutanix-powered agentic AI platform in concert with AMD? I guess, what else should we be thinking about in light of this platform offering?

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.



Yeah. I think, I covered some of this a bit earlier, Mike, but there's a couple of points that I want to make, right? One is there's an AI ecosystem being built, and it's really being built around two players right now, right? NVIDIA is the lead by far, right? And of course, therefore, for you to be successful, you got to work with the NVIDIA ecosystem on the one side, which we are already doing.

The other big player is AMD, right? And so, it's very important for us to be able to go work with that AMD ecosystem as well. And at the end of the day, customers, like you said, we're all about offering customers choice, right? A choice of – at every layer on the stack. And AMD is going to be an important player here and they already are an important player here in this accelerated compute market. And so, it's very important from a Nutanix perspective to be able to offer both choices to customers in a consistent way, right?

So, we provide an AI platform for agentic applications that. And underlying that could be a customer using NVIDIA-based servers or AMD-based servers, right? And they get similar capabilities at the top layer using our software. So, that was a motivation for us to be able to provide the complete ecosystem. And again, it impacts sort of the whole picture, right? There's people who are certified. If you look at third-party software, the ISV ecosystems, there's people who work with NVIDIA and there's people who work with AMD, right? And we want to be benefiting from both sides of that.

Mike Cikos

Analyst, Needham & Company



Excellent. And for the follow-up for Rukmini, appreciate the shortages out there. Great to see the margin preservation. Can you just walk us through how, I guess, the key investment initiatives this year and how you're actually managing against that, just given the reduced revenue profile? It just would great to see how you're operating against that. And thank you so much.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.



Yeah. Thanks, Mike. So in terms of investments, look, it's consistent with what we've laid out, I think, at the beginning of this fiscal year. We think of this as a huge opportunity ahead of us. How do we make sure we're investing in a way where we're directing investments to where we see a clear return? So, on the go-to-market side, it's around making sure we have the appropriate coverage around the world, where we see the opportunity. It might be in areas like portfolio specialists, for example, where we think there's an opportunity to sell more of our portfolio across our customer base. So, it's areas like that that we're investing in, Mike, in the go-to-market front.

And then, there's also some investments in R&D as we continue to innovate across all the things we've talked about here, right, in terms of Kubernetes Platform, our AI platform, supporting external storage, et cetera. So, a lot

of important innovation initiatives as well in R&D that we want to make sure we're continuing to fund. So if you look at the overall operating margin guidance that we've maintained here, we're getting a little more contra expense from partners than we had expected at the beginning of the year, and some lower commissions as well, given the revenues are getting shifted out of the year. So, we haven't really made any changes to our investment plans for fiscal year 2026, but some ins and outs, and that makes us feel comfortable with our overall full year op margin guide of 21% to 22%.

Mike Cikos

Analyst, Needham & Company

Q

Thank you, again. Good luck, guys.

Rukmini Sivaraman

Chief Financial Officer, Nutanix, Inc.

A

Thank you, Mike.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

A

Thank you.

Operator: And this concludes today's program. Thank you for participating. You may now disconnect.

Rajiv Ramaswami

Chief Executive Officer & Director, Nutanix, Inc.

Thank you all.

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