Q3 FY2024 Earnings

May 29, 2024

NUTANIX

Safe Harbor

Non-GAAP Financial Measures and Other Key Performance Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, this presentation includes the following non-GAAP financial and other key performance measures: non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, free cash flow, Annual Contract Value Billings (or ACV Billings), Annual Recurring Revenue (or ARR), and Average Contract Duration. In computing non-GAAP financial measures, we exclude certain items such as stock-based compensation and the related income tax impact, costs associated with our acquisitions (such as amortization of acquired intangible assets, income tax-related impact, and other acquisition-related costs), costs related to the impairment and early exit of operating lease-related assets, restructuring charges, litigation settlement accruals and legal fees related to certain litigation matters, the amortization of the debt discount and issuance costs, interest expense related to convertible senior notes, gains on divestitures, and other non-recurring transactions and the related tax impact. Non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, and non-GAAP operating margin are financial measures which we believe provide useful information to investors because they provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures such as stock-based compensation expense that may not be indicative of our ongoing core business operating results. Free cash flow is a performance measure that we believe provides useful information to our management and investors about the amount of cash generated by the business after necessary capital expenditures, and we define free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment. ACV Billings is a performance measure that we believe provides useful information to our management and investors as it allows us to better track the topline growth of our business during our transition to a subscription-based business model because it takes into account variability in term lengths. ARR is a performance measure that we believe provides useful information to our management and investors as it allows us to better track the topline growth of our subscription business because it takes into account variability in term lengths. 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. However, these non-GAAP financial and key performance measures have limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP operating margin, and free cash flow are not substitutes for gross margin, operating expenses, operating income (loss), operating margin, or net cash provided by (used in) operating activities, respectively. There is no GAAP measure that is comparable to ACV Billings, ARR, or Average Contract Duration, so we have not reconciled the ACV Billings, ARR, or Average Contract Duration data included in this presentation to any GAAP measure. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included in the tables captioned "GAAP to Non-GAAP Reconciliations" and not to rely on any single financial measure to evaluate our business. This presentation also includes the following forward-looking non-GAAP financial measures as part of our fourth quarter fiscal 2024 outlook and/or our fiscal 2024 outlook: non-GAAP gross margin, non-GAAP operating margin, and free cash flow. We are unable to reconcile these forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures without unreasonable efforts, as we are currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact the GAAP financial measures for these periods but would not impact the non-GAAP financial measures.

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Forward Looking Statements

This presentation contains express and implied forward-looking statements, including, but not limited to, statements regarding: our business momentum and prospects, our fourth quarter fiscal 2024 outlook, and our fiscal 2024 outlook.

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 these forward-looking statements depends upon future events and involves risks, uncertainties, and other factors, including factors that may be 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 inherent uncertainty or assumptions and estimates underlying our projections and guidance, which are necessarily speculative in nature; any failure to successfully implement or realize the full benefits of, or unexpected difficulties or delays in successfully implementing or realizing the full benefits of, our business plans, strategies, initiatives, vision, and objectives; our ability to achieve, sustain and/or manage future growth effectively; the rapid evolution of the markets in which we compete, including the introduction, or acceleration of adoption of, competing solutions, including public cloud infrastructure; failure to timely and successfully meet our customer needs; delays in or lack of customer or market acceptance of our new solutions, products, services, product features or technology; macroeconomic or geopolitical uncertainty, including supply chain issues; our ability to attract, recruit, train, retain, and, where applicable, ramp to full productivity, qualified employees and key personnel; factors that could result in the significant fluctuation of our future quarterly operating results (including anticipated changes to our revenue and product mix, the timing and magnitude of orders, shipments and acceptance of our solutions in any given quarter, our ability to attract new and retain existing end-customers, changes in the pricing and availability of certain components of our solutions, and fluctuations in demand and competitive pricing pressures for our solutions); our ability to form new or maintain and strengthen existing strategic alliances and partnerships, as well as our ability to manage any changes thereto; the impact of a pandemic or major public health concern; our ability to make share repurchases; and other risks detailed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023 filed with the U.S. Securities and Exchange Commission, or the SEC, on September 21, 2023 and our subsequent Quarterly Reports on Form 10-Q filed with the SEC. Additional information will be set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2024, which should be read in conjunction with this presentation and the financial results included herein. Our SEC filings are available on the Investor Relations section of our 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 presentation and, except as required by law, we assume no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any of these forward-looking statements to reflect actual results or subsequent events or circumstances. Certain products and features or functionalities described herein, including with respect to Nutanix GPT-in-a-Box 2.0 and its integrations with third party product and services, and the new joint solutions from Nutanix and Dell, remain in varying stages of development and will be offered on a when-and-if-available basis. The development, release, and timing of any such products, features or functionalities are subject to change. Nutanix will not have any liability for any failure to deliver or delay in the delivery of any such products, features or functionalities.

Q3 FY2024 Company Highlights

Delivers Outperformance Across All Q3'24 Guided Metrics	ACV Billings of $288.9 million were up 20% year-over-year and revenue of $524.6 million was up 17% year-over-year.
Raises Most FY'24 Guided Metrics	FY'24 outlook raised for ACV Billings, Non-GAAP Operating Margin, Non-GAAP Gross Margin and Free Cash Flow.
Nutanix Announces Expanded AI Partner Program and GPT-in-a-Box 2.0	Announced the Nutanix AI Partner Program, aimed at bringing together leading AI solutions and services, and GPT-in-a-Box 2.0, with new functionalities including integrations with NVIDIA Inference Microservices (NIM) and Hugging Face Large Language Models (LLMs).
Nutanix Announces Collaboration with Dell on New Joint Solutions for Hybrid Multicloud	Announced a collaboration with Dell Technologies aimed at accelerating customers' digital transformation journeys fueled by infrastructure modernization and modern application development.
Nutanix Announces Nutanix Kubernetes® Platform (NKP)	Announced Nutanix Kubernetes® Platform (NKP) to simplify management of container-based modern applications using Kubernetes.

Note: See Appendix for definitions of ACV Billings and ACV. There is no GAAP measure that is comparable to ACV Billings, so the Company has not reconciled ACV Billings in this presentation to any GAAP measure.

Management Commentary

“We delivered solid third quarter results reflecting disciplined execution and the strength of our business model. Our recent announcements around modern applications, generative AI and partnerships reflect our continued focus on driving innovation and broadening our partnerships to further enhance the value proposition of Nutanix Cloud Platform.

Rajiv Ramaswami
President and Chief Executive Officer
Nutanix

“Our third quarter results demonstrated a good balance of top and bottom line performance with 24% year-over-year ARR growth and strong year-to-date free cash flow generation. We remain focused on delivering sustainable, profitable growth.

Rukmini Sivaraman
Chief Financial Officer
Nutanix

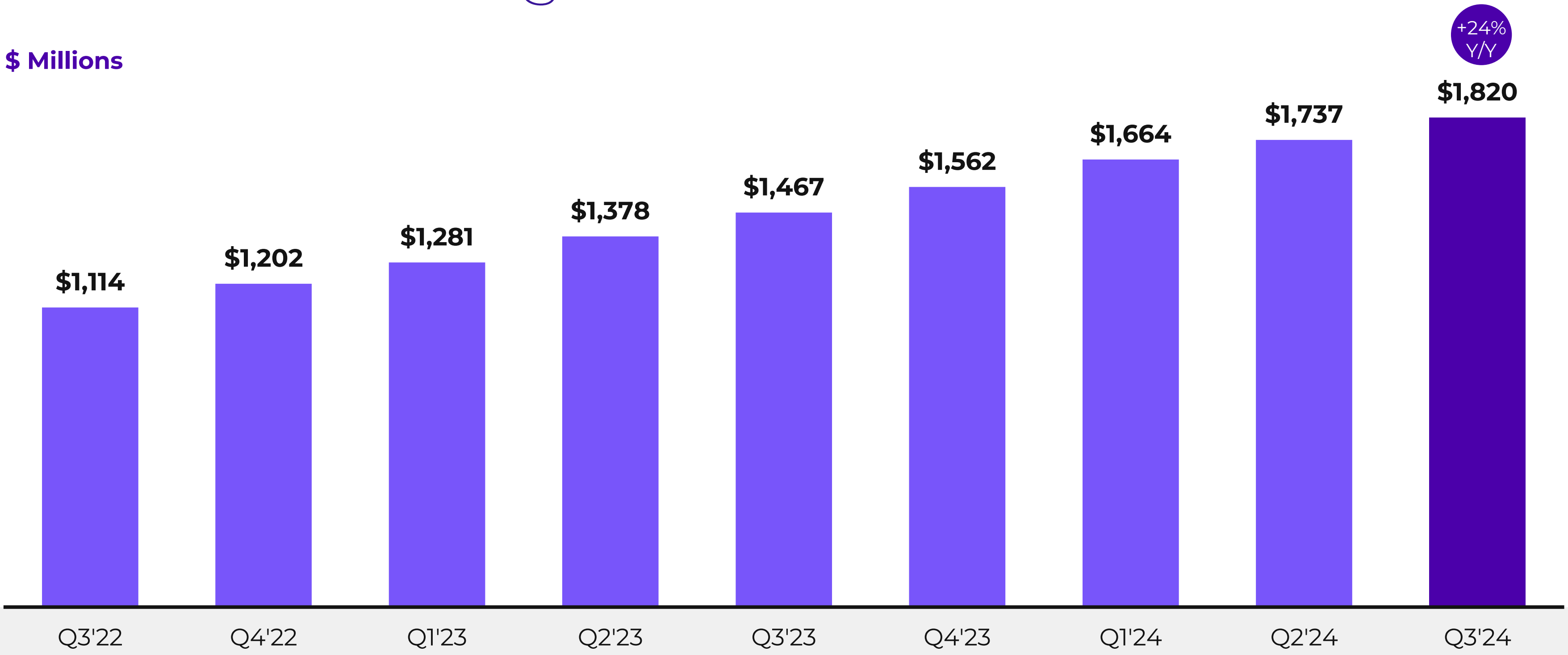
Note: See Q3 Fiscal 2024 earnings release for a GAAP to Non-GAAP reconciliation of free cash flow. See Appendix for definition of Annual Recurring Revenue (ARR). There is no GAAP measure that is comparable to ARR, so the Company has not reconciled ARR in this presentation to any GAAP measure.

Q3 FY2024 Financial Summary

	Q3'24 Results	Y/Y Change	Q3'24 Guidance
ACV Billings	$288.9M	20%	$265 – $275M
Annual Recurring Revenue	$1.82B	24%	N/A
Average Contract Duration	3.0 Years	0.0 Years	N/A
Revenue	$524.6M	17%	$510 – $520M
Non-GAAP Gross Margin	86.5%	250 bps	~85%
Non-GAAP Operating Expenses	$380.4M	6%	N/A
Non-GAAP Operating Income	$73.3M	$56.1M	N/A
Non-GAAP Operating Margin	14.0%	10.2% pts	7.5 – 8.5%
Non-GAAP Net Income per Share (Diluted)	$0.28	$0.20	N/A
Free Cash Flow	$78.3M	$25.6M	N/A

Note: See Appendix for GAAP to Non-GAAP reconciliations, as well as definitions of ACV, ACV Billings, Annual Recurring Revenue, and Average Contract Duration. There is no GAAP measure that is comparable to ACV Billings or Annual Recurring Revenue, so the Company has not reconciled ACV Billings and Annual Recurring Revenue in this presentation to any GAAP measure.

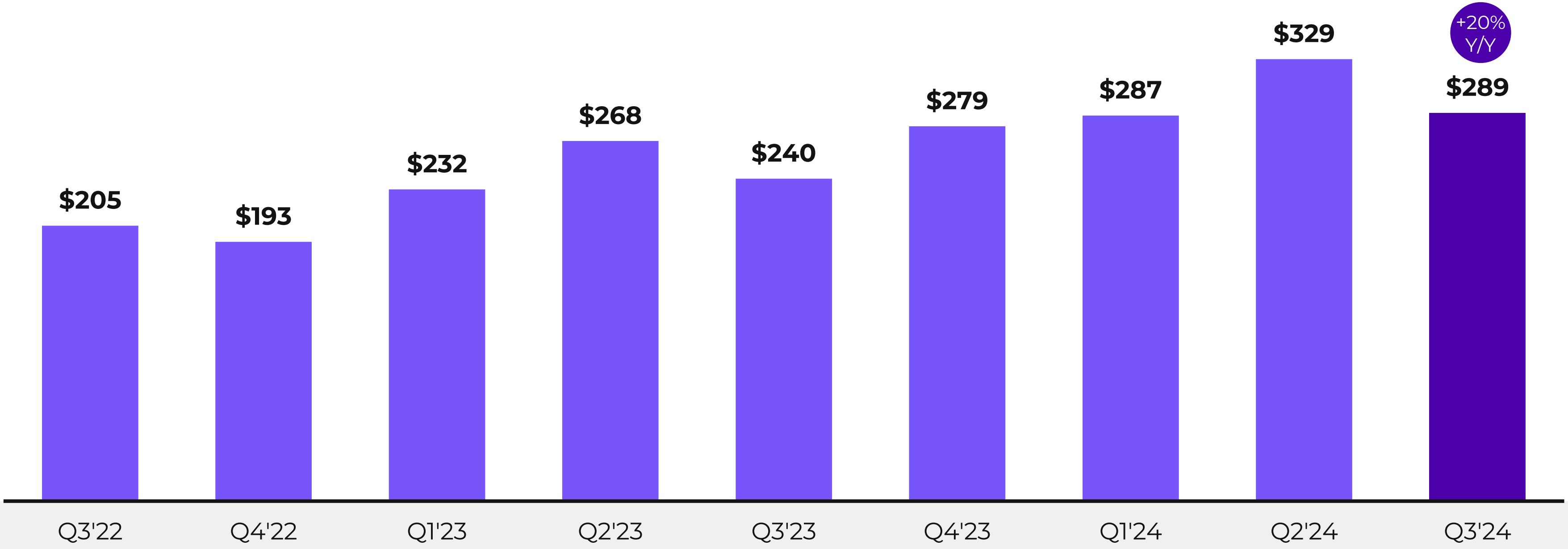
Annual Recurring Revenue



Note: See Appendix for definition of Annual Recurring Revenue. There is no GAAP measure that is comparable to Annual Recurring Revenue, so the Company has not reconciled Annual Recurring Revenue in this presentation to any GAAP measure.

ACV Billings

$ Millions

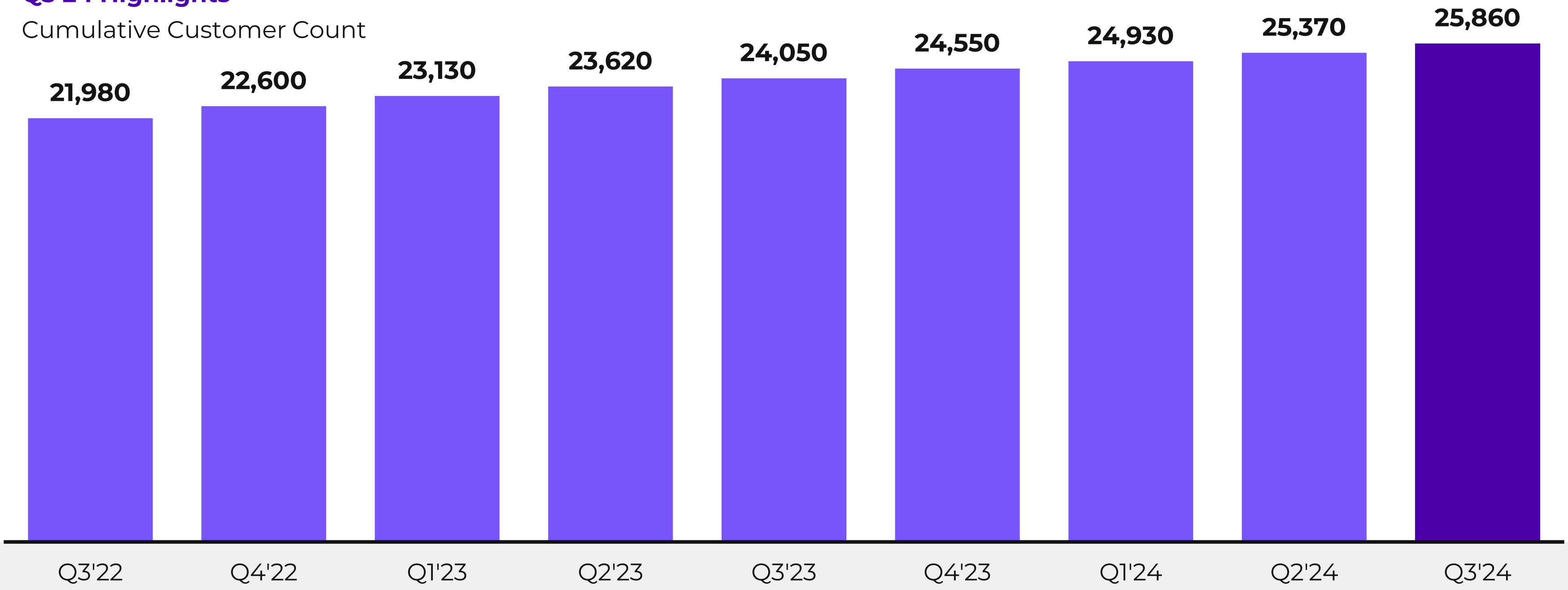


Note: ACV Billings exclude amounts related to professional services and hardware. See Appendix for definition of ACV Billings. There is no GAAP measure that is comparable to ACV Billings, so the Company has not reconciled ACV Billings in this presentation to any GAAP measure.

Customer Growth

Q3'24 Highlights

Cumulative Customer Count



Note: The cumulative customer count reflects standard adjustments/consolidation to certain customer accounts within our system of record and is rounded to the nearest 10.

Q4’24 Financial Guidance

	Q4’24 Guidance
ACV Billings	$295 – $305M
Revenue	$530 – $540M
Non-GAAP Gross Margin	85% to 86%
Non-GAAP Operating Margin	9% to 10%
Weighted Average Shares Outstanding (Diluted)[1]	~302M

1. See endnote 1 in the Appendix.
Note: Q4’24 guidance is as of May 29, 2024. See Appendix for definition of ACV Billings. There is no GAAP measure that is comparable to ACV Billings, so the Company has not reconciled ACV Billings in this presentation to any GAAP measure. We are unable to reconcile forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures without unreasonable efforts, as we are currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact the GAAP financial measures for these periods but would not impact the non-GAAP financial measures.

FY’24 Financial Guidance

	FY’24 Guidance
ACV Billings	$1.12 – $1.13B
Revenue	$2.13 – $2.14B
Non-GAAP Gross Margin	~86%
Non-GAAP Operating Margin	~15%
Free Cash Flow	$520 – $540M

Modeling Assumptions:

1. The Company is seeing continued and significant new and expansion opportunities for its solutions. However, the Company continues to see a higher mix of larger deals in its pipeline, which is driving greater variability in its new and expansion business. The number of opportunities greater than $1 million in ACV in its pipeline has grown at higher than 30% for each of the last three quarters, compared to the corresponding quarters last year. Relatedly, the dollar amount of pipeline from opportunities greater than $1 million ACV has grown at well over 50% for each of the last three quarters, compared to the corresponding quarters last year. These larger opportunities often involve strategic decisions and C-suite approvals, causing them to take longer to close, and to have greater variability in timing, outcome and deal structure. And as the Company mentioned previously, it has continued to see a modest elongation of average sales cycles relative to historical levels. The Company’s FY24 new and expansion ACV and ARR performance year-to-date have been affected by these dynamics, and have been below the Company’s initial expectations at the beginning of the fiscal year. The Company expects these dynamics to continue in Q4. As an example, for an 8-figure ACV transaction in Q3, the Company expects the billings and cash collection to be in Q4, while the associated subscription revenue is expected to be recognized over multiple years starting in FY25. Additionally, it is worth noting that this transaction was approximately two years in the making, taking longer to close than the Company’s prior expectations, but came in with a longer contract duration and a higher total contract value than expected. The Company anticipates similar variability in deal structures and longer sales cycles for some of the larger opportunities in its pipeline.
2. The guidance assumes that the Company’s renewals business will continue to perform well in Q4.
3. The full-year guidance continues to assume that average contract duration would be flat to slightly lower compared to FY23, as renewals continue to grow as a percentage of the Company’s billings.
4. The updated full-year free cash flow guidance includes the benefit of the 8-figure ACV transaction which was booked in Q3. In addition, the full-year free cash flow guidance also assumes the impact of certain non-recurring benefits over the course of the year including approximately $40 million of operating expenses, of which the Company expects to receive approximately $30 million of non-recurring cash payments, related to one of the Company’s partnership agreements.

Note: FY’24 guidance is as of May 29, 2024. See Appendix for definition of ACV Billings. There is no GAAP measure that is comparable to ACV Billings, so the Company has not reconciled ACV Billings in this presentation to any GAAP measure. We are unable to reconcile forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures without unreasonable efforts, as we are currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact the GAAP financial measures for these periods but would not impact the non-GAAP financial measures.

Appendix

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Nutanix Reporting Model

Product Type	Product Mix	Contract Duration	Revenue Recognized
Subscription	Term-based Subscription	1, 3, or 5 Years	Upfront
	SaaS Subscription	Monthly up to 5 Years	Ratable
	Support and Entitlements	1, 3, or 5 Years	Ratable
Professional Services	Professional Services for All Nutanix Offerings	Various	As Performed
Other Non-Subscription Product			
Non-Portable Software	Software License Attached to Appliance	Life of the Device (LoD)	Upfront
Pass-Through Hardware	Pass-Through Hardware Cost	N/A	Upfront

Endnote and Definitions

Endnote

1. Weighted average share count used in computing diluted non-GAAP net income per share.

Definitions

Annual Contract Value, or **ACV**, is defined as the total annualized value of a contract. The total annualized value for a contract is calculated by dividing the total value of the contract by the number of years in the term of such contract, using, where applicable, an assumed term of five years for life-of-device contracts that do not have a specified term. Excludes amounts related to professional services and hardware. **ACV Billings**, for any given period, is defined as the sum of the ACV for all contracts billed during the given period.

Annual Recurring Revenue, or **ARR**, for any given period, is defined as the sum of ACV for all subscription contracts in effect as of the end of a specific period. For the purposes of this calculation, we assume that the contract term begins on the date a contract is booked, unless the terms of such contract prevent us from fulfilling our obligations until a later period, and irrespective of the periods in which we would recognize revenue for such contract. Excludes all life-of-device contracts.

Average Contract Duration, represents the dollar-weighted term, calculated on a billings basis, across all subscription and life-of-device contracts, using an assumed term of five years for life-of-device licenses, executed in the period.

Note: ACV and ACV Billings are performance measures that the Company believes provides useful information to its management and investors as they allow the Company to better track the topline growth of its business during its transition to a subscription-based business model because it takes into account variability in term lengths. ARR is a performance measure that the Company believes provides useful information to its management and investors as it allows the Company to better track the topline growth of its subscription business because it takes into account variability in term lengths. There is no GAAP measure that is comparable to ACV, ACV Billings, or ARR so the Company has not reconciled the ACV, ACV Billings, or ARR numbers included in this presentation to any GAAP measure.

Transition to Net Share Settlement

During Q2’24, Nutanix began funding withholding taxes due on the vesting of employee RSUs by net share settlement rather than our previous “sell-to-cover” approach.

What Does This Mean?

- When employee RSUs vest each quarter, Nutanix withholds shares that would be otherwise deliverable to the employee having a value equal to the minimum amount necessary to satisfy withholding taxes due on the vesting of employee RSUs and Nutanix uses its cash to pay these withholding taxes on the employees’ behalf.

- Historically, Nutanix’s sell-to-cover approach involved selling a portion of the newly-vested shares in the open market to cover withholding taxes due on the vesting of employee RSUs.

How are Shareholders Affected by This Change?

- **No open market sales of shares** - shares to cover withholding taxes of employee RSU vesting are no longer sold in the open market post the RSU vesting date.
- **Fewer shares outstanding** - the shares purchased from employees to cover their tax withholding are retired, resulting in a lower share count than if the sell-to-cover method were used.
- **Free cash flow not affected** - cash outflows to pay withholding taxes related to net share settlement are reflected in cash flows from financing activities and therefore do not affect the calculation of free cash flow.
- **Quarterly cash outflow will vary** - in Q2’24 and Q3’24, net share settlement resulted in cash outflows of $53 million and $58 million, respectively. We would expect cash outflows from net share settlement to vary in future quarters depending on the number of employee RSUs vesting and the then market price of shares.

GAAP to Non-GAAP Reconciliations

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Gross Margin (GAAP)	81.6%	83.7%	84.0%	85.6%	84.8%
Stock-Based Compensation Expense	1.9	1.7	1.7	1.6	1.6
Amortization of Intangible Assets	0.5	0.4	0.2	0.1	0.1
Gross Margin (Non-GAAP)	84.0%	85.8%	85.9%	87.3%	86.5%
Operating Expenses (GAAP)	$424.8	$425.1	$434.8	$446.6	$456.5
Stock-Based Compensation Expense	(64.5)	(64.2)	(75.0)	(77.1)	(74.3)
Amortization of Intangible Assets	(0.2)	(0.1)	–	(0.1)	(0.1)
Restructuring Charges	–	–	–	0.2	–
Litigation-Related Costs	(0.3)	(0.2)	–	–	(1.7)
Other	–	–	–	(0.2)	–
Operating Expenses (Non-GAAP)	$359.8	$360.6	$359.8	$369.4	$380.4
(Loss) Income from Operations (GAAP)	$(58.6)	$(11.4)	$(5.7)	$37.1	$(11.5)
Stock-Based Compensation Expense	72.9	72.6	84.0	86.0	82.3
Amortization of Intangible Assets	2.6	2.2	1.2	0.8	0.8
Restructuring Charges	–	–	–	(0.2)	–
Litigation-Related Costs	0.3	0.2	–	–	1.7
Other	–	–	–	0.2	–
Income from Operations (Non-GAAP)	$17.2	$63.6	$79.5	$123.9	$73.3

Note: All amounts in millions, except percentages.

GAAP to Non-GAAP Reconciliations

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Net (Loss) Income (GAAP)	$(71.0)	$(13.3)	$(15.9)	$32.8	$(15.6)
Stock-Based Compensation Expense	72.9	72.6	84.0	86.0	82.3
Amortization of Intangible Assets	2.6	2.2	1.2	0.8	0.8
Restructuring Charges	–	–	–	(0.2)	–
Litigation-Related Costs	0.3	0.2	–	–	1.7
Amortization of Debt Discount and Issuance Costs	16.2	16.3	16.3	16.6	16.9
Gain on Frame Divestiture	–	(11.0)	–	–	–
Other	–	–	0.9	0.1	(0.1)
Income Tax-Related Adjustments	0.7	0.5	0.3	0.2	(0.8)
Net Income (Non-GAAP)	$21.7	$67.5	$86.8	$136.3	$85.2
Net Cash Provided by Operating Activities	$74.5	$58.3	$145.5	$186.4	$96.3
Purchases of Property and Equipment	(21.8)	(12.8)	(13.0)	(23.8)	(18.0)
Free Cash Flow (Non-GAAP)	$52.7	$45.5	$132.5	$162.6	$78.3

	Q3'23	Q3'24
Weighted Average Shares Outstanding (Basic)	234M	246M
Weighted Average Shares Outstanding (Diluted)	282M	302M

Note: All amounts in millions.

Thank You