NUTANIX

ANNUAL REPORT 2021

Notice of

2021 Annual Meeting and Proxy Statement

9:00 a.m., Pacific Time
Friday, December 10, 2021

Virtual Meeting Site: www.virtualshareholdermeeting.com/NTNX2021

VISION

Make clouds invisible, freeing customers to focus on their business outcomes

MISSION

Delight customers with a simple, open, hybrid, and multicloud software platform with rich data services to build, run, and manage any application

NUTANIX

Dear Stockholders

This December will mark my first year as CEO of Nutanix. Pandemic notwithstanding, the journey so far has been unquestionably gratifying and I am proud of what we've been able to achieve together under a challenging macroeconomic environment. We unveiled our new vision, shared our multi-year strategy and financial plan, delivered significant enhancements to our Nutanix Cloud Platform, continued to gain strong customer adoption, and consistently beat street estimates of key financial metrics throughout fiscal year 2021. We achieved a lot this year, yet there is a lot more work ahead of us over the coming years.

Strategic Vision and Priorities in Place

When I started at Nutanix, the company was the market leader in hyperconverged infrastructure (HCI), had products that customers and the analyst community loved, a deep pool of top-tier talent, and finally, a fortified balance sheet from the then recent Bain Capital investment. With that as the foundation, we identified opportunities to further evolve the company into a hybrid multicloud leader that can deliver at-scale solutions, build the "expand and renew" muscle needed to flourish as a subscription company, leverage strategic partnerships for growth, and have a disciplined investment strategy to deliver value to our stockholders. We unveiled all of this, and our multi-year strategic plan, at our Investor Day event in June 2021.

Our vision is to make clouds invisible for our customers, freeing them to focus on achieving their business outcomes. We plan to achieve this by delighting customers with a simple, open, hybrid multicloud software platform with rich data services to build, run, and manage any application. This vision and mission give us a large market opportunity to pursue and delight customers as we have done over the last decade.

Market Opportunity Bigger Than Ever

The foundation of Nutanix's growth lies in the secular and accelerating phenomenon of data center modernization – be it in the private cloud, public cloud, or a mix of both in what many call the hybrid multicloud model. In looking at Gartner and IDC market reports(1), as well as talking to many CIOs, we believe that this is a multiyear opportunity conservatively estimated at $35 billion(2) of annual addressable market for Nutanix by our fiscal year 2025. Our emerging products address adjacencies to this core opportunity in the areas of cloud management, unified storage, database-as-a-service, and desktop-as-a-service (DaaS). We believe these adjacencies will expand our annual addressable market to north of $60 billion(2) annually when combined with our core market by our fiscal year 2025. Clearly, we will not be limited by opportunity for the next several years. Our focus should and will be on executing and capturing this opportunity while continuing to look at additional adjacent markets to innovate in.

Product Strategy to Capture Opportunity

In its first decade, Nutanix disrupted the status quo by converging infrastructure and consolidating compute, storage, and networking through its HCI offering. The second decade will be defined by the convergence of disparate clouds for our customers – offering a simple platform through which customers can manage deployments across private and public clouds. Increasingly, our customers are telling us that this is where they see their IT strategy headed. Our newly redesigned Nutanix Cloud Platform brings together five key solution areas – cloud infrastructure, cloud management, unified storage, database services, and desktop services. Together, this unified platform will power all of the applications customers need to operate their IT infrastructure.

Our solutions are uniquely positioned in the hybrid multicloud world because of our data centricity and simplicity. Our origins are as a data centric company offering all storage types, the best performance for cost, ease of data mobility, and finally security and governance. With data tiering, disaster recovery (DR), and backups as the prominent use cases in hybrid deployments, we are in pole position. Our simplicity and ease of use have long been hallmarks of why customers appreciate us – they love the 1-click simplicity we bring to hybrid multicloud. Combined with world class customer experience, our fundamental belief in offering choice to our customers on everything from business model to technology platforms, sets us apart.

Maturing Business Model to Augment Strategy

As we start fiscal 2022, over 90% of our revenue is now from our subscription business. We have transformed into a full-fledged subscription company whose focus is not just on "land and expand" but also on "adopt and renew." And to this end, we have been hard at work building a renewal engine to efficiently transact an increasing share of our business that will be coming from more predictable renewals. Early signs point to a strong Gross Retention Rate (GRR) comparable to the best subscription companies in the industry.

The transition to an Annual Contract Value (ACV) based sales model at the beginning of fiscal year 2021 is also paying dividends with new ACV (business from new and upsell) sales productivity increasing, average contract terms declining (as expected), and unit economics for transactions improving. It has also resulted in an increasing share of emerging products being sold as part of our deals, further growing our deal sizes and share of the obtainable market. All of this has resulted in higher growth rates despite the macroeconomic uncertainty and the inability of our sales teams to meet with our customers in-person.

Our success in advancing strategic partnerships is another source of leverage for our sales teams. Recent partnerships with Hewlett Packard Enterprise and Lenovo are gaining momentum with their as-a-Service offerings as well as broadened support for their platforms. With Clusters, we've now extended the same goodness that AOS offers in the private cloud to the public cloud through our partnerships with Amazon Web Services (AWS) and Microsoft Azure, further expanding our addressable market. Finally, our most recent partnership announcement with Red Hat has opened more enterprise customer opportunities for us as we collaborate with Red Hat to deliver a complete stack to enable customers to deploy containerized and virtualized workloads on our platform in a hybrid multicloud world.

Prioritizing Strong Growth and Profitability

With all of our product, partnership, and go-to-market initiatives, our focus remains on profitable growth over the next several years. Healthy new ACV growth together with renewals are expected to drive 25%+ ACV growth through fiscal year 2025 and fiscal year 2021 provided one solid data point on that journey. With a strong focus on disciplined investments in go-to-market, lower cost of acquiring renewals, and targeted bets on high growth market segments, we were able to bring our sales and marketing costs as a percentage of revenue from 79% in fiscal year 2020 down to 67% in fiscal year 2021. We expect this trend to continue and anticipate it to be 49%-51% in fiscal year 2023. With strong top line growth and focus on efficiency, we are on track to achieve positive free cash flow (FCF) by the second half of calendar 2022. We expect to achieve operating profit between the second half of fiscal year 2023 and the first half of fiscal year 2024. And finally, our balance sheet continues to remain strong as a result of the capital raise in September 2020 and improving free cash flow in fiscal year 2021.

As we begin fiscal 2022, I believe it is a great time to be a Nutanix stockholder. Our market opportunity is large and our share of the market continues to grow. We have a strong hybrid multicloud product strategy in place to address the clear opportunity ahead of us. Our subscription business model is coming along nicely, resulting in a much higher level of predictability to our topline, and the opportunity for substantial sales and marketing expense leverage as renewals become a larger portion of our business. We are focused on disciplined and purposeful spending to help us reach our profitability goals. Through it all, we continue to delight our customers and they continue to love us. All signs of a healthy and vibrant company with immense potential to grow and remain a market leader for many years to come.

Thank you for your continued trust and faith in us.

Rajiv Ramaswami
President and Chief Executive Officer

(1) Certain information contained herein, including our projections about our addressable markets, may relate to or be based on studies, publications, surveys and other data obtained from third-party sources and our own internal estimates and research. While we believe these third-party studies, publications, surveys and other data are reliable as of the date hereof, they have not been independently verified, and we make no representation as to the adequacy, fairness, accuracy, or completeness of any information obtained from third-party sources.

(2) The addressable markets data included herein are our estimates derived from IDC and Gartner forecasts regarding the component markets with adjustments, some of which are based on our internal assumptions and market experience and knowledge, made to focus only on the segments of the applicable markets that we believe are applicable to our business.

Cautionary Note Regarding Forward-Looking Statements. This letter and the accompanying proxy statement contain forward-looking statements, which statements involve substantial risks and uncertainties. Other than statements of historical fact, all statements contained in this proxy statement, including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “plan,” “intend,” “could,” “would,” “expect,” or words or expressions of similar substance or the negative thereof, that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this letter and the accompanying proxy statement include statements regarding (i) our addressable markets, (ii) our Gross Retention Rate, (iii) our expected ACV growth, (iv) our expected sales and marketing costs as a percentage of revenue, (v) our positive free cash flow by the second half of calendar 2022, (vi) our expected achievement of operating profit between the second half of fiscal year 2023 and the first half of fiscal year 2024, (vii) the continued growth of our share of the market, and (viii) being a market leader for many years to come. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs in light of the information currently available to us. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 filed with the U.S. Securities and Exchange Commission (the “SEC”) on September 21, 2021. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this proxy statement 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.

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NUTANIX

Notice of 2021 Annual Meeting of Stockholders

To Be Held Virtually on Friday, December 10, 2021 at 9:00 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 2021 annual meeting of stockholders (including any adjournment or postponement thereof, the “Annual Meeting”) of Nutanix, Inc. The Annual Meeting will be held virtually via live webcast at www.virtualshareholdermeeting.com/NTNX2021, originating from San Jose, California, on Friday, December 10, 2021 at 9:00 a.m., Pacific Time.

We are holding the Annual Meeting for the following purposes:

PROPOSALS		BOARD VOTE RECOMMENDATION	FOR FURTHER DETAILS
1	Election of Three Class II Directors Named in the Proxy Statement	FOR	Page 11
2	Ratification of Selection of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for Fiscal Year 2022	FOR	Page 19
3	Advisory Vote to Approve the Compensation of our Named Executive Officers	FOR	Page 22

We are also holding the Annual Meeting to conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy statement accompanying this Notice.

The record date for the Annual Meeting is October 12, 2021. Only stockholders of record of our Class A common stock and Class B common stock at the close of business on the record date may vote at the Annual Meeting.

On or about October 26, 2021, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and annual report. This 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.

In the event of a technical malfunction or other situation that the meeting chair determines may affect the ability of the Annual Meeting to satisfy the requirements for a meeting of stockholders to be held by means of remote communication under applicable Delaware corporate law, or that otherwise makes it advisable to adjourn the Annual Meeting, the chair or secretary of the Annual Meeting will convene the meeting at 12:00 p.m. Pacific Time on the date specified above and at our address specified above solely for the purpose of adjourning the meeting to reconvene at a date, time and physical or virtual location announced by the meeting chair. Under either of the foregoing circumstances, we will post information regarding the announcement on our investor relations website at http://ir.nutanix.com.

By Order of the Board of Directors,

President and Chief Executive Officer

San Jose, California
October 26, 2021

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. 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.

REVIEW THE PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

Internet	**Telephone**	**Mail**	**Vote During the Meeting**
Visit the website listed on your proxy card	Call the telephone number on your proxy card	Sign, date, and return your proxy card in the enclosed envelope	Vote online during the Annual Meeting

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders Meeting to be Held on December 10, 2021: This Notice, the Proxy Statement and the Annual Report are available at www.proxyvote.com.

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Proxy Statement

For the 2021 Annual Meeting of Stockholders
To Be Held on Friday, December 10, 2021 at 9:00 a.m., Pacific Time

Our board of directors is soliciting your proxy to vote at the 2021 annual meeting of stockholders (including any adjournment or postponement thereof, the “Annual Meeting”) of Nutanix, Inc. to be held via live webcast at www.virtualshareholdermeeting.com/NTNX2021, originating from San Jose, California, on Friday, December 10, 2021 at 9:00 a.m., Pacific Time.

For the Annual Meeting, we have elected to furnish our proxy materials, including this proxy statement and our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, to our stockholders primarily via the Internet. On or about October 26, 2021, we mailed to our stockholders a *Notice of Internet Availability of Proxy Materials* (the “Notice”) that contains 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 12, 2021, the record date for the Annual Meeting, will be entitled to vote at the Annual Meeting. On the record date, there were 211,353,149 shares of Class A common stock and 5,572,877 shares of Class B common stock outstanding and entitled to vote. A list of stockholders entitled to vote at the Annual Meeting will be available for examination during normal business hours for ten days before the Annual Meeting at our principal place of business at 1740 Technology Dr., Suite 150, San Jose, California 95110. The stockholder list will also be available online during the Annual Meeting to stockholders participating in the Annual Meeting.

Our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, which contains our consolidated financial statements as of and for our fiscal year ended July 31, 2021, accompanies this proxy statement. You also may obtain, without charge, a copy of this proxy statement and our Annual Report on Form 10-K for the fiscal year ended July 31, 2021, which was filed with the SEC on September 21, 2021, by writing to our Secretary at Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, California 95110 or by following the directions set forth in the Notice.

In this proxy statement, we refer to Nutanix, Inc. as “Nutanix,” “we,” “us” or “our company” and the board of directors of Nutanix, Inc. as “our board of directors.” The content of any websites referred to in this proxy statement are not deemed to be part of, and are not incorporated by reference into, this proxy statement.

Proxy Voting Roadmap

This roadmap highlights certain information contained elsewhere in this proxy statement. This roadmap does not contain all of the information that you should consider, and we encourage you to read the entire proxy statement before voting.

ANNUAL MEETING INFORMATION

Date	Friday, December 10, 2021
Time	9:00 a.m. Pacific Time
Virtual Meeting Site	www.virtualshareholdermeeting.com/NTNX2021
Record Date	October 12, 2021

PROPOSAL 1 ELECTION OF THREE CLASS II DIRECTORS (SEE PAGE 11)

FOR **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR CRAIG CONWAY, VIRGINIA GAMBALE, AND BRIAN STEVENS AS CLASS II DIRECTORS.**

Nominees

Our Class II directors currently consist of Craig Conway, Virginia Gambale, and Brian Stevens. Mr. Conway, Ms. Gambale, and Mr. Stevens have each been nominated to continue to serve as Class II directors, and each of them has agreed to stand for re-election at the Annual Meeting. The following provides summary information about each Class II director nominee.

Name	Age	Position/Office	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Independent	Tenure
Craig Conway	67	Director		Member	Member	✓	4 years
Virginia Gambale	62	Chair of the Board	Member		Chair	✓	1 year
Brian Stevens	58	Director		Member		✓	2 years

PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (SEE PAGE 19)

FOR **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL 2.**

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, 2020 and 2021.

	Fiscal Year Ended July 31, 2020	Fiscal Year Ended July 31, 2021
Audit fees(1)	$ 3,371,895	$ 3,511,013
Audit-related fees(2)	188,000	210,000
Tax fees(3)	775,579	600,018
Total fees	$ 4,335,474	$ 4,321,031

PROPOSAL 3 ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (SEE PAGE 22)

FOR **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL 3.**

Executive Compensation Philosophy

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 stockholders. 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.

Components of our Executive Compensation Program

Our executive compensation program generally consists of the following primary components: (i) base salary; (ii) target and actual annual incentive compensation, (iii) long-term equity compensation, and (iv) severance and change of control-related payments and benefits. Our executive officers participate in employee benefit programs generally made available to all of our eligible employees.

PRSUs are a Standard Component of Fiscal Year 2022 Annual Equity Awards

In October 2021, as part of its annual review, our compensation committee determined to further align pay with performance and the interests of our executives with the interests of our stockholders by implementing performance-based restricted stock units ("PRSUs") as a standard component of fiscal year 2022 annual equity awards granted to our executive officers, comprising 50% of each award. The PRSUs are based on the total shareholder return of our company relative to the total shareholder return of companies in the Nasdaq Composite Index over three years with interim measurements after one year and two years. To mitigate the influence of interim fluctuations in performance during the first two measurement periods, the achievement percentage is capped at 100% for the first two measurement periods. The compensation committee believed that interim measurement periods were an appropriate design feature for the PRSUs as a transition for the executive officers from time-based restricted stock units ("RSUs") to performance-based long-term incentive RSUs.

New-Hire Compensation for Rajiv Ramaswami

Transitioning from a Founder-Led Company. Four years after our initial public offering in 2016, we announced in August 2020 that Dheeraj Pandey, our company's co-founder and then CEO, would be retiring from our company. As we entered our next phase of growth, our board of directors and Mr. Pandey agreed that we had reached an inflection point requiring the next generation of leadership.

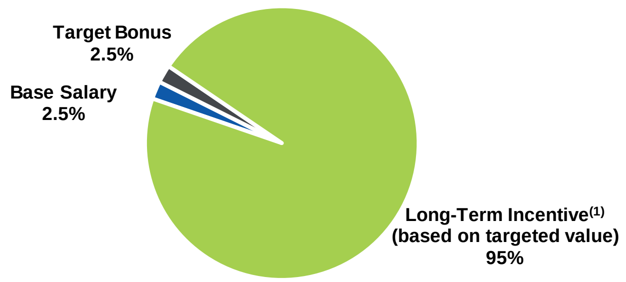
Why Rajiv Ramaswami. As a growth company operating in a rapidly evolving industry, identifying the right leaders to guide our company forward is vital to our success. Our board of directors deems succession planning a core responsibility and had begun that process for senior leadership. Given our relatively short operating history as a public company and the uniqueness of the skill set required of the next CEO, our board of directors focused its search primarily on external candidates who had the experience of operating a large-scale enterprise in our industry. Following an extensive CEO search process, our board of directors appointed Rajiv Ramaswami as our President and CEO midway through the second quarter of fiscal year 2021. Mr. Ramaswami's unique combination of technical proficiency, industry knowledge, and experience as an operating executive has prepared him to undertake the CEO role at our company, which requires an understanding of how our solutions operate across all IT environments, and the unique challenges faced by our customers in operating their datacenters in a hybrid multicloud world, and a vision of how to build upon our company's customer-focused and solutions-oriented culture. With more than 30 years of experience building and scaling businesses in cloud services, software, and network infrastructure, Mr. Ramaswami's background is the perfect fit for this role. Our compensation committee designed a new-hire compensation package to incentivize Mr. Ramaswami to join our company from his well-established leadership position at his former employer and effectively align his incentives with value creation for our stockholders.

Mr. Ramaswami's Make-Whole New-Hire Compensation Design. To ensure Mr. Ramaswami's incentives are aligned with value creation for our stockholders, 95% of the total targeted value of his new-hire compensation package was in the form of a long-term incentive sign-on equity award.

- The sign-on equity award is intended as "make-whole" compensation for the value of unvested equity that he forfeited upon his departure from his previous employer.
- 65% of the sign-on equity award is in the form of PRSUs with rigorous stock price performance hurdles, which would not be eligible to vest unless he drove value for our stockholders after joining our company.
- The sign-on equity award contains a retentive time-based component.

The mix of the total targeted value of Mr. Ramaswami's new-hire compensation package was as follows:

MR. RAMASWAMI'S NEW-HIRE TARGETED COMPENSATION MIX



97.5% VARIABLE PAY (AT RISK)

(1) Consists of sign-on-equity award, 65% of which is in the form of PRSUs and 35% of which is in the form of time-based RSUs. The targeted value of the sign-on equity award is based on the value approved by our compensation committee, rather than the grant date fair value of the equity award calculated in accordance with Financial Accounting Standards Board, Accounting Standards Codification Topic 718, Compensation – Stock Compensation ("ASC Topic 718") as reported in the "Fiscal Year 2021 Summary Compensation Table" appearing on page 46 of this proxy statement.

Corporate Governance

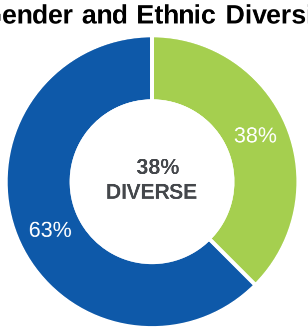
We are strongly committed to good corporate governance practices. These practices provide an important framework within which our board of directors and management can pursue our strategic objectives for the benefit of our stockholders. Our board of directors has adopted corporate governance guidelines 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 in the "Governance" section of our investor relations website at http://ir.nutanix.com.

Board of Directors and its Committees

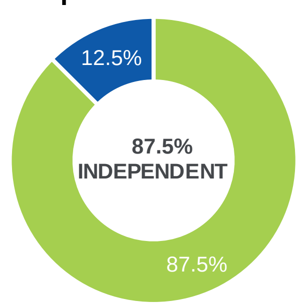
Current Composition of the Board of Directors and its Committees

Name	Age	Position/Office	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Independent	Tenure
Class II directors whose terms expire at the Annual Meeting							
Craig Conway	67	Director		Member	Member	✓	4 years
Virginia Gambale	62	Chair of the Board	Member		Chair	✓	1 year
Brian Stevens	58	Director		Member		✓	2 years
Class III directors whose terms expire at the annual meeting of stockholders after the end of fiscal year 2022							
David Humphrey	44	Director			Member	✓	1 year
Rajiv Ramaswami	55	President and CEO					< 1 year
Class I directors whose terms expire at the annual meeting of stockholders after the end of fiscal year 2023							
Susan L. Bostrom	61	Director		Chair		✓	4 years
Steven J. Gomo	69	Director	Chair		Member	✓	6 years
Max de Groen	36	Director	Member	Member		✓	1 year

Gender and Ethnic Diversity



Independent Directors



Director Independence

Our Class A common stock is listed on the Nasdaq Global Select Market tier of The Nasdaq Stock Market LLC ("Nasdaq"). Under Nasdaq listing rules, a majority of our board of directors must be comprised of independent directors. In addition, the listing rules of Nasdaq require that, subject to specified exceptions, each member of our audit, compensation and nominating and corporate governance committees be independent. Under Nasdaq listing rules, a director will only qualify as an "independent director" if (i) the director meets the objective tests for independence set forth in Nasdaq listing rules and (ii) the director does not have a relationship that, in the opinion of the company's board of directors, 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 Exchange Act of 1934, as amended (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 (i) meets the objective tests for independence set forth in Nasdaq listing rules and (ii) has a material relationship with us that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. As a result of this review, our board of directors determined that seven out of our eight current directors are independent directors. Our independent directors are Mses. Bostrom and Gambale and Messrs. Conway, de Groen, Gomo, Humphrey, and Stevens. In addition, our board of directors determined that Sohaib Abbasi, Ravi Mhatre, and Jeffrey T. Parks were independent directors during the time that they served as directors during fiscal year 2021.

Board Leadership Structure

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 if our board of directors does not have an independent Chair of the Board, our board of directors will appoint a lead independent director.

Currently, our board leadership structure separates the positions of CEO and Chair of the Board. Mr. Ramaswami has served as our President and CEO since December 2020, and Ms. Gambale, an independent director, has served as our Chair of the Board since June 2021. Separating the positions of CEO and Chair of the Board allows our CEO to focus on our day-to-day business, while allowing our Chair of the Board to lead our board of directors in its oversight of management. Our board of directors believes that its independence and oversight of management are 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

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, but no less than twice a year.

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 Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, California 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 at http://ir.nutanix.com/company/esg. 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 Ms. Gambale and Messrs. Gomo and de Groen, each of whom is a non-employee member of our board of directors. Mr. Gomo is the Chair of our audit committee. Our board of directors has determined that each member 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 Messrs. Gomo and de Groen each qualifies as an “audit committee financial expert,” as defined in 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 our internal controls and the integrity of our audited financial statements;
- reviewing the adequacy and effectiveness of 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 the steps management 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. Conway, de Groen and Stevens, each of whom is a non-employee member of our board of directors. Ms. Bostrom is the Chair 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, and 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 of control agreements, and any other benefits, compensation or arrangements;
- administering our equity compensation plans;
- overseeing our overall compensation philosophy, compensation plans and benefits programs;
- reviewing the compensation disclosures in our annual proxy statement; and
- reviewing and monitoring matters related to human capital management, including talent acquisition and retention and diversity.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has been an officer or employee of our company. None of our executive officers currently serves, or during fiscal year 2021 has 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 Ms. Gambale and Messrs. Conway, Gomo, and Humphrey, each of whom is a non-employee member of our board of directors. Ms. Gambale serves as the Chair 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;
- overseeing and periodically reviewing our environmental, social and governance activities, programs and public disclosure; 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 amended and restated 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 an equity award committee (comprised of Mr. Ramaswami).

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 14 times (including regularly scheduled and special meetings) during our last fiscal year. Our audit committee met ten times during fiscal year 2021. Our compensation committee met eleven times during fiscal year 2021. Our nominating and corporate governance committee met five times during our last fiscal year. During fiscal year 2021, each director attended 75% or more of the aggregate of the meetings of our board of directors and of the committees on which the director served at the time.

We encourage our directors and nominees for director to attend our annual meeting of stockholders but do not require that they attend. Ten of our eleven then-incumbent directors attended our 2020 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 our company, 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 considers and discusses our major financial risk exposures (including cybersecurity and product security risks) 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 as well as risks associated with the ongoing COVID-19 pandemic. In addition, among other matters, management provides our audit committee with periodic reports on our compliance programs and investment policy and practices.

ESG at Nutanix

In demonstrating our commitment to environmental, social, and governance issues and the important part they play in our success, we published our first annual Environmental, Social, and Governance Report in 2021. We encourage you to read our Environmental, Social, and Governance Report at www.nutanix.com/company/social-responsibility. The report provides a high-level overview on our views, approach to, and performance around environmental, social, and governance matters. The report is not incorporated by reference herein and is not a part of this proxy statement.

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 amended and restated certificate of incorporation and amended and restated bylaws, our corporate governance guidelines, the criteria adopted by our board of directors regarding director candidate qualifications, and the requirements of applicable law. 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 amended and restated 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 Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, California 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 our company. 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 amended and restated 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.

Bain Board Nomination Rights

In August 2020, we entered into an investment agreement with BCPE Nucleon (DE) SPV, LP (collectively with its affiliates, "Bain") relating to the issuance and sale to Bain of $750 million in an initial aggregate principal amount of our 2.50% convertible senior notes due 2026. Pursuant to this investment agreement, we appointed two Bain nominees, David Humphrey and Max de Groen, to our board of directors in September 2020. In addition, in general, Bain will have the right to nominate a nominee at each annual meeting or action by written consent at which the Bain designee's term as a director expires, provided, however, that if, at any time, Bain beneficially owns less than 50% of the common stock underlying the convertible senior notes (on an as-converted basis, and assuming full physical settlement), Bain will be entitled to have only one nominee designated to our board of directors, and if, at any time, Bain beneficially owns less than 25% of the common stock underlying the convertible senior notes (on an as-converted basis, and assuming full physical settlement), Bain will not be entitled to have any nominee designated to our board of directors. Further, Bain will not have a right to nominate (i) a second member to our board of directors, if Bain beneficially owns less than 9.09% of all of our common stock then outstanding (on an as-converted basis, and assuming full physical settlement), even if Bain otherwise beneficially owns at least 50% of the common stock underlying the convertible senior notes (on an as-converted basis, and assuming full physical settlement), or (ii) any member to our board of directors, if Bain collectively beneficially owns less than 4.0% of all of our common stock then outstanding (on an as-converted basis, and assuming full physical settlement), even if Bain otherwise beneficially owns at least 25% of the common stock underlying the convertible senior notes (on an as-converted basis, and assuming full physical settlement).

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. state and federal legal, regulatory and Nasdaq listing requirements and the provisions of our amended and restated certificate of incorporation, amended and restated 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, diversity with respect to professional background, education, race, ethnicity, gender, age and geography, 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 our 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 in “Proposal 1 – Election of Directors” 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 1 ELECTION OF DIRECTORS

FOR OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR CRAIG CONWAY, VIRGINIA GAMBALE, AND BRIAN STEVENS AS CLASS II DIRECTORS.

Our board of directors currently 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 their election. Our directors are divided into three classes as follows:

- **Class I directors**: Susan L. Bostrom, Steven J. Gomo, and Max de Groen, whose terms will expire at the annual meeting of stockholders to be held after the end of the fiscal year ending July 31, 2023;
- **Class II directors**: Craig Conway, Virginia Gambale, and Brian Stevens, whose terms will expire at the upcoming Annual Meeting, unless re-elected; and
- **Class III directors**: David Humphrey and Rajiv Ramaswami, whose terms will expire at the annual meeting of stockholders to be held after the end of the fiscal year ending July 31, 2022.

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 of control of our company.

Mr. Conway, Ms. Gambale, and Mr. Stevens are currently Class II directors. Mr. Conway, Ms. Gambale, and Mr. Stevens have each been nominated to continue to serve as Class II directors, and each of them has agreed to stand for re-election at the Annual Meeting. Our management has no reason to believe that any of Mr. Conway, Ms. Gambale, and Mr. Stevens will be unable to serve as Class II directors. If elected at the Annual Meeting, Mr. Conway, Ms. Gambale, and Mr. Stevens would each serve until the annual meeting of stockholders to be held after the end of fiscal year 2024 and until his or her successor has been duly elected, or if sooner, until his or her death, resignation or removal.

Vote Required

Directors are elected by a plurality of the voting power of the shares present at the Annual Meeting or represented by proxy and entitled to vote on the election of directors. Withhold votes and broker non-votes have no legal effect on the outcome. Accordingly, the three 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 three 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 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 judgment 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.

Set forth below is biographical information for the nominees and each person whose term of office as a director will continue after the Annual 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.

Class II Nominees for Re-Election at the Annual Meeting

CRAIG CONWAY

Independent

Director since:
October 2017

Committees:
Compensation, Nominating and Corporate Governance

Mr. 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. Mr. Conway previously served as a director of Advanced Micro Devices, Inc., a semiconductor company, from September 2009 until May 2013, and Guidewire Software, Inc., a provider of software products to insurance companies, from December 2010 until January 2019. Mr. Conway holds a B.S. in Computer Science and Mathematics from the State University of New York at Brockport. Our board of directors believes 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.

VIRGINIA GAMBALE

Independent
Chair of the Board

Director since:
June 2020

Committees:
Audit, Nominating and Corporate Governance (Chair)

Ms. Gambale has served as a member of our board of directors since June 2020. Ms. Gambale is Managing Partner of Azimuth Partners LLC, a technology advisory firm facilitating the growth and adoption of emerging technologies for financial services, consumer and technology companies. Prior to founding Azimuth Partners in 2003, Ms. Gambale held senior management positions at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh & McLennan. She was also the Head of Deutsche Bank Strategic Ventures, and subsequently a General Partner at Deutsche Bank Capital and ABS Ventures until founding Azimuth Partners. Ms. Gambale has also served on the boards of directors of: FD Technologies, a provider of software and consulting services, since March 2015; Virtu Financial, Inc., a financial services company, since January 2020; Core BTS, an IT solutions consulting and managed services provider, since July 2020; and Jamf Holding Corp., a provider of Apple enterprise management, infrastructure and security platform, since May 2021. She also previously served on numerous international public and private boards, including Regis Corporation, JetBlue Airways, Piper Jaffray, Workbrain, Synchronoss Technologies and IQ Financial. Ms. Gambale holds a B.S. Degree in Mathematics and Computer Science from the New York Institute of Technology. Our board of directors believes that Ms. Gambale is qualified to serve as a member of our board of directors because of her extensive prior experience in senior leadership positions in finance and technology, as well as her time spent serving on the boards of numerous public and private companies.

BRIAN STEVENS

Independent

Director since:
June 2019

Committees:
Compensation

Mr. Stevens has served as a member of our board of directors since June 2019. Mr. Stevens has served as Chief Executive Officer of Neural Magic, a private machine learning company, since March 2021, and as its Executive Chairman from July 2019 until March 2021. Mr. Stevens has also served as a member of the board of directors of Genpact Limited since May 2020. He previously served as Chief Technology Officer from April 2017 to May 2019 and as Vice President of Product from September 2014 to May 2019 of Google Cloud, where he was responsible for leading the technology vision for Google's public cloud offering. Prior to Google, from November 2001 until September 2014, Mr. Stevens served in various positions at Red Hat, Inc., an open source solutions company, including as Chief Technology Officer and Executive Vice President of Worldwide Engineering from September 2013 until September 2014. Mr. Stevens has also served on various boards in the past including the American Red Cross, IEEE, Pentaho, Data Gravity, and the Open Stack Foundation. He holds a B.S. in Computer Science from the University of New Hampshire and an M.S. in Computer Systems from Rensselaer Polytechnic Institute. Our board of directors believes that Mr. Stevens is qualified to serve as a member of our board of directors because of his extensive business experience and expertise in our industry, gained from his substantial leadership roles as well as his time spent serving on the boards of other technology companies.

Class III Directors Continuing in Office Until the Annual Meeting of Stockholders After the End of the Fiscal Year Ending July 31, 2022

DAVID HUMPHREY

Independent

Director since:
September 2020

Committees:
Nominating and Corporate Governance

Mr. Humphrey has served as a member of our board of directors since September 2020. Mr. Humphrey is currently a managing director in the Technology, Media & Telecommunications Vertical and Co-Head of Bain Capital's North America Private Equity businesses. Prior to joining Bain Capital Private Equity, Mr. Humphrey was an investment banker at Lehman Brothers' mergers & acquisitions group, where he advised companies on mergers and acquisitions across a range of industries. Mr. Humphrey served on the boards of directors of NortonLifeLock Inc. (fka Symantec Corp) from August 2016 until January 2021, Genpact Ltd. from October 2012 to November 2019 and Bright Horizons Family Solutions, Inc. from May 2008 to June 2017. Mr. Humphrey currently also serves on the board of directors of several private companies. Mr. Humphrey holds a B.A. in Economics from Harvard College and an M.B.A. from Harvard Business School. Our board of directors believes that Mr. Humphrey 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.

RAJIV RAMASWAMI

President and CEO

Director since:
December 2020

Mr. Ramaswami has served as our President and Chief Executive Officer since December 2020. Mr. Ramaswami is a seasoned technology industry executive who has held senior leadership roles at companies including VMware, Inc., Broadcom Inc., Cisco Systems, and Nortel after having begun his career at IBM Corporation. He has more than 30 years of experience spanning software, cloud services and network infrastructure and brings to our company a proven track record of building and scaling enterprises and teams, having a strong customer-centric approach, operational execution and developing innovative products and solutions to drive growth and value creation. Prior to joining us, from October 2016 until December 2020, Mr. Ramaswami served as Chief Operating Officer of Products and Cloud Services at VMware. From April 2016 to October 2016, Mr. Ramaswami led VMware's Networking and Security business, as Executive Vice President and General Manager. Mr. Ramaswami served as Executive Vice President and General Manager, Infrastructure and Networking at Broadcom from February 2010 to January 2016, where he established Broadcom as a leader in data center, enterprise and carrier networking. Prior to Broadcom, as a leader in Cisco's Cloud Services and Switching Technology Group, Mr. Ramaswami was responsible for the mid-range business and drove expansion from the enterprise markets into the high growth carrier market. Earlier in his career, he held various leadership positions at Nortel, Tellabs and IBM. Mr. Ramaswami has also served on the board of NeoPhotonics Corporation since March 2014. Mr. Ramaswami holds a B.Tech. in Electrical Engineering from the Indian Institute of Technology, Madras, and a M.S. and a Ph.D. in Electrical Engineering from the University of California, Berkeley. Mr. Ramaswami is an Institute of Electrical and Electronics Engineers Fellow and holds 36 patents, primarily in optical networking. Our board of directors believes that Mr. Ramaswami's extensive business experience and expertise in the technology industry, gained from his executive leadership roles at other technology companies, as well as the perspective and experience that Mr. Ramaswami brings as our President and Chief Executive Officer, uniquely qualify him to serve on our board of directors.

Class I Directors Continuing in Office Until the Annual Meeting of Stockholders After the End of the Fiscal Year Ending July 31, 2023

SUSAN L. BOSTROM

Independent

Director since:
October 2017

Committees:
Compensation (Chair)

Ms. Bostrom has served as a member of our board of directors since October 2017. Ms. Bostrom previously served as Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs of Cisco Systems, Inc. ("Cisco"), 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 has served on the boards of directors of GitLab Inc., a software company, since April 2019, Anaplan, Inc., a software company, since September 2017, and ServiceNow, Inc., a company providing cloud-based solutions, since July 2014, as well as on the boards of directors of several private companies and non-profit organizations. Ms. Bostrom previously served as a member of the board of directors of Cadence Design Systems, Inc., an electronic design software company, from February 2011 until May 2021, Varian Medical Systems, Inc., a manufacturer of medical devices and software, from February 2005 until February 2019, 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. Our board of directors believes 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

Independent

Director since:
June 2015

Committees:
Audit (Chair), Nominating and Corporate Governance

Mr. 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 as a member of the board of directors of each of Enphase Energy, Inc., a solar energy management device maker, and Micron Technology, Inc., a developer and manufacturer of semiconductor memory products, as well as a member of the board of directors of Solaria Corporation, a provider of advanced solar energy products, since October 2019. Mr. Gomo also previously served on the board of directors of NetSuite Inc., a business management software company, from March 2012 until it was acquired by Oracle Corporation in November 2016, and 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. Our board of directors believes that 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.

MAX DE GROEN

Independent

Director since:
September 2020

Committees:
Audit, Compensation

Mr. de Groen has served as a member of our board of directors since September 2020. Mr. de Groen joined Bain Capital Private Equity in 2010 and is currently a managing director in the Technology, Media & Telecommunications Vertical of Bain. Prior to joining Bain Capital Private Equity, Mr. de Groen was at The Boston Consulting Group, where he consulted in the technology, financial services, and healthcare practice areas. Mr. de Groen currently serves on the board of directors of several private companies. Mr. de Groen holds a B.S. in Finance from the University of Minnesota and an M.B.A. from Harvard Business School. Our board of directors believes that Mr. de Groen 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 technology companies.

Director Compensation

Non-Employee Director Compensation Policy

Members of our board of directors who are not employees or officers of our company ("non-employee directors") receive compensation for their service. Under our outside director compensation policy then in effect, on the date of our 2020 annual meeting of stockholders, our non-employee directors received annual RSU awards with a total dollar value based on their board and committee service as follows ("annual award value"):

Annual RSU Award Value	
Board Member	$330,000

Additional Annual RSU Award Value	
Lead Independent Director	$20,000

Additional Annual RSU Award Value for Committee Service	Chair	Member
Audit Committee	$25,000	$12,500
Compensation Committee	$20,000	$10,000
Nominating and Corporate Governance Committee	$10,000	$5,000

Each of these annual RSU grants will vest in full on the earlier of (i) the day prior to the Annual Meeting 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. In connection with their appointment as directors in October 2020, Mr. Humphrey and Mr. de Groen also each received an 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 was made and December 10, 2020, which was the day prior to our 2020 annual meeting of stockholders. Each of these prorated RSU grants will vest in full on the day prior to the Annual Meeting, in each case subject to the non-employee director continuing to provide service as a director through the vesting date.

Our compensation committee reviews the total compensation of our non-employee directors and each element of our outside director compensation policy annually. At the direction of our compensation committee, Compensia, Inc. ("Compensia"), a nationally recognized compensation consulting firm, annually analyzes the competitive position of our outside director compensation policy against the peer group used for executive compensation purposes. For a more detailed description of the role of Compensia, our independent compensation consultant, please refer to the section titled "Executive Compensation – Compensation Discussion and Analysis – Compensation-Setting Process – Role of Compensation Consultant." In December 2020, Compensia reviewed the competitive position of the compensation for non-employee directors and recommended changes based on our competitive positioning relative to our peers. As a result, our compensation committee amended and restated our outside director compensation policy in fiscal year 2021. Under our amended and restated outside director compensation policy, each non-employee director will receive (i) an annual RSU award on the date of each annual meeting of stockholders with a total dollar value of $250,000 for the director's service as a board member and (ii) annual cash retainers, payable quarterly in arrears, for the director's service as follows:

Annual RSU Award	
Board Member	$250,000

Annual Cash Retainer	
Board Member	$50,000

Additional Annual Cash Retainers	
Board Chair	$87,500
Lead Independent Director	$47,500

Additional Annual Cash Retainers for Committee Service	Chair	Member
Audit Committee	$30,000	$12,500
Compensation Committee	$20,000	$10,000
Nominating and Corporate Governance Committee	$15,000	$7,500

Under our amended and restated non-employee director compensation policy, a non-employee director who started service as a board chair, lead independent director or chair or member of a committee after the date of our 2020 annual meeting, which was when the last annual RSU grants were made to our non-employee directors, is entitled to prorated cash compensation for such service with effect from the date of their appointment to such service in light of the fact that his or her annual RSU grant had not compensated the director for such service.

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.

Our 2016 Equity Incentive Plan provides that, in any fiscal year, none of our non-employee directors may be granted cash-settled awards with a grant date fair value of more than $750,000 (or, in connection with a director's initial service, $1.5 million) or stock-settled awards with a grant date fair value of more than $750,000 (or, in connection with a director's initial service, $1.5 million).

Fiscal Year 2021 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 for all or a portion of the fiscal year ended July 31, 2021 or a portion thereof. Messrs. de Groen and Humphrey were appointed to our board of directors on September 24, 2020 and served on our board for a portion of fiscal year 2021. Neither Mr. Ramaswami, our President and CEO, nor Mr. Pandey, our former CEO and Chairman, received compensation for his service as a director. The compensation received by Mr. Ramaswami and Mr. Pandey as an employee is shown in "Executive Compensation – Executive Compensation Tables – Fiscal Year 2021 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 ($)
Sohaib Abbasi[(2)]	—	404,586	—	—	—	—	404,586
Susan L. Bostrom	—	400,539	—	—	—	—	400,539
Craig Conway	1,233	383,802	—	—	—	—	385,035
Virginia Gambale	34,603	393,417	—	—	—	—	428,020
Steven J. Gomo	—	401,786	—	—	—	—	401,786
Max de Groen[(3)]	14,055	434,770	—	—	—	—	448,825
David Humphrey[(4)]	4,685	434,770	—	—	—	—	439,455
Ravi Mhatre[(5)]	—	379,449	—	—	—	—	379,449
Jeffrey T. Parks[(6)]	—	—	—	—	—	—	—
Brian Stevens	6,247	368,311	—	—	—	—	374,558

(1) The amounts reported in this column represent the aggregate grant date fair value of the RSUs granted, as computed in accordance with 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, 2021, filed with the SEC on September 21, 2021. These amounts do not necessarily correspond to the actual value that may be recognized by the director upon the vesting of such awards.

(2) Mr. Abbasi resigned from our board of directors on December 15, 2020, and as a result, his annual RSU grant has terminated in full, unvested.

(3) Mr. de Groen was appointed to our board of directors on September 24, 2020 and received a prorated annual RSU grant under our amended and restated outside director compensation policy.

(4) Mr. Humphrey was appointed to our board of directors on September 24, 2020 and received a prorated annual RSU grant under our amended and restated outside director compensation policy.

(5) Mr. Mhatre resigned from our board of directors on April 15, 2021, and as a result, his annual RSU grant has terminated in full, unvested.

(6) Mr. Parks' term as a director expired at our 2020 annual meeting of stockholders and he did not stand for re-election.

Outstanding Director Equity Awards at Fiscal Year 2021 Year-End Table

Our non-employee directors held the following outstanding option and RSU awards as of July 31, 2021. The table also excludes Mr. Ramaswami, whose outstanding awards are reflected in the section titled "Executive Compensation – Executive Compensation Tables – Outstanding Equity Awards at Fiscal Year 2021 Year-End Table."

Name	# of Outstanding Options (in shares)	# of Outstanding RSUs (in shares)
Sohaib Abbasi(1)	—	—
Susan L. Bostrom	—	12,556
Craig Conway	—	12,018
Virginia Gambale	—	12,646
Steven J. Gomo	—	12,915
Max de Groen(2)	—	11,839
David Humphrey(3)	—	11,839
Ravi Mhatre(4)	—	—
Jeffrey T. Parks(5)	—	—
Brian Stevens	—	11,839

(1) Mr. Abbasi resigned from our board of directors on December 15, 2020, and as a result, all remaining unvested RSUs has terminated in full.

(2) Mr. de Groen joined our board of directors on September 24, 2020.

(3) Mr. Humphrey joined our board of directors on September 24, 2020.

(4) Mr. Mhatre resigned from our board of directors on April 15, 2021, and as a result, all remaining unvested RSUs has terminated in full.

(5) Mr. Parks' term as a director expired at our 2020 annual meeting of stockholders and he did not stand for re-election.

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 other than Ms. Gambale and Messrs. de Groen, Humphrey, and Stevens, by our 2020 annual meeting of stockholders, (ii) for Mr. Stevens, who joined our board of directors in June 2019, by the annual stockholders meeting to occur after our fiscal year ending July 31, 2022, (iii) for each of Ms. Gambale and Messrs. de Groen and Humphrey, who joined our board of directors in June 2020, September 2020, and September 2020, respectively, by the annual stockholders meeting to occur after our fiscal year ending July 31, 2024, and (iv) 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 - Director Compensation" and "Executive Compensation," the following is a description of each transaction since August 1, 2020 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, nominees for election as 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 August 2020, we entered into the investment agreement with Bain relating to the issuance and sale to Bain of $750 million in an initial aggregate principal amount of our 2.50% convertible senior notes due 2026. The convertible senior notes were issued on September 24, 2020. In accordance with this investment agreement, Mr. Humphrey, a managing director of Bain, and Mr. de Groen, a managing director of Bain, were appointed to our board of directors.

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 section titled "Executive Compensation - Executive Compensation Tables - Outstanding Equity Awards at Fiscal Year 2021 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 the greater of $200,000 or 2% of the recipient's consolidated gross revenues 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 our audit committee and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

AUDIT COMMITTEE MATTERS

PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL 2.**

Our audit committee has re-appointed Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2022 and has further directed that management submit this selection for ratification by our stockholders at the Annual Meeting. Although ratification by our stockholders is not required by law, we have determined that it is good practice to request ratification of this selection by our 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, 2019, 2020 and 2021. 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 amended and restated 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 our company and our stockholders.

Vote Required

An affirmative vote from 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 will be required to ratify the selection of Deloitte & Touche LLP. Abstentions will have the effect of a vote against the proposal and broker non-votes will have no effect.

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, 2020 and 2021.

	Fiscal Year Ended July 31,	
	2020	2021
Audit fees(1)	$ 3,371,895	$ 3,511,013
Audit-related fees(2)	188,000	210,000
Tax fees(3)	775,579	600,018
Total fees	$ 4,335,474	$ 4,321,031

(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.

(2) Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our 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, 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, 2020 and 2021 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.

REPORT OF THE AUDIT COMMITTEE

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended July 31, 2021 with the management of Nutanix. The audit committee has discussed with Nutanix's independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC. 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, 2021.

The Audit Committee

Steven J. Gomo (Chair)
Virginia Gambale
Max de Groen (joined the Committee on December 15, 2020)

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 by 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.

EXECUTIVE OFFICERS

The following is biographical information for our current executive officers as of the date of this proxy statement:

Name	Age	Position/Office
Rajiv Ramaswami	55	President and Chief Executive Officer
Duston M. Williams	63	Chief Financial Officer
David Sangster	57	Chief Operating Officer
Tyler Wall	55	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. Ramaswami, please refer to the section above titled "Proposal 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.

David Sangster has served as our Chief Operating Officer since March 2019 and was our Executive Vice President, Engineering & Operations from February 2018 to March 2019, 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 3 ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

FOR **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL 3.**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 enables our stockholders to vote whether 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 vote, commonly known as a "say-on-pay" vote, 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 our 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 our 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 our 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 Annual 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.

COMPENSATION DISCUSSION AND ANALYSIS

The compensation provided to our named executive officers for fiscal year 2021 is set forth in detail in the "Fiscal Year 2021 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 arrived at the specific compensation policies and decisions for our named executive officers. The following are our named executive officers for fiscal year 2021, consisting of the individuals who served as our principal executive officer during fiscal year 2021, our principal financial officer, and the next three most highly compensated executive officers who served as such during fiscal year 2021:

- Rajiv Ramaswami, our President and Chief Executive Officer (appointed in December 2020);
- Dheeraj Pandey, our former Chief Executive Officer and Chairman (resigned in December 2020);
- Duston M. Williams, our Chief Financial Officer;
- Christopher Kaddaras, our Chief Revenue Officer;
- David M. Sangster, our Chief Operating Officer; and
- Tyler Wall, our Chief Legal Officer.

On October 4, 2021, we announced that Mr. Kaddaras will be resigning from our company effective October 31, 2021.

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

Fiscal Year 2021 Business Highlights

$594.3 million **ACV Billings**[(1)] ▲18% increase compared to FY 2020	**$879 million** **Annual Recurring Revenue**[(1)] ▲83% increase compared to FY 2020	**$1.54 billion** **Run-rate ACV**[(1)] ▲26% increase compared to FY 2020	**89%** **Subscription Revenue as % of Total Revenue**

(1) ACV billings, annual recurring revenue and run-rate ACV are non-GAAP financial measures. There is no GAAP measure that is comparable to ACV billings, annual recurring revenue or run-rate ACV, so we have not reconciled ACV billings, annual recurring revenue or run-rate ACV numbers included in this proxy statement to any GAAP measure. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures and Key Performance Measures" beginning on page 67 of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 filed with the SEC on September 21, 2021. 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.

Despite the ongoing and rapidly evolving COVID-19 pandemic, our fiscal year 2021 was marked by consistent execution and good progress across both financial and strategic objectives. We continued to make significant progress on our ongoing transition toward a subscription-based business model and ended fiscal year 2021 with nearly 90% of total revenue coming from subscription revenue. In addition, our ACV billings reached $594.3 million in fiscal year 2021, representing a year-over-year increase of 18%. We saw not only operational improvements in our go-to-market engine, but also saw improved deal economics and the continued buildout of our renewals business. We drove these top line improvements while carefully managing expenses, leading to a substantially improved bottom line performance compared to fiscal year 2020.

On the strategic front, we received a $750 million investment from Bain Capital in the first quarter of fiscal year 2021, which provided additional financial flexibility to fund our growth. As further discussed below, following an extensive CEO search process, our board of directors appointed Rajiv Ramaswami as our President and CEO midway through the second quarter of fiscal year 2021. Under his leadership, we drove consistent execution on key initiatives. We also made good progress on our alliance partnerships, extending our relationships with Hewlett Packard Enterprise, Lenovo and signing a new agreement with Red Hat. We also unveiled our new vision and shared our multi-year strategy and financial plan at Investor Day, delivered significant enhancements to our Nutanix Cloud Platform, continued to delight customers as evidenced by our seven-year average Net Promoter Score (NPS) of 90, continued to gain strong customer adoption, and consistently outperformed our metrics throughout fiscal year 2021. These achievements resulted in a total shareholder return for fiscal year 2021 of over 62% (compared to approximately 37% for the Nasdaq Composite Index).

Nutanix at an Inflection Point

During the first eleven years of our company, which was founded in 2009 and became a public company in 2016, our company saw a period of hyper-growth and relentless focus on innovation under the leadership of our co-founder and former CEO, Dheeraj Pandey. The company built a seamless enterprise cloud platform that created a category soon to be called hyperconverged infrastructure, or HCI. Today, we continue to transform our software solutions into a comprehensive enterprise cloud platform with a focus on operational simplicity, against the backdrop of an increasingly complex set of private, public, and distributed cloud offerings in the market.

- Our customers primarily use our enterprise cloud platform to power their on-premises private cloud deployments, but increasingly customers are using our solutions to simplify the complexities of multicloud environments with a single management console for management, automation, cost governance, and compliance.
- We are the market leader in the HCI category, which we pioneered, and serve a core addressable market of $21 billion that is projected to grow to $30 billion by 2025, with another $30+ billion of addressable opportunities in adjacent markets.

Alongside our advancements in technological innovation, we have undergone significant business model transformations.

- Since our IPO in 2016, we have completed a shift away from selling bundled hardware and software towards a software-only model.
- In fiscal year 2019, we embarked on a journey to reshape our license model in order to simplify customer consumption and ease of renewals by moving toward a subscription-based business model.

These transformations, which were necessary to meet the evolving needs of our customers, required fundamental changes to our operating model. While the company continued to grow and gain market share, our transition to a subscription-based business model adversely impacted total billings and revenue. This is because subscription-based sales often have a lower total dollar value than life-of-device license sales.

In August 2020, we announced that Mr. Pandey, our company’s co-founder and sole CEO since inception, would be retiring from our company.

- Mr. Pandey oversaw our company’s expansion from a seed-stage startup to the HCI market leader it is today. As we entered our next phase of growth, our board of directors and Mr. Pandey agreed that we had reached an inflection point requiring the next generation of leadership.
- Our board of directors sought to find the right person for the role, someone who would provide a balance of deep technical understanding of the industry with operational experience, a vision for Nutanix, and alignment with our company’s client-focused and solutions-oriented culture.

With our HCI market leadership established and our subscription transition nearly complete, our focus in fiscal year 2021 shifted to driving operational excellence and leveraging sales and marketing efficiencies to move quickly towards free cash flow and profitability.

- The new CEO would need to balance possessing both the deep technical knowledge to execute the Nutanix vision of being the sole independent provider facilitating the management of hybrid multicloud capability across all public and private clouds and the operational expertise to profitably scale our company while maintaining our HCI market leadership position. The new CEO would also need to leverage a first-class product portfolio and additional financial resources from the $750 million investment from Bain Capital that closed in September 2020.

Leadership Transition to Enable the Next Chapter of Our Growth

Founder-led Leadership
Focused on innovation, forging partnerships and establishing market leadership

2009 — **Dec. 2020**

Dheeraj Pandey was a visionary founder that led Nutanix from pioneering our technology through IPO and established our place as the market leader in hyperconverged infrastructure. The Nutanix vision and focus on innovation established the extraordinary foundation we have for our next chapter of growth.

Mid-2020

Seasoned Executive Leadership
Focused on operational discipline and profitable growth

Dec. 2020 — **Sept. 2021**

Rajiv Ramaswami is a seasoned executive with highly relevant and deep technical and industry expertise and a proven track record of operational excellence. Since joining our company as President and CEO, our company's market capitalization has increased approximately $2.1 billion.[3]

Named a Leader by Gartner in the Magic Quadrant for HCI software each year from 2016 to 2020

Reached 88%
Subscription Billings as a % of Total Billings[1]

+79%
Run-rate ACV Growth[2]

September 2020
Fortified balance sheet through $750M investment from Bain

2019 - 2020
Established key partnerships to drive market leadership

Embarked on subscription transition

July 2018
Reached $1B in annual revenue

2009 - 2016
Founding to IPO

Mr. Ramaswami is progressing on several strategic objectives while maintaining our HCI market leadership position and scaling the company with a view towards profitability:

June 2021: Unveiled multi-year strategic plan at Investor Day

July 2021: Announced strategic partnership with Red Hat to deliver Open Hybrid Multicloud Solutions

Key Fiscal Year 2021 Board Actions That Set Nutanix Up For Sustainable Growth

- Our board of directors and Mr. Pandey agreed that we had reached an inflection point requiring the next generation of leadership, and we announced Mr. Pandey's retirement.
- We closed a $750 million investment from Bain Capital, providing additional financial flexibility to fund our growth.
- Our board of directors, through a formal CEO search committee, undertook an extensive CEO search process to identify a leader that had the technical and industry expertise and the operational experience needed at our company.
- In December 2020, our board of directors appointed Mr. Ramaswami as President and CEO. Mr. Ramaswami possesses a unique combination of technical proficiency, industry knowledge, and experience as an operating executive. With more than 30 years of experience building and scaling businesses in cloud services, software, and network infrastructure, Mr. Ramaswami's background is the perfect fit for this role.

+62%
FY 2021 TSR

+25%
FY 2021 TSR Outperformance vs. Nasdaq Composite

(1) Subscription billings as a percentage of total billings for Q1 FY 2021.
(2) Q1 FY 2019 through Q1 FY 2021.
(3) From market close on December 8, 2020 through September 30, 2021.

CEO Search Process

Our board of directors deems succession planning a core responsibility and had begun that process for senior leadership. Given our relatively short operating history as a public company and the uniqueness of the skill set required of the next CEO, our board of directors focused its search primarily on external candidates who had the experience of operating a large-scale enterprise in our industry. The CEO search process was led by our board of directors through a formal CEO search committee, with the support of our existing leadership at the time. We retained the services of the third-party search firm, Heidrick & Struggles, to help identify and evaluate CEO candidates. The committee undertook an extensive search process. While the committee reviewed many candidates with a diverse set of backgrounds, there were very few that had the technical and industry expertise and the operational experience that our company needed. Our new CEO would also need to understand how to maintain our market leadership in the HCI category and scale our company with a view towards profitability. The initial candidate list was ultimately distilled down to a few individuals who possessed the relevant skill set and experiences needed to understand our strategic positioning and the broader marketplace, while also having a clear vision of how to continue our company's growth trajectory. These individuals were asked to present their vision for our company to our board of directors, including Mr. Pandey.

Following the completion of the CEO search process, our board of directors appointed Rajiv Ramaswami in December 2020 to serve as our President and CEO. Upon Mr. Ramaswami's appointment, Mr. Pandey resigned as our CEO and Chairman. Mr. Pandey did not receive any severance payments or benefits in connection with his resignation.

Why Mr. Ramaswami

Mr. Ramaswami has an intimate understanding of what it takes to guide an innovative company towards serving customers at scale. His unique combination of technical proficiency, industry knowledge, and experience as an operating executive has prepared him to undertake the CEO role at our company, where he has already driven significant stockholder value.

Between the rapidly evolving nature of our industry and the complexity of our customers' challenges, it was important that our board of directors appoint a new CEO candidate who had a firm grasp of our company's capabilities, and more importantly, understood how they fit together to offer integrated solutions to our customers; in short, our board of directors was looking for a highly effective operational leader with a strong and relevant technical background. The Nutanix vision is to be the sole independent provider facilitating the management of hybrid multicloud capability across all public and private clouds. Only our company and a handful of other companies have attempted this scale, which requires deep technical and product understanding. Our company endeavored to create a variety of innovative new products in this area and needed to organize these products into a scalable platform. This could only have been achieved in a short period of time by a product-oriented CEO such as Mr. Ramaswami, who had the necessary level of technical depth, understanding, and experience. Additionally, Mr. Ramaswami's strong operational leadership at scale, along with the respect for our strong engineering culture and philosophy, was essential to approach our company's next stage of growth.

Our company's solutions operate at the infrastructure level, which sits at the convergence of compute, storage, networking, virtualization, applications, containerization, and security, and our new CEO needed to understand how all of these technologies operate across all IT environments, and the unique challenges faced by our customers in operating their datacenters in this hybrid multicloud world. Mr. Ramaswami's background is the perfect fit for this role. Mr. Ramaswami brings more than 30 years of experience building and scaling businesses in cloud services, software, and network infrastructure.

- He previously served as Chief Operating Officer, Products and Cloud Services at VMware, Inc. ("VMware") after having led VMware's Networking and Security business. Prior to his time with VMware, he oversaw the Infrastructure and Networking business at Broadcom, and switching, data center and storage and optical networking businesses at Cisco. In these roles, he has demonstrated operational excellence in running organizations at large scale, including sharing joint responsibility for the entire product portfolio of VMware's business.
- Mr. Ramaswami holds a Bachelor's of Technology in Electrical Engineering from the Indian Institute of Technology, Madras. He also holds a Master's Degree and PhD in Electrical Engineering and Computer Science from the University of California, Berkeley.

Designing Mr. Ramaswami's New-Hire Compensation

When designing Mr. Ramaswami's new-hire compensation structure, the compensation committee considered a number of factors. While our industry is highly competitive, relatively few executives have amassed the experience necessary to have a comprehensive understanding of our product and service offerings, while simultaneously being capable of identifying strategic shifts in the industry and being able to apply that understanding to our business on day one.

The challenges of leading a growth company in a technical industry require an individual with a unique combination of engineering and operating backgrounds. Given the competition for talent in our industry and Mr. Ramaswami's meaningful unvested equity position at VMware, the compensation committee sought to design a new-hire compensation package that would incentivize Mr. Ramaswami to join our company from his well-established leadership position at his former employer.

The compensation committee approved the following elements that comprise Mr. Ramaswami's new-hire compensation package:

Pay Element	Amount	Vehicle	Design Considerations and Objectives
Base Salary	$800,000	Cash	• Competitive base level of compensation required to attract an executive leader of Mr. Ramaswami's caliber • Base salary compensates for services rendered during the year and provides predictable income
Annual Bonus Target	$800,000(1)	Cash	• Competitive short-term incentive target required to attract an executive leader of Mr. Ramaswami's caliber • Potential payout based on actual achievement of pre-established corporate objectives for each six-month performance period during the fiscal year, aligned with our annual operating plan, with potential payout subject to a personal performance modifier. The objectives for fiscal year 2021 were based on ACV bookings, customer churn, and non-GAAP operating expenses excluding commissions. • Participation in the Executive Incentive Compensation Plan in which our named executive officers generally participate so that his incentives are aligned with the rest of the leadership team
Long-Term Incentive (sign-on equity award) **100% Make-Whole Compensation** • 100% of the sign-on equity award is "make-whole" compensation with a value approximately equivalent to the unvested equity that Mr. Ramaswami forfeited upon his departure from VMware • No other equity award granted to Mr. Ramaswami during fiscal year 2021	$32.0 million(2) (targeted value)	**35%** RSUs	• Time-based vesting over four years with a one-year cliff and quarterly vesting thereafter (i.e., 25% vesting after one year, and 75% vesting quarterly over three years), subject to his continued service to us through each vesting date
		65% PRSUs	• Value could only be realized if Mr. Ramaswami drove stockholder value after joining our company, measured through the achievement of two stock price milestones • First milestone requires achievement of a stock price (over a 30-day period) of **125% of the stock price as measured around the time of his start date**, resulting in 67% of the targeted PRSUs becoming eligible to vest • Second milestone requires achievement of a stock price (over a 30-day period) of **150% of the stock price as measured around the time of his start date**, resulting in 133% of the targeted PRSUs becoming eligible to vest • If one of the milestones is achieved, 25% of the eligible PRSUs will vest on December 15, 2021 and 1/16th of the eligible PRSUs will vest quarterly thereafter (i.e., 25% vesting after one year from the grant date, and 75% vesting quarterly over three years thereafter), subject to his continued service to us through each vesting date.

(1) For fiscal year 2021, Mr. Ramaswami's annual bonus target was set as 100% of his base salary, except that his bonus target for the first half of fiscal year 2021 was prorated to reflect the time he was employed by us during the first half of fiscal year 2021.

(2) The targeted value of the sign-on equity award is based on the value approved by the compensation committee, rather than the grant date fair value of the equity award calculated in accordance with ASC Topic 718 as reported in the "Fiscal Year 2021 Summary Compensation Table" appearing on page 46 of this proxy statement.

As noted in the table above, the most significant part of Mr. Ramaswami's new hire compensation package was his long-term incentive sign-on equity award, which comprises 95% of the total targeted value of the package. When determining the amount and design of this award, the compensation committee took the following into consideration:

- **Mr. Ramaswami's Forfeited Equity From Prior Employer.** Importantly, the compensation committee considered the sign-on equity award to be entirely make-whole compensation, as its value was approximately equivalent to Mr. Ramaswami's unvested equity at VMware around the time we were negotiating his offer letter. This "make-whole" award was designed to incentivize Mr. Ramaswami to join our company, despite having to forfeit significant unvested equity from his former employer.

- **Vehicle Mix with 65% Performance-Based Awards.** Notably, PRSUs account for 65% of the award, even though intended as make-whole compensation for Mr. Ramaswami's unvested equity at VMware. The remaining 35% of the award is in the form of time-based RSUs.

    - The PRSUs would not be eligible to vest unless he drove value for our stockholders after joining our company. The PRSUs require meaningful performance to be eligible to vest, but then provide only modest upside relative to the target level of the award. See "Rigorous Performance Hurdles" below for further details on the stock price hurdles.

  - The time-based RSUs were in recognition of the fact that a significant portion of the unvested equity that he forfeited when leaving VMware had only time-based vesting requirements remaining.

- **Rigorous Performance Hurdles.** The PRSUs are subject to two milestones with different stock price hurdles. No PRSUs would be eligible to vest unless one of the milestones is achieved.
  - The compensation committee believed that the most appropriate measure for the PRSUs was stock price performance, rather than specific operational or financial performance metrics that would have been set before he joined our company.
  - The first milestone requires achievement of a stock price (based on the average closing price for 30 consecutive calendar days) that is **25% higher** than the stock price as initially measured based on the average closing price for the 45 consecutive trading days leading up to his start date (i.e., $25.68).
  - The second milestone requires achievement of a stock price (based on the average closing price for 30 consecutive calendar days) that is **50% higher** than the stock price as initially measured based on the average closing price for the 45 consecutive trading days leading up to his start date (i.e., $25.68).
- **Vesting Period.** The time-based RSUs vest over four years with a one-year cliff and quarterly vesting thereafter, subject to his continued service to us through each vesting date. The PRSUs also contain a retentive time-based component. If PRSUs become eligible to vest upon achievement of one of the milestones, 25% of the eligible PRSUs will vest on December 15, 2021, with 1/16th of the eligible PRSUs vesting quarterly thereafter, subject to his continued service to us through each vesting date. Accordingly, Mr. Ramaswami would need to stay with us through at least December 15, 2021 to earn any value from the award, and for a full four years after joining our company, through at least December 15, 2024, to earn the full value of the award, even if the milestones were achieved.

We believe that this structure has effectively aligned Mr. Ramaswami’s incentives with value creation for our stockholders, as evidenced by the performance of our Class A common stock throughout his tenure thus far.

Mr. Ramaswami’s Performance

Since joining our company as President and CEO in December 2020, Mr. Ramaswami has had a notable impact on our strategic direction and performance:

- The price of our Class A common stock has outperformed both the Nasdaq Composite Index, and our peer group used for fiscal year 2021 executive compensation determinations.
- Mr. Ramaswami quickly leveraged his industry expertise and operating experience to mobilize our management team around his roadmap for our company going forward.
- He has simplified complex operating structures, effectively reduced costs to improve margins, and extended or developed strong partnerships with companies such as Hewlett Packard Enterprise, Lenovo, and Red Hat.
- He led the development and presentation of our multi-year strategic plan at our Investor Day event in June 2021.
- Mr. Ramaswami is dedicated to ensuring that what we do, we do the right way. To that end, he has overseen the expansion of our employee resource groups, the launch of company-wide education on unconscious bias and diversity, and a more in-depth analysis of our carbon footprint. These efforts are disclosed in more detail within our first annual Environmental, Social, and Governance Report at www.nutanix.com/company/social-responsibility (which is not incorporated by reference herein and is not a part of this proxy statement).

Mr. Ramaswami's Go-Forward Compensation Structure (Fiscal Year 2022)

In October 2021, the compensation committee engaged in an annual review of executive compensation for fiscal year 2022, including Mr. Ramaswami's compensation for fiscal year 2022. As part of its annual review, the compensation committee determined to further align pay with performance and the interests of our executives with the interests of our stockholders by implementing PRSUs as a standard component of fiscal year 2022 annual equity awards granted to our executive officers (including Mr. Ramaswami), comprising 50% of each award. See "Executive Compensation - Compensation Discussion and Analysis – Components of Compensation Program – Fiscal Year 2022 Equity Awards" on page 39 of this proxy statement. These PRSUs put a portion of each annual equity award "at risk" by applying a performance condition based on our company's relative total shareholder return. Following review of market research and analysis prepared by Compensia, the compensation committee approved the following elements that comprise Mr. Ramaswami's fiscal year 2022 compensation:

Pay Element	Amount	Vehicle	Design Considerations
Base Salary	$800,000	Cash	• No increase to base salary compared to fiscal year 2021
Annual Bonus Target	$800,000	Cash	• No increase to annual bonus target compared to fiscal year 2021 • Potential payout to be based on actual achievement of pre-established corporate objectives for each six-month performance period during the fiscal year, aligned with our annual operating plan, with potential payout subject to a personal performance modifier
Long-Term Incentive (annual equity grant)	$10.0 million(1) (targeted value)	**50%** RSUs	• Time-based quarterly vesting over four years, subject to continued service to us through each vesting date
		50% PRSUs	• PRSUs will be eligible to vest based on the TSR of our company relative to the TSR of companies in the Nasdaq Composite Index over three years with interim measurements after one year and two years. • PRSUs will be eligible to vest based on performance for each period, with vesting to occur in September following the period, subject to continued service to us through the vesting date. • The total number of PRSUs that will be eligible to vest range from an achievement percentage of 0% to 200% of the target award, except that the achievement percentage is capped at 100% for the first two measurement periods. • Only up to one-third of the target award may be earned for each of the first two measurement periods, subject to continued service to us through each vesting. • The achievement percentage of the target number of PRSUs that may vest are (i) 0% if the TSR of our company ranks below the 25th percentile of the companies in the index, (ii) 100% if the TSR of our company ranks at the 50th percentile of the companies in the index, and (iii) 200% if the TSR of our company at the 75th percentile of the companies in the index. If the TSR of our companies ranks between these percentile thresholds, the achievement percentage of the target number of PRSUs that may vest is determined using linear interpolation. • PRSUs deemed earned at the end of the third measurement period based on achievement will be adjusted to deduct any PRSUs already vested in the first two measurement periods. • The award is subject to a maximum value cap that limits the total value that may be become eligible to vest at the end of the third measurement period, with the achievement percentage for the period subject to reduction so that the product of the ending price per share at the end of the period multiplied by the achievement percentage cannot exceed $145.92 (i.e., four times the average closing price per share of our Class A common stock from June 1, 2021 through July 31, 2021).

(1) The targeted value of the annual equity grant is based on the value approved by the compensation committee, rather than the grant date fair value of the equity award calculated in accordance with ASC Topic 718. The number of RSUs and targeted number of PRSUs actually granted to Mr. Ramaswami were determined by dividing the targeted value by the average closing price of our Class A common stock from July 1, 2021 through August 31, 2021.

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 year 2021:

WHAT WE DO
Emphasis on performance-based compensation
100% independent compensation committee
Independent compensation consultant engaged by the compensation committee
Annual review of executive compensation strategy and risks, as well compensation practices of our peer group
Equity-based executive and director compensation to align with the interests of our stockholders
Multi-year vesting requirements for all time-based RSU awards granted to our executive officers
Multi-year vesting requirements for any PRSU 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
Director stock ownership guidelines
Annual say-on-pay vote

WHAT WE DON'T DO
No retirement or pension-type plans other than the standard 401(k) offered to all employees
No perquisites or 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
No single-trigger benefits upon a change of control

Say-on-Pay Vote on Executive Compensation and Say-on-Pay Frequency Vote and Effect of Most Recent Say-on-Pay Vote

At the Annual Meeting, we will conduct a non-binding, advisory vote on the compensation of our named executive officers, also known as a "say-on-pay vote," as described in Proposal 3 of this proxy statement. We previously determined to hold a say-on-pay vote every year consistent with our stockholders' approval, on a non-binding advisory basis, at our 2018 annual meeting of stockholders, to hold stockholder advisory votes on the compensation of our named executive officers every year.

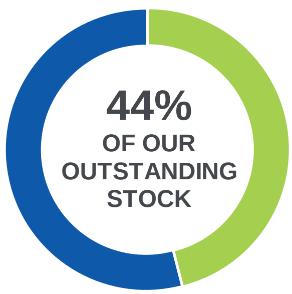
Say-on-Pay Vote Results at
2020 Annual Meeting of Stockholders

The compensation committee considers the results of the say-on-pay vote and stockholder feedback on our executive compensation program as part of its annual review of executive compensation. At our 2020 annual meeting of stockholders, over 98% of the votes cast approved the compensation program for our named executive officers as described in our 2020 proxy statement. Based on this strong stockholder support, the compensation committee determined not to make any significant changes to our existing executive compensation program and policies. The compensation committee currently intends to continue to consider the results of the annual say-on-pay vote and stockholder feedback as data points in making executive compensation decisions.

Stockholder Engagement

Since our 2020 annual meeting of stockholders, we reached out to stockholders representing over 44% of our outstanding common stock, and we engaged with stockholders representing over 29% of our outstanding common stock. These percentages are based on 211,353,149 shares of Class A common stock and 5,572,877 shares of Class B common stock outstanding as of the close of business on October 12, 2021. Key areas of focus in our discussions with stockholders included our CEO search process and transition, the design of Mr. Ramaswami's new-hire compensation package, and our executive compensation program.

We reached out to stockholders representing over:



We engaged with stockholders representing over:

EXECUTIVE COMPENSATION PHILOSOPHY

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 stockholders. 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.

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. Our executive compensation program is designed to achieve this goal through four key objectives:

Attracting and Retaining Talent in a Competitive Industry

- 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.
- 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 where our headquarters are located and 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 retaining them and incentivizing them to create long-term value for our stockholders, such that these executives can help lead us to become the premier enterprise cloud platform company we aspire to be.

Incentivizing Growth Against Strategic Objectives and Expanding Market Share

- We have structured our executive compensation program to align with our 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.

Aligning Executive and Stockholder Value

- 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 our company. 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.

Managing the Business Through an Ever-Changing Operating Landscape

- 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 while also transitioning to a subscription-based business model.
- To successfully execute on this 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.
- The 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.

COMPONENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program consists of the following primary components:

- base salary;
- target and actual annual incentive compensation (or in the case of our Chief Revenue Officer, sales incentive compensation);
- long-term equity compensation; and
- severance and change of control-related payments and benefits.

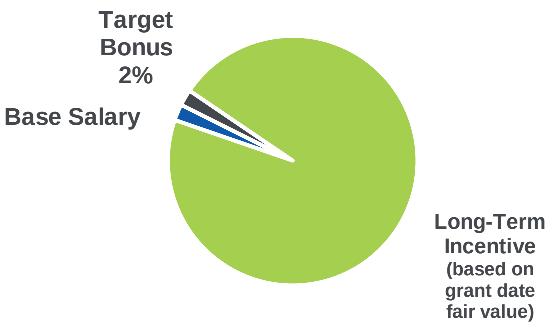
We also provide our executive officers with comprehensive employee benefit programs such as medical, dental and vision insurance, a 401(k) plan, life and disability insurance, flexible spending accounts, an employee stock purchase plan, and other plans and programs generally made available to all of 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 executives 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 compensation program, supported by our corporate culture, encourages a long-term focus by 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.

Fiscal Year 2021 Compensation Mix

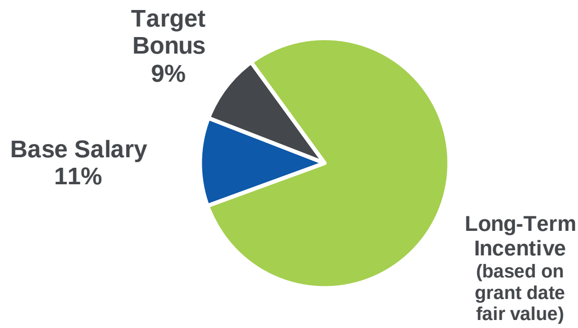
The mix of total targeted direct compensation for Mr. Ramaswami and our other named executive officers (other than Mr. Pandey) for fiscal year 2021 was as follows:

FISCAL YEAR 2021 PAY MIX – CURRENT CEO(1)



98% VARIABLE PAY (AT RISK)

FISCAL YEAR 2021 PAY MIX – OTHER NEOs(2)



89% VARIABLE PAY (AT RISK)

(1) Base salary and target bonus are not based on prorated amounts to reflect the time Mr. Ramaswami was employed by us during fiscal year 2021.
(2) Excludes Mr. Pandey's compensation, as he resigned as our CEO and Chairman midway through the second quarter of fiscal year 2021.

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, based on a consideration of the executive officer's experience, skills, knowledge, and scope of responsibilities, as well as benchmarking against our peer group. In addition, the competition in the market from which we recruit 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 Year 2021 Base Salaries

Due to the global economic uncertainty resulting from the COVID-19 pandemic and the cost savings measures we took in response, each of our named executive officers voluntarily took a temporary 10% reduction in base salary in April 2020. In August 2020, as part of its review of our executive compensation program, the compensation committee approved reinstatements of the base salaries to the levels previously approved by the compensation committee. Based on market research and analysis prepared by Compensia, base salary levels for our named executive officers aligned with the percentile that the compensation committee considered to be appropriate for the specific named executive officer, as applicable, for a comparable executive in our compensation peer group, based on each named executive officer's performance and contribution to our company's performance. Based on this review, the compensation committee did not change the annual base salaries of our then currently employed named executive officers as set forth below. Mr. Ramaswami's base salary was set as part of his new hire package.

Named Executive Officer	Fiscal Year 2021 Base Salary(1)	Change From Fiscal Year 2020
Rajiv Ramaswami	$800,000	N/A
Dheeraj Pandey	$500,000	0%
Duston M. Williams	$475,000	0%
Christopher Kaddaras	$600,000	0%
David Sangster	$475,000	0%
Tyler Wall	$425,000	0%

(1) As of July 31, 2021.

Target and Actual Annual Incentive Compensation

For fiscal year 2021, each of our named executive officers participated (other than Mr. Kaddaras, who participated in an individualized sales incentive plan) in our Executive Incentive Compensation Plan ("Executive Bonus Plan"). Our Executive Bonus Plan allows the compensation committee to provide incentive awards to employees selected by the committee, including our named executive officers. Under our Executive Bonus Plan, the 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. The 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 requires continued employment through the applicable payment date, unless otherwise determined by the compensation committee. 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 the 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.

Each year, the compensation committee determines the terms and conditions for the Executive Bonus Plan for the year. For fiscal year 2021, the compensation committee adopted and approved target annual incentive compensation amounts for each of our named executive officers, as well as the terms and conditions for the first half of fiscal year 2021 (the "H1 FY2021 Executive Bonus Plan") and the second half of fiscal year 2021 (the "H2 FY2021 Executive Bonus Plan"). The H1 FY2021 Executive Bonus Plan and H2 FY2021 Executive Bonus Plan are together herein referred to as "Fiscal Year 2021 Executive Bonus Plan."

Fiscal Year 2021 Annual Bonus Targets

We designed the Fiscal Year 2021 Executive Bonus Plan to align with key performance measures that we believe to be appropriate indicators of our success through our business model transitions and reflective of a subscription-based business model, such as the annual contract value of bookings, customer churn rate, and operating expenses excluding commissions. In October 2020, following review of market research and analysis prepared by Compensia, the compensation committee determined the target annual incentive compensation opportunities for each of Messrs. Pandey, Williams, Sangster, and Wall as part of the compensation committee's annual analysis of the total cash compensation package provided to our executive officers. Mr. Ramaswami's target annual incentive compensation opportunity was negotiated as part of his new hire package. Mr. Kaddaras' target annual sales incentive compensation was reviewed by the compensation committee in February 2021 in connection with his promotion to Chief Revenue Officer. The target annual incentive compensation opportunities established under the Fiscal Year 2021 Executive Bonus Plan for our named executive officers (other than Mr. Kaddaras, who received a payout under an individualized sales incentive plan described in "Chris Kaddaras' Sales Incentive Plan" below) were as follows:

Named Executive Officer	FY 2021 Annual Bonus Target	Annual Bonus Target (as % of Base Salary)	Change From Fiscal Year 2020
Rajiv Ramaswami	$800,000	100%	N/A
Dheeraj Pandey	$600,000	120%	0%
Duston M. Williams	$356,250	75%	19%
Christopher Kaddaras	(1)	(1)	(1)
David Sangster	$356,250	75%	19%
Tyler Wall	$255,000	60%	46%

(1) For fiscal year 2021, Mr. Kaddaras participated in an individualized sales incentive plan as described in "Chris Kaddaras' Sales Incentive Plan" below.

Fiscal Year 2021 Executive Bonus Plan

The pre-established corporate objectives for the Fiscal Year 2021 Executive Bonus Plan aligned with our annual operating plan. The Fiscal Year 2021 Executive Bonus Plan provided for potential performance-based incentive payouts to our named executive officers (other than Mr. Kaddaras) based on three general performance components. Each participating named executive officer's potential payout was based on levels determined to be challenging and requiring substantial skill and effort on the part of senior management and were weighted based on relative importance to the overall performance for our company. In addition, each participating named executive officer's potential payout was subject to a personal performance modifier that allowed for an adjustment in payout based on a holistic assessment of the participating named executive officer's individual performance. Potential payouts under the Fiscal Year 2021 Executive Bonus Plan ranged between 0% to 200%, depending on achievement of the performance metric, with 100% achievement of each metric aligned with the achievement of objectives under our annual operating plan. Actual bonuses are paid in a lump sum following each six-month performance period. Actual bonus amounts for each six-month performance period under the Fiscal Year 2021 Executive Bonus Plan were calculated as the sum of the weighted payout percentage for all performance targets for the period multiplied by 50% of the annual bonus target for each participating named executive officer. In both the H1 FY2021 Executive Bonus Plan and the H2 FY2021 Executive Bonus Plan, no payout could be made under the plan unless the ACV bookings performance metric was achieved at a level that warranted a payout under the performance targets for that performance period.

The performance metrics for payouts under the H1 FY2021 Executive Bonus Plan and the H2 FY2021 Executive Bonus Plan were: (i) ACV bookings, (ii) customer churn, and (iii) non-GAAP operating expenses excluding commissions. We define ACV bookings for any given period as the sum of the ACV for all contracts booked during the given period. ACV is defined as the total annualized value of a contract, excluding amounts related to professional services. 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 contracts that do not have a specified term. We calculate customer churn by dividing the number of customers lost during the period by the sum of customers at the beginning of the period and the number of customers acquired during the period. A customer is considered active if the customer has an asset with an active support contract. We define non-GAAP operating expenses excluding commissions as (i) total operating expenses adjusted to exclude stock-based compensation expense, costs associated with business combinations, such as amortization of acquired intangible assets, revaluation of contingent consideration and other acquisition-related costs and costs associated with other non-recurring transactions, minus (ii) commissions. The compensation committee approved the use of these metrics for the Fiscal Year 2021 Executive Bonus Plan for the following reasons:

Metric	Importance of the Metric
ACV bookings	An indicator of the topline growth of our business during our transition to a subscription-based business model because it takes into account variability in term lengths.
Customer churn	A measurement of our ability to retain and renew customers as their term-based licenses expire in a subscription-based business model.
Non-GAAP operating expenses excluding commissions	An indicator of our ability to manage expenses in operating our business and growth and to drive sales and marketing efficiencies.

The compensation committee believed these performance metrics were objective measures of the success of our growth and business strategy, especially in light of our ongoing transition to a subscription-based business model.

The following table describes the relative weighting of each performance metric and the payout percentages used to calculate payouts under the H1 FY2021 Executive Bonus Plan and the H2 FY2021 Executive Bonus Plan based on achievement of the targets at and between the low end of the target range and the high end of the target range.

Performance Metric	Weighting	Plan Targets	Payout %
ACV bookings (threshold metric)	50%	Less than 90% of Target	0%
		Between 90% and 100% of Target	Between 50% and 100%
		100% of Target	100%
		Between 100% and 110% of Target	Between 100% and 200%
		110% or More of Target	200%
Customer churn	25%	6.0% or More	0%
		Between 6.0% and 4.0%	Between 0% and 100%
		4.0%	100%
		Between 4.0% and 2.0%	Between 100% and 200%
		2.0% or Less	200%
Non-GAAP operating expenses excluding commissions	25%	Less than 95.5% of Target	0%
		Between 95.5% and 100% of Target	Between 70% and 100%
		100% of Target	100%
		Between 100% and 107.5% of Target	Between 100% and 200%
		107.5% or More of Target	200%

ACV Bookings Achievement % (50% weighting) **+** **Customer Churn Achievement %** (25% weighting) **+** **Non-GAAP Operating Expenses Excluding Commissions Achievement %** (25% weighting) **=** **Total Weighted Achievement %**

Total Weighted Achievement % **X** **Individual Bonus Target** **=** **Individual Payout Amount** (subject to personal performance modifier)

The specific targets for ACV bookings, customer churn and non-GAAP operating expenses excluding commissions were derived from our internal annual operating plan, which is not publicly disclosed for competitive reasons. 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 0% and 200%. For the Fiscal Year 2021 Executive Bonus Plan, ACV Bookings was a threshold metric, such that, if no payout were achieved under the ACV Bookings performance metric for any given six-month performance period, then no payout would be made under the Executive Bonus Plan to any participating named executive officer for that period, regardless of the level of achievement under any other performance metric. With respect to each performance metric, the target achievement level (which would result in a 100% payout percentage for the metric) was set at a level that the compensation committee believed was rigorous and would require stretch performance. The compensation committee considered the target achievement levels to be linked to stockholder value creation. The target achievement levels were set based on our annual operating plan and were not certain to be met at the time they were determined, in light of our company's ongoing transition to a subscription-based business model, past performance, and macroeconomic conditions. As indicated in the table above, our payout slopes were structured so as to require substantial outperformance of each performance metric to receive significantly above the 100% payout percentage (but capped at 200%) for the metric.

H1 FY2021 Executive Bonus Plan Payouts

The achievement of each performance metric under the H1 FY2021 Executive Bonus Plan was as follows:

Performance Metric	Achievement	Payout %	Weighting	Weighted Total
ACV bookings	117% of Target	200%	50%	100%
Customer churn(1)	5.1%	45%	25%	11.3%
Non-GAAP operating expenses excluding commissions	106.4% of Target	180.4%	25%	45.1%
	Total Weighted Achievement Percentage:			**156.4%**

(1) Actual customer churn for the first half of fiscal year 2021 missed the target achievement level of 4.0% primarily due to a number of subscription terms that expired during the first half of fiscal year 2021 but were not renewed by the customers until the second half of fiscal year 2021.

The H1 FY2021 bonus target for Mr. Ramaswami was prorated to reflect the time he was employed by us during the first half of fiscal year 2021 and the H1 FY2021 bonus target for each of Mr. Pandey, Williams, Sangster, and Wall was prorated to reflect the time during which his voluntary temporary 10% reduction in base salary was in effect. The aggregate payout amounts were calculated by multiplying the participating named executive officer's H1 FY 2021 bonus target, as prorated, and the total weighted achievement percentage for all three performance metrics, which was 156.4%. The compensation committee did not use the personal performance modifier to increase the payout for any named executive officer. The aggregate payouts received by each participating named executive officer under the H1 FY2021 Executive Bonus Plan were:

Named Executive Officer	H1 FY 2021 Bonus Target (Prorated)	Payout Amount for H1 FY2021
Rajiv Ramaswami	$117,391	$183,600
Dheeraj Pandey	$297,554	N/A
Duston M. Williams	$176,673	$276,316
David Sangster	$176,673	$276,316
Tyler Wall	$126,460	$197,784

H2 FY2021 Executive Bonus Plan Payouts

The achievement of each performance metric under the H2 FY2021 Executive Bonus Plan were as follows:

Performance Metric	Achievement	Payout %	Weighting	Weighted Total
ACV bookings	118.2% of Target	200%	50%	100%
Customer churn	2.8%	160%	25%	40%
Non-GAAP operating expenses excluding commissions	108.4% of Target	200%	25%	50%
	Total Weighted Achievement Percentage:			**190%**

The aggregate payout amounts were calculated by multiplying the participating named executive officer's H2 FY 2021 bonus target and the total weighted achievement percentage for all three performance metrics, which was 190%. The compensation committee did not use the personal performance modifier to increase the payout for any named executive officer. The aggregate payouts received by each participating named executive officer under the H2 FY2021 Executive Bonus Plan were:

Named Executive Officer	H2 FY 2021 Bonus Target	Payout Amount for H2 FY2021
Rajiv Ramaswami	$400,000	$760,000
Dheeraj Pandey	$300,000	N/A
Duston M. Williams	$178,125	$338,438
David Sangster	$178,125	$338,438
Tyler Wall	$127,500	$242,250

Total FY2021 Executive Bonus Plan Payout Amounts

The aggregate payouts received by each participating named executive officer under the Fiscal Year 2021 Executive Bonus Plan were as follows:

Named Executive Officer	FY 2021 Bonus Target	Payout Amount for FY 2021
Rajiv Ramaswami	$800,000	$943,600
Dheeraj Pandey	$600,000	N/A
Duston M. Williams	$356,250	$614,754
David Sangster	$356,250	$614,754
Tyler Wall	$255,000	$443,034

Chris Kaddaras' Sales Incentive Plan

Mr. Kaddaras was determined to be an executive officer of our company in March 2021, shortly after his promotion to Chief Revenue Officer. For fiscal year 2021, much of Mr. Kaddaras' responsibilities were focused on driving sales of our solutions. Therefore, for fiscal year 2021, the compensation committee determined that Mr. Kaddaras should participate in a sales incentive plan with terms that correspond to the results achieved by his team, rather than the Fiscal Year 2021 Executive Bonus Plan described above. Mr. Kaddaras' sales incentive plan for fiscal year 2021 was an individualized plan similar to the plans used for all of our sales employees and earned commissions based on worldwide ACV Bookings generated by his sales team. Mr. Kaddaras' annual target under the sales commission plan was $600,000, which was determined by the compensation committee and took into account the compensation factors described above under the heading "Executive Compensation – Compensation Discussion and Analysis – Compensation-Setting Process."

Under his sales incentive plan, Mr. Kaddaras was eligible to receive commissions based on a quota for the first half of fiscal year 2021 tied to worldwide ACV Bookings and renewals and a quota for the second half of fiscal year 2021 tied to worldwide ACV Bookings and renewals. In addition, as set forth in the table below, Mr. Kaddaras 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 Year 2021	$300,000	0% to 100% of quota	0.1024%	$300,000	$571,838
		100% and above of quota	0.3071%	$271,838	
Second Half of Fiscal Year 2021	$300,000	0% to 100% of quota	0.0909%	$300,000	$552,345
		100% and above of quota	0.2726%	$252,346	
				Total:	**$1,124,183**

Long-Term Equity Compensation

Our corporate culture encourages a long-term focus by our named executive officers. 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 have typically been time-based RSUs, but, in specific circumstances, we have also granted PRSUs to certain named executive officers tied to the long-term objectives of our company. Time-based RSUs offer predictable value delivery to our named executive officers while promoting alignment of their interests with the long-term interests of our stockholders in a manner consistent with competitive market practices. In cases where PRSUs were granted to certain named executive officers, we believe that PRSUs directly link a significant portion of the named executive officer's target total direct compensation to our performance based on the achievement of one or more pre-established financial or stock price performance metrics. As discussed under "Fiscal Year 2022 Equity Awards" below, the compensation committee determined to implement PRSUs as a standard component of fiscal year 2022 annual equity awards granted to our executive officers.

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 named executive officers, taking into account a number of factors as described in the section "Executive Compensation –Compensation Discussion and Analysis – Compensation-Setting Process."

Fiscal Year 2021 Equity Awards

In fiscal year 2021, each of our named executive officers received time-based RSUs or PRSUs, as applicable, as described in the "Grants of Plan-Based Awards" table in the section "Executive Compensation – Compensation Discussion and Analysis – Executive Compensation Tables." Mr. Williams, Sangster, and Wall each received his time-based RSUs as an annual grant in connection with the compensation committee's annual review of executive compensation. Mr. Ramaswami received his time-based RSUs and PRSUs as part of his new hire package in December 2020. Mr. Kaddaras received his time-based RSUs in connection with his promotion to Chief Revenue Officer in February 2021, and his previously granted PRSUs were modified in December 2020 to generally align the stock price milestone target underlying the PRSUs with the second stock price milestone target underlying Mr. Ramaswami's PRSUs.

Fiscal Year 2022 Equity Awards

In October 2021, as part of its annual review, the compensation committee determined to further align pay with performance and the interests of our executives with the interests of our stockholders by implementing PRSUs as a standard component of fiscal year 2022 annual equity awards granted to our executive officers, comprising 50% of each award. The PRSUs are based on the total shareholder return of our company relative to the total shareholder return of companies in the Nasdaq Composite Index over three years with interim measurements after one year and two years. To mitigate the influence of interim fluctuations in performance during the first two measurement periods, the achievement percentage is capped at 100% for the first two measurement periods. The compensation committee believed that interim measurement periods were an appropriate design feature for the PRSUs as a transition for the executive officers from time-based RSUs to performance-based long-term incentive RSUs. The compensation committee believes relative total shareholder return is a straightforward and objective metric for evaluating our company's performance against the performance of other companies and further aligns pay with performance and the interests of our executives with the interests of our stockholders in creating long-term value.

The elements of each annual equity award granted to our named executive officers for fiscal year 2022 are as follows:

Element	% of Award	Vesting Terms and Conditions
Time-Based RSUs	50%	• Time-based quarterly vesting over four years, subject to continued service to us through each vesting date
PRSUs	50%	• PRSUs will be eligible to vest based on the TSR of our company relative to the TSR of companies in the Nasdaq Composite Index over three years with interim measurements after one year and two years. • PRSUs will be eligible to vest based on performance for each period, with vesting to occur in September following the period, subject to continued service to us through the vesting date. • The total number of PRSUs that will be eligible to vest range from an achievement percentage of 0% to 200% of the target award, except that the achievement percentage is capped at 100% for the first two measurement periods. • Only up to one-third of the target award may be earned for each of the first two measurement periods, subject to continued service to us through each vesting. • The achievement percentage of the target number of PRSUs that may vest are (i) 0% if the TSR of our company ranks below the 25th percentile of the companies in the index, (ii) 100% if the TSR of our company ranks at the 50th percentile of the companies in the index, and (iii) 200% if the TSR of our company at the 75th percentile of the companies in the index. If the TSR of our companies ranks between these percentile thresholds, the achievement percentage of the target number of PRSUs that may vest is determined using linear interpolation. • PRSUs deemed earned at the end of the third measurement period based on achievement will be adjusted to deduct any PRSUs already vested in the first two measurement periods. • The award is subject to a maximum value cap that limits the total value that may be become eligible to vest at the end of the third measurement period, with the achievement percentage for the period subject to reduction so that the product of the ending price per share at the end of the period multiplied by the achievement percentage cannot exceed $145.92 (i.e., four times the average closing price per share of our Class A common stock from June 1, 2021 through July 31, 2021).

Severance and Change of Control-Related Benefits

Our named executive officers each participate in our Executive Severance Policy and our Change of Control and Severance Policy.

Our Executive Severance Policy provides eligible employees with protections in the event of the involuntary termination of their employment under circumstances not related to a change of control of our company. Our Change of Control and Severance Policy eligible employees with protections in the event of their involuntary termination of employment following a change of control of our 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 of control. The terms of these agreements, our Executive Severance Policy, and our Change of Control Severance Policy were determined after our board of directors and the compensation committee reviewed our retention goals for our named executive officers, an analysis of relevant market data, and with consideration for potential retention needs given our recent CEO transition.

For a summary of the material terms and conditions of these post-employment compensation arrangements, see section titled "Executive Compensation – Employment Arrangements."

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, reviewing and approving corporate goals and objectives relevant to these compensation arrangements, evaluating executive performance against the backdrop of our corporate goals and objectives, and determining the long-term incentive component of our executive compensation arrangements in light of 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 - 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 and our CEO and management team (except with respect to their own compensation). The compensation committee periodically reviews and, as necessary, adjusts the cash and equity compensation of our executive officers with the goal of ensuring that our executive officers are properly incentivized.

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, and the risks associated with pursuing the opportunity, which are 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 our company and achievement of our growth strategy and transition to a subscription-based model;
- 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 tenure and past compensation levels, including existing unvested equity, 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 the compensation committee, regularly attends the compensation committee's 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 the compensation committee regarding short- and long-term compensation for all executive officers (other than himself) based on our results and aspirations, an individual executive officer's actual contribution toward, and ability to contribute to the achievement of, these results and aspirations, and performance toward individual goal achievement. The 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 year 2021, the compensation committee engaged Compensia to conduct market research and analysis on our various executive positions, to assist the compensation committee in developing appropriate incentive plans for our executives on an annual basis, to provide the compensation 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 compensation committee in establishing executive compensation for fiscal year 2021:

- base salary;
- target and actual annual 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.

As described above in the section titled "Corporate Governance – Director Compensation – Non-Employee Director Compensation Policy," Compensia also annually provides, at the direction of the compensation committee, an analysis of the competitive position of our non-employee director compensation policy against the peer group used for executive compensation purposes.

Based on consideration of the factors specified in the SEC rules and Nasdaq listing standards, 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 year 2021, 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 year 2021 compensation decisions, which consisted of companies that are located in the same geographical area and that had revenues, growth rates, market capitalization and/or a number of employees within a range similar to that of our company. 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 year 2021 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 year 2021 peer group:

Arista Networks	Cloudera	Datadog	Dropbox
F5 Networks	Guidewire Software	HubSpot	MongoDB
New Relic	Okta	Palo Alto Networks	Proofpoint
PTC	Pure Storage	Splunk	Twilio
VMware	Zendesk		

In June 2021, the compensation committee reviewed the compensation peer group that would be used for compensation decision-making for fiscal year 2022. In light of our comparable market capitalization at the time, comparable growth rate and annual revenue, our continued transition toward a subscription-based business model, and, in certain cases, the acquisition of the applicable company, the compensation committee determined that Citrix Systems, Elastic, and SolarWinds should be added to the peer group and that Proofpoint, Okta, and Twilio should be removed. The compensation committee believes that this updated peer group provides even more comprehensive insight into market executive compensation practices as we continue our transition to a subscription-based business model, and will help further align our executive compensation with our business plans in the near and long term.

The following is a list of the public companies that comprise our fiscal year 2022 peer group:

Arista Networks	Citrix Systems	Cloudera	Datadog
Dropbox	Elastic	F5 Networks	Guidewire Software
HubSpot	MongoDB	New Relic	Palo Alto Networks
PTC	Pure Storage	SolarWinds	Splunk
VMware	Zendesk		

EMPLOYMENT ARRANGEMENTS

We have employment agreements with our currently employed named executive officers. Each of these arrangements provides for "at-will" employment and sets forth the initial terms and conditions of employment of the 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 of control of our 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 forgo 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 our named executive officers, see section below titled "Executive Compensation – Employment Arrangements."

OTHER COMPENSATION PRACTICES AND POLICIES

Employee Benefits

We provide employee benefits to all eligible employees in the United States, including our currently employed 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. 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 our 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 they 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 of control that exceeds certain prescribed limits, and that our company, or a successor, may forfeit a deduction on the amounts subject to this additional tax. However, under our Change of Control 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 (i) 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 (ii) 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 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

The 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, the compensation committee has engaged Compensia to independently review our executive compensation program. Based on these reviews, the 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

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the 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:

THE COMPENSATION COMMITTEE

Susan L. Bostrom (Chair)
Craig Conway (joined the Committee on June 16, 2021)
Max de Groen
Brian Stevens

EXECUTIVE COMPENSATION TABLES

FISCAL YEAR 2021 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, 2021.

Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)	Option Awards ($)	Stock Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)	Total ($)
Rajiv Ramaswami(4) *President and Chief Executive Officer*	2021	515,151	—	—	36,350,054(5)	943,600	—	37,808,805
Dheeraj Pandey(6) *Former Chief Executive Officer and Chairman*	2021	181,250	—	—	—	—	—	181,250
	2020	474,811	—	—	4,160,000(7)	—	—	4,634,811
	2019	483,333	—	—	6,460,000(8)	—	—	6,943,333
Duston M. Williams *Chief Financial Officer*	2021	464,115	—	—	5,245,371	614,754	—	6,324,240
	2020	451,070	—	—	2,868,000	—	—	3,319,070
	2019	441,667	—	—	3,944,000	—	—	4,385,667
Christopher Kaddaras(9) *Chief Revenue Officer*	2021	586,250	—	—	1,972,390(10)	1,124,183(11)	—	3,682,823
David M. Sangster *Chief Operating Officer*	2021	464,115	—	—	4,196,306	614,754	—	5,275,175
	2020	451,070	—	—	4,780,000	—	—	5,231,070
	2019	394,167	—	—	3,944,000	—	—	4,338,167
Tyler Wall *Chief Legal Officer*	2021	415,260	—	—	2,307,970	440,034	—	3,163,264
	2020	403,589	—	—	1,434,000	—	—	1,837,589
	2019	391,667	—	—	—	—	—	391,667

(1) In April 2020, each of our named executive officers (other than Mr. Ramaswami, who was not appointed as our President and Chief Executive Officer until December 2020) voluntarily took a temporary 10% reduction in base salary due to the global economic uncertainty resulting from the COVID-19 pandemic and the cost savings measures taken by us in response. The base salaries were reinstated to the levels previously approved by the compensation committee effective as of August 2020.

(2) The amount reported represents the grant date fair value or incremental fair value, as applicable, of the equity awards, as computed in accordance with ASC Topic 718. These amounts do not reflect the actual economic value that may ultimately be realized by the named executive officers. The grant date fair value for time-based RSUs reported in the table is calculated in accordance with ASC Topic 718 based on the closing price per share of our Class A common stock as reported on The Nasdaq Global Select Market on the date of grant. The grant date fair value or modification date fair value, as applicable, for PRSUs reported in the table is calculated in accordance with ASC Topic 718 using Monte Carlo simulations. A Monte Carlo simulation requires the use of various assumptions, including the stock price volatility and risk-free interest rate as of the valuation date corresponding to the length of time remaining in the performance period and expected dividend yield.

(3) The amounts reported represent the amounts paid under our executive bonus and commission payout plans.

(4) Mr. Ramaswami was appointed as our President and CEO in December 2020.

(5) As part of his new hire package, Mr. Ramaswami was promised RSUs with a grant date fair value for financial accounting purposes of $32,000,000, assuming the value of a share is a trailing 30-calendar day trading average ending on the date prior to his start date and using a Monte Carlo simulation. In accordance with the calculation set forth in his offer letter, Mr. Ramaswami was granted 378,601 RSUs with a total grant date fair value of $11,255,808 and 703,117 PRSUs with a total grant date fair value of $25,094,246. The total aggregate grant date fair value of his RSUs and PRSUs of $36,350,054 is different from the $32,000,000 set forth in his offer letter due primarily to the difference between the trailing 30-day calendar day trading average set forth in his offer letter and the inputs used to calculate grant date fair value in accordance with ASC Topic 718.

(6) Mr. Pandey resigned as our CEO and Chairman in December 2020.

(7) Mr. Pandey was granted PRSUs in fiscal year 2020 with a total grant date fair value of $4,160,000, which were subject to certain performance conditions. The amount reported assumes that all performance-based vesting conditions would have been achieved.

(8) Mr. Pandey was granted RSUs in fiscal year 2019 with a total grant date fair value of $6,460,000, of which $2,516,000 were subject to certain performance conditions. The amount reported assumes that all service-based and performance-based vesting conditions would have been achieved.

(9) Mr. Kaddaras was determined to be an executive officer in March 2021 and was not a named executive officer for fiscal year 2020 or fiscal year 2019. Therefore, no compensation information for fiscal year 2020 or fiscal year 2019 is presented for Mr. Kaddaras. On October 4, 2021, we announced that Mr. Kaddaras will be resigning from our company effective October 31, 2021.

(10) On February 2, 2021, in connection with his promotion to Chief Revenue Officer, Mr. Kaddaras was granted 31,715 RSUs with a total grant date fair value of $1,032,640. On December 15, 2020, 75,000 PRSUs previously granted to Mr. Kaddaras on February 1, 2020 were modified, which resulted in an associated incremental fair value of $939,750.

(11) For fiscal year 2021, Mr. Kaddaras participated in an individualized sales incentive plan rather than the Fiscal Year 2021 Executive Bonus Plan. The amount reported reflects sales commissions earned by Mr. Kaddaras under his sales incentive plan.

GRANTS OF PLAN-BASED AWARDS

The following table presents, for each of our named executive officers, information concerning plan-based awards granted during the fiscal year ended July 31, 2021. This information supplements the information about these awards set forth in the "Fiscal Year 2021 Summary Compensation Table" above.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units[2]	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards[3]
Name	Award Type	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/sh)	($)
Rajiv Ramaswami	Cash incentive	—	—	800,000	1,600,000	—	—	—	—	—	—	—
	Time-based RSUs	12/9/2020	—	—	—	—	—	—	378,601 (4)	—	—	11,255,808
	PRSUs	12/9/2020	—	—	—	471,088 (5)	703,117 (5)	935,145 (5)	—	—	—	25,094,246 (6)
Dheeraj Pandey	Cash incentive	—	—	600,000	1,200,000	—	—	—	—	—	—	—
Duston M. Williams	Cash incentive	—	—	356,250	712,500	—	—	—	—	—	—	—
	Time-based RSUs	10/2/2020	—	—	—	—	—	—	235,747 (7)	—	—	5,245,371
Christopher Kaddaras	Cash incentive	—	—	600,000	—	—	—	—	—	—	—	—
	Time-based RSUs	2/2/2021	—	—	—	—	—	—	31,715 (8)	—	—	1,032,640
	Modified PRSUs	12/15/2020	—	—	—	—	75,000 (9)	—	—	—	—	939,750 (10)
David M. Sangster	Cash incentive	—	—	356,250	712,500	—	—	—	—	—	—	—
	Time-based RSUs	10/2/2020	—	—	—	—	—	—	188,598 (7)	—	—	4,196,306
Tyler Wall	Cash incentive	—	—	255,000	510,000	—	—	—	—	—	—	—
	Time-based RSUs	10/2/2020	—	—	—	—	—	—	103,729 (7)	—	—	2,307,970

(1) For our named executive officers other than Mr. Kaddaras, the amounts reported represent cash incentive compensation opportunities under the Fiscal Year 2021 Executive Bonus Plan at target levels for our corporate objectives. For achievement in excess of target, overperformance could be rewarded with a payout of up to an additional 100% of each named executive officer's target (for a maximum payment of 200% of each named executive officer's target). For Mr. Kaddaras, the amount reported represents the cash incentive compensation opportunity under his fiscal year 2021 sales incentive compensation plan at the target level for our corporate objectives.

(2) The amounts reported represent the number of shares of Class A common stock subject to RSUs.

(3) The amount reported represents the grant date fair value or incremental fair value, as applicable, of the equity awards, as computed in accordance with ASC Topic 718. These amounts do not reflect the actual economic value that may ultimately be realized by the named executive officers. The grant date fair value for time-based RSUs reported in the table is calculated in accordance with ASC Topic 718 based on the closing price per share of our Class A common stock as reported on The Nasdaq Global Select Market on the date of grant. The grant date fair value or modification date fair value, as applicable, for PRSUs reported in the table is calculated in accordance with ASC Topic 718 using Monte Carlo simulations. A Monte Carlo simulation requires the use of various assumptions, including the stock price volatility and risk-free interest rate as of the valuation date corresponding to the length of time remaining in the performance period and expected dividend yield.

(4) 25% of the RSUs vest on December 15, 2021, with 1/16th of the RSUs vesting quarterly thereafter, subject to continued service to us through each vesting date.

(5) The PRSUs are subject to stock price-based milestones. The first milestone requires achievement of an average closing price per share of our Class A common stock of $32.09 for a 30 consecutive calendar day period. The second milestone requires achievement of an average closing price per share of our Class A common stock of $38.51 for a 30 consecutive calendar day period. Achievement of the first milestone results in 67% of the 703,117 PRSUs becoming eligible to vest. Achievement of the second milestone results in 133% of the 703,117 PRSUs becoming eligible to vest. Upon achievement, 25% of the eligible PRSUs vest on December 15, 2021, with 1/16th of the eligible PRSUs vesting quarterly thereafter, subject to continued service to us through each vesting date. In October 2021, our compensation committee determined that the second milestone was achieved.

(6) This amount reported is 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 ultimately be realized by Mr. Ramaswami from the equity award. The reported amount assumes that all service-based and performance-based vesting conditions will be achieved.

(7) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on December 15, 2020, subject to continued service to us through each vesting date.

(8) The RSUs vest as to 50% of the underlying shares on December 15, 2023 and 50% on December 15, 2024, subject to continued service to us through each vesting date.

(9) On December 15, 2020, our compensation committee modified the stock price milestone for 75,000 PRSUs that were previously granted to Mr. Kaddaras on February 1, 2020. The original stock price milestone required achievement of an average closing price per share of our Class A common stock for a 180-day calendar period of $65 per share. The modified stock price milestone requires achievement of an average closing price per share of our Class A common stock of $38.51 for a 30 consecutive calendar day period. Achievement of the milestone results in all 75,000 PRSUs becoming eligible to vest. Upon achievement, eligible PRSUs vest quarterly through December 15, 2023, subject to continued service to us through each vesting date. In October 2021, our compensation committee determined that the milestone was achieved.

(10) The amount reported represents the incremental fair value calculated as of the modification date on December 15, 2020 with respect to the 75,000 PRSUs that were modified.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR 2021 YEAR-END TABLE

The following table presents, for each of our named executive officers, information concerning each outstanding equity award held by such named executive officer as of July 31, 2021. This information supplements the information about these awards set forth in the "Fiscal Year 2021 Summary Compensation Table" above.

		Option Awards				Stock Awards			
Name	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) ($)
Rajiv Ramaswami	12/9/2020	—	—	—	—	378,601 [2]	13,637,208	—	—
	12/9/2020	—	—	—	—	—	—	935,145 [3]	33,683,923
Dheeraj Pandey	—	—	—	—	—	—	—	—	—
Duston M. Williams	6/19/2014	418,750[4]	—	3.20	6/18/2024	—	—	—	—
	6/19/2014	205,000[4]	—	3.20	6/18/2024	—	—	—	—
	12/12/2017	—	—	—	—	15,000 [5]	540,300	—	—
	10/23/2018	—	—	—	—	37,500 [6]	1,350,750	—	—
	8/27//2019	—	—	—	—	84,375 [7]	3,039,188	—	—
	10/2/2020	—	—	—	—	191,545 [8]	6,899,451	—	—
Christopher Kaddaras	6/2/2018	—	—	—	—	5,625 [9]	202,613	—	—
	2/27/2019	—	—	—	—	109,375 [10]	3,939,688	—	—
	2/1/2020	—	—	—	—	109,375 [11]	3,939,688	—	—
	2/2/2021	—	—	—	—	31,715 [12]	1,142,374	—	—
	2/1/2020	—	—	—	—	—	—	75,000[13]	2,701,500
David Sangster	12/12/2017	—	—	—	—	10,625 [5]	382,713	—	—
	10/23/2018	—	—	—	—	37,500 [6]	1,350,750	—	—
	8/27/2019	—	—	—	—	140,625 [7]	5,065,313	—	—
	10/2/2020	—	—	—	—	153,236 [8]	5,519,561	—	—
	9/16/2016	—	—	—	—	—	—	100,000[14]	3,602,000
Tyler Wall	11/28/2017	—	—	—	—	37,500	1,350,750	—	—
	8/27/2019	—	—	—	—	42,188 [7]	1,519,612	—	—
	10/2/2020	—	—	—	—	84,280 [8]	3,035,766	—	—

(1) Based on the closing price per share of our Class A common stock as reported on The Nasdaq Global Select Market on July 31, 2021, which was $36.02.

(2) 25% of the RSUs vest on December 15, 2021, with 1/16th of the RSUs vesting quarterly thereafter, subject to continued service to us through each vesting date.

(3) The PRSUs are subject to stock price-based milestones. The first milestone requires achievement of an average closing price per share of our Class A common stock of $32.09 for a 30 consecutive calendar day period. The second milestone requires achievement of an average closing price per share of our Class A common stock of $38.51 for a 30 consecutive calendar day period. Achievement of the first milestone results in 67% of the 703,117 PRSUs becoming eligible to vest. Achievement of both milestones results in 133% of the 703,117 PRSUs becoming eligible to vest. Upon achievement, 25% of the eligible PRSUs vest on December 15, 2021, with 1/16th of the eligible PRSUs vesting quarterly thereafter, subject to continued service to us through each vesting date. In October 2021, our compensation committee determined that the second milestone was achieved.

(4) The shares subject to the options are fully vested and exercisable immediately.

(5) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on March 15, 2018, subject to continued service to us through each vesting date.

(6) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on March 15, 2019, subject to continued service to us through each vesting date.

(7) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on December 15, 2019, subject to continued service to us through each vesting date.

(8) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on December 15, 2020, subject to continued service to us through each vesting date.

(9) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on June 15, 2018, subject to continued service to us through each vesting date.

(10) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on June 15, 2019, subject to continued service to us through each vesting date.

(11) The RSUs vest in 16 equal quarterly installments, with the first quarterly installment having vested on March 15, 2020, subject to continued service to us through each vesting date.

(12) 50% of the RSUs vest on December 15, 2023 and 50% of the RSUs vest on December 15, 2024, subject to continued service to us through each vesting date.

(13) The PRSUs are subject to a stock price-based milestone, which was modified on December 15, 2020. The milestone requires achievement of an average closing price per share of our Class A common stock of $38.51 for a 30 consecutive calendar day period. Achievement of the milestone results in all 75,000 PRSUs becoming eligible to vest. Upon achievement, eligible PRSUs vest quarterly through December 15, 2023, subject to continued service to us through each vesting date. In October 2021, our compensation committee determined that the milestone was achieved.

(14) One-third of the shares subject to the awards vest on the later of January 1, 2019 or upon our compensation committee's certification that our company has achieved the performance goal, subject to continued service to us through the vesting date. One-third of the shares subject to the awards vest on the later of January 1, 2020 or upon the compensation committee's certification that our company has achieved the performance goal, subject to continuous service through the vesting date. One-third of the shares subject to the awards vest on the later of January 1, 2021 or upon our compensation committee's certification that our company has achieved the performance goal, subject to continuous service through the vesting date.

2021 OPTION EXERCISES AND STOCK VESTED VALUE

The following table presents, for each of our 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 year 2021.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(1) ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(2) ($)
Rajiv Ramaswami	—	—	—	—
Dheeraj Pandey	2,091,000	49,178,130	37,500	1,050,000
Duston M. Williams	—	—	186,702	5,641,812
Christopher Kaddaras	—	—	132,500	3,979,596
David M. Sangster	7,918	219,432	144,112	4,448,834
Tyler Wall	—	—	113,199	3,477,521

(1) The value realized upon the exercise of stock options is calculated by (i) subtracting the option exercise price from the closing price per share (or the sale price per share in the event of a same day sale) 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 or PRSUs is calculated by multiplying the number of shares vested by the closing price per share of our Class A common stock as reported on The Nasdaq Global Select Market on the applicable vest date (or, in the event the applicable vest date occurs on a holiday or weekend, the closing price per share of our Class A common stock as reported on The Nasdaq Global Select Market on the immediately preceding trading day).

EMPLOYMENT ARRANGEMENTS

EMPLOYMENT ARRANGEMENTS WITH NAMED EXECUTIVE OFFICERS

We have entered into employment agreements with each of our currently employed named executive officers. Each of these arrangements was negotiated on our behalf by the compensation committee or our then current 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.

Rajiv Ramaswami

We entered into an employment letter with Rajiv Ramaswami, our President and CEO on December 7, 2020. The employment letter has an indefinite term and Mr. Ramaswami's employment is at-will. Mr. Ramaswami's current annual base salary is $800,000, and he is currently eligible to earn annual incentive compensation with a target equal to $800,000, based upon achievement of targets determined by our board of directors or compensation committee for each fiscal year.

In connection with entering into the employment letter, we offered Mr. Ramaswami time-based and performance-based equity awards with an aggregate grant date fair value for financial accounting purposes of $32,000,000, assuming the value of a share is a trailing 30-calendar day trading average ending on the date prior to his start date and using a Monte Carlo simulation. This resulted in two RSU grants to Mr. Ramaswami under our 2016 Equity Incentive Plan and RSU agreements, covering an aggregate of 1,081,718 shares. For additional details regarding Mr. Ramaswami's equity awards, see "Executive Compensation – Executive Compensation Tables" above.

Mr. Ramaswami is a participant in our Executive Severance Policy and our Change of Control Severance Policy, both of which are described below.

Duston M. 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 $475,000, and he is currently eligible to earn annual incentive compensation with a target equal to $356,250, based upon achievement of 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 our Executive Severance Policy and our Change of Control Severance Policy, both of which are described below.

Christopher Kaddaras

In connection with Christopher Kaddaras' promotion to Chief Revenue Officer in February 2021, we entered into an employment letter with Mr. Kaddaras on February 1, 2021. The employment letter has an indefinite term and Mr. Kaddaras' employment is at-will. Mr. Kaddaras' current annual base salary is $600,000, and he is currently eligible to earn annual incentive compensation with a target equal to $600,000, based upon achievement of targets determined by our board of directors or compensation committee for each fiscal year.

In connection with his promotion to Chief Revenue Officer, Mr. Kaddaras was granted 31,715 RSUs under our 2016 Equity Incentive Plan with 50% of the RSUs vesting on December 15, 2023 and 50% of the RSUs vesting on December 15, 2024. For additional details regarding Mr. Kaddaras' equity awards, see "Executive Compensation – Executive Compensation Tables" above.

Mr. Kaddaras is a participant in our Executive Severance Policy and our Change of Control Severance Policy, both of which are described below.

On October 4, 2021, we announced that Mr. Kaddaras will be resigning from our company effective October 31, 2021.

David M. Sangster

We entered into an employment letter with David Sangster, our Chief Operating Officer, on October 17, 2011. The employment letter has an indefinite term and Mr. Sangster's employment is at-will. Mr. Sangster's current annual base salary is $475,000, and he is currently eligible to earn annual incentive compensation with a target equal to $356,250, based upon achievement of targets determined by our board of directors or compensation committee for each fiscal year.

In connection with his hire, Mr. Sangster was granted a stock option under our 2010 Plan and option agreement to purchase 350,000 shares of our Class A common stock. That option has vested in full and has been exercised by Mr. Sangster. For additional details regarding Mr. Sangster's equity awards, see "Executive Compensation – Executive Compensation Tables" above.

Mr. Sangster is a participant in our Executive Severance Policy and our Change of Control Severance Policy, both of which are 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 $425,000, and he is currently eligible to earn annual incentive compensation with a target equal to $255,000 based upon achievement of targets 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 Equity Incentive Plan, which vest over four 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 our Executive Severance Policy and our Change of Control Severance Policy, both of which are described below.

SEVERANCE AND CHANGE OF CONTROL-RELATED BENEFITS

Executive Severance Policy

We have an Executive 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, in connection with the involuntary termination of their employment under the circumstances described in our Executive Severance Policy. Generally, upon a termination of the eligible employee either (i) by us, other than for Cause, death, or disability, or (ii) by the applicable eligible employee on account of a Constructive Termination (such termination, "Qualified Termination"), then our Executive Severance Policy provides for:

(1) a lump sum payment equal to the participant's annual base salary, as in effect immediately prior to the participant's Qualified Termination or, if the termination is due to a resignation for Constructive Termination based on a material reduction in annual base salary, immediately prior to such reduction, multiplied by 100% for each Tier 1 eligible employee, 75% for each Tier 2 eligible employee and 50% for each Tier 3 eligible employee, and

(2) payment or reimbursement, at our sole discretion, of the cost of continued health benefits for a period of up to twelve months for each Tier 1 eligible employee, up to nine months for each Tier 2 eligible employee and up to six months for each Tier 3 eligible employee.

In order to receive severance benefits under our Executive Severance Policy, a participant must timely execute and not revoke a release of claims in favor of us.

For purposes of our Executive Severance Policy, constructive termination ("Constructive Termination") means the eligible employee's termination of his or her employment after the occurrence of one or more of the following events without the applicable eligible employee's express written consent:

(1) a reduction in substantially all of the applicable eligible employee's responsibilities relative to his or her responsibilities in effect immediately prior to such reduction (provided, however, that, a change in title or reporting structure, without more, shall not constitute a Constructive Termination), and

(2) a reduction by us in the applicable eligible employee's rate of annual base salary by more than 25% within a single calendar year (provided, however, that, a reduction of annual base salary that also applies to substantially all other similarly situated employees of our company shall not constitute a Constructive Termination).

In order for the applicable eligible employee's termination of his or her employment to be a Constructive Termination, the eligible employee must not terminate employment with us without first providing us with written notice of the acts or omissions constituting the grounds for "Constructive Termination" within 90 days of the initial existence of the grounds for "Constructive Termination" and a cure period of 30 days following our receipt of written notice, such grounds must not have been cured during such time, and the eligible employee must terminate his or her employment within 30 days following such cure period.

Each of our named executive officers is eligible to participate in our Executive Severance Policy. Therefore, we have not described and quantified estimated payments and benefits that would be provided in each covered circumstance under our Executive Severance Policy to any of our eligible named executive officers.

Change of Control Severance Policy

We have a Change of Control and 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, in connection with a change of control of our company or in connection with the involuntary termination of their employment under the circumstances described in our Change of Control Severance Policy. Each of our named executive officers is a participant in our Change of Control 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 our Change of Control Severance Policy provides that:

(1) the applicable percentage of the then-unvested shares subject to each of the participant's then-outstanding time-based equity awards will immediately vest and become exercisable, with such percentage being 100% for each of our named executive officers,

(2) for performance-based equity, the equity vesting benefit will be the amount that would have vested (a) based on actual performance, if performance has been measured or is measurable at the change of control; otherwise (b) at target level of performance,

(3) 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,

(4) 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

(5) 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 our Change of Control Severance Policy, a participant must timely execute and not revoke a release of claims in favor of us. In addition, our Change of Control Severance Policy provides that, if any payment or benefits to a participant, including the payments and benefits under our Change of Control 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 (i) 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 (ii) 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 each of our Change of Control Severance Policy and our Executive Severance Policy, cause ("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 repeated willful failure to perform his or her duties and responsibilities to us or the participant's material violation of any material written policy of ours;
- the participant's commission of any act of fraud, embezzlement 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.

Where the facts giving rise to Cause are capable of being remedied, we are required to provide written notice to the participant of the facts giving rise to Cause and provide the participant with 30 calendar days with which to reasonably remedy such facts.

For purposes of our Change of Control 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 (which, in the case of our CEO, includes ceasing to act as the CEO of the combined entity following the change of control);
- 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 our Change of Control 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 of Control

The following table sets forth the estimated payments that would be received by each of our named executive officers who remained employed with us as of July 31, 2021 if (i) pursuant to the terms of our Executive Severance Policy, a hypothetical termination of employment by us (other than for cause, death, or disability) or a hypothetical termination by the officer on account of a constructive termination had occurred on July 31, 2021 and (ii) pursuant to the terms of our Change of Control Severance Policy, a hypothetical termination of employment by us (other than for cause, death, or disability) or a hypothetical termination by the officer for good reason during in connection with a change of control of our company had occurred on July 31, 2021. The table below reflects amounts that would have been payable to the named executive officer assuming that, if applicable, the hypothetical termination occurred on July 31, 2021 and, if applicable, a change of control of our company also occurred on that date. Mr. Pandey resigned as our CEO and Chairman in December 2020. Mr. Pandey did not receive any severance payments or benefits in connection with his resignation.

Name	Salary Severance(1)	Bonus Severance(2)	Value of Accelerated Vesting(3)	Continuation of Medical Benefits(4)	Total
Rajiv Ramaswami					
Termination by us (other than for cause, death, or disability) or termination by officer on account of constructive termination	$800,000	—	—	$19,691	$819,691
Termination by us without cause or resignation for good reason during change of control period	$800,000	$800,000	$47,321,131	$19,691	$48,940,822
Duston M. Williams					
Termination by us (other than for cause, death, or disability) or termination by officer on account of constructive termination	$475,000	—	—	$29,047	$504,047
Termination by us (other than for cause, death, or disability) or termination by officer for good reason during change of control period	$356,250	$267,188	$11,829,688	$21,786	$12,474,912
Christopher Kaddaras					
Termination by us (other than for cause, death, or disability) or termination by officer on account of constructive termination	$600,000	—	—	$22,423	$622,423
Termination by us (other than for cause, death, or disability) or termination by officer for good reason during change of control period	$450,000	$450,000	$11,925,862	$16,817	$13,516,862
David M. Sangster					
Termination by us (other than for cause, death, or disability) or termination by officer on account of constructive termination	$475,000	—	—	$29,047	$504,047
Termination by us (other than for cause, death, or disability) or termination by officer for good reason during change of control period	$356,250	$267,188	$12,318,336	$21,786	$12,963,560
Tyler Wall					
Termination by us (other than for cause, death, or disability) or termination by officer on account of constructive termination	$425,000	—	—	$29,047	$454,047
Termination by us (other than for cause, death, or disability) or termination by officer for good reason during change of control period	$318,750	$191,250	$5,906,127	$21,786	$6,437,913

(1) For Mr. Ramaswami, the amounts reported reflect a lump-sum payment equal to 100% of his annual base salary as of July 31, 2021 under our Executive Severance Policy and a lump-sum payment equal to 100% of his annual base salary as of July 31, 2021 under our Change of Control Severance Policy. For each of Messrs. Williams, Kaddaras, Sangster, and Wall, the amounts reported reflect a lump-sum payment equal to 100% of his annual base salary as of July 31, 2021 under our Executive Severance Policy and a lump-sum payment equal to 75% of his annual base salary as of July 31, 2021 under our Change of Control Severance Policy.

(2) For Mr. Ramaswami, the amount reported reflects a lump-sum payment equal to 100% of his annual bonus target for fiscal year 2021 under our Change of Control Severance Policy. For each of Messrs. Williams, Kaddaras, Sangster, and Wall, the amount reported reflects a lump-sum payment equal to 75% of his annual bonus target for fiscal year 2021 under our Change of Control Severance Policy.

(3) Reflects the accelerated stock option and RSU payment values based upon the closing price of our Class A common stock of $36.02 as reported on The Nasdaq Global Select Market on July 31, 2021, less any applicable exercise price in the case of stock options.

(4) For Mr. Ramaswami, the amount reported reflects the cost of COBRA continuation coverage based on elected level of healthcare coverage (medical, dental and vision) for twelve months under our Executive Severance Policy and for twelve months under our Change of Control Severance Policy. For each of Messrs. Williams, Kaddaras, Sangster, and Wall, the amount reported reflects the cost of COBRA continuation coverage based on elected level of healthcare coverage (medical, dental and vision) for twelve months under our Executive Severance Policy and for nine months under our Change of Control Severance Policy.

CEO PAY RATIO

In accordance with Item 402(u) of Regulation S-K, promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are providing (i) the ratio of the combined annual total compensation of our former CEO, Dheeraj Pandey, and our current CEO, Rajiv Ramaswami, to (ii) the annual total compensation of our median employee, both calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. Because we had two CEOs in fiscal year 2021, SEC rules allow us the option of calculating the compensation provided to each CEO during fiscal year 2021 for the time each served as CEO and combining those amounts, or calculating the compensation provided to the CEO serving in that position on the date we selected to identify the median employee and annualizing that CEO's compensation. For purposes of determining the pay ratio for fiscal year 2021, we decided to combine the annual total compensation of our former CEO and our current CEO. The fiscal year 2021 annual total compensation for our current CEO includes a new hire package that he received upon his appointment in December 2020, including a sign-on equity award intended as "make-whole" compensation for the value of unvested equity that he forfeited upon his departure from his previous employer as discussed in "Executive Compensation – Compensation Discussion and Analysis – Executive Summary." Therefore, the pay ratio for fiscal year 2021 is higher than what was disclosed in fiscal year 2020 and is higher than the ratio we expect to disclose in fiscal year 2022.

For fiscal year 2021:

- the combined annual total compensation of our former CEO and our current CEO was $37,990,055;
- the annual total compensation of our median employee was $162,283; and
- the ratio of the combined annual total compensation of our former CEO and our current CEO to the median employee was 234:1.

We believe this ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Exchange Act.

We selected July 31, 2021 as the date on which to determine our employee population and the median employee. In determining this population, we included all worldwide full-time and part-time employees other than our CEO. We did not include any contractors in our employee population. As permitted by SEC rules, to identify our median employee, we elected to use total target cash compensation plus the grant date fair market value of equity awards, if any, as our consistently applied compensation measure, which we refer to herein as total target compensation and calculated as (i) base salary and target bonus as of July 31, 2021, and (ii) the grant date fair market value of equity awards issued during the previous twelve months. For employees paid in a currency other than U.S. dollars, we converted their compensation to U.S. dollars using the exchange rates used by us for various financial and accounting purposes in effect on July 31, 2021. To identify our median compensated employee, we then calculated the total target direct compensation for our global employee population and excluded employees at the median who had anomalous compensation characteristics.

The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. Consequently, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates, and assumptions in calculating their own pay ratios.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes our equity compensation plan information as of July 31, 2021. 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	25,042,089	$5.20	19,689,547
Equity plans not approved by stockholders	—	—	—

(1) Includes 3,334,056 outstanding stock options and 21,708,033 outstanding RSUs.

(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 14,500,946 shares reserved for future equity grants under our 2016 Equity Incentive Plan and 5,188,601 shares reserved for future stock purchase plan awards under our ESPP. Our 2016 Equity Incentive Plan provides that the total number of shares reserved for issuance under our 2016 Equity Incentive Plan will be automatically increased on the first day of each fiscal year beginning in fiscal year 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. Accordingly, on August 1, 2021, the number of shares of Class A common stock available for issuance under our 2016 Equity Incentive Plan increased by 10,710,504 shares, pursuant to this provision. This increase is not reflected in the table above, which is as of July 31, 2021.

STOCK OWNERSHIP INFORMATION

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of the close of business on October 12, 2021, certain information with respect to the beneficial ownership of our common stock: (i) 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; (ii) by each of our directors; (iii) by each of our named executive officers; and (iv) 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 211,353,149 shares of Class A common stock and 5,572,877 shares of Class B common stock outstanding as of the close of business on October 12, 2021. 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 with respect to which the individual has the right to acquire beneficial ownership within 60 days of October 12, 2021 through the exercise of any stock option or other right. 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, California 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.

Name of Beneficial Owner	Shares Beneficially Owned: Class A Shares	Class A %	Class B Shares	Class B %	% of Total Voting Power[1]
5% Stockholders:					
Entities affiliated with Fidelity[2]	30,633,116	14.5	72,872	1.3	11.7
Entities affiliated with the Vanguard Group[3]	19,178,900	9.1	—	—	7.2
Entities affiliated with Generation Investment Management LLP[4]	18,794,321	8.9	—	—	7.0
Named Executive Officers and Directors:					
Rajiv Ramaswami	953	*	—	—	*
Dheeraj Pandey[5]	61,628	*	5,310,818	95.3	19.9
Duston M. Williams[6]	224,071	*	655,000	10.6	2.5
Christopher Kaddaras	181,670	*	—	—	*
David Sangster	113,790	*	—	—	*
Tyler Wall	83,370	*	—	—	*
Susan L. Bostrom[7]	27,202	*	—	—	*
Craig Conway[8]	42,316	*	—	—	*
Virginia Gambale[9]	29,255	*	—	—	*
Steven J. Gomo[10]	112,695	*	—	—	*
Max de Groen[11]	14,965	*	—	—	*
David Humphrey[12]	14,965	*	—	—	*
Brian Stevens[13]	27,200	*	—	—	*
All directors and executive officers as a group (11 persons)[14]	1,345,782	*	655,000	10.6	2.6

* 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 ten votes per share, and holders of our Class A common stock are entitled to one vote per share.

(2) Consists of: (i) 72,872 shares of Class B common stock held of record by investment companies advised by FMR Co., Inc. and Fidelity Management & Research (Hong Kong) Limited, both indirect wholly-owned subsidiaries of FMR LLC; and (ii) 30,633,116 shares of Class A common stock held of record by FMR LLC and its affiliates. Abigail P. Johnson is a Director, the Chairman and the Chief Executive Officer of FMR LLC. Members of the Johnson family, 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. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC 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 advised by Fidelity Management & Research Company ("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. The address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210. Based on a Schedule 13G/A filed on February 8, 2021, a Form 13F-HR filed on August 13, 2021 by FMR LLC and, with respect to holdings of Class B common stock, information supplied by our transfer agent.

(3) Consists of 19,178,900 shares of Class A common stock beneficially owned by The Vanguard Group and its affiliates. Based on a Schedule 13G/A filed on February 10, 2021 and a Form 13F-HR filed on August 13, 2021 by The Vanguard Group and its affiliates. The address for The Vanguard Group is 100 Vanguard Blvd, Malvern, PA 19355.

(4) Consists of 18,794,321 shares of Class A common stock beneficially owned by Generation Investment Management LLP. Based on a Schedule 13G/A filed on February 16, 2021 and a Form 13F-HR filed on August 16, 2021, by Generation Investment Management LLP. The address for Generation Investment Management LLP is 20 Air Street, 7th floor, London, United Kingdom W1B 5AN.

(5) Consists of (i) 4,129,818 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 co-trustees; (ii) 300,000 shares of Class B common stock held of record by the 2020 Irrevocable Descendants' Trust; (iii) 881,000 shares of Class B common stock held by Mr. Pandey; and (iv) 61,628 shares of Class A common stock held by Mr. Pandey.

(6) Consists of (i) 224,071 shares of Class A common stock held of record by Mr. Williams, (ii) 31,250 shares of Class B common stock held of record by Mr. Williams, and (iii) 623,750 shares of Class B common stock subject to options exercisable within 60 days of October 12, 2021.

(7) Consists of (i) 14,646 shares of Class A common stock held of record by Ms. Bostrom and (ii) 12,556 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(8) Consists of (i) 30,298 shares of Class A common stock held of record by Mr. Conway and (ii) 12,018 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(9) Consists of (i) 11,109 shares of Class A common stock held of record by Ms. Gambale, (ii) 5,500 shares of Class A common stock held of record by Virginia Gambale TTEE Virginia Gambale REV Trust DTD 5/22/2003 for which Ms. Gambale serves as trustee, and (iii) 12,646 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(10) Consists of (i) 99,780 shares of Class A common stock held of record by Mr. Gomo and (ii) 12,915 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(11) Consists of (i) 3,126 shares of Class A common stock held of record by Mr. de Groen and (ii) 11,839 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(12) Consists of (i) 3,126 shares of Class A common stock held of record by Mr. Humphrey and (ii) 11,839 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(13) Consists of (i) 15,361 shares of Class A common stock held of record by Mr. Stevens and (ii) 11,839 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021.

(14) Consists of (i) 605,130 shares of Class A common stock beneficially owned by our executive officers and directors as a group, (ii) 31,250 shares of Class B common stock beneficially owned by our executive officers and directors as a group, (iii) 85,652 shares of Class A common stock issuable upon vesting of RSUs within 60 days of October 12, 2021, and (iv) 623,750 shares of Class B common stock subject to options exercisable within 60 days of October 12, 2021.

OTHER MATTERS

Our board of directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the associated proxy intend to vote on such matters in accordance with their best judgment.

We filed our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 with the SEC on September 21, 2021. It is available free of charge at the SEC's website at www.sec.gov. Stockholders can also access this proxy statement and our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 at http://ir.nutanix.com, or a copy of our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 is available without charge upon written request to our Secretary at 1740 Technology Drive, Suite 150, San Jose, California 95110.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

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 of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials because our board of directors is soliciting your proxy to vote at the Annual Meeting. 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 mailed the Notice on or about October 26, 2021 to all stockholders of record entitled to vote at the Annual 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/NTNX2021. The webcast will start at 9:00 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/NTNX2021.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on October 12, 2021, the record date for the Annual Meeting, will be entitled to vote at the Annual Meeting. As of the close of business on the record date, there were 211,353,149 shares of Class A common stock and 5,572,877 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, as of the close of business on the record date, 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, as of the close of business on the record date, 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 Annual 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 Annual Meeting only by following the instructions from your broker, bank or other agent.

What matters am I voting on?

There are three matters scheduled for a vote:

- Election of three Class II directors to hold office until the annual meeting of stockholders to take place after the end of fiscal year ending July 31, 2024;
- Ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2022; and
- The approval, on a non-binding advisory basis, of 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/NTNX2021, starting at 9:00 a.m., Pacific Time, on December 10, 2021.
- 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 such 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 Drive, 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 (i) a broker or other nominee holds shares for a beneficial owner, (ii) the beneficial owner has not given the respective broker specific voting instructions, (iii) the matter is non-routine in nature, and (iv) there is at least one routine proposal presented at the applicable meeting of stockholders (such as Proposal 2 at this Annual Meeting). Under applicable rules, a broker or other nominee has discretionary voting power only with respect to proposals that are considered "routine," but not with respect to "non-routine" proposals. Broker non-votes are considered present for purposes of determining the presence of a quorum so long as the shares represented by a broker or other nominee who holds shares for a beneficial owner, where the beneficial owner has not given the respective broker or other nominee specific voting instructions, can be voted for, against or in abstention for at least one proposal presented at the Annual Meeting. Since there is one routine proposal presented at the Annual Meeting (Proposal 2) on which brokers and other nominees have such discretionary voting power, broker non-votes will be counted for quorum purposes at the Annual Meeting. Broker non-votes will not be counted for purposes of determining the number of votes cast on a proposal. Therefore, a broker non-vote will make a quorum more readily attainable but will not otherwise affect the outcome of the vote on any of the proposals.

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." Abstentions are counted for purposes of determining whether a quorum is present and are also counted as votes against a proposal in cases where approval of the proposal requires the votes from the holders of a majority in voting power of the shares present at the Annual Meeting or represented by proxy thereat and entitled to vote on the proposal (Proposals 2 and 3).

Proposals 1 and 3 are non-routine matters, so your broker or nominee may not vote your shares on Proposals 1 or 3 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, 2022, 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 all three nominees as Class II directors, **FOR** the ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending July 31, 2022, and **FOR** the approval of the compensation of our named executive officers. 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 the proxyholder's 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 three director nominees for Class I 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 for the fiscal year ending July 31, 2022 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 thereat 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 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 must receive FOR votes from the holders of a majority of the voting power of the shares present at the Annual Meeting or represented by proxy thereat 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.

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 Financial Solutions 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 Financial Solutions 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 Financial Solutions on behalf of all its clients.

Who is paying for this proxy solicitation?

We will pay for the cost of soliciting proxies to be voted at the Annual Meeting. We intend to retain Alliance Advisors, LLC for various services related to the solicitation of proxies, which we anticipate will cost approximately $14,000, plus reimbursement of expenses. 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 amended and restated 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, California 95110. No stockholders provided timely notice of a director nomination or other proposal for the 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 our 2022 annual meeting of stockholders, a stockholder's notice must be delivered to or mailed and received by our

Secretary at Nutanix, Inc., 1740 Technology Drive, Suite 150, San Jose, California 95110 not later than September 11, 2022 nor earlier than August 12, 2022. 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 Exchange Act and intended to be presented at the 2022 annual meeting of stockholders must be received by us no later than June 28, 2022 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 are present in person 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 at the Annual Meeting that are present in person 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

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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, 2021

OR

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

For the transition period from _________ to _________

Commission File Number: 001-37883

NUTANIX, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-0989767**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1740 Technology Drive, Suite 150

San Jose, CA 95110

(Address of principal executive offices, including zip code)

(408) 216-8360

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.000025 par value per share	NTNX	The 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $5.9 billion, based upon the closing sale price of such stock on the Nasdaq Global Select Market. The registrant has no non-voting common equity.

As of August 31, 2021, the registrant had 208,597,261 shares of Class A common stock, $0.000025 par value per share, and 5,622,877 shares of Class B common stock, $0.000025 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

As noted herein, certain 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 2021 annual meeting of stockholders, which is expected to be filed not later than 120 days after the registrant's fiscal year ended July 31, 2021.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains express and implied forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), which statements involve substantial risks and uncertainties. Other than statements of historical fact, all statements contained in this Annual Report on Form 10-K including statements regarding our future results of operations and financial position, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "plan," "intend," "could," "would," "expect," or words or expressions of similar substance or the negative thereof, that convey uncertainty of future events or outcomes are intended to identify forward-looking statements. Forward-looking statements included in this Annual Report on Form 10-K include, but are not limited to, statements regarding:

- our future billings, revenue, cost of revenue and operating expenses, as well as changes in the cost of product revenue, component costs, contract terms, product gross margins and support, entitlements and other services revenue and changes in research and development, sales and marketing and general and administrative expenses;
- our business plans, strategies, initiatives, objectives and outlook, as well as our ability to execute such plans, strategies, initiatives and objectives successfully and in a timely manner, and the benefits and impact of such plans, initiatives and objectives on our business, operations, and financial results, including any impact on our revenue and product mix, average contract term lengths and discounting behavior;
- our plans for, and the timing of, any current and future business model transitions, including our ongoing transition to a subscription-based business model, our ability to manage, complete or realize the benefits of such transitions successfully and in a timely manner, and the short-term and long-term impacts of such transitions on our business, operations and financial results;
- the timing, evolution and potential impact of the COVID-19 pandemic on the global market environment and the IT industry, as well as on our business, operations and financial results, including changes we have made or anticipate making in response to the COVID-19 pandemic, our ability to manage our business during the pandemic, and the position we anticipate being in following the pandemic;
- the benefits and capabilities of our platform, solutions, products, services and technology, including the interoperability and availability of our solutions with and on third-party platforms;
- our plans and expectations regarding new solutions, products, services, product features and technology, including those that are still under development or in process;
- our growth strategy, our ability to effectively achieve and manage our growth, and the amount, timing and impact of any investments to grow our business, including any plans to increase or decrease investments in our global engineering, research and development and sales and/or marketing teams;
- our go-to-market strategy and the impact of any adjustments thereto, including any adjustments to our go-to-market cost structure, in particular, our sales compensation structure, and our plans regarding pricing and packaging of our product portfolio;
- the success and impact of our customer, partner, industry, analyst, investor and employee events on our business, including on future pipeline generation;
- the impact of our decision to use new or different metrics, or to make adjustments to the metrics we use, to supplement our financial reporting;

- our ability to successfully manage or realize the benefits of our Chief Executive Officer transition, as well as the impact thereof on our business, operations and financial results;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate, including the segmentation and productivity of our sales team;
- market acceptance of new technology and recently introduced solutions;
- our ability to increase sales of our solutions, particularly to large enterprise customers;
- our ability to attract new end customers and retain and grow sales from our existing end customers;
- our ability to maintain and strengthen existing strategic alliances and partnerships, including our relationships with our channel partners and original equipment manufacturers, and to develop any new strategic alliances and partnerships, and the impact of any changes to such relationships on our business, operations and financial results;
- the effects of seasonal trends on our results of operations;
- our expectations concerning relationships with third parties, including our ability to compress and stabilize sales cycles;
- our ability to maintain, protect and enhance our intellectual property;
- our exposure to and ability to guard against cyber attacks and other actual or perceived security breaches;
- our ability to continue to expand internationally;
- the competitive market, including our ability to compete effectively, the competitive advantages of our products, and the effects of increased competition in our market;
- anticipated capital expenditures;
- future acquisitions or investments in complementary companies, products, services or technologies and the ability to successfully integrate completed acquisitions;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally, including recent changes in global tax laws;
- macroeconomic and industry trends, projected growth or trend analysis;
- the impact of events that may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns, and other similar events;
- our ability to attract and retain qualified employees and key personnel; and
- the sufficiency of cash balances to meet cash needs for at least the next 12 months.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs in light of the information currently available to us. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described 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 or implied in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this 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 will 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, and expressly disclaim any obligation, to update, alter or otherwise revise or publicly release the results of any revision to these forward-looking statements to reflect new information or the occurrence of unanticipated or subsequent events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

PART I

ITEM 1. Business

Overview

Nutanix, Inc. ("we," "us," "our" or "Nutanix") provides a leading enterprise cloud platform, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions run across private-, hybrid- and multicloud environments, and allow organizations to seamlessly "lift and shift" their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure ("VDI") services, cloud native workloads, and analytics applications, between different cloud environments. Our goal is to provide a single, simple, open software platform for all hybrid and multicloud applications and data.

Founded in 2009, we pioneered the hyperconverged infrastructure ("HCI") category, initially combining the disparate IT silos of compute, storage and networking into a single on-premises product which offered total cost of ownership, scalability and customer choice. We continued to innovate and developed Acropolis Hypervisor ("AHV") - our native hypervisor designed to run all virtualized applications. To give our customers even more choice, we engineered our software solutions to run on a variety of server platforms, decoupling our software from our Nutanix-branded hardware appliances and powering a variety of on-premises private cloud deployments; a significant step in our transition from a hardware to a software company. That transition has continued with the adoption of "cloud" as a mainstream IT paradigm, which has motivated IT professionals to move toward hybrid cloud architectures that allow businesses to simultaneously utilize a private cloud powered by Nutanix software, along with third-party public cloud infrastructures for maximum flexibility. We continue to transform our software solutions into a comprehensive enterprise cloud platform, based on web-scale engineering principles and with a focus on operational simplicity, which allows our customers to power nearly any scale IT deployment. Although today our customers primarily use our enterprise cloud platform to power their on-premises private cloud deployments, our solutions also simplify the complexities of multicloud environments with a single management console for automation, cost governance and compliance. The end result will be an enterprise cloud platform that empowers our customers to unify various clouds - on-premises private, public and distributed - into one seamless cloud, allowing IT to choose the right cloud for each application.

To provide our customers with the freedom to choose the best consumption model based on their specific business needs, we have also continued to reshape our licensing by moving toward a subscription-based business model. A subscription-based business model means one in which our products, including associated support and entitlement arrangements, are sold with a defined term. For more information, see the section titled "Components of Our Results of Operations" included in Part II, Item 7, as well as Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10-K. Furthermore, as part of our transition to a subscription-based business model, we have transitioned to a sales compensation structure that is based on Annual Contract Value ("ACV"). These transitions have caused, and will continue to cause, our traditional life-of-device licensing models to become increasingly replaced by term-based licenses, providing our customers with a subscription option which are portable across hybrid- and multicloud deployments. We believe that these transitions - from hardware to software solutions, and from life-of-device to subscription models - will contribute to our long-term growth, although they have resulted in lower revenues during the period of transition. In fiscal 2021, our subscription billings increased to 89.0% of total billings, up 8 percentage points from fiscal 2020, and our subscription revenue reached $1.2 billion, representing a year-over-year increase of 20.7%. In fiscal 2021, ACV billings was $594.3 million, representing a year-over-year increase of 17.6%.

The Nutanix Cloud Platform

Leveraging the foundation of our core HCI technology, the Nutanix Cloud Platform delivers a rich set of products, solutions and services to enable our customers to manage their private cloud and, increasingly, their public and hybrid multicloud environments. All of our offerings are supported by a unified control plane, unified Application Program Interfaces ("APIs"), security, and lifecycle management. The Nutanix Cloud Platform is available in private cloud deployment, and is increasingly available on public cloud, through managed service providers and telcos, and in the future, as-a-Service.

We recently announced continued product portfolio simplification, to help streamline the products and offerings that we have developed over the years. The description of our products and offerings below are based on our new simplified product portfolio, but will also refer, in parentheses, to the product names that we have used in the past.

Hybrid Cloud Infrastructure – Our offerings in hybrid cloud infrastructure combine our core HCI software stack (AOS) and our native, enterprise-grade hypervisor (AHV), and also add in support for virtual networking, containers, network security and disaster recovery.

Acropolis (AOS). AOS converges virtualization, storage, and networking services into a turnkey solution. AOS is comprised of three foundational components:

- *Virtualization.* AOS supports major hypervisors, including our native AHV.
- *Storage Capabilities*. Building on a distributed data fabric, AOS enables robust enterprise storage services across multiple storage protocols. Storage capabilities include snapshots and cloning, 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.
- *Networking Visualization and Security*. AOS provides services to visualize the network, automate common network operations, secure the network and integrate with various third-party networking and security products. We supplement the network visualization capabilities of AOS with application-centric firewall services based on advanced microsegmentation technology (Nutanix Flow) that protect applications against internal and external threats, as well as data encryption.

Acropolis Hypervisor (AHV). AHV is a native, enterprise-grade virtualization solution that is included with our enterprise cloud platform with no additional software components to license, install or manage. AHV is built upon a widely-used open source hypervisor technology, known as KVM and extends its base functionality to include additional features such as virtual machine high availability and live migration. AHV also includes such features as flexible migrations, automated workload placement, security hardening, network virtualization, data protection and disaster recovery and rich analytics.

Our offerings in hybrid cloud infrastructure also provide for automated deployment and management of Kubernetes clusters to simplify the provisioning, operations and lifecycle management of cloud-native environments, containerized applications and microservices (Nutanix Karbon).

In addition, our entire hybrid cloud infrastructure stack can not only be run in private cloud environments, but can also be deployed in a public cloud environment like Amazon Web Services ("AWS") bare-metal through Nutanix Clusters, and also allows the customer to move applications between private and public clouds, regardless of where they were originally deployed. Nutanix Clusters also provides a single plane to manage private and public cloud infrastructure.

Cloud Management – Our offerings in cloud management combine multicloud governance, orchestration and operations, for private cloud, public cloud, and hybrid cloud deployments. Our offerings in cloud management include our control plane providing management and analytics across the enterprise cloud platform, which delivers integrated management, capacity planning, robust operational analytics, self-service capabilities and one-click administration, and enables efficient centralized administration to manage multiple clusters within a single datacenter, or across multiple sites (Prism Pro). We also provide cloud governance (Nutanix Beam) as well as automation services that streamline application lifecycle management, provide self-service provisioning via an application marketplace, and deliver powerful multicloud orchestration (Nutanix Calm).

Emerging Products – We have also developed a number of emerging products that complement our hybrid cloud infrastructure and cloud management offerings to further expand our customers' ability to manage their hybrid cloud infrastructure.

Unified Storage (Nutanix Files and Nutanix Objects) – Our Unified Storage product offering includes scale-out storage services that consolidate management of structured and unstructured data. Nutanix customers can simplify storage operations, while delivering enterprise-grade NFS and SMB files services (Nutanix Files), as well as S3-compatible object services (Nutanix Objects), at nearly any scale.

Database Automation and Database-as-a-Service (Nutanix Era) – We also provide automated database management to simplify database administration and to efficiently manage database copies that proliferate in most IT environments (Nutanix Era). Era supports a variety of databases, both proprietary and open source, and can run both in the private datacenter and in the public cloud through Nutanix Clusters.

Desktop-as-a-Service (Nutanix Frame) – Our Desktop-as-a-Service product offering provides a rich set of end-user computing ("EUC") services that can reduce the cost of delivering virtualized desktops and applications, while improving performance and scalability. Services include virtualization, file storage, security and networking for traditional VDI environments. We also provide desktop-as-a-service (Nutanix Frame) to deliver virtual apps or desktops to users from multiple public cloud environments and/or an enterprises private cloud datacenter, which can be easily accessed from any browser.

Delivery of Our Solutions

The Nutanix Cloud Platform can be deployed on-premises running on a variety of qualified hardware platforms, in popular public cloud environments such as Amazon Web Services through Nutanix Clusters, or, in the case of our cloud-based software and software-as-a-service ("SaaS") offerings, via hosted service. Non-portable software licenses for our platform are delivered or sold alongside configured-to-order appliances, with a license term equal to the life of the associated appliance. Our subscription term-based licenses are sold separately, or can also be sold alongside configured-to-order appliances. Our subscription term-based licenses typically have terms ranging from one to five years. Our cloud-based SaaS subscriptions have terms extending up to five years. We expect to continue delivering the majority of our products through subscription term-based licenses or cloud-based SaaS subscriptions.

Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support. Purchases of non-portable software are typically accompanied by the purchase of a separate support and entitlement agreement. Purchases of term-based licenses and SaaS subscriptions have support and entitlements built into the license.

Our Partners

We have established relationships with channel, OEM, ecosystem and cloud partners, all of which help to drive the adoption and sale of our solutions with our end customers, and we sell our solutions primarily through our partners. Our solutions can be purchased through one of our channel partners, original equipment manufacturers ("OEMs"), or directly from Nutanix.

Channel Partners. Our channel partners sell our solutions to end customers, and in certain cases, may also deliver our solutions to end customers through a managed or integrated offering. Our Elevate Partner Program simplifies engagement for our partner ecosystem using a consistent set of tools, resources, and marketing platforms. Our channel partners include distributors, resellers, managed service providers, telcos, global systems integrators, and independent software vendors. Arrow Electronics, Inc., a distributor to our end customers, represented 24%, 29% and 32% of our total revenue for fiscal 2019, 2020 and 2021, respectively. Tech Data Corporation, another distributor to our end customers, represented 13%, 14% and 15% of our total revenue for fiscal 2019, 2020 and 2021, respectively.

OEM Partners. OEMs typically pre-install our software on hardware appliances and sell to end customers, and our offerings may also be sold through our OEMs and delivered directly to our end customers.

Super Micro Computer, Inc. ("Supermicro") and Flextronics Systems Limited ("Flextronics") pre-install our software on Nutanix-branded NX configured-to-order hardware appliances. Dell Technologies ("Dell"), Lenovo Group Ltd. ("Lenovo"), International Business Machines Corporation ("IBM"), Fujitsu Technology Solutions GmbH ("Fujitsu"), Hewlett Packard Enterprise ("HPE") and Inspur Group ("Inspur") pre-install our software on their hardware to create the Dell XC Series, Lenovo Converged HX Series, IBM CS Series, Fujitsu XF Series, HPE DX Series and Inspur inMerge 1000 Series appliances, respectively. HPE also delivers our software with HPE Proliant Servers as a service through the HPE Greenlake offering. Some of our OEM partners also sell associated support offerings.

Ecosystem Partners. We have developed relationships with a broad range of leading technology companies that help us deliver world-class solutions to our customers. Through the Technology Alliance Partner arm of our Elevate Partner Program, our developer, application, hardware and infrastructure partners receive 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. We have also developed and announced strategic technology partnerships that bring together best-in-class solutions across the ecosystem into integrated offerings and demonstrated interoperability and support for our customers.

Cloud Partners. Our partnerships with public cloud providers help us to realize our vision of a hybrid multicloud. The deployment of Nutanix Clusters on AWS extends the availability of our core HCI software, along with all of our solutions, to bare metal Amazon Elastic Compute Cloud instances on AWS. We have also announced a partnership with Microsoft Corporation ("Microsoft") to offer a hybrid cloud solution on Azure by extending Nutanix Clusters to Azure environments and ultimately enabling hybrid cloud management, on-premises or in Azure, through the Azure Arc control plane.

Our Support Programs

Product Support. We offer varying levels of software support to our customers based on their needs. We also offer hardware support for customers who purchase the Nutanix-branded NX configured-to-order hardware appliances.

Professional Services. We provide consulting and implementation services to customers through our professional services team for assessment, design, deployment and optimizing of their Nutanix environments. We typically provide these services at the time of initial installation to help the customer with configuration and implementation.

Our End Customers

Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure, and big data analytics, and we support both virtualized and container-based applications. We have end customers across a broad range of industries, such as automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology and telecommunications. We also sell to service providers, who utilize our enterprise cloud platform to provide a variety of cloud-based services to their customers. We had a broad and diverse base of over 20,000 end customers as of July 31, 2021, including approximately 980 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.

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 enterprise cloud platform that is designed to support a wide variety of workloads across private, public and hybrid multicloud deployments. We intend to continue to invest heavily in developing our enterprise cloud platform with new features, services and products to expand our market opportunity in both core and adjacent markets.

- ***Invest to acquire new end customers.*** Since the completion of our first end customer sale in October 2011, we have grown to approximately 20,130 end customers. We intend to grow our base of end customers by continuing to invest 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 increasing our sales to new, and expanding our sales to existing, large enterprise customers.

- ***Continue to drive follow-on sales to existing end customers.*** Our end customers typically deploy our technology initially for a specific project or application deployment. Our sales teams and channel partners then seek to systematically target follow-on sales opportunities to drive additional purchases throughout our broader product portfolio, while also focusing on customer adoption and customer consumption of their original purchases. 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.

- ***Enhanced focus on renewals.*** In addition to our land and expand strategy described above, as part of our transition to a subscription-based model, we have enhanced our focus on renewals, which are typically associated with lower sales costs. While renewals have historically represented a small portion of our overall business, we expect that they will be a significant driver of our top-line growth as we continue in our subscription transformation.

- ***Deepen engagement with current channel, OEM, cloud and ecosystem partners and establish additional routes to market to enhance sales leverage.*** We have established meaningful channel partnerships globally and have driven strong engagement and 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 for deployment on qualified hardware or a hosted service to maximize the availability of our solutions for our customers. We will also continue to establish partnerships with cloud and ecosystem partners to provide our customers with freedom of choice.
- ***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 expenses. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health. Key drivers of our path towards profitability include growth in renewals happening at a much lower cost compared to new sales and continuing to leverage sales and marketing efficiencies.

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. We expect to continue leveraging our relationships with our channel and OEM partners, and deepening relationships with our cloud and ecosystem partners, to reach our end customers.

***Marketing*.** We supplement our sales efforts with marketing programs that include online advertising, corporate and third-party events, demand generation activities, social media promotions, media and analyst relations and community programs. More recently, in response to the global COVID-19 pandemic, we have transformed nearly all of our in-person marketing programs into digital experiences. For example, we converted both our 2020 and 2021 .NEXT Conferences to a completely digital format. We also establish deep integration with our ecosystem of third-party technology partners and engage in joint marketing activities with them. Our channel partners have joined our integrated partner program, the Nutanix Elevate Partner Program, 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.

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. A large portion of our research and development team is based in San Jose, California. We also maintain research and development centers in India, North Carolina, Washington, Serbia, and Germany. We plan to dedicate significant resources to our continued research and development efforts and 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 enterprise cloud platform. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Research and development expense was $500.7 million, $554.0 million and $557.0 million for fiscal 2019, 2020 and 2021, respectively.

Manufacturing

We do not manufacture any hardware. The Nutanix-branded NX series appliances, including those that are delivered by us, are manufactured for us based on our specifications by two manufacturers, Supermicro and Flextronics. Supermicro and Flextronics assemble and test the Nutanix-branded NX series appliances and they generally procure the components used in the NX series appliances directly from third-party suppliers. Our agreement with Supermicro was renewed in May 2021 for one year and will automatically renew for successive one-year periods thereafter, with the option to terminate upon each annual renewal. Our agreement with Flextronics will expire in November 2021. Distributors handle fulfillment and shipment for certain end customers, but do not hold inventory.

Backlog

We typically accept and deliver orders within a short time frame. In general, customers may cancel or reschedule orders without penalty prior to delivery, 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 intensely competitive IT infrastructure market and compete primarily with companies that sell software to build and operate private 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 VMware, Inc. ("VMware"), that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise and hybrid clouds;
- traditional IT systems vendors, such as Cisco Systems, Inc. ("Cisco"), Dell, 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 SaaS-based offerings, such as Amazon.com, Inc. ("Amazon"), Google Inc. and Microsoft.

In addition, we compete against vendors of hyperconverged infrastructure 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. Some of our competitors may also 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. 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 cooperate 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, troubleshooting, analytics, automation and upgrades;
- total cost of ownership over the lifetime of the technology;
- customer freedom of choice over, and product interoperability with third-party applications, infrastructure software, infrastructure systems and platforms 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 are also venturing into a number of markets that are adjacent to our core HCI market, both through the expansion of HCI in hybrid multicloud as well as through our emerging products. These adjacent markets include areas such as disaster recovery, cloud management, files and object storage, database automation and database-as-a-service, and desktop-as-a-service. Competitors in these markets include large, sophisticated companies who may have more experience or longer operating histories in these markets as well as new entrants.

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, a larger existing customer base, 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, 2021, we had 290 United States patents that have been issued and 221 non-provisional patent applications pending in the United States. Our issued U.S. patents expire between 2031 and 2039. We also leverage open source software in most 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 May 2024, we currently lease approximately 439,000 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. While we expect to add facilities as we grow our employee base and expand geographically, we are also evaluating our longer-term facilities plans due to the COVID-19 pandemic and the potential for a hybrid work environment. 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.

Government Regulation

Our business activities are subject to various federal, state, local and foreign laws, rules and regulations. Compliance with these laws, rules and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations or competitive position as compared to prior periods. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, acquisitions, data protection and data privacy, employment and labor, and taxes could have a material impact on our business in subsequent periods. See Item 1A, "Risk Factors," for further discussion of risks related to the potential impact of government regulation on our business.

Employees and Human Capital

We had approximately 6,080 employees worldwide as of July 31, 2021. None of our employees in the United States are 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 and/or industry-wide collective bargaining agreements. 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.

We understand the importance of human capital and prioritize building our culture, talent development, compensation and benefits, and diversity and inclusion. Our human capital resources objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and new employees, advisors and consultants. The principal purposes of our equity and cash incentive plans are to attract, retain and reward personnel through the granting of stock-based and cash-based compensation awards, in order to increase stockholder value and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

Diversity, Equity, and Inclusion

At Nutanix, we value that our differences make us stronger: our diverse backgrounds, experiences and perspectives when shared, make us a more innovative and resilient team, and we can better delight and serve our customers when our teams reflect the diversity of businesses and communities we serve. Attracting, fostering, and retaining a diverse, inclusive culture is essential to the continued success of our business.

Promoting diversity, equity, and inclusion in our workforce is one of our key corporate objectives, and to further support this objective we have implemented a number of initiatives, including by expanding our employee resource groups, enhancing our company-wide and unconscious bias and diversity training and overall education efforts, as well as mentorship programs, and forming Diversity, Equity, and Inclusion Councils both at the executive level – led by our CEO, Rajiv Ramaswami – and the broader employee level.

Total Rewards

We believe a robust, equitable, and competitive Total Rewards portfolio is essential to attracting and retaining diverse talent that moves Nutanix forward. We design reward and recognition programs that resonate wherever our talent sits in the world. Our reward packages are carefully crafted to offer physical, mental/emotional, and financial support to our employees and their families. We regularly review our programs and encourage employee feedback about what they value most. In addition to specifically tailored packages for each country based on local market practice and the competitive landscape, we also provide a range of globally available support programs such as an Employee Assistance Program, online health engagement and child development support.

Health, Wellness, and Safety

Our priority is the health and safety of our employees. Throughout the COVID-19 pandemic, we have continued to implement a number of precautionary measures to ensure the continued safety of our employees. This has included the implementation of a remote work policy. We also continue to support the well-being and continued development of our now primarily remote workforce by instituting during the pandemic quarterly well-being days, during which all employees can collectively take a mental and physical break, and launching programs like quarterly well-being workshops, no-meeting Fridays, flexible work schedules, mindfulness sessions, and internal social media well-being challenges.

Growth and Development

One of our culture principles is to Believe in Striving -- to constantly learn, continuously improve, and eternally evolve -- and to that end we invest significant resources to actively foster a learning culture throughout the company and to empower our employees to drive their personal and professional growth by equipping them with various learning programs, as well as extensive onboarding and training programs. Our learning programs are available for our employees at all levels of career progression and include digital learning programs, speed coaching sessions, customized learning workshops, management enablement and skills training for current, new and future managers, language learning programs, and employee wellness programs. We believe that by empowering our employees as they strive to grow personally and professionally, we will be able to build a flexible and resilient workforce and maintain and nurture a robust pipeline of talent to fuel our future growth and strategy.

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 neither a part of this Annual Report on Form 10-K nor incorporated by reference herein, and any references to our website and the inclusion of our website address in this Annual Report on Form 10-K are intended to be inactive textual references only.

Available Information

Our website is located at www.nutanix.com and our investors relations website is located at ir.nutanix.com. We file reports with the Securities and Exchange Commission ("SEC"), which maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. This Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made 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 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 well as social media as channels 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. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post on social media channels listed 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 business conduct and ethics, is also available on our investor relations website under the heading "Governance." Information contained on or accessible through our websites are neither a part of nor incorporated by reference into this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC, and any references to our websites and the inclusion of our website addresses in this Annual Report on Form 10-K 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 securities. 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 securities could decline, and you could lose part or all of your investment. In addition, the impact of the COVID-19 pandemic and any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us. The situation is changing rapidly, and additional impacts may arise that we are not currently aware of.

Summary Risk Factors

Our business and an investment in our securities are subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to:

Risks Related to Our Business and Industry

- the COVID-19 pandemic, including its impact on our business, operations and financial performance, and stock price;
- our ability to achieve our business plans, vision, and objectives, including our growth and go-to-market strategies, successfully and in a timely manner;
- our ability to predict future financial performance from our historical financial performance;
- any current and future business model transitions (including our ongoing subscription-based business model transition);
- the competitive market, including our competitive position and advantages and ability to compete effectively;
- our ability to address customer needs and expand or maintain our customer base;
- our platform, solutions, products, services and technology, including their interoperability and availability with and on third-party platforms and technologies, and current and future product roadmaps;
- our reliance on key personnel and ability to attract, train, incentivize, retain, and/or ramp to full productivity, qualified employees and key personnel;
- macroeconomic or geopolitical conditions, industry trends, and technological developments;
- our ability to form new or maintain and strengthen existing, strategic alliances and partnerships, as well as the impact of any changes thereto;
- our reliance on key manufacturers, suppliers or other vendors;
- our ability to obtain, maintain, protect, and enforce our intellectual property rights;
- any changes to, or failure to comply with, laws and regulations, as well as the impact of and any regulatory investigations and enforcement actions and other legal proceedings, including any pending or future class action lawsuits;
- complex and evolving U.S. and foreign privacy, data use and data protection, content, competition, consumer protection, and other laws and regulations; and

- the occurrence of security breaches, improper access to or disclosure of our data or user data, and other cyber incidents or undesirable activity on our platform.

Risks Related to Our Long-Term Debt

- inability to raise necessary funds to settle conversions of, or repurchase upon a fundamental change, our outstanding convertible notes; and
- impact of certain provisions of our outstanding convertible notes on our financial condition and operating results, as well as the value of the notes and the price of our securities.

Risks Related to Ownership of Our Securities

- volatility and decline in the market price and/or trading volume of our securities, including as a result of financial or industry analyst reports or a lack thereof;
- dilutive impact of actual or perceived sales of substantial amounts of our securities in the public markets and/or the conversion of our outstanding convertible notes;
- limitations on the ability of holders of our securities to influence corporate matters due to the dual class structure of our common stock, the concentration of voting power in certain limited number of our stockholders, and certain provisions of our organizational documents or under Delaware law; and
- our plans regarding payment of any future dividends.

Risks Related to Our Business and Industry

The effects of the COVID-19 pandemic and the actions taken in response, including our own, have materially affected, and will continue to materially affect, how we and our customers and partners are operating our businesses, and the extent to which the effects of the pandemic and such actions will impact our business, financial performance, results of operations and stock price remain highly uncertain and difficult to predict.

The ongoing and rapidly evolving COVID-19 pandemic has caused, and continues to cause, significant disruptions, volatility and uncertainty to the global economy and is putting unprecedented strains on governments, health care systems, educational institutions, businesses and individuals around the world, including in nearly all of the regions in which we operate. In response to the pandemic, authorities, businesses, and individuals have implemented, and are continuing to implement, numerous unprecedented measures, including travel bans and restrictions, quarantines, shelter-in-place, stay-at-home, remote work and social distancing orders, and shutdowns. Such measures have impacted and will continue to impact our workforce and operations, as well as those of our customers, vendors, suppliers, and partners, and may result in a prolonged recession or depression that could further materially and adversely affect the global economy and our business even beyond the duration of the pandemic. Furthermore, different jurisdictions are in varying stages of restrictions and have achieved varying degrees of success at controlling the spread of the pandemic, with many jurisdictions seeing a resurgence in COVID-19 cases and subsequently having to halt or reverse their reopening plans. As such, we cannot predict, with any degree of certainty, the ultimate duration and severity of the adverse effects of the COVID-19 pandemic and the measures taken in response to the pandemic on the global economy and our business, or the likelihood or frequency of future resurgence of the COVID-19 pandemic or other similar major public health concerns.

In response to the COVID-19 pandemic, we have taken steps to protect and assist our employees, customers, vendors, suppliers, and partners, including by: temporarily closing all of our offices around the world (including our California headquarters); encouraging our employees to work remotely; implementing travel restrictions that prohibit all non-essential business travel; and postponing, cancelling, withdrawing from, or converting to virtual-only experiences (where possible and appropriate) our in-person customer, industry, analyst, investor, and employee events, including our 2021 .NEXT customer and partner events, our 2021 Investor Day, and our fiscal 2022 sales kick off.

The COVID-19 pandemic and the measures taken in response to the pandemic, including our own measures, have already caused, and may continue to cause, various adverse effects on the global economy and our business. Those effects include, but are not limited to:

- Decisions by our customers and potential customers, particularly in industries most impacted by the COVID-19 pandemic, to reduce IT spending or delay or abandon their planned or future purchases, which may reduce the demand for our solutions and/or result in extended sales cycles;
- Decisions by our customers to purchase our software solutions on shorter subscription terms than they have historically, and/or request to only pay for the initial year of a multi-year subscription term upfront, which could negatively impact our financial performance, and our cash flow in particular, when compared to historical periods;
- Our customers and partners experiencing liquidity issues or entering bankruptcy or similar proceedings, which would impact our ability to collect payments in a timely manner, if at all;
- Shifts in industry trends, for example, towards large public cloud providers, which may reduce the demand for our solutions;

- An inability to meet in person or otherwise effectively communicate with our current or potential customers, vendors, suppliers, and partners, which may negatively affect our current and future relationships with such customers, vendors, suppliers, and partners and our ability to generate demand for our solutions;
- Additional delays, cancellations, or changes to user and industry conferences and other marketing events relating to our solutions, including our own customer and partner events, which may negatively impact our ability to obtain new and retain existing customers, and effectively market our solutions;
- Delays or disruptions in our or our partners' supply chains and data center operations, including delays, difficulties or disruptions in procuring and shipping, or an inability to procure or ship, the hardware appliances (or any components thereof) on which our software solutions run, including our Nutanix-branded NX hardware line, which may negatively affect our ability to close transactions with our customers and partners and/or to recognize the revenue from those transactions;
- An inability to provide 24x7 worldwide support and/or replacement parts to our end customers in a timely manner or at all;
- Delays or disruptions to our product roadmap, and our ability to deliver new products, features, or enhancements in a timely manner or at all;
- Potential for increased cyber attacks and security challenges as our employees and those of our partners, customers and service providers work remotely from non-corporate managed networks during the ongoing COVID-19 pandemic and potentially beyond;
- Adoption of new laws or regulations, or changes to existing laws or regulations, including any restrictions or health and safety requirements that may be imposed if and when we start re-opening our global offices and any new or additional restrictions against immigration and travel (such as cancellations or restrictions on the availability of visas, delays in the issuance of visas or suspensions of entry), which may create additional regulatory uncertainty and cause us to incur additional expenses in order to comply with, or due to delays or changes caused or mandated by, such laws or regulations and/or materially impair our ability to hire and retain skilled professionals;
- Increased rate of attrition among our employee base, and inability to attract, recruit, retain and, where applicable, ramp to full productivity, qualified employees and key personnel;
- Difficulties or delays in ramping, training, and retaining new sales teams in an effective manner due in part to the inability to provide in-person trainings;
- Negative physical and mental health impacts on, and resulting unavailability or reduced productivity of, our employees as a result of such employees or their family members contracting the virus, being placed in quarantine or self-isolation, being in jurisdictions where travel or other activities remain restricted, or due to prolonged social distancing measures;
- A significant and/or prolonged decline in, or increase in volatility relating to, the global financial and other capital markets, including significant and prolonged volatilities in stock prices, interest rates and exchange rates, and/or or a potential global recession or depression, which would adversely affect, potentially materially, our business and stock price, as well as our ability to access capital markets on terms favorable or acceptable to us, if at all;
- Changes in our internal controls, policies and procedures due to remote work arrangements, which may result in significant deficiencies or material weaknesses in our internal controls in the preparation of our financial reports, and the resulting increased costs of controls and compliance oversight activities;

- An inability to execute our business continuity plans and/or maintain our critical business processes; and
- Increased quarterly fluctuations in, and an inability to forecast or difficulties or delays in forecasting, our financial performance or results of operations, as well as related impacts to any financial guidance we may issue from time to time, including any modification or withdrawal thereof.

The duration, scope and ultimate impact of the COVID-19 pandemic and the actions taken in response on the global economy and our business remain highly fluid, cannot be predicted with any degree of certainty, and will be highly dependent upon numerous factors, many of which are beyond our control, including the actions of governments, businesses and other enterprises in response to the pandemic and the extent and effectiveness of those actions. While governments and central banks in several parts of the world have enacted fiscal and monetary stimulus measures to counteract the negative macroeconomic impacts of COVID-19 pandemic, the effectiveness and adequacy of such stimulus measures, as well as their future availability, remain uncertain. The discontinuation or reduction in scope of such stimulus measures may cause a further decline in the global macroeconomic conditions and financial hardships for our customers and partners, thereby exacerbating the adverse effects of the pandemic on our business, including those described above. If we are not able to effectively respond to and manage the impact of the COVID-19 pandemic, our business, operations and financial performance, and the price of our securities will be negatively affected, potentially materially.

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 $621.2 million, $872.9 million and $1.0 billion for fiscal 2019, 2020 and 2021, respectively. As of July 31, 2021, we had an accumulated deficit of $3.6 billion. 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.

Our transition to a subscription-based business model has resulted in, and may continue to result in, a compression to our topline results, and if we fail to successfully manage the transition, our business, operating results and free cash flow may be adversely affected.

We are currently transitioning to a subscription-based business model and may undergo additional business model changes in the future in order to adapt to changing market demands. Our transition to a subscription-based business model entails significant known and unknown risks and uncertainties, and we cannot assure you that we will be able to complete the transition to a subscription-based business model, or manage the transition successfully and in a timely manner. If we do not complete the transition, or if we fail to manage the transition successfully and in a timely manner, our revenues, business and operating results may be adversely affected. Moreover, we may not realize all of the anticipated benefits of the subscription transition, even if we successfully complete the transition. The transition to a subscription-based business model also means that our historical results, especially those achieved before we began the transition, may not be indicative of our future results.

Regardless of how we manage the transition, our total billings and revenue have been and will continue to be adversely impacted by the transition, particularly when compared to historical periods, due primarily to two factors. First, subscription-based sales, including sales of term-based licenses where revenue is currently recognized upfront, may in some instances have a lower total dollar value than sales of licenses for the life of the device because they may be of a shorter term than the actual or assumed life of the device. If we are unable to increase the volume of our subscription-based sales in any given period to make up for the lower total dollar value of certain subscription-based sales, our total billings and revenue for such period will be negatively impacted. Second, and of lesser significance, the revenue associated with certain SaaS subscription purchases will be recognized ratably over the term of the subscription, resulting in less upfront revenue as compared to our term-based licenses and historical life-of-device licenses. These factors may also make it difficult to increase our revenue in a given period through additional sales in the same period.

In addition, due to the generally shorter terms of subscription-based licenses as compared to our historical life-of-device licenses, maintaining our historically high customer renewal rates and minimizing customer churn will become increasingly important. Our subscription customers have no obligation to renew their subscriptions for our solutions after the expiration of the subscription term, and may decide not to renew their subscriptions, or to renew only for a portion of our solutions or on pricing terms that are less favorable to us. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our solutions, their ability to continue their operations and spending levels, the pricing of our solutions and the availability of competing solutions at the time of renewal or hardware refresh. We anticipate that our subscription-based model will require us to dedicate additional resources toward educating our existing and potential customers as to the benefits of the subscription model and our solutions generally, and to re-train our seasoned sales employees, who have historically focused on appliance sales and selling software licenses for the life of the device, on selling subscription-based licenses in order to maintain and increase their productivity. As a result, our sales and marketing costs may increase.

In addition, we have adjusted, and may in the future need to further adjust, our go-to-market cost structure, particularly as it relates to how we structure, effect, and compensate our sales teams, including for renewal transactions, to become more efficient as we transition to the subscription-based business model. In particular, to align with the new subscription-based business model, starting in fiscal 2021, we adjusted our sales compensation structure, which was previously based primarily on total contract value, to one that is based primarily on annual contract value ("ACV"), which has caused our average contract term lengths to decline and could negatively impact our operating and free cash flows, potentially significantly. Those adjustments may negatively affect the productivity of our sales teams, cause our sales teams to prioritize shorter-term transactions, cause a change in the mix of solutions sold and the mix of revenue among solutions sold, and cause our renewal rates to fluctuate or decline, and there is no assurance that we will be able to successfully implement the adjustments in a timely or cost-effective manner, or that we will be able to realize all or any of the expected benefits from such adjustments. If our customers do not renew their subscriptions for our solutions, demand pricing or other concessions prior to renewal, or if our renewal rates fluctuate or decline, our total billings and revenue will fluctuate or decline, and our business and financial results will be negatively affected. Furthermore, our future financial profitability will depend significantly on renewals driving topline growth at a much lower cost than new customer contracts, and renewal rates failing to meet our expectations could also harm our operating results and delay our profitability.

Additional risks associated with our transition to a subscription-based business model include, but are not limited to:

- if current or prospective end customers prefer our historical life-of-device licenses, adoption of our subscription-based model may not meet our expectations, or may take longer to achieve than anticipated;

- our transition could cause confusion or concerns among current or prospective end customers and partners, including concerns regarding changes to our pricing and packaging models;
- we may be unsuccessful in implementing or maintaining subscription-based pricing models, or we may select a pricing model that is not optimal and could negatively affect adoption, renewal rates and our business results;
- our end customers may shift purchases to our lower priced subscription offerings, which could negatively affect our overall financial results;
- when purchasing multi-year term-based subscription licenses, or as a result of our recently announced sales compensation model change to one that is based primarily on ACV, we may see an increase in the number of customers who choose to pay for only the first year of the applicable term upfront, instead of the full term as we have seen historically, which would negatively impact our operating and free cash flows, potentially significantly, and as a result we may need to raise additional capital which we may not be able to do on terms favorable or acceptable to us, or at all;
- our relationships with existing channel and OEM partners that are accustomed to selling life-of-device licenses may be damaged, and we may be required to dedicate additional time and resources to educate our channel partners about our transition;
- we may see increased discounting behavior from our sales employees and, if we are unable to monitor, prevent and manage such discounting behavior successfully and in a timely manner, our business and financial results will be negatively affected;
- if we are unsuccessful in adjusting our go-to-market cost structure, or in doing so in a timely or cost-effective manner, we may incur higher than expected sales compensation costs, particularly if the pace of our subscription transition is faster than anticipated;
- we may face additional and/or different financial reporting obligations, which could increase the costs associated with our financial reporting and investor relations activities;
- similarly to our decision to start reporting ACV billings, run-rate ACV and annual recurring revenue, we may choose to supplement our financial reporting with new or different metrics, which could increase the costs associated with our financial reporting and may be difficult for investors to understand; and
- investors, industry and financial analysts may have difficulty understanding the shift in our business model, resulting in changes in analysts' financial estimates or failure to meet investor expectations.

Finally, our transition to a subscription-based business model as an IT infrastructure and platform company has few, if any, precedents, and there are many risks or uncertainties that may remain unknown to us until we have gathered more information as part of the transition. If we fail to anticipate these unknowns, whether due to a lack of information, precedent, or otherwise, or if we fail to properly manage expected risks and/or execute on our transition to a subscription-based business model, our business and operating results, and our ability to accurately forecast our future operating results, may be adversely affected.

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 continue to develop new solutions designed to address new market demands, sales of our solutions will in part depend on capturing new spending in these markets, including public cloud and 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 or other solutions that do not interoperate with our 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.

In addition, we have estimated the size of our total addressable market based on internally generated data and assumptions, as well as data published by third parties, which we have not independently verified. While we believe these estimates are reasonable, such information is inherently imprecise and subject to a high degree of uncertainty. If our third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, our actual market may be more limited than our estimates. In addition, these inaccuracies or errors may cause us to misallocate capital and other critical business resources, which could harm our business. Even if our total addressable market meets our size estimates and experiences growth, we may not continue to grow our share of the 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 their IT administrators. As a result, our sales and marketing efforts often involve extensive efforts to educate our end customers as to the benefits and capabilities of our solutions, particularly as we introduce new products and 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.

Our historical financial performance, including revenue growth, may not be indicative of our future performance.

Our historical financial performance, including revenue growth, may not be indicative of our future performance. For example, while we have historically experienced significant revenue growth, our total revenue growth slowed in recent periods, due in large part to our transitions from hardware to software-only sales, and from life-of-device to a subscription license model, and these transitions make it difficult to compare historical results.

In addition, as a result of our transition toward a subscription-based model, our revenue may continue to be impacted in the short term. The revenue associated with certain subscription purchases will be recognized ratably over the term of the subscription, resulting in less upfront revenue as compared to our historical life-of-device and term-based 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. Furthermore, such downward impact on average term lengths may be further exacerbated by our transition to an ACV-based sales compensation structure during fiscal 2021. This may also make it difficult to rapidly increase our revenue in any period through additional sales.

Following our transition to software-only sales and due to the ongoing transition toward a subscription-based model, our success will also depend heavily on the ability of our sales team to adjust their strategy to focus on software-only and subscription-based sales effectively and in a timely manner. 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 transitions 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 prior 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 prior 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 long term as we scale our business, including in developing and improving our new and existing solutions, expanding our sales and marketing capabilities and global coverage, and in providing general and administrative resources to support our growth. However, as discussed in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Investment in Growth," we have proactively taken steps to reduce our expenses and increase our go-to-market productivity, as a result, our operating expenses may fluctuate from quarter to quarter in the near-term. In addition, as we continue to grow our business in the long-term, we must effectively train, integrate, develop, motivate and retain 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. The failure to manage these changes could significantly delay the achievement of our strategic objectives. In particular, our success depends heavily on our ability to ramp new sales teams in a fast and effective manner and retain those sales teams. We have also recently seen higher than normal attrition among our sales representatives and while we are actively recruiting additional sales representatives, it will take time to replace, train, and ramp them to full productivity, and if we are unable to do so, we may not be able to achieve our growth targets. 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, and we may not be able to sustain or manage any future growth effectively. We may incur costs associated with future growth prior to or without realizing the anticipated benefits, and the return on these investments may be lower, if any, or may develop more slowly than we expect. For example, as part of our response to the COVID-19 pandemic, we have shifted many of our demand generation activities to digital initiatives. If the returns on these initiatives are not as high as expected or take longer to realize than expected, the failure to generate the results we expect may negatively impact our revenue growth and profitability.

If we are unable to sustain or 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 marketing efforts, our transition to a subscription-based business model, 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, the price of our securities may decline, potentially significantly.

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 VMware, that offer a broad range of virtualization, infrastructure and management products to build and operate enterprise and hybrid clouds;
- traditional IT systems vendors, such as Cisco, Dell, HPE, 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, which typically sell centralized storage products; and
- providers of public cloud infrastructure and SaaS-based offerings, such as Amazon, Google Inc. and Microsoft.

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. Some of our competitors may also 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. 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 cooperate with us as an original equipment manufacturer ("OEM" and, collectively, "OEMs") 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. Moreover, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. Furthermore, some of our competitors have access to larger customer bases and 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. We are also venturing into a number of markets that are adjacent to our core HCI market, both through the expansion of HCI in hybrid multicloud as well as through our emerging products, and some of our competitors in these adjacent markets have more experience with those markets and more resources targeted at penetration those markets than we do. 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.

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, networking, disaster recovery, edge computing, 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. 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-premises infrastructure deployments that our platform currently primarily supports. Various factors could cause the rate of adoption of public cloud infrastructure to increase, including the ongoing COVID-19 pandemic, continued or accelerated decreases in the price of public cloud offerings, increased interoperability with on-premises infrastructure solutions that compete with our solutions, 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 plan to sell more cloud services, which would be sold on a ratable subscription-basis, our results of operations could be adversely affected.

We have sold and anticipate selling more of our products and services as cloud-based offerings - which include offerings hosted on public cloud infrastructure as well as part of our own Nutanix Cloud Platform - on a ratable subscription basis. While cloud-based offerings currently make up a small portion of our business, this shift has required and will continue to require a considerable investment of resources and will continue to divert resources and increase costs, especially in cost of license and other revenues, in any given period. We have also made, and intend to continue to make, investments in the supporting infrastructure for such cloud-based offerings that we host, 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-based 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 solutions.

We believe our plan has certain advantages; however, it also presents a number of risks to us including, but not limited to, the following:

- arrangements entered into on a ratable subscription basis may delay when we can recognize revenue, even when compared to similar term-based subscription sales, which we currently recognize upfront, and can require up-front costs, which may be significant;
- since revenue is recognized ratably over the term of the customer agreement, any decrease in customer purchases of our ratable 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 increase our revenue through additional ratable subscription sales in any given period;
- cloud-based ratable subscription arrangements are generally 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 cloud-based subscription products; and
- there is no assurance that the cloud-based solutions we offer on a ratable subscription basis, including new products that we may introduce, will receive broad marketplace acceptance.

If we fail to properly execute on our plan to sell more of our products and services as cloud-based offerings on a ratable subscription basis, our business and operating results would be adversely affected, and the price of our securities could decline.

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 brand, reputation and 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, interoperability, 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. In particular, if we fail to timely release new products, technology or services that we previously announced, our brand and reputation could be harmed. In addition, we have recently announced plans to shift from offerings based on individual products to offerings based on solutions. 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. Given these variables, it can be difficult for us to estimate when an expected sale from a large organization, service provider or government entity may occur, and our ability to accurately forecast our future operating results may be adversely affected. 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 subscriptions and 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 subscription and support and entitlement agreements. If our end customers do not purchase additional software licenses or appliances or software upgrades, or renew or upgrade their subscription and 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 their subscription agreements as well as their support and entitlement agreements, or purchasing additional solutions. End customers may choose not to renew their subscription agreements or support and entitlement agreements, or purchase additional solutions, 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 subscription agreements or 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, hire, integrate, train, retain, and motivate 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. If we lose the services of any member of management or any key personnel, we may not be able to locate a suitable or qualified replacement, and we may incur additional expenses to recruit and train a replacement, which could severely disrupt our business and growth. For example, in December 2020, we appointed Rajiv Ramaswami as our President and Chief Executive Officer. The loss of the services of Mr. Ramaswami could disrupt our business and negatively impact our operating results, prospects and future growth and cause a significant decline in the price of our securities. In addition, we do not have life insurance policies that cover any of our executive officers or other key employees. The loss of the services of any of our executive officers or key employees, and any failure to have in place and execute an effective succession plan for key executives, could disrupt our business and have a significant negative impact our operating results, prospects and future growth.

In addition, our future success also depends substantially on our ability to continue to attract, hire, integrate, train, retain, and adequately incentivize qualified and highly skilled personnel, in particular, in engineering and sales. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Moreover, ineffective management of any leadership transitions, especially within our sales organization, or the inability of our recently hired sales personnel to effectively ramp to target productivity levels could negatively impact our growth and operating margins. Competition for highly skilled personnel, particularly in engineering, is frequently intense, especially in the San Francisco Bay Area, where we are headquartered and have a substantial need for such personnel. Furthermore, the industry in which we operate generally experiences high employee attrition, and we expect such trends to worsen as the COVID-19 pandemic continues. Although we have entered into employment offer letters with our key personnel, these agreements have no specific duration and constitute at-will employment. Volatility or lack of performance in the price of our securities 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. Additionally, potential changes in U.S. immigration and work authorization laws and regulations, including in reaction to COVID-19, may make it difficult to renew or obtain visas for any highly skilled personnel that we have hired or are actively recruiting. 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, train, motivate and retain 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 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 our average 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, particularly individuals who are focused on sales of our solutions to new and existing large enterprises, service providers and government entities, in the markets where we do business or plan to do business. Hiring sales personnel in new countries also 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. Moreover, as we complete our transition to focus on software-only transactions and continue our transition to a subscription-based business model, 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. We have adjusted and also anticipate needing to further adjust our go-to-market cost structure, particularly as it relates to how we compensate our sales teams for life-of-device and renewal transactions.

If our new sales employees, particularly those focused on sales of our solutions to new and existing large enterprises, service providers and government entities, do not become fully productive on the timelines that we have projected, or if we are unable to successfully re-train our more seasoned sales employees as we focus on software-only and subscription-based sales or adjust our go-to-market cost structure, 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, convincing existing customers to renew their subscription-based purchases, or increasing sales to our existing customer base generally, our business, operating results and prospects will be adversely affected.

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

As indicated above, our growth is dependent in large part on the success of our sales force and in particular our ability to structure our sales force and sales compensation structure in a way that aligns with our growth strategy. As part of our efforts to appropriately structure and compensate our sales force such that their incentives are properly aligned with our growth strategy, we have made changes to our sales processes, sales segmentation, and leadership structures for our global sales teams and may need to make additional changes in the future. Such changes may take longer than anticipated to successfully implement, and we may not be able to realize the full benefits thereof, which may have a material adverse impact on our sales productivity as well as our business and operational results generally. In particular, as indicated above, our growth continues to be substantially dependent on our ability to increase our sales to large enterprises, particularly when those sales result in large orders for our solutions. Competition for sales employees who have the knowledge and experience necessary to effectively penetrate major enterprise accounts is fierce, and we may not be successful in hiring such employees, or hiring them on the timelines we anticipate, which will negatively impact our ability to target and penetrate major enterprise accounts. In addition, 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. In addition, as our organization continues to focus on major accounts and large deals, the productivity of our traditional sales teams may be impacted.

Additionally, as we continue with our transition to a subscription-based business model, we have adjusted and may need to further adjust the compensation structure of our sales force, particularly as it relates to how we compensate our sales teams for life-of-device and renewal transactions. In particular, to align with the new subscription-based business model, starting in fiscal 2021 we have adjusted our sales compensation structure, which was previously based on total contract value, to one that is based primarily on ACV, which has caused our average contract term lengths to decline and could negatively impact our operating and free cash flows, potentially significantly. These business model transitions and compensation structure changes may lead to fluctuations in sales productivity that will 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 new sales structures 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 OEMs, value added resellers and system integrators. Our OEMs may 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 and brand 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 Arrow Electronics, Inc. and Tech Data Corporation to our end customers represented 32% and 15%, respectively, of our total revenue for fiscal 2021. 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 requires 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 or cause a decline in renewal rates with 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 securities would likely decline. Factors that are difficult to predict and that could cause our operating results to fluctuate include, but are not limited to:

- 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 shifts in our relationships with important channel partners and OEMs;
- the timing of revenue recognition for our sales, the impact of which is heightened by our focus on software-only sales and ongoing transition 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 lengths of our contract terms;
- the mix of solutions sold, including the mix between appliance and software-only sales and the mix between subscription-based and non-subscription-based transactions, 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 a subscription-based model;

- our ability to develop, introduce and ship in a timely manner new solutions and product enhancements that meet customer requirements, and market acceptance of such new solutions and product enhancements;

- 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 or partnerships among our competitors or partners, 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 other events that may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns, and other similar events; and

- future accounting pronouncements and changes in accounting policies.

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 securities 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 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 and the timing and amount of recognized and deferred revenue, particularly as a result of our continued transition to a subscription-based business model. 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 and consumption models 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 continue to focus our sales efforts more heavily on major accounts and large deals, and as we educate our customers about our ongoing transition to a subscription-based business model. 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 manufacturers of hardware, including our OEM partners, to timely and cost-effectively produce and ship the hardware on which our software runs, we are susceptible to delays, supply chain restrictions and pricing fluctuations, which could cause our business to be adversely affected.

We rely on manufacturers, including our OEM partners, to produce the hardware appliances on which our software runs, including both our Nutanix-branded NX series appliances and the various third-party appliances that are included on our hardware compatibility list, which exposes us to direct and indirect risks beyond our control, including reduced control over quality assurance, product costs, product supply and timing, supply chain disruptions and delays, and potential reputational harm and brand damage. We may not be able to discover, manage, and/or remediate such risks successfully and in a timely manner. For example, key components of the servers on which our software runs have been affected by the ongoing chip shortage, and customers may delay their purchase of our software if they expect that the delivery of the servers on which they intend to operate the software will be delayed for many months. Furthermore, our orders for NX series appliances represent a relatively small percentage of the overall orders received by such hardware 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 manufacturers effectively, or if any of them experience delays, disruptions or increased manufacturing lead times, component lead-time disruptions, capacity constraints or quality control problems in their operations or are unable to meet our or our end customers’ requirements for timely delivery, our ability to sell our solutions to our end customers could be severely impaired due to the lack of availability of certified hardware appliances, and our customers' ability, or willingness, to consume our software will be materially delayed, which will adversely affect our business and operating results, competitive position, brand and reputation, as well as our relationships with affected customers.

In particular, we rely substantially on Supermicro to manufacture, as well as assemble and test, the Nutanix-branded NX series appliances, including those that are delivered by us. Our agreement with Supermicro was renewed in May 2021 for one year and will automatically renew for successive one-year periods following the expiration of such renewal term, with the option to terminate upon each annual renewal, and does not contain any minimum long-term commitment to manufacture NX-branded appliances. If we are required to change the manufacturer or contract manufacturers for the assembly and testing of our NX-branded appliances, 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 for the assembly and testing of our NX-branded appliances in order to better meet our needs. Switching to or bringing on a new OEM partner or contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing OEM partners and contract manufacturers or cause other disruptions.

Our agreement with Supermicro does not contain any price assurances, and increases in component costs, without a corresponding increase in the price of our NX series solutions, could reduce the amount that an end customer pays for our software, thereby adversely affecting our billings and revenue. 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 Supermicro or other manufacturers to produce adequate supplies of hardware appliances could cause a delay in customers’ ability to consume our software and our order fulfillment, and our business, operating results and prospects would be adversely affected. As of July 31, 2021, we had approximately $48.0 million in the form of guarantees to our OEM partners related to certain components.

There are a limited number of suppliers, and in some cases single-source suppliers, for several key components in our NX-branded appliances as well as other hardware appliances that our software is certified to operate on, and any delay or disruption in the availability or quality of these components could delay shipments of the NX-branded appliances and damage our channel partner or end customer relationships, or cause our customers to delay purchasing our software.

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 Supermicro 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 NX-branded appliances and other appliances on our hardware compatibility list, including hardware appliances from our OEM partners, 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 existing suppliers on the qualified hardware configuration, 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 is currently experiencing a global chip shortage, 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 compatible 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 customers' ability to acquire hardware on which to run our software could be impaired, and our competitive position, brand, reputation, and operating results could be adversely affected. 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 certain of our OEM partners that could require us to purchase certain minimum levels of inventory or meet certain performance commitments, which could result in us incurring losses that may negatively impact our business and operating results.

From time to time, in the normal course of business, we enter into arrangements with certain of our OEM partners whereby we make commitments to ensure them a minimum level of financial consideration for their investment in our joint solutions. These commitments are based on performance targets or on-hand inventory and non-cancelable purchase orders for non-standard components. For arrangements related to inventory, we commit to the purchase of certain quantities of components from our OEMs. If we are unable to use the inventory within a specified period, we may be required to purchase it, or to pay the OEM partner the difference between the price at which the OEM partner purchased the inventory and the price at which the OEM partner 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 an OEM partner, we may suffer losses with respect to such inventory, and our business and operating results could be adversely affected. For arrangements related to performance targets, we commit to our OEM partner that we will help them reach certain performance targets. If we fail to meet such targets, we are obligated to reimburse our OEM partner for their investment in our joint solution.

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. In addition, as we continue to expand our product portfolio to include additional solutions our ability to provide high-quality support will become more difficult and will involve more complexity. 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 and brand, 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, unauthorized access to, loss, or corruption that might, in turn, result in liability to our end customers and harm to our reputation, brand 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, including personal or identifying information regarding their employees, customers, and suppliers, as well as their finance and payroll data, and other sensitive business information. In addition, as we expand our platform and introduce new cloud-based products that may hold more of our customer's data, any undetected or unresolved errors, defects or security vulnerabilities may 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 OEMs 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 but not limited to:

- 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 terms favorable or acceptable to us 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, such as 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, and it may be difficult for us to accurately forecast the impact of these contracts on our future operating results. 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, but are not limited to:

- 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 and cloud computing infrastructure industry, hold a large number of patents covering aspects of storage, servers, networking, desktop, security 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 infringed or are infringing their intellectual property rights, particularly as we expand our presence in the market and face increasing competition. 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 solutions 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 solutions 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 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 terms favorable or acceptable to us 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.

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 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 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 securities.

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 securities. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Select 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, reputation, 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, Brazil, the European Union ("EU"), 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. For example, California has enacted the California Consumer Privacy Act ("CCPA"), which went into effect on January 1, 2020 and, among other things, requires covered companies to provide new disclosures to California consumers and afford such consumers new abilities to opt-out of certain sales of personal information. In addition, in November 2020, California voters passed the California Privacy Rights Act ("CPRA"), which significantly amends the CCPA and generally expands consumers' privacy rights and protections with respect to their personal information. We cannot yet predict the full impact of the CCPA or the CPRA on our business or operations, but it has and may continue to require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. Additionally, the General Data Protection Regulation ("GDPR"), which became effective in May 2018, superseded prior EU data protection legislation, imposes more stringent EU data protection requirements, provides an enforcement authority which substantially increases compliance costs, and imposes large penalties for noncompliance. Certain other jurisdictions, including Brazil, have adopted or are considering legislation with obligations that are similar to the GDPR.

Moreover, as a result of current and proposed data protection and privacy laws aimed at using personal data for marketing purposes, including the ePrivacy Regulation to replace the ePrivacy Directive in the European Union, 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 some regions. There also remains significant uncertainty surrounding the regulatory framework for the future of personal data transfers from the EU or the European Economic Area ("EEA"), as applicable, to the United States. For example, in July 2020, the Court of Justice of the European Union ("CJEU") invalidated the EU-U.S. Privacy Shield framework ("Privacy Shield"), one of the mechanisms we use to legitimize the transfer of personal data from the EEA to the U.S. The CJEU decision also drew into question the long-term viability of an alternative means of data transfer upon which we rely, the standard contractual clauses, for transfers of personal data from the EU or the EEA to the U.S. This CJEU decision may lead to increased scrutiny on data transfers from the EU or the EEA to the U.S. generally and increase our liability and costs of compliance with data privacy legislation. Furthermore, we may experience a reluctance from current or prospective European customers to use our products and may find it necessary to make changes to our handling of personal data of our EEA customers.

Additionally, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU, known as Brexit. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, while the Data Protection Act of 2018, which implements and complements the GDPR achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the EEA to the United Kingdom will remain lawful under the GDPR. Now that the United Kingdom is a "third country" under the GDPR, we cannot fully predict how the Data Protection Act and other United Kingdom data protection laws or regulations may develop in the medium to longer term, affecting how data transfers to and from the United Kingdom will be regulated. We continue to monitor and review the impact of any resulting changes to EU or United Kingdom law that could affect our operations. We may incur liabilities, expenses, costs, and other operational losses under the GDPR and privacy laws of applicable EU member states and the United Kingdom in connection with any measures we take to comply with them.

As we begin to offer more cloud-based services, we will increasingly be positioned as a data processor, which imposes additional obligations under the foregoing and other laws and regulations relating to privacy and data protection, and may increase our liability exposure by operation of law, contract, or penalties for noncompliance. Additionally, we expect that existing laws, regulations and standards may be interpreted in new manners in the future. Current or future laws, regulations, standards and other obligations, 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, brand 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 and brand, 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, brand, 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 recently 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 45%, 46% and 46% of our total revenue from our international customers based on bill-to-location for fiscal 2019, 2020 and 2021, 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, 2021, approximately 54% 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, but not limited to:

- 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, including the results and impact of the United Kingdom's separation from the European Union, commonly known as "Brexit";
- 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;
- the potential impact of tariffs or other trade restrictions imposed by, or threatened to be imposed by, the U.S. government, such as the tariffs imposed on 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 and regulatory compliance costs associated with multiple international locations, including costs related to additional regulatory reviews or audits, financial accounting and reporting obligations and international cybersecurity requirements;
- 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.

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, but not limited to:

- 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. In addition, some open source licenses appear to be permissive in that internal use of the open source software is allowed, but prohibit commercial uses, or treat provision of cloud services as triggering the requirement to make proprietary software publicly available. 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 and licensors sometimes change their license terms. Therefore, any improper usage of open source, including a failure to identify changes in license terms, 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 or uncertain macroeconomic or geopolitical conditions or reduced IT spending may adversely impact our business, revenues and profitability.

Our business, operations and performance are dependent in part on worldwide economic conditions and events that may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns and other similar events, and the impact these conditions and events have on the overall demand for enterprise computing infrastructure solutions and on the economic health and general willingness of our current and prospective end customers to purchase our solutions and to continue spending on IT in general. The global macroeconomic environment has been, and may continue to be, inconsistent, challenging and unpredictable due to the ongoing COVID-19 pandemic, international trade disputes or tensions, tariffs, including those imposed by the U.S. government on Chinese imports to the U.S., restrictions on sales and technology transfers, uncertainties related to changes in public policies such as domestic and international regulations and fiscal and monetary stimulus measures, taxes, or international trade agreements, actual or potential government shutdowns, elections and any related political instability, including potential additional U.S. government shutdowns and developments resulting from the 2020 U.S. presidential election, geopolitical turmoil and civil unrests, instability in the global credit markets, uncertainties regarding the effects of the United Kingdom’s separation from the European Union, commonly known as "Brexit," and other disruptions to global and regional economies and markets.

These macroeconomic challenges and uncertainties, including the COVID-19 pandemic, have, and may continue to, put pressure on global economic conditions and overall IT spending and may cause our end customers to modify spending priorities or delay or abandon purchasing decisions, thereby lengthening sales cycles and potentially lowering prices for our solutions, and may make it difficult for us to forecast our sales and operating results and to make decisions about future investments, any of which could materially harm our business, operating results and financial condition.

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 relative 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. In particular, the ongoing COVID-19 pandemic has caused, and may continue to cause, significant volatility in the currency exchange rates, and such volatility may continue for the duration of and possibly beyond the COVID-19 pandemic. 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. Furthermore, such currency fluctuations may also adversely impact our ability to accurately predict our future financial results. 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. The U.S. Supreme Court's decision in *South Dakota v. Wayfair, Inc.* increases states' ability to assert taxing jurisdiction on out-of-state retailers could result in additional jurisdictions asserting that sales and use or other taxes apply to our products and services. The assertion that such taxes are applicable by a jurisdiction in which we do not collect such taxes 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 have expanded and, in the long-term, anticipate continuing to expand 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.

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.

Global tax developments applicable to multinational businesses may have a material impact to our business, cash flow from operating activities, or financial results. The Biden administration has proposed increases to the U.S. corporate income tax rate, minimum tax on book income, and increased taxation of international business operations. 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. In addition, several countries have proposed or enacted Digital Services Taxes ("DST"), many of which would apply to revenues derived from digital services. We will continue to assess the ongoing impact of these current and pending changes to global tax legislation and the impact on the Company's future financial statements upon the finalization of laws, regulations and additional guidance. In addition, as we continue to evaluate our corporate structure, any changes to the taxation of undistributed foreign earnings could also change our plans regarding reinvestment of such earnings. 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.

Certain EU and other jurisdictions have introduced anti-hybrid provisions, which came into force in EU member states on January 1, 2020 (subject to relevant derogations). The scope of these rules is wide-reaching and can apply to disallow certain deductions for corporate tax purposes where hybrid entities exist within a company structure. These provisions may place additional burden on our management to assess the impact of the rules and potentially create additional tax costs. EU countries and other jurisdictions will continue to interpret or issue additional guidance on how provisions of the anti-hybrid will be applied, which, if applicable, may materially impact our financial statements and cash flow. Separately, as a result of the complexity of, and lack of clear precedent or authority with respect to, the application of various income tax laws to our corporate structure, tax authorities may challenge how we report our transactions, which may increase our costs and impact our operations.

We are subject to income taxes as well as non-income-based taxes, in both the U.S. and various foreign jurisdictions. Many judgments are required in determining our worldwide provision for income taxes and other tax liabilities, and we are under audit by various tax authorities, which often do not agree with positions taken by us on our income and non-income-based tax returns. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

In general, under Section 382 of the United States Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs"), and other tax attributes to offset future taxable income. An ownership change occurs when a company’s "five-percent shareholders" (as defined in Section 382 of the Code) collectively increase their ownership in the company by more than 50 percentage points (by value) over a rolling three-year period. Similar limitations may apply for state tax purposes. If our existing NOLs are subject to limitations arising from previous ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership. In addition, at the state level, there may be periods during which the use of net operating losses is suspended or otherwise limited, including a recent California franchise tax law change limiting the usability of California state net operating losses to offset taxable income in tax years beginning after 2019 and before 2023.

Our business is subject to the risks of natural disasters (including extreme weather), man-made problems, pandemics and other major public health concerns and other similar events that may be outside of our control.

Significant natural disasters (such as earthquakes, fires, floods, and extreme weather), man-made problems (such as significant power outages, security breaches, acts of terrorism or war, civil unrests, or geopolitical turmoil), pandemics or other major public health concerns (such as the ongoing COVID-19 pandemic) and other similar events that may be outside of our control could have an adverse impact on our business and operating results. For example, 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. Further, 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 (including extreme weather), man-made problems and pandemics or other major public health concerns could cause disruptions in our or our end customers' or channel partners' businesses, our suppliers' and manufacturers' operations or the global 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 or other cyber security incident and our networks, computer systems or software solutions are breached or unauthorized access to sensitive or proprietary information, including employee or customer data, otherwise occurs, our business operations may be interrupted, our reputation and brand may be damaged, and we may incur significant liabilities.

Cyber attacks designed to gain access to sensitive or proprietary 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 or proprietary information, including employee and customer information, have occurred at a number of large companies in recent years. Companies in our industry have reported that they have been subject to such cyber attacks, including attacks potentially from nation-state actors, and we could be and have been subject to similar attempted attacks. More generally, computer malware, viruses, social engineering (predominantly spear phishing attacks) and general hacking have become prevalent in our industry, particularly against cloud services, and we and companies like us can suffer security breaches from a variety of causes, whether due to third-party action, software bugs or vulnerabilities or coding errors, physical break-ins, employee error, malfeasance or otherwise. We regularly face a wide variety of attempted attacks of this nature, some of which may be successful, although none to-date have had a significant impact on our business. As we transition to offering more cloud-based solutions, as well as those based on our partnerships with third party public cloud providers, we and our third-party public cloud providers 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, such an 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 and other enforcement actions, 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 potentially 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 and brand, harm customer confidence, hurt our sales and expansion into existing and new markets or cause us to lose potential or existing end customers. Any actual, potential or anticipated attack 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.

Furthermore, a high-profile security breach suffered, or perceived to have been suffered, by an industry peer may entail a general loss of trust in our industry and thereby have a similar adverse impact on our business and financial performance as a direct breach suffered by us. 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.

In addition, if the security measures of our end customers, partners, vendors, or suppliers are compromised, even without any actual compromise of our own systems or of our solutions used by such end customers, partners, vendors, or suppliers, we may face negative publicity, reputational harm or brand damage if our end customers, partners, vendors, or suppliers 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.

Moreover, we have acquired a number of companies, products, services and technologies over the years. Although we devote significant resources to address any security issues with respect to such acquisitions, we may still inherit additional risks as we integrate these companies, products, services and technologies into our business and solutions.

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. 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, require significant management attention that would otherwise be available for development of our business and may be viewed negatively by our end customers, investors or securities analysts. 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 and risks, and we may incur additional costs and expenses necessary to address an acquired company’s failure to comply with laws and governmental rules and regulations. Moreover, we cannot assure you that the anticipated benefits of any acquisition or investment would be realized in a timely manner, if at all, 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.

Risks Related to Our Long-Term Debt

In January 2018, we issued $575.0 million in aggregate principal amount of 0% convertible senior notes due 2023 (the "2023 Notes"), in private placements to qualified institutional buyers. In September 2020, we issued $750.0 million in aggregate principal amount of 2.50% convertible senior notes due 2026 (the "2026 Notes," together with the 2023 Notes, the "Notes"). The 2026 Notes bear interest at a rate of 2.50% per annum, with such interest to be paid in kind on the 2026 Notes held by Bain Capital through an increase in the principal amount of the 2026 Notes and in cash on the 2026 Notes transferred to entities not affiliated with Bain Capital. Interest on the 2026 Notes accrues from the date of issuance and is added to the principal amount of such Notes on a semi-annual basis thereafter.

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.

On August 1, 2021, we adopted Accounting Standards Update ("ASU") 2020-06. Our adoption of this new standard requires us to use the if-converted method for our diluted earnings per share calculation, the effect of which is that the transaction is accounted for as if all of the outstanding Notes were to be converted into shares of Class A common stock. As a result, our diluted earnings per share could be adversely affected. For more information on our adoption of ASU 202-06, refer to Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10-K.

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 2023 Notes, we entered into convertible note hedge transactions with one or more of the initial purchasers of the 2023 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 2023 Notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of any 2023 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 2023 Notes (and are likely to do so during any observation period related to a conversion of 2023 Notes or following any repurchase of 2023 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 Securities

The market price of our securities may be volatile and may decline.

The market price of our securities has fluctuated and may continue to fluctuate substantially. The market price of our securities 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 securities. Factors that could cause fluctuations in the market price of our securities 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 any current and future business model transitions (including our ongoing subscription-based business 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 and solutions 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 of or 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 which may be outside of our control, such as political and social unrest, terrorist attacks, hostilities, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns (such as the ongoing COVID-19 pandemic), and other similar events, or responses to these events.

In addition, the stock market in general, and the market for technology companies in particular, has 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 securities, 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. For example, following our earnings release in February 2019, the price of our Class A common stock fell significantly and, as a result, multiple class action securities lawsuits have been filed against us, as well as multiple shareholder derivative claims. These securities litigation matters, as well as any additional securities litigation matters that may be instituted against us, could result in substantial costs, divert our management's attention and resources from our business, and adversely impact our reputation and brand. 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 securities 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 2023 Notes.

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.

Conversion of our Notes may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our securities.

The conversion of some or all of our Notes, to the extent we deliver shares upon conversion thereof will dilute the ownership interests of existing stockholders, reduce our earnings per share and potentially have an adverse effect on the price of our securities. Any sales in the public market of our Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our securities. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our Class A common stock could depress the price of our securities.

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 a result, 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.

The ten-to-one voting ratio between our Class B and Class A common stock will limit your ability to influence corporate matters, 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 securities.

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 securities, our stock price and trading volume could decline.

The trading market for our securities 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 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 securities, the price of our securities 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 the price of our securities or trading volume to decline, potentially significantly.

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 securities.

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 and expansion 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 May 2024, we currently lease approximately 439,000 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

The information set forth under the "Legal Proceedings" subheading in Note 7 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

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 2020		Fiscal 2021	
Fiscal Quarter:	**High**	**Low**	**High**	**Low**
First quarter	$ 29.51	$ 18.20	$ 28.71	$ 20.84
Second quarter	$ 37.35	$ 26.62	$ 33.86	$ 23.36
Third quarter	$ 37.42	$ 12.49	$ 35.07	$ 25.65
Fourth quarter	$ 25.35	$ 17.64	$ 39.95	$ 26.54

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

Holders of Record

As of July 31, 2021, there were 88 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, 2021, there were approximately 24 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.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Purchases of Equity Securities by the Issuer

Share Repurchase Program

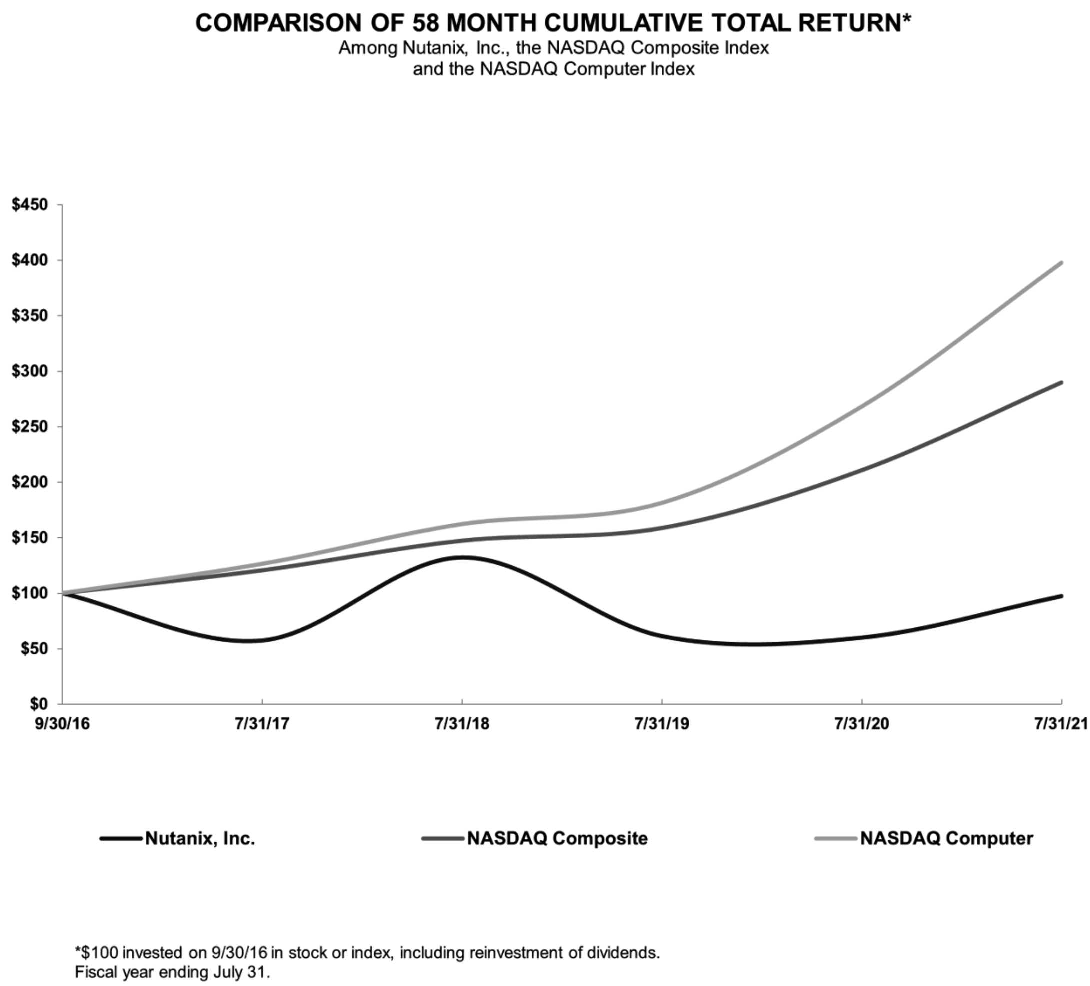
The following table provides information with respect to the shares of our Class A common stock we repurchased during the fiscal year ended July 31, 2021:

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

(1) In August 2020, our Board of Directors authorized the repurchase of up to $125.0 million of our Class A common stock. Repurchases were made through open market purchases or privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. As of October 31, 2020, there was no remaining authorization and the program had expired.

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, 2021 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.



	Fiscal Year					
	9/30/16	7/31/17	7/31/18	7/31/19	7/31/20	7/31/21
Nutanix, Inc.	$ 100	$ 57.42	$ 132.14	$ 61.35	$ 59.97	$ 97.35
Nasdaq Composite Index	$ 100	$ 120.60	$ 147.29	$ 158.70	$ 210.72	$ 289.81
Nasdaq Computer Index	$ 100	$ 126.46	$ 162.30	$ 181.40	$ 268.24	$ 397.95

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 2021 annual meeting of stockholders, which will be filed no later than 120 days after the end of our fiscal year ended July 31, 2021.

Item 6. Selected Consolidated Financial and Other Data

Part II, Item 6 is no longer required as the Company has adopted certain provisions within the amendments to Regulation S-K that eliminate Item 301.

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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with the consolidated financial statements and the related notes thereto 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. See also "Special Note Regarding Forward-Looking Statements" above.

Overview

Nutanix, Inc. ("we," "us," "our" or "Nutanix") provides a leading enterprise cloud platform, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions run across private-, hybrid- and multicloud environments, and allow organizations to seamlessly "lift and shift" their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure ("VDI") services, cloud native workloads, and analytics applications, between different cloud environments. Our goal is to provide a single, simple, open software platform for all hybrid and multicloud applications and data – a true hybrid cloud infrastructure.

Our enterprise cloud platform can be deployed on a variety of qualified hardware platforms or, in the case of our cloud-based software and software as a service ("SaaS") offerings, via hosted service or delivered pre-installed on an appliance that is configured to order. Non-portable software licenses are delivered or sold alongside configured-to-order appliances and can be used over the life of the associated appliance. Our subscription term-based licenses are sold separately, or can be sold alongside configured-to-order appliances. Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our channel partners, original equipment manufacturers ("OEMs") or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support.

Product revenue is generated primarily from the licensing of our solutions. Support, entitlements and other services revenue is primarily derived from the related support and maintenance contracts. Prior to fiscal 2019, we delivered most of our solutions on an appliance, thus our revenue included the revenue associated with the appliance and the included non-portable software, which lasts for the life of the associated appliance. However, starting in fiscal 2018, as a result of our business model transition toward software-only sales, more of our customers began buying appliances directly from our OEMs while separately buying licenses for our software solutions from us or one of our channel partners. In addition, starting in fiscal 2019, as a result of our transition towards a subscription-based business model, more of our customers began purchasing separately sold subscription term-based licenses that could be deployed on a variety of hardware platforms. As we continue our transition to a subscription-based business model, we expect a greater portion of our products to be delivered through subscription term-based licenses or cloud-based SaaS subscriptions.

We had a broad and diverse base of approximately 20,130 end customers as of July 31, 2021, including approximately 980 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, and the total number of end customers may contract due to mergers, acquisitions, or other consolidation among existing end customers. Since shipping our first product in fiscal 2012, our end customer base has grown rapidly.

Our solutions are primarily sold through channel partners, including distributors, resellers and OEMs, and delivered directly to our end customers. Our solutions serve a broad range of workloads, including enterprise applications, databases, virtual desktop infrastructure, unified communications and big data analytics, and we support both virtualized and container-based applications. We have end customers across a broad range of industries, such as automotive, consumer goods, education, energy, financial services, healthcare, manufacturing, media, public sector, retail, technology and telecommunications. We also sell to service providers, who utilize our enterprise cloud platform to provide a variety of cloud-based services to their customers.

We continue to invest in the growth of our business over the long-run, including the development of our solutions and investing in sales and marketing to capitalize on our market opportunities, while improving our operating cash flow performance by focusing on go-to-market efficiencies. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health. As discussed further in the "Impact of the COVID-19 Pandemic" and "Factors Affecting Our Performance" sections below, both in response to the ongoing and rapidly evolving COVID-19 pandemic and as part of our overall efforts to improve our operating cash flow performance, we have proactively taken steps to manage our expenses. As a result, our overall spending on such efforts will fluctuate, and may decline, from quarter to quarter in the near-term.

Impact of the COVID-19 Pandemic

The ongoing and rapidly evolving pandemic caused by the COVID-19 virus (collectively with any variants or related strains thereof, "COVID-19" and the ongoing pandemic caused thereby, the "COVID-19 pandemic") has significantly curtailed the movement of people, goods and services worldwide, imposed unprecedented strains on governments, health care systems, educational institutions, businesses and individuals around the world, including in nearly all of the regions in which we operate, and has resulted in significant volatility and uncertainty in the global economy. In response to the pandemic, authorities, businesses, and individuals have implemented numerous unprecedented measures, including travel bans and restrictions, quarantines, shelter-in-place, stay-at-home, remote work and social distancing orders, and shutdowns. Even as efforts to contain the pandemic have made progress and some restrictions have relaxed, new variants of the virus are causing additional outbreaks. The COVID-19 pandemic has impacted and will continue to impact our workforce and operations, as well as those of our customers, vendors, suppliers, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time.

In response to the COVID-19 pandemic, we have also taken a number of actions to protect and assist our employees, customers, and partners, including: temporarily closing all of our offices (including our California headquarters) around the world; requiring our employees to work remotely; implementing travel restrictions that allow only the most essential business travel; and postponing, cancelling, withdrawing from, or converting to virtual-only experiences (where possible and appropriate) our in-person customer, industry, analyst, investor, and employee events. As a result of such actions, as well as the general effects of the COVID-19 pandemic, our business and operations have experienced and may continue to experience numerous negative impacts, including: curtailed demand for certain of our solutions; reduced IT spending; delays in or abandonment of planned or future purchases; lengthened sales cycles, particularly with new customers and partners who do not have prior experience with our solutions; supply chain disruptions; increased cybersecurity risks or other security challenges; delays or disruptions to our product roadmap and our ability to deliver new products, features, or enhancements; and voluntary and involuntary delays in the ability to ship, and the ability of our end customers to accept delivery of, the hardware platforms on which our software solutions run. We also expect the reduced manufacturing capacity caused by the pandemic to result in increases in the prices of certain components used to manufacture such hardware platforms, which may increase the price of those hardware platforms for our end customers. Travel bans, shutdowns, social distancing restrictions and remote work policies also make it difficult or impossible to deliver on-site services to our partners and end customers, and to meet with our current and potential end customers in person. We have also seen positive impacts, including increased demand for our virtual desktop, desktop-as-a-service, and end-user computing solutions as a result of our end customers enabling their employees to work remotely.

We have also quickly adapted to the new work environment, leveraging digital, video, and other collaborative tools to enable our teams to stay connected with each other, and our sales, marketing and support teams to continue to engage with and remain responsive to our partners and end customers. Additionally, we have seen a reduction in our operating expenses in recent quarters, including sales and marketing expenses, some of which is due to a number of proactive actions that we took to manage our operating expenses in light of the uncertainty caused by the COVID-19 pandemic, and some of which is a natural result of the continued restrictions on travel and in-person events from the pandemic. Although the full impact of these actions is uncertain, some of these cost savings measures are temporary. While we do expect to see some of our operating expenses increase from the suppressed levels in recent quarters as some of the proactive cost savings measures expire and some level of travel and other related expenses return, we are focused on improving our operating cash flow performance and we do not expect that travel or other related expenses will return to pre-pandemic levels. See the section titled "Risk Factors" for further discussion of the possible impact of these actions on our business and financial performance.

The duration, scope and ultimate impact of the COVID-19 pandemic on the global economy and our business remain highly fluid and cannot be predicted with certainty, and the full effect of the pandemic and the actions we have taken in response may not be fully reflected in our results of operations and financial performance until future periods. Our management team is focused on guiding our company through the emerging challenges presented by COVID-19 and remains committed to driving positive business outcomes. Although we do not currently expect the pandemic to affect our financial reporting systems, internal control over financial reporting or disclosure controls and procedures, the continued impact of the pandemic on our business and financial performance will be highly dependent upon numerous factors, many of which are beyond our control. See the section titled "Risk Factors" for further discussion of the possible impact of the COVID-19 pandemic, as well as the actions we have taken in response, on our business and financial performance.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands, except percentages)		
Total revenue	$ 1,236,143	$ 1,307,682	$ 1,394,364
Year-over-year percentage increase	7.0%	5.8%	6.6%
Subscription revenue	$ 648,415	$ 1,030,180	$ 1,243,621
Total billings	$ 1,514,660	$ 1,580,092	$ 1,521,096
Subscription billings	$ 916,000	$ 1,276,413	$ 1,354,155
Annual contract value ("ACV") billings	$ 428,564	$ 505,179	$ 594,292
Annual recurring revenue ("ARR")	$ 217,566	$ 481,250	$ 878,733
Run-rate ACV	$ 944,444	$ 1,219,965	$ 1,535,360
Gross profit	$ 932,015	$ 1,020,993	$ 1,102,458
Adjusted gross profit	$ 965,287	$ 1,063,655	$ 1,147,730
Gross margin	75.4%	78.1%	79.1%
Adjusted gross margin	78.1%	81.3%	82.3%
Total deferred revenue	$ 910,044	$ 1,183,441	$ 1,312,923
Net cash provided by (used in) operating activities	$ 42,168	$ (159,885)	$ (99,810)
Free cash flow	$ (76,284)	$ (249,373)	$ (158,457)
Non-GAAP operating expenses	$ 1,239,567	$ 1,518,697	$ 1,428,760
Total end customers	14,180	17,360	20,130

Disaggregation of Revenue and Billings

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands)		
Disaggregation of revenue:			
Subscription revenue	$ 648,415	$ 1,030,180	$ 1,243,621
Non-portable software revenue	449,131	208,158	71,390
Hardware revenue	105,321	23,455	6,259
Professional services revenue	33,276	45,889	73,094
Total revenue	$ 1,236,143	$ 1,307,682	$ 1,394,364
Disaggregation of billings:			
Subscription billings	$ 916,000	$ 1,276,413	$ 1,354,155
Non-portable software billings	449,131	208,158	71,390
Hardware billings	105,321	23,455	6,259
Professional services billings	44,208	72,066	89,292
Total billings	$ 1,514,660	$ 1,580,092	$ 1,521,096

Subscription revenue — Subscription revenue includes any performance obligation which has a defined term and is generated from the sales of software entitlement and support subscriptions, subscription software licenses and cloud-based software as a service offerings.

- Ratable — We recognize revenue from software entitlement and support subscriptions and SaaS offerings ratably over the contractual service period, the substantial majority of which relate to software entitlement and support subscriptions. These offerings represented approximately $376.4 million, $508.8 million and $639.3 million of our subscription revenue for fiscal 2019, 2020 and 2021, respectively.
- Upfront — Revenue from our subscription software licenses is generally recognized upfront upon transfer of control to the customer, which happens when we make the software available to the customer. These subscription software licenses represented approximately $272.0 million, $521.3 million and $604.3 million of our subscription revenue for fiscal 2019, 2020 and 2021, respectively.

Non-portable software revenue — Non-portable software revenue includes sales of our enterprise cloud platform when delivered on a configured-to-order appliance by us or one of our OEM partners. The software licenses associated with these sales are typically non-portable and can be used over the life of the appliance on which the software is delivered. Revenue from our non-portable software products is generally recognized upon transfer of control to the customer.

Hardware revenue — In transactions where the hardware appliance is purchased directly from Nutanix, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. We consider the amount allocated to hardware revenue to be equivalent to the cost of the hardware procured. Hardware revenue is generally recognized upon transfer of control to the customer.

Professional services revenue — We also sell professional services with our products. We recognize revenue related to professional services as they are performed.

Non-GAAP Financial Measures and Key Performance Measures

We regularly monitor total billings, subscription billings, ACV billings, ARR, run-rate ACV, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses, which are non-GAAP financial measures and key performance measures, to help us evaluate our growth and operational efficiencies, measure our performance, identify trends in our sales activity and establish our budgets. We evaluate these measures because they:

- are used by management and the Board of Directors to understand and evaluate our performance and trends, as well as to provide a useful measure for period-to-period comparisons of our core business, particularly as we progress through our transition to a subscription-based business model;
- are widely used as a measure of financial performance to understand and evaluate companies in our industry; and
- are used by management to prepare and approve our annual budget and to develop short-term and long-term operational and compensation plans, as well as to assess our actual performance against our goals.

Total billings is a performance measure which we believe provides useful information to our management and investors, as it represents the dollar value under binding purchase orders received and billed during a given period. Subscription billings is a performance measure that we believe provides useful information to our management and investors as it allows us to better track the growth of the subscription-based portion of our business, which is a critical part of our business plan. ACV billings and run-rate ACV are performance measures that we believe provide useful information to our management and investors as they allow 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 only includes non-life-of-device contracts and takes into account variability in term lengths. Free cash flow is a performance measure that we believe provides useful information to management and investors about the amount of cash used in or generated by the business after necessary capital expenditures. Adjusted gross profit, adjusted gross margin and non-GAAP operating expenses are performance measures which we believe provide useful information to investors, as they provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures, such as stock-based compensation expense, that may not be indicative of our ongoing core business operating results. We use these non-GAAP financial and key performance measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons.

Total billings, subscription billings, ACV billings, ARR, run-rate ACV, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses have limitations as analytical tools and they should not be considered in isolation or as substitutes for analysis of our results as reported under generally accepted accounting principles in the United States. Total billings, subscription billings, adjusted gross profit, adjusted gross margin, free cash flow and non-GAAP operating expenses are not substitutes for total revenue, subscription revenue, gross profit, gross margin, cash provided by (used in) operating activities, or GAAP operating expenses, respectively. There is no GAAP measure that is comparable to either ACV billings, ARR or run-rate ACV, so we have not reconciled either ACV billings, ARR or run-rate ACV numbers included in this Annual Report on Form 10-K to any GAAP measure. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included below and not to rely on any single financial measure to evaluate our business.

We calculate our non-GAAP financial and key performance measures as follows:

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

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

ACV billings — We calculate ACV billings as the sum of the ACV for all contracts billed during the period. ***ACV*** is defined as the total annualized value of a contract, excluding amounts related to professional services and hardware. We calculate the total annualized value for a contract by dividing the total value of the contract by the number of years in the term of such contract, using, where applicable, an assumed term of five years for contracts that do not have a specified term.

ARR — We calculate ARR as the sum of ACV for all non life-of-device 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.

Run-rate ACV — We calculate run-rate ACV as the sum of ACV for all contracts that are in effect as of the end of the period. For the purposes of this calculation, we assume that the contract term begins on the date a contract is booked, irrespective of the periods in which we would recognize revenue for such contract.

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

Free cash flow — We calculate free cash flow as net cash provided by (used in) operating activities less purchases of property and equipment, which measures our ability to generate cash from our business operations after our capital expenditures.

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

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands, except percentages)		
Total revenue	$ 1,236,143	$ 1,307,682	$ 1,394,364
Change in deferred revenue, net of acquisitions	278,517	272,410	126,732
Total billings (non-GAAP)	$ 1,514,660	$ 1,580,092	$ 1,521,096
Gross profit	$ 932,015	$ 1,020,993	$ 1,102,458
Stock-based compensation	18,861	27,348	30,483
Amortization of intangible assets	14,248	14,777	14,776
Impairment of lease-related assets	—	537	13
Other	163	—	—
Adjusted gross profit (non-GAAP)	$ 965,287	$ 1,063,655	$ 1,147,730
Gross margin	75.4%	78.1%	79.1%
Stock-based compensation	1.5%	2.1%	2.2%
Amortization of intangible assets	1.2%	1.1%	1.0%
Adjusted gross margin (non-GAAP)	78.1%	81.3%	82.3%
Operating expenses	$ 1,530,056	$ 1,849,914	$ 1,763,240
Stock-based compensation	(287,868)	(324,650)	(328,062)
Change in fair value of contingent consideration	832	—	—
Amortization of intangible assets	(2,528)	(2,603)	(2,604)
Acquisition-related costs	(721)	—	—
Impairment of lease-related assets	—	(2,465)	(1,407)
Other	(204)	(1,499)	(2,407)
Operating expenses (non-GAAP)	$ 1,239,567	$ 1,518,697	$ 1,428,760
Net cash provided by (used in) operating activities	$ 42,168	$ (159,885)	$ (99,810)
Purchases of property and equipment	(118,452)	(89,488)	(58,647)
Free cash flow (non-GAAP)	$ (76,284)	$ (249,373)	$ (158,457)

The following table presents a reconciliation of subscription billings and professional services billings to the most directly comparable GAAP financial measures, for each of the periods indicated:

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands)		
Subscription revenue	$ 648,415	$ 1,030,180	$ 1,243,621
Change in subscription deferred revenue, net of acquisitions	267,585	246,233	110,534
Subscription billings	$ 916,000	$ 1,276,413	$ 1,354,155
Professional services revenue	$ 33,276	$ 45,889	$ 73,094
Change in professional services deferred revenue	10,932	26,177	16,198
Professional services billings	$ 44,208	$ 72,066	$ 89,292

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 materially and adversely affected.

Investment in Growth

We continue to invest in our growth over the long-run, while improving our operating cash flow performance by focusing on go-to-market efficiencies. By maintaining this balance, we believe we can drive toward our high growth potential without sacrificing our overall financial health. We plan to invest in sales and marketing so that we can capitalize on our market opportunity, including investing in our sales and marketing teams, continuing our focus on opportunities with major accounts, large deals, and commercial accounts, as well as other sales and marketing initiatives to increase our pipeline growth. As part of our overall efforts to improve our operating cash flow performance, we have also proactively taken steps to increase our go-to-market productivity and over time, we intend to reduce our overall sales and marketing spend as a percentage of revenue. These measures include improving the efficiency of our demand generation spend, focusing on lower cost renewals, increasing leverage of our channel partners, and optimizing headcount in geographies based on market opportunities. We have also recently seen higher than normal attrition among our sales representatives, and while we are actively recruiting additional sales representatives, it will take time to replace, train, and ramp them to full productivity. As a result, our overall sales and marketing expense will fluctuate, and may decline, in the near term. For example, we recently decreased our global headcount by 2.5%, primarily in sales and marketing, as part of our continued refinement of our go-to-market model. We estimate, based on past experience, that our average sales team members typically become fully ramped up around the start of their fourth quarter of employment with us, and as our newer employees ramp up, we expect their increased productivity to contribute to our revenue growth. As of July 31, 2021, we considered approximately 75% of our global sales team members to be fully ramped, while the remaining approximately 25% of our global sales team members are in the process of ramping up. As we continue to focus some of our newer and existing sales team members on major accounts and large deals, and as we continue our transition toward a subscription-based business model, it may take longer, potentially significantly, for these sales team members to become fully productive, and there may also be an impact to the overall productivity of our sales team. Furthermore, the effects of the COVID-19 pandemic and the measures we have implemented in response, including postponing, cancelling or making virtual-only certain in-person corporate events at which our sales team members have historically received in-person sales enablement and related trainings, as well as some of the measures implemented as part of our overall efforts to improve our operating cash flow performance and the recent increase in attrition of sales representatives, may impact the productivity of our sales teams in the near-term. We are focused on actively managing these realignments and potential effects.

We also intend, in the long term, to grow our global research and development and engineering teams to enhance our solutions, including our newer subscription-based products, improve integration with new and existing ecosystem partners and broaden the range of technologies and features available through our platform. However, as discussed above in the section titled "Impact of the COVID-19 Pandemic," in response to the COVID-19 pandemic we had previously effected a global hiring pause outside of a small number of critical roles and, while the hiring pause is no longer in effect, the overall growth in our global research and development and engineering teams may fluctuate from quarter to quarter in the near-term.

We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Transition to Subscription

Starting in fiscal 2019, as a result of our transition towards a subscription-based business model, more of our customers began purchasing separately sold subscription term-based licenses that could be deployed on a variety of hardware platforms. As we continue our transition to a subscription-based business model, we expect a greater portion of our products to be delivered through subscription term-based licenses or cloud-based SaaS subscriptions. Shifts in the mix of whether our solutions are sold on a subscription basis have and could continue to result in fluctuations in our billings and revenue. Subscription sales consist of subscription term-based licenses and offerings with ongoing performance obligations, including software entitlement and support subscriptions and cloud-based SaaS offerings. Since revenue is recognized as performance obligations are delivered, sales with ongoing performance obligations may reflect lower revenue in a given period. In addition, other factors relating to our shift to selling more subscription term-based licenses may impact our billings, revenue and cash flow. For example, our term-based licenses generally have an average term of less than four years and thus result in lower billings and revenue in a given period when compared to our historical life of device license sales, which have a duration equal to the life of the associated appliance, which we estimate to be approximately five years. In addition, starting in fiscal 2021, we began compensating our sales force based on ACV instead of total contract value, and while we expect that the shift to an ACV-based sales compensation plan will incentivize sales representatives to maximize ACV and minimize discounts, it could also further compress the average term of our subscription term-based licenses. Furthermore, our customers may, including in response to the uncertainty caused by the COVID-19 pandemic, decide to purchase our software solutions on shorter subscription terms than they have historically, and/or request to only pay for the initial year of a multi-year subscription term upfront, which could negatively impact our billings, revenue and cash flow in a given period when compared to historical life-of-device or multiple-year term-based license sales.

Revenue for our solutions, whether or not sold as a subscription term-based license, is generally recognized upon transfer of control to the customer. For additional information on revenue recognition, see Note 2 of Notes to 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.

Market Adoption of Our Products

The public cloud and, more recently, hybrid cloud paradigms, have changed IT buyer expectations about the simplicity, agility, scalability, portability and pay-as-you-grow economics of IT resources, which represent a major architectural shift and business model evolution. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our enterprise cloud platform. This includes our newer products outside of our core hyperconverged infrastructure offering, both as compared to traditional datacenter architectures as well as the public cloud, particularly as we continue to pursue large enterprises and mission critical workloads and transition toward a subscription-based business model. The broad nature of the technology shift that our enterprise cloud platform represents, the relationships our end customers have with existing IT vendors, and our transition toward a subscription-based business model sometimes lead to unpredictable sales cycles. We hope to compress and stabilize these sales cycles as market adoption increases, as we gain leverage with our channel partners, as we continue to educate the market about our subscription-based business model, and as our sales and marketing efforts evolve. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our enterprise cloud platform.

Leveraging Channel Partners and OEMs

We plan to continue to strengthen and expand our network of channel partners and OEMs to increase sales to both new and existing end customers. We believe that increasing channel leverage, particularly as we expand our focus on opportunities in commercial accounts, by investing in sales enablement and co-marketing with our partners and OEMs in the long term will extend and improve our engagement with a broad set of end customers. Our business and results of operations will be significantly affected by our success in leveraging and expanding our network of channel partners and OEMs.

Customer Retention and Expansion

Our end customers typically deploy our technology for a specific workload initially. After a new end customer's initial order, which includes the product and associated software entitlement and support subscription and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our software entitlement and support subscription renewals, and given our transition to a subscription-focused business model, software and support renewals will have an increasing significance for our future revenue streams as existing subscriptions come up for renewal. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter as compared to new end customer deployments, and selling efforts are typically less. As of July 31, 2021, approximately 70% of our end customers who have been with us for 18 months or longer have made a repeat purchase, which is defined as any purchase activity, including renewals of term-based licenses or software entitlement and support subscription renewals, after the initial purchase. Additionally, end customers who have been with us for 18 months or longer have total lifetime orders, including the initial order, in an amount that is more than 6.3x greater, on average, than their initial order. This number increases to approximately 16.4x, on average, for Global 2000 end customers who have been with us for 18 months or longer as of July 31, 2021. These multiples exclude the effect of one end customer who had a very large and irregular purchase pattern that we believe is not representative of the purchase patterns of all of our other end customers.

Our business and operating results will depend on our ability to retain and sell additional products to our existing and future base of end customers. Our ability to obtain new and retain existing customers will in turn depend in part on a number of factors. These factors include our ability to effectively maintain existing and future customer relationships, continue to innovate by adding new functionality and improving usability of our solutions in a manner that addresses our end customers’ needs and requirements, and optimally price our solutions in light of marketplace conditions, competition, our costs and customer demand. Furthermore, our ongoing transition to a subscription-based business model may cause concerns among our customer base, including concerns regarding changes to pricing over time, and may also result in confusion among new and existing end customers, for example, regarding our pricing models. Such concerns and/or confusion can slow adoption and renewal rates among our current and future customer base.

Components of Our Results of Operations

Revenue

We generate revenue primarily from the sale of our enterprise cloud platform, which can be deployed on a variety of qualified hardware platforms or, in the case of our cloud-based SaaS offerings, via hosted service or delivered pre-installed on an appliance that is configured to order. Non-portable software licenses are delivered or sold alongside configured-to-order appliances and can be used over the life of the associated appliance.

Our subscription term-based licenses are sold separately, or can be sold alongside configured-to-order appliances. Our subscription term-based licenses typically have a term of one to five years. Our cloud-based SaaS subscriptions have terms extending up to five years.

Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our channel partners, OEMs or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with the right to software upgrades and enhancements as well as technical support. Our platform is primarily sold through channel partners, including distributors, resellers and OEMs.

Product revenue — Product revenue consists of software and hardware revenue. A majority of our product revenue is generated from the sale of our enterprise cloud operating system. We also sell renewals of previously purchased software licenses and SaaS offerings. Revenue from our software products is generally recognized upon transfer of control to the customer, which is typically upon shipment for sales including a hardware appliance, upon making the software available to the customer when not sold with an appliance or as services are performed with SaaS offerings. In transactions where the hardware appliance is purchased directly from Nutanix, 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, which typically commences upon transfer of control of the corresponding products to the customer. We recognize revenue related to professional services as they are performed.

Cost of Revenue

Cost of product revenue — Cost of product revenue consists of costs paid to third-party OEM partners, hardware costs, personnel costs associated with our operations function, consisting of salaries, benefits, bonuses and stock-based compensation, cloud-based costs associated with our SaaS offerings, and allocated costs, consisting of certain facilities, depreciation and amortization, recruiting and information technology costs allocated based on headcount.

Cost of support, entitlements and other services revenue — Cost of support, entitlements and other services revenue includes personnel and operating costs associated with our global customer support organization, as well as allocated costs. We expect our cost of support, entitlements and other services revenue to increase in absolute dollars as our support, entitlements and other services revenue increases.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development and general and administrative expenses. The largest component of our operating expenses is personnel costs. Personnel costs consist of wages, benefits, bonuses and, with respect to sales and marketing expenses, sales commissions.

Sales and marketing — Sales and marketing expense consists primarily of personnel costs. Sales and marketing expense also includes sales commissions, costs for promotional activities and other marketing costs, travel costs and costs associated with demonstration units, including depreciation and allocated costs. Commissions are deferred and recognized as we recognize the associated revenue. We expect sales and marketing expense to continue, in the long term, to increase in absolute dollars as part of our long-term plans to invest in our growth. However, as part of our overall efforts to improve our operating cash flow performance, we have also proactively taken steps to increase our go-to-market productivity and over time, we intend to reduce our overall sales and marketing spend as a percentage of revenue. For example, we recently decreased our global headcount by 2.5%, primarily in sales and marketing, as part of our continued refinement of our go-to-market model. We have also recently seen higher than normal attrition among our sales representatives, and while we are actively recruiting additional sales representatives, it will take time to replace, train, and ramp them to full productivity. As a result, our sales and marketing expense will fluctuate, and may decline, in the near-term. Additionally, given our transition to a subscription-based business model, including our continued emphasis on ACV, during the fiscal quarter ended October 31, 2020, we adjusted the compensation structure of our sales force, which has led to a higher proportion of commissions expense being deferred, and a decrease in commissions expense and overall sales and marketing expenses as a percentage of revenue and on an absolute basis, as compared to fiscal periods prior to October 31, 2020. For additional information, refer to Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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, unless they meet the criteria for capitalization. We expect R&D expense, in the long term, to increase in absolute dollars as part of our long-term plans to invest in our future products and services, including our newer subscription-based products, although R&D expense may fluctuate as a percentage of total revenue and, on an absolute basis, from quarter to quarter.

General and administrative — General and administrative ("G&A") expense consists primarily of personnel costs, which include our executive, finance, human resources and legal organizations. G&A expense also includes outside professional services, which consists primarily of legal, accounting and other consulting costs, as well as insurance and other costs associated with being a public company and allocated costs. We expect G&A expense, in the long term, to increase in absolute dollars, particularly due to additional legal, accounting, insurance and other costs associated with our growth, although G&A expense may fluctuate as a percentage of total revenue and, on an absolute basis, from quarter to quarter.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income and expense, which includes the amortization of the debt discount and issuance costs associated with our 0% convertible senior notes, due 2023, (the "2023 Notes") and our 2.50% convertible senior notes, due 2026, (the "2026 Notes"), changes in the fair value of the derivative liability associated with the 2026 Notes, non-cash interest expense on the 2026 Notes, interest income related to our short-term investments, and foreign currency exchange gains or losses.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes for certain foreign jurisdictions in which we conduct business and state income taxes in the United States. We have recorded a full valuation allowance related to our federal and state net operating losses and other net deferred tax assets and a partial valuation allowance related to our foreign net deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

Results of Operations

The following tables set forth our 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.

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Revenue:			
Product	$ 832,419	$ 765,822	$ 705,804
Support, entitlements and other services	403,724	541,860	688,560
Total revenue	1,236,143	1,307,682	1,394,364
Cost of revenue:			
Product [(1)(2)]	143,078	71,312	55,287
Support, entitlements and other services [(1)]	161,050	215,377	236,619
Total cost of revenue	304,128	286,689	291,906
Gross profit	932,015	1,020,993	1,102,458
Operating expenses:			
Sales and marketing [(1)(2)]	909,750	1,160,389	1,052,508
Research and development [(1)]	500,719	553,978	556,950
General and administrative [(1)]	119,587	135,547	153,782
Total operating expenses	1,530,056	1,849,914	1,763,240
Loss from operations	(598,041)	(828,921)	(660,782)
Other expense, net	(15,019)	(26,300)	(354,991)
Loss before provision for income taxes	(613,060)	(855,221)	(1,015,773)
Provision for income taxes	8,119	17,662	18,487
Net loss	$ (621,179)	$ (872,883)	$ (1,034,260)
[(1)] Includes stock-based compensation expense as follows:			
Product cost of revenue	$ 3,535	$ 5,334	$ 6,023
Support, entitlements and other services cost of revenue	15,326	22,014	24,460
Sales and marketing	107,751	126,015	122,815
Research and development	140,519	153,252	150,856
General and administrative	39,598	45,383	54,391
Total stock-based compensation expense	$ 306,729	$ 351,998	$ 358,545
[(2)] Includes amortization of intangible assets as follows:			
Product cost of revenue	$ 14,248	$ 14,777	$ 14,776
Sales and marketing	2,528	2,603	2,604
Total amortization of intangible assets	$ 16,776	$ 17,380	$ 17,380

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(as a percentage of total revenue)		
Revenue:			
Product	67.3%	58.6%	50.6%
Support, entitlements and other services	32.7%	41.4%	49.4%
Total revenue	100.0%	100.0%	100.0%
Cost of revenue:			
Product	11.6%	5.4%	3.9%
Support, entitlements and other services	13.0%	16.5%	17.0%
Total cost of revenue	24.6%	21.9%	20.9%
Gross profit	75.4%	78.1%	79.1%
Operating expenses:			
Sales and marketing	73.6%	88.7%	75.5%
Research and development	40.5%	42.4%	39.9%
General and administrative	9.7%	10.4%	11.0%
Total operating expenses	123.8%	141.5%	126.4%
Loss from operations	(48.4)%	(63.4)%	(47.3)%
Other expense, net	(1.2)%	(2.0)%	(25.5)%
Loss before provision for income taxes	(49.6)%	(65.4)%	(72.8)%
Provision for income taxes	0.7%	1.4%	1.3%
Net loss	(50.3)%	(66.8)%	(74.1)%

Revenue

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Product	$ 832,419	$ 765,822	$ (66,597)	(8)%	$ 765,822	$ 705,804	$ (60,018)	(8)%
Support, entitlements and other services	403,724	541,860	138,136	34%	541,860	688,560	146,700	27%
Total revenue	$ 1,236,143	$ 1,307,682	$ 71,539	6%	$ 1,307,682	$ 1,394,364	$ 86,682	7%

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
U.S.	$ 682,340	$ 706,110	$ 23,770	3%	$ 706,110	$ 758,128	$ 52,018	7%
Europe, the Middle East and Africa	238,356	277,489	39,133	16%	277,489	320,837	43,348	16%
Asia Pacific	271,712	265,092	(6,620)	(2)%	265,092	260,637	(4,455)	(2)%
Other Americas	43,735	58,991	15,256	35%	58,991	54,762	(4,229)	(7)%
Total revenue	$ 1,236,143	$ 1,307,682	$ 71,539	6%	$ 1,307,682	$ 1,394,364	$ 86,682	7%

Product revenue decreased year-over-year for both fiscal 2020 and fiscal 2021 due primarily to our continued transition to selling subscription term-based licenses, as these licenses generally have a shorter average term than those that can be used over the life of the associated appliance. The decrease in product revenue was also impacted by a decrease in hardware revenue, as more customers are purchasing hardware directly from our OEMs. The total average contract term was approximately 4.1 years, 3.8 years and 3.4 years for fiscal 2019, 2020 and 2021, respectively. Total average contract term represents the dollar-weighted term across all subscription and life-of-device contracts billed during the period, using an assumed term of five years for licenses without a specified term, such as life-of-device licenses.

Support, entitlements and other services revenue increased year-over-year for both fiscal 2020 and fiscal 2021 in conjunction with the growth of our end customer base and the related software entitlement and support subscription contracts. Our total end customer count increased from approximately 14,180 as of July 31, 2019 to approximately 17,360 as of July 31, 2020 and to approximately 20,130 as of July 31, 2021.

Cost of Revenue and Gross Margin

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Cost of product revenue	$ 143,078	$ 71,312	$ (71,766)	(50)%	$ 71,312	$ 55,287	$ (16,025)	(22)%
Product gross margin	*82.8%*	*90.7%*			*90.7%*	*92.2%*		
Cost of support, entitlements and other services revenue	$ 161,050	$ 215,377	$ 54,327	34%	$ 215,377	$ 236,619	$ 21,242	10%
Support, entitlements and other services gross margin	*60.1%*	*60.3%*			*60.3%*	*65.6%*		
Total gross margin	*75.4%*	*78.1%*			*78.1%*	*79.1%*		

Cost of product revenue

Cost of product revenue decreased year-over-year for both fiscal 2020 and fiscal 2021 due primarily to the decreases in hardware revenue resulting from our continued focus on more software-only transactions.

Product gross margin increased by 7.9 percentage points, from 82.8% in fiscal 2019 to 90.7% in fiscal 2020, and by 1.5 percentage points, to 92.2% in fiscal 2021, due primarily to the higher mix of software revenue, as we continued to focus on more software-only transactions, which have a higher margin as compared to hardware sales.

Cost of support, entitlements and other services revenue

Cost of support, entitlements and other services revenue increased year-over-year for both fiscal 2020 and fiscal 2021 due primarily to higher personnel-related costs, resulting from growth in our global customer support organization, as well as higher outside services costs. The increases in personnel-related costs were driven by increases in our customer support, entitlements and other services headcount of 19% from July 31, 2019 to July 31, 2020 and 3% from July 31, 2020 to July 31, 2021.

Support, entitlements and other services gross margin increased by 0.2 percentage points, from 60.1% in fiscal 2019 to 60.3% in fiscal 2020, and by 5.3 percentage points to 65.6% in fiscal 2021, due primarily to support, entitlements and other services revenue growing at a higher rate than personnel-related costs.

Operating Expenses

Sales and marketing

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Sales and marketing	$ 909,750	$ 1,160,389	$ 250,639	28%	$ 1,160,389	$ 1,052,508	$ (107,881)	(9)%
Percent of total revenue	*73.6%*	*88.7%*			*88.7%*	*75.5%*		

Sales and marketing expense increased year-over-year for fiscal 2020 due primarily to higher personnel-related costs and sales commissions, as our sales and marketing headcount increased year-over-year by 17% in fiscal 2020, as well as increased sales and marketing activities related to demand generation, brand awareness, promotions, trade shows and partner programs as part of our efforts to penetrate and expand in global markets.

Sales and marketing expense decreased year-over-year for fiscal 2021 due primarily to lower marketing costs, travel and entertainment expenses and personnel-related costs as a result of the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above. In addition, the decrease in sales and marketing expense was aided by the changes to our sales compensation plans beginning in fiscal 2021, resulting from our transition to a subscription-based business model, including our continued emphasis on ACV, which resulted in more expense being deferred to later periods.

Research and development

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Research and development	$ 500,719	$ 553,978	$ 53,259	11%	$ 553,978	$ 556,950	$ 2,972	1%
Percent of total revenue	*40.5%*	*42.4%*			*42.4%*	*39.9%*		

Research and development expense increased year-over-year for fiscal 2020 due primarily to higher personnel-related costs, as our R&D headcount increased year-over-year by 13% in fiscal 2020 in an effort to continue the expansion of our product development activities.

Research and development expense remained relatively flat for fiscal 2021, as we continued to focus on innovation, while managing the impact of the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above.

General and administrative

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
General and administrative	$ 119,587	$ 135,547	$ 15,960	13%	$ 135,547	$ 153,782	$ 18,235	13%
Percent of total revenue	*9.7%*	*10.4%*			*10.4%*	*11.0%*		

General and administrative expense increased year-over-year for fiscal 2020 due primarily to increases in personnel-related expenses, resulting from growth in our G&A headcount, which increased by 10% year-over-year.

General and administrative expense increased year-over-year for fiscal 2021 due primarily to increases in stock-based compensation expense and other personnel-related costs, partially offset by the impact of our response to the COVID-19 pandemic, as discussed in the "Impact of the COVID-19 Pandemic" section above, as well as lower outside services costs.

Other Expense, Net

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Interest income, net	$ 17,346	$ 13,453	$ 3,893	22%	$ 13,453	$ 4,067	$ 9,386	70%
Change in fair value of derivative liability	—	—	—	0%	—	(269,265)	269,265	100%
Amortization of debt discount and issuance costs and non-cash interest expense	(29,312)	(31,312)	2,000	7%	(31,312)	(79,932)	48,620	155%
Other	(3,053)	(8,441)	5,388	176%	(8,441)	(9,861)	1,420	17%
Other expense, net	$ (15,019)	$ (26,300)	$ 11,281	75%	$ (26,300)	$ (354,991)	$ 328,691	1,250%

The increase in other expense, net for fiscal 2020 was due primarily to higher foreign currency losses, primarily related to operating expenses denominated in foreign currencies and our increasing foreign business, as well as lower interest income from our investments.

The increase in other expense, net for fiscal 2021 was due primarily to additional expense resulting from the new 2026 Notes, including the change in the fair value of the derivative liability and interest expense associated with the amortization of the debt discount and issuance costs for the 2026 Notes.

Provision for Income Taxes

	Fiscal Year Ended July 31,		Change		Fiscal Year Ended July 31,		Change	
	2019	2020	$	%	2020	2021	$	%
	(in thousands, except percentages)							
Provision for income taxes	$ 8,119	$ 17,662	$ 9,543	118%	$ 17,662	$ 18,487	$ 825	5%

The year-over-year increase in the provision for income taxes in fiscal 2020 and fiscal 2021 was due primarily to higher foreign taxes as a result of higher taxable earnings in foreign jurisdictions, as we continued our global expansion. The provision for income taxes in fiscal 2019 was partially offset by a one-time U.S. valuation allowance release related to a business combination and a one-time tax benefit related to the change in tax law. We continue to maintain a full valuation allowance on our U.S. federal and state deferred tax assets and a partial valuation allowance related to our foreign net deferred tax assets.

Liquidity and Capital Resources

As of July 31, 2021, we had $285.7 million of cash and cash equivalents, $3.2 million of restricted cash and $928.0 million of short-term investments, which were held for general corporate purposes. Our cash, cash equivalents and short-term investments primarily consist of bank deposits, money market accounts and highly rated debt instruments of the U.S. government and its agencies and debt instruments of highly rated corporations.

In January 2018, we issued convertible senior notes with a 0% interest rate for an aggregate principal amount of $575.0 million. There are no required principal payments prior to the maturity of the 2023 Notes. For additional information, see Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

In August 2020, we entered into an investment agreement with BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP ("Bain") relating to the issuance and sale to Bain of $750.0 million in aggregate principal amount of 2.50% convertible senior notes due 2026. For additional information, see Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Due to investments in our business as well as the potential cash flow impacts resulting from our continued transition to a subscription-based business model, we expect our operating and free cash flow to continue to be negative during the next 12 months. Notwithstanding that fact, we believe that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced product and service offerings, the continuing market acceptance of our products, the impact of COVID-19 pandemic on our business, our end customers and partners, and the economy, and the timing of and extent to which our customers transition to shorter-term contracts or request to only pay for the initial term of multi-year contracts as a result of our transition to a subscription-based business model.

Cash Flows

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Net cash provided by (used in) operating activities	$ 42,168	$ (159,885)	$ (99,810)
Net cash (used in) provided by investing activities	(16,850)	24,559	(597,153)
Net cash provided by financing activities	67,104	57,797	663,845
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 92,422	$ (77,529)	$ (33,118)

Cash Flows from Operating Activities

Net cash generated from operating activities was $42.2 million for fiscal 2019 and net cash used in operating activities was $159.9 million and $99.8 million for fiscal 2020 and 2021, respectively, representing decreases of $50.4 million and $202.1 million and an increase of $60.1 million, respectively, as compared to the respective prior year periods. The decreases in cash generated from operating activities during fiscal 2019 and 2020 were due primarily to our increasing net loss from operations. The increase in cash generated from operating activities for fiscal 2021 was due primarily to a decrease in our net loss from operations.

Cash Flows from Investing Activities

Net cash used in investing activities of $16.9 million for fiscal 2019 consisted of $468.1 million of short-term investment purchases, $118.5 million of purchases of property and equipment and $19.0 million of net payments for business combinations, partially offset by $588.8 million of maturities of short-term investments.

Net cash provided by investing activities of $24.6 million for fiscal 2020 consisted of $645.8 million of maturities of short-term investments and $75.4 million of sales of short-term investments, partially offset by $607.2 million of short-term investment purchases and $89.5 million of purchases of property and equipment.

Net cash used in investing activities of $597.2 million for fiscal 2021 consisted of $1.4 billion of short-term investment purchases and $58.6 million of purchases of property and equipment, partially offset by $784.2 million of maturities of short-term investments and $70.1 million of sales of short-term investments.

Cash Flows from Financing Activities

Net cash provided by financing activities of $67.1 million for fiscal 2019 primarily consisted of $69.2 million of net proceeds from the sale of shares through employee equity incentive plans, partially offset by a $1.0 million acquisition-related contingent consideration payment and a $1.0 million debt payment in conjunction with a business combination.

Net cash provided by financing activities of $57.8 million for fiscal 2020 consisted of proceeds from the sale of shares through employee equity incentive plans.

Net cash provided by financing activities of $663.8 million for fiscal 2021 consisted of $723.6 million of proceeds from the issuance of the 2026 Notes, net of issuance costs, and $65.8 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by $125.1 million of repurchases of our Class A common stock and $0.5 million of payments for finance leases.

Contractual Obligations

The following table summarizes our contractual obligations as of July 31, 2021:

	Payments Due by Period				
	Total	Less than 1 Year	1 Year to 3 Years	3 to 5 Years	More than 5 Years
			(in thousands)		
Principal amount payable on convertible senior notes (1)	$ 1,333,906	$ —	$ 575,000	$ —	$ 758,906
Paid-in-kind interest on convertible senior notes (1)	7,167	—	—	—	7,167
Operating leases (undiscounted basis) (2)	144,358	49,241	82,307	10,194	2,616
Other commitments (3)	72,677	63,779	5,937	2,961	—
Guarantees with OEMs	48,001	48,001	—	—	—
Total	$ 1,606,109	$ 161,021	$ 663,244	$ 13,155	$ 768,689

(1) For additional information regarding our convertible senior notes, refer to Note 5 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(2) For additional information regarding our operating leases, refer to Note 6 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

(3) Purchase obligations and other commitments pertaining to our daily business operations.

From time to time, in the normal course of business, we make commitments with our OEMs to ensure them a minimum level of financial consideration for their investment in our joint solutions. These commitments are based on revenue targets or on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge related to these items when we determine that it is probable a loss will be incurred and we are able to estimate the amount of the loss. Our historical charges have not been material.

As of July 31, 2021, 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 contractual obligations disclosed in the table above, as it is uncertain if or when such amounts will ultimately be settled. Uncertain tax positions are further discussed in Note 11 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

As of July 31, 2021, 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 U.S. GAAP. The preparation of these consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the applicable periods. We evaluate our estimates, assumptions and judgments on an ongoing basis. Our estimates, assumptions and judgments are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Different assumptions and judgments would change the estimates used in the preparation of our consolidated financial statements, which, in turn, could change the results from those reported.

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 software entitlement and support subscriptions on our core offerings, we determine SSP by evaluating the standalone sales over the trailing 12 months. For those that are not sold routinely, we determine SSP based on our overall pricing trends and objectives, taking into consideration market conditions and other factors, including the value of our contracts, the products sold and geographic locations.

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. Refer to Note 1 and Note 2 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for additional information on revenue recognition.

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.

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 graded vesting 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.

Derivative Liability

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

We use the binomial model to estimate the fair value of the embedded derivative at each period-end. Our use of the binomial model requires the input of highly subjective assumptions, including expected volatility of our common stock, risk-free interest rates, and estimated conversion price ratios based on forecasted financial metrics. The assumptions used in the binomial model represent management best estimates. These estimates involve inherent uncertainties and the application of management’s judgment. If factors change and different assumptions are used, the fair value of the embedded derivative liability could be materially different in the future.

As a result of our early adoption of Accounting Standards Update ("ASU") 2020-06 on August 1, 2021, and once the conversion price of the convertible notes becomes fixed in September 2021, the embedded conversion option will no longer require bifurcation. Once the conversion price becomes fixed, the derivative liability will be marked to fair value and reclassified to equity within the consolidated balance sheet. For additional details on our adoption of ASU 2020-06, refer to Note 1 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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 for impairment at least annually, during the fourth quarter, or more frequently 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.

Assessing whether impairment indicators exist or if events or changes in circumstances have occurred, including market conditions, operating fundamentals, competition and general economic conditions, requires significant judgment. Additionally, changes in the technology industry occur frequently and quickly. Therefore, there can be no assurance that a charge to operating expenses will not occur as a result of future goodwill, intangible assets and other long-lived assets impairment tests. To date, we have not recorded any impairment charges related to our goodwill and intangible assets.

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 $38.4 million, $46.1 million and $51.3 million for fiscal 2019, 2020 and 2021, respectively. The increase in this hypothetical change is due to an increase in our expenses denominated in foreign currencies due to 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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors 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, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows, for each of the three years in the period ended July 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2021, 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, 2021, 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, 2021, 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition — Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

The Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company offers customers an enterprise cloud platform, which can be pre-installed on hardware or delivered separately, as well as related support subscriptions and professional services. Product revenue was $705.8 million and support, entitlements, and other services was $688.6 million for the year ended July 31, 2021.

Significant judgment is exercised by the Company in determining revenue recognition for the Company's customer contracts, and includes the following:

- Determination of whether promised goods or services, such as hardware and software licenses, are capable of being distinct and are distinct in the context of the Company's customer contracts which leads to whether they should be accounted for as individual or combined performance obligations.
- Determination of standalone selling prices for each distinct performance obligation and for products and services that are not sold separately.
- Determination of the timing of when revenue is recognized for each distinct performance obligation either over time or at a point in time.

We identified revenue recognition as a critical audit matter because of these significant judgments required by management. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate whether revenue was recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's revenue recognition for the Company's customer contracts included the following, among others:

- We tested the effectiveness of controls related to the identification of distinct performance obligations, determination of the standalone selling prices, and the determination of the timing of revenue recognition.
- We evaluated management's significant accounting policies related to revenue recognition for reasonableness.
- We selected a sample of recorded revenue transactions and performed the following procedures:
    - Obtaining and reading customer source documents and the contract for each selection, including master agreements and related amendments to evaluate if relevant contractual terms have been appropriately considered by management.
    - Evaluating management's application of their accounting policy and tested revenue recognition for specific performance obligations by comparing management's conclusions to the underlying contract, master agreement and any related amendments, if applicable.
    - Testing the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the financial statements.

- For a selection of arrangements with original equipment manufacturers ("OEMs"), we confirmed accounts receivable and total billings as of and for the year ended July 31, 2021, respectively, directly with the OEM. In addition, we confirmed a sample of individual revenue orders for the year ended July 31, 2021, to evaluate the accuracy of management's records.
- We evaluated the reasonableness of management's estimate of standalone selling prices for products and services that are not sold separately by performing the following:
  - Assessing the appropriateness of the Company's methodology and mathematical accuracy of the determined standalone selling prices.
  - Testing the completeness and accuracy of the source data utilized in management's calculations.

Derivative Liability — Refer to Notes 1, 3 and 5 to the financial statements

Critical Audit Matter Description

During the year ended July 31, 2021, the Company issued $750.0 million in aggregate principal amount of 2.5% convertible senior notes due in 2026 (the "2026 Notes"), which, if converted, may be settled in cash, shares of common stock, or a combination thereof, at the holder of the notes election. The Company separated the 2026 Notes between the debt and a liability-classified embedded derivative. The carrying amount of the debt component was determined using an income approach. The carrying amount of the liability-classified embedded derivative was determined by subtracting the valuation of the debt component from the fair value of the 2026 Notes. The liability-classified embedded derivative is marked-to-market on a quarterly basis through the aforementioned methods.

Given the determination of the fair value of the debt and liability-classified embedded derivative components required management to make significant estimates and assumptions regarding the relevant valuation assumptions, auditing the valuation of both components required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals in our firm having the expertise in the valuation of financial instruments, when performing audit procedures to evaluate management's judgements and conclusions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value of the straight-debt and liability-classified embedded derivative components included the following, among others:

- We tested the effectiveness of internal controls over the Company's determination of the fair value of both the debt and liability-classified embedded derivative components, including controls over the relevant assumptions.
- With the assistance of our fair value specialists, we evaluated the valuation methodology and valuation assumptions to assess the Company's fair value of the debt and liability-classified embedded derivative components. Additionally, we:
  - Assessed the source information underlying the valuation assumptions used in the model to determine fair value at inception and quarterly.
  - Assessed the mathematical accuracy of the valuation model at inception and quarterly.
  - Developed a range of independent estimates and compared those to the fair value of both the debt and liability-classified embedded derivative components determined by management.

/s/ *DELOITTE & TOUCHE LLP*
San Jose, California
September 21, 2021

We have served as the Company's auditor since 2013.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors 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, 2021, 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, 2021, 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, 2021, of the Company and our report dated September 21, 2021, 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, 2021

NUTANIX, INC.

CONSOLIDATED BALANCE SHEETS

	As of	
	July 31, 2020	July 31, 2021
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 318,737	$ 285,723
Short-term investments	401,041	928,006
Accounts receivable, net of allowances of $804 and $892, respectively	242,516	180,781
Deferred commissions—current	68,694	110,935
Prepaid expenses and other current assets	63,032	56,816
Total current assets	1,094,020	1,562,261
Property and equipment, net	143,172	131,621
Operating lease right-of-use assets	127,326	105,903
Deferred commissions—non-current	146,834	232,485
Intangible assets, net	49,392	32,012
Goodwill	185,260	185,260
Other assets—non-current	22,543	27,954
Total assets	$ 1,768,547	$ 2,277,496
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 54,029	$ 47,056
Accrued compensation and benefits	109,109	162,337
Accrued expenses and other current liabilities	25,924	39,404
Deferred revenue—current	534,572	636,421
Operating lease liabilities—current	36,569	42,670
Total current liabilities	760,203	927,888
Deferred revenue—non-current	648,869	676,502
Operating lease liabilities—non-current	116,794	86,599
Convertible senior notes, net	490,222	1,055,694
Derivative liability	—	500,175
Other liabilities—non-current	27,436	42,679
Total liabilities	2,043,524	3,289,537
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Preferred stock, par value of $0.000025 per share— 200,000 shares authorized as of July 31, 2020 and 2021; no shares issued and outstanding as of July 31, 2020 and 2021	—	—
Common stock, par value of $0.000025 per share—1,200,000 (1,000,000 Class A, 200,000 Class B) shares authorized as of July 31, 2020 and 2021; 201,949 (186,846 Class A and 15,103 Class B) and 214,210 (208,579 Class A and 5,631 Class B) shares issued and outstanding as of July 31, 2020 and 2021	5	5
Additional paid-in capital	2,245,180	2,615,317
Accumulated other comprehensive income (loss)	2,030	(8)
Accumulated deficit	(2,522,192)	(3,627,355)
Total stockholders' deficit	(274,977)	(1,012,041)
Total liabilities and stockholders' deficit	$ 1,768,547	$ 2,277,496

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands, except per share data)		
Revenue:			
Product	$ 832,419	$ 765,822	$ 705,804
Support, entitlements and other services	403,724	541,860	688,560
Total revenue	1,236,143	1,307,682	1,394,364
Cost of revenue:			
Product	143,078	71,312	55,287
Support, entitlements and other services	161,050	215,377	236,619
Total cost of revenue	304,128	286,689	291,906
Gross profit	932,015	1,020,993	1,102,458
Operating expenses:			
Sales and marketing	909,750	1,160,389	1,052,508
Research and development	500,719	553,978	556,950
General and administrative	119,587	135,547	153,782
Total operating expenses	1,530,056	1,849,914	1,763,240
Loss from operations	(598,041)	(828,921)	(660,782)
Other expense, net	(15,019)	(26,300)	(354,991)
Loss before provision for income taxes	(613,060)	(855,221)	(1,015,773)
Provision for income taxes	8,119	17,662	18,487
Net loss	$ (621,179)	$ (872,883)	$ (1,034,260)
Net loss per share attributable to Class A and Class B common stockholders—basic and diluted	$ (3.43)	$ (4.48)	$ (5.01)
Weighted average shares used in computing net loss per share attributable to Class A and Class B common stockholders—basic and diluted	181,031	194,719	206,475

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Net loss	$ (621,179)	$ (872,883)	$ (1,034,260)
Other comprehensive loss, net of tax:			
Change in unrealized gain (loss) on available-for-sale securities, net of tax	1,671	1,361	(2,038)
Comprehensive loss	$ (619,508)	$ (871,522)	$ (1,036,298)

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
				(in thousands)		
Balance - July 31, 2018	172,858	$ 4	$ 1,355,907	$ (1,002)	$ (1,028,130)	$ 326,779
Issuance of common stock through employee equity incentive plans	11,272	—	12,187	—	—	12,187
Issuance of common stock from ESPP purchase	2,008	1	57,217	—	—	57,218
Issuance of common stock in connection with an acquisition	2,457	—	103,305	—	—	103,305
Stock-based compensation	—	—	306,729	—	—	306,729
Vesting of early exercised stock options	—	—	183	—	—	183
Other comprehensive income	—	—	—	1,671	—	1,671
Net loss	—	—	—	—	(621,179)	(621,179)
Balance - July 31, 2019	188,595	5	1,835,528	669	(1,649,309)	186,893
Issuance of common stock through employee equity incentive plans	10,034	—	7,024	—	—	7,024
Issuance of common stock from ESPP purchase	3,320	—	50,630	—	—	50,630
Stock-based compensation	—	—	351,998	—	—	351,998
Other comprehensive loss	—	—	—	1,361	—	1,361
Net loss	—	—	—	—	(872,883)	(872,883)
Balance - July 31, 2020	201,949	5	2,245,180	2,030	(2,522,192)	(274,977)
Issuance of common stock through employee equity incentive plans	13,457	—	15,601	—	—	15,601
Issuance of common stock from ESPP purchase	3,980	—	50,167	—	—	50,167
Repurchase and retirement of common stock	(5,176)	—	(54,176)	—	(70,903)	(125,079)
Stock-based compensation	—	—	358,545	—	—	358,545
Other comprehensive loss	—	—	—	(2,038)	—	(2,038)
Net loss	—	—	—	—	(1,034,260)	(1,034,260)
Balance - July 31, 2021	214,210	$ 5	$ 2,615,317	$ (8)	$ (3,627,355)	$ (1,012,041)

See the accompanying notes to the consolidated financial statements.

NUTANIX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Cash flows from operating activities:			
Net loss	$ (621,179)	$ (872,883)	$ (1,034,260)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	77,612	93,773	94,373
Stock-based compensation	306,729	351,998	358,545
Change in fair value of derivative liability	—	—	269,265
Change in fair value of contingent consideration	(832)	—	—
Amortization of debt discount and issuance costs	29,313	31,313	63,859
Operating lease cost, net of accretion	—	30,374	34,757
Impairment of lease-related assets	—	3,002	1,420
Non-cash interest expense	—	—	16,074
Other	(2,786)	324	6,380
Changes in operating assets and liabilities:			
Accounts receivable, net	15,704	4,334	64,483
Deferred commissions	(39,333)	(61,816)	(127,891)
Prepaid expenses and other assets	(12,037)	10,089	4,057
Accounts payable	13,508	(16,574)	(5,762)
Accrued compensation and benefits	14,406	18,765	50,916
Accrued expenses and other liabilities	(17,454)	3,400	14,824
Operating leases, net	—	(28,394)	(37,582)
Deferred revenue	278,517	272,410	126,732
Net cash provided by (used in) operating activities	42,168	(159,885)	(99,810)
Cash flows from investing activities:			
Maturities of investments	588,763	645,828	784,176
Purchases of investments	(468,144)	(607,194)	(1,392,737)
Sales of investments	—	75,413	70,055
Payments for acquisitions, net of cash acquired	(19,017)	—	—
Purchases of property and equipment	(118,452)	(89,488)	(58,647)
Net cash (used in) provided by investing activities	(16,850)	24,559	(597,153)
Cash flows from financing activities:			
Payment of debt in conjunction with acquisitions	(991)	—	—
Payment of contingent consideration associated with an acquisition	(1,040)	—	—
Proceeds from sales of shares through employee equity incentive plans	69,210	57,797	65,766
Proceeds from the issuance of convertible notes, net of issuance costs	(75)	—	723,617
Repurchases of common stock	—	—	(125,079)
Payment of finance lease obligations	—	—	(459)
Net cash provided by financing activities	67,104	57,797	663,845
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 92,422	$ (77,529)	$ (33,118)
Cash, cash equivalents and restricted cash—beginning of period	307,098	399,520	321,991
Cash, cash equivalents and restricted cash—end of period	$ 399,520	$ 321,991	$ 288,873
Restricted cash [(1)]	2,842	3,254	3,150
Cash and cash equivalents—end of period	$ 396,678	$ 318,737	$ 285,723
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	$ 28,999	$ 16,625	$ 16,639
Supplemental disclosures of non-cash investing and financing information:			

Purchases of property and equipment included in accounts payable and accrued and other liabilities	$	8,074	$	4,630	$	12,832
Finance lease liabilities arising from obtaining right-of-use assets	$	—	$	—	$	8,299
Vesting of early exercised stock options	$	183	$	—	$	—
Issuance of common stock for business acquisitions	$	103,305	$	—	$	—

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

See the accompanying notes to the 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, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions run across private-, hybrid- and multicloud environments, and allow organizations to seamlessly "lift and shift" their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure ("VDI") services, cloud native workloads, and analytics applications, between different cloud environments. Our solutions are primarily sold through channel partners, including distributors, resellers and original equipment manufacturers ("OEMs") (collectively, "Partners"), and delivered directly to our end customers.

Principles of Consolidation

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.

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 and assumptions include, but are not limited to, the best estimate of selling prices for products and related support; useful lives and recoverability of intangible assets and property and equipment; allowance for credit losses; determination of fair value of stock-based awards; accounting for income taxes, including the valuation allowance on deferred tax assets and uncertain tax positions; warranty liability; purchase commitment liabilities to our OEMs; sales commissions expense and the period of benefit for deferred commissions; whether an arrangement is or contains a lease; the incremental borrowing rate to measure the present value of right-of-use assets and lease liabilities; the inputs used to determine the fair value of the contingent liability associated with the conversion feature of the 2.50% convertible senior notes due 2026; and contingencies and litigation. Management evaluates these estimates and assumptions on an ongoing basis using historical experience and other factors and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

In response to the ongoing and rapidly evolving COVID-19 pandemic, we considered the impact of the estimated economic implications on our critical and significant accounting estimates, including assessment of collectibility of customer contracts, valuation of accounts receivable, provision for purchase commitments to our OEMs and impairment of long-lived assets, right-of-use assets, and deferred commissions.

Concentration of Risk

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 our Partners and occasionally directly to end customers. For the fiscal years ended July 31, 2019, 2020 and 2021, no end customer accounted for more than 10% of total revenue or accounts receivable.

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

	Revenue Fiscal Year Ended July 31,			Accounts Receivable as of July 31,	
Partners	**2019**	**2020**	**2021**	**2020**	**2021**
Partner A	24%	29%	32%	33%	35%
Partner B	13%	14%	15%	16%	23%
Partner C	10%	(1)	10%	(1)	(1)
Partner D	10%	(1)	(1)	(1)	(1)

(1) Less than 10%

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 0% convertible senior notes, due 2023, (the "2023 Notes") is determined based on the closing trading price per $100 of the 2023 Notes as of the last day of trading for the period. The fair value of the 2.50% convertible senior notes, due 2026, (the "2026 Notes") is determined based on a binomial model.

Derivative Liability

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

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount, net of an allowance for credit losses. 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 credit losses.

The allowance for credit losses is based on the best estimate of the amount of probable credit losses in existing accounts receivable. We assess credit losses on accounts receivable by taking into consideration past collection experience, the credit quality of the customer, the age of the receivable balance, current and future economic conditions, and forecasts that may affect the collectibility of the reported amount. 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 credit losses 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 credit losses 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 credit losses are as follows:

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Allowance for credit losses—beginning balance	$ 815	$ 379	$ 804
Charged to allowance for credit losses	437	822	655
Recoveries	(290)	(22)	(286)
Write-offs	(583)	(375)	(281)
Allowance for credit losses—ending balance	$ 379	$ 804	$ 892

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.

Leases

We determine if an arrangement is or contains a lease at inception by evaluating various factors, including whether a vendor’s right to substitute an identified asset is substantive. Lease classification is determined at the lease commencement date when the leased assets are made available for our use. Operating leases are included in operating lease right-of-use assets, operating lease liabilities—current and operating lease liabilities—non-current in our consolidated balance sheet as of July 31, 2021. Finance leases are included in property and equipment, net, accrued expenses and other current liabilities and other liabilities—non-current in our consolidated balance sheet as of July 31, 2021.

Right-of-use assets ("ROU assets") represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease payments consist primarily of fixed payments under the arrangement, less any lease incentives, such as rent holidays. Variable lease payments not dependent on an index or a rate are expensed as incurred and are not included within the ROU asset and lease liability calculation. Variable lease payments primarily include reimbursements of costs incurred by lessors for common area maintenance, property taxes and utilities. We use an estimate of our incremental borrowing rate ("IBR") based on the information available at the lease commencement date in determining the present value of lease payments, unless the implicit rate is readily determinable. In determining the appropriate IBR, we consider information including, but not limited to, our credit rating, the lease term and the currency in which the arrangement is denominated. For leases which commenced prior to our adoption of Accounting Standards Update ("ASU") 2016-02, Leases ("ASC 842"), we used the IBR as of August 1, 2019. Our lease terms may include renewal options, which are not included in the lease terms for calculating our lease liability, as we are not reasonably certain that we will exercise these renewal options at the time of the lease commencement. Lease costs are recognized on a straight-line basis as operating expenses within our consolidated statements of operations. We present lease payments within cash flows from operations within the consolidated statements of cash flows.

For our operating leases, we elected to account for lease and non-lease components as a single lease component. Additionally, we do not record leases on the consolidated balance sheet that have a lease term of 12 months or less at the lease commencement date.

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 trade names, 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 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 material impairment losses during fiscal 2019, 2020 or 2021.

Revenue Recognition

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. Revenue is recognized at the time the related performance obligation is satisfied with the transfer of a promised good or service to a customer. For additional details on revenue recognition, refer to Note 2 of Notes to Consolidated Financial Statements.

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

Contract balances — The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoiced amount, net of an allowance for credit losses. A receivable is recognized in the period we deliver goods or provide services, or when our right to consideration is unconditional. In situations where revenue recognition occurs before invoicing, an unbilled receivable is created, which represents a contract asset. Unbilled accounts receivable, included in accounts receivable, net on the consolidated balance sheets, was not material for any of the periods presented.

Payment terms on invoiced amounts are typically 30-45 days. The balance of accounts receivable, net of allowance for credit losses, as of July 31, 2020 and 2021 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 commissions 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. Commissions paid upon the initial acquisition of a contract are recognized over the estimated period of benefit, which may exceed the term of the initial contract if the commissions expected to be paid upon renewal are not commensurate with that of the initial contract. Accordingly, deferred costs are recognized on a systematic basis that is consistent with the pattern of revenue recognition allocated to each performance obligation over the entire period of benefit and included in sales and marketing expense in the consolidated statements of operations. We determine the estimated period of benefit by evaluating the expected renewals of customer contracts, the duration of relationships with our customers, customer retention data, our technology development lifecycle and other factors. Deferred costs are periodically reviewed for impairment. Effective August 1, 2020, we changed our sales compensation plans such that commissions paid on subscription software license renewals are not commensurate with commissions paid on the initial contract. Accordingly, commissions paid on initial sales of subscription software licenses are now being recognized in a pattern consistent with the revenue recognition for each performance obligation, including those we expect upon renewal, over the entire period of benefit, rather than only the term of the initial contract, thus resulting in less expense being recognized in the initial contract period.

Taxes assessed by a government authority that are both imposed on and concurrent with specific revenue transactions between us and our customers are presented on a net basis in our consolidated statements of operations.

Deferred revenue — Deferred revenue primarily consists of amounts that have been invoiced but not yet recognized as revenue and primarily pertain to software entitlement and support subscriptions and professional services. The current portion of deferred revenue represents the amounts that are expected to be recognized as revenue within one year of the consolidated balance sheet date.

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 sold by us 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 OEMs 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 OEMs 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. Currently, we expense the software development costs incurred in the research and development of new products and enhancements to existing products as incurred, as from the inception of the product development, our software products are primarily intended to be marketed and sold to customers on-premises, either standalone and/or with other product offerings.

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 purchase rights 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. The fair value of restricted stock units ("RSUs") is determined using the fair value of our common stock on the date of grant.

We grant stock awards with service conditions only and with both service and performance or market-based 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 graded vesting attribution method to recognize stock-based compensation expense related to employee stock awards that contain both service and performance or market-based 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.

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, 2019, 2020 and 2021, we recognized foreign currency losses of $2.5 million, $9.4 million and $8.9 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, 2019, 2020 and 2021, advertising expense was $26.7 million, $38.7 million and $22.1 million, respectively.

Recently Adopted Accounting Pronouncements

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

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

Recently Issued and Not Yet Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Under ASU 2020-06 the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. By removing those separation models, the interest rate of convertible debt instruments typically will be closer to the coupon interest rate. ASU 2020-06 also provides for certain disclosures with regard to convertible instruments and associated fair values. ASU 2020-06 is effective for us in the first quarter of fiscal 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. ASU 2020-06 provides companies with the option to adopt the new standard using either the full retrospective or modified retrospective method. We will early adopt this new guidance using the modified retrospective method as of August 1, 2021.

The adoption of this new guidance is estimated to result in an increase in the carrying value of the 2023 Notes by approximately $48.0 million to reflect the full principal amount of the convertible notes outstanding, net of issuance costs, a decrease in additional paid-in capital of approximately $148.6 million to remove the equity component separately recorded for the conversion feature associated with the 2023 Notes, and a cumulative-effect adjustment of approximately $100.6 million to the beginning balance of our accumulated deficit as of August 1, 2021. The adoption of this new guidance is expected to reduce non-cash interest expense for the fiscal year ending July 31, 2022 and until the 2023 Notes have been settled. The remaining debt issuance costs will continue to be amortized. Additionally, as a result of our adoption of ASU 2020-06, upon the conversion price of the 2026 Notes becoming fixed in September 2021, the embedded conversion option for the 2026 Notes will no longer require bifurcation. At that time, the carrying amount of the derivative liability will be reclassified to shareholders' deficit within the consolidated balance sheet. The remaining debt discount that arose from the original bifurcation will continue to be amortized over the term of the notes.

NOTE 2. REVENUE, DEFERRED REVENUE AND DEFERRED COMMISSIONS

Disaggregation of Revenue and Revenue Recognition

We generate revenue primarily from the sale of our enterprise cloud platform, which can be delivered pre-installed on an appliance that is configured to order or delivered separately to be utilized on a variety of certified hardware platforms. When the software license is not portable to other appliances, it can be used over the life of the associated appliance, while subscription term-based licenses typically have a term of one to five years. Configured-to-order appliances, including our Nutanix-branded NX hardware line, can be purchased from one of our OEMs or in limited cases, directly from Nutanix. Our enterprise cloud platform typically includes one or more years of support and entitlements, which provides customers with 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,		
	2019	2020	2021
		(in thousands)	
Subscription	$ 648,415	$ 1,030,180	$ 1,243,621
Non-portable software	449,131	208,158	71,390
Hardware	105,321	23,455	6,259
Professional services	33,276	45,889	73,094
Total revenue	$ 1,236,143	$ 1,307,682	$ 1,394,364

Subscription revenue — Subscription revenue includes any performance obligation which has a defined term and is generated from the sales of software entitlement and support subscriptions, subscription software licenses and cloud-based software as a service ("SaaS") offerings.

- Ratable — We recognize revenue from software entitlement and support subscriptions and SaaS offerings ratably over the contractual service period, the substantial majority of which relate to software entitlement and support subscriptions. These offerings represented approximately $376.4 million, $508.8 million and $639.3 million of our subscription revenue for fiscal 2019, 2020 and 2021, respectively.
- Upfront — Revenue from our subscription software licenses is generally recognized upfront upon transfer of control to the customer, which happens when we make the software available to the customer. These subscription software licenses represented approximately $272.0 million, $521.3 million and $604.3 million of our subscription revenue for fiscal 2019, 2020 and 2021, respectively.

Non-portable software revenue — Non-portable software revenue includes sales of our enterprise cloud platform when delivered on a configured-to-order appliance by us or one of our OEM partners. The software licenses associated with these sales are typically non-portable and can be used over the life of the appliance on which the software is delivered. Revenue from our non-portable software products is generally recognized upon transfer of control to the customer.

Hardware revenue — In transactions where the hardware appliance is purchased directly from Nutanix, we consider ourselves to be the principal in the transaction and we record revenue and costs of goods sold on a gross basis. We consider the amount allocated to hardware revenue to be equivalent to the cost of the hardware procured. Hardware revenue is generally recognized upon transfer of control to the customer.

Professional services revenue — We also sell professional services with our products. We recognize revenue related to professional services as they are performed.

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

	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of July 31, 2019	$ 910,044	$ 153,712
Additions	815,257	233,917
Revenue/commissions recognized	(541,860)	(172,101)
Balance as of July 31, 2020	1,183,441	215,528
Additions	818,042	310,966
Revenue/commissions recognized	(688,560)	(183,074)
Balance as of July 31, 2021	$ 1,312,923	$ 343,420

During the fiscal year ended July 31, 2020, we recognized revenue of approximately $371.8 million pertaining to amounts deferred as of July 31, 2019. During the fiscal year ended July 31, 2021, we recognized revenue of approximately $488.2 million pertaining to amounts deferred as of July 31, 2020.

Many of our contracted but not invoiced performance obligations are subject to cancellation terms. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not recognized"), which includes deferred revenue and non-cancelable amounts that will be invoiced and recognized as revenue in future periods and excludes performance obligations that are subject to cancellation terms. Contracted not recognized revenue was approximately $1.4 billion as of July 31, 2021, of which we expect to recognize approximately 50% over the next 12 months, and the remainder thereafter.

NOTE 3. 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, 2020			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 142,936	$ —	$ —	$ 142,936
Commercial paper	—	8,999	—	8,999
Short-term investments:				
Corporate bonds	—	345,265	—	345,265
Commercial paper	—	29,702	—	29,702
U.S. government securities	—	26,074	—	26,074
Total measured at fair value	$ 142,936	$ 410,040	$ —	$ 552,976
Cash				166,802
Total cash, cash equivalents and short-term investments				$ 719,778

	As of July 31, 2021			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets:				
Cash equivalents:				
Money market funds	$ 72,583	$ —	$ —	$ 72,583
Commercial paper	—	29,997	—	29,997
Corporate bonds	—	2,002	—	2,002
Short-term investments:				
Corporate bonds	—	513,688	—	513,688
Commercial paper	—	347,088	—	347,088
U.S. Government securities	—	67,230	—	67,230
Total measured at fair value	$ 72,583	$ 960,005	$ —	$ 1,032,588
Cash				181,141
Total cash, cash equivalents and short-term investments				$ 1,213,729

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value, with the exception of the 2023 Notes and the 2026 Notes (collectively, the "Notes"). Financial instruments that are not recorded at fair value on a recurring basis are measured at fair value on a quarterly basis for disclosure purposes. The carrying values and estimated fair values of financial instruments not recorded at fair value are as follows:

	As of July 31, 2020		As of July 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
2023 Notes	$ 490,222	$ 529,385	$ 523,671	$ 602,272
2026 Notes	—	—	532,023	1,128,953
Total	$ 490,222	$ 529,385	$ 1,055,694	$ 1,731,225

The carrying value of the 2023 Notes as of July 31, 2020 and 2021 was net of the unamortized debt discount of $80.3 million and $48.6 million, respectively, and unamortized debt issuance costs of $4.5 million and $2.7 million, respectively.

The carrying value of the 2026 Notes as of July 31, 2021 includes $8.9 million of non-cash interest expense that was converted to the principal balance, net of the unamortized debt discount of $203.6 million and unamortized debt issuance costs of $23.3 million.

The total estimated fair value of the 2023 Notes was determined based on the closing trading price per $100 of the 2023 Notes as of the last day of trading for the period. We consider the fair value of the 2023 Notes to be a Level 2 valuation due to the limited trading activity.

The total estimated fair value of the 2026 Notes is based on a binomial model. We consider the fair value of the 2026 Notes to be a Level 3 valuation, as the 2026 Notes are not publicly traded. The Level 3 inputs used are the same as those used to determine the estimated fair value of the associated derivative liability, as detailed below.

Derivative Liability

The conversion feature of the 2026 Notes represents an embedded derivative. The 2026 Notes are not considered to be conventional debt and we determined that the embedded conversion feature was required to be bifurcated from the host debt and accounted for as a derivative liability, as the 2026 Notes were convertible into a variable number of shares until the conversion price became fixed in September 2021, based on the level of achievement of the associated financial performance metric. As such, the initial fair value of the derivative instrument was recorded as a liability in the consolidated balance sheet with the corresponding amount recorded as a discount to the 2026 Notes upon issuance. The derivative liability is considered a Level 3 valuation and is recorded at its estimated fair value at the end of each reporting period, with the change in fair value recognized within other expense, net in the consolidated statements of operations.

The following table shows the estimated fair value of the derivative liability as of the issuance of the 2026 Notes and the change in fair value from issuance through July 31, 2021:

	Fiscal Year Ended July 31, 2021
	(in thousands)
Derivative liability at issuance of the 2026 Notes	$ 230,910
Change in fair value	269,265
Derivative liability, end of period	$ 500,175

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

	As of	
	September 24, 2020	July 31, 2021
Conversion ratio (1)	Conversion price of $26.63 with a 37.552 conversion rate per $1,000	Conversion price of $27.75 with a 36.036 conversion rate per $1,000
Risk-free rate	0.4%	0.7%
Discount rate (2)	9.0%	6.5%
Volatility	42.7%	40.0%
Stock price	$21.26	$36.02

(1) The conversion ratio was estimated based on the latest forecast of the associated financial performance metric.
(2) The discount rate was estimated based on the implied rate for the 2023 Notes as well as a credit analysis.

NOTE 4. BALANCE SHEET COMPONENTS

Short-Term Investments

The amortized cost of our short-term investments approximates their fair value. Unrealized losses related to our short-term investments are generally due to interest rate fluctuations, as opposed to credit quality. However, we review individual securities that are in an unrealized loss position in order to evaluate whether or not they have experienced or are expected to experience credit losses that would result in a decline in fair value. As of July 31, 2020 and 2021, unrealized gains and losses from our short-term investments were not material and were not the result of a decline in credit quality. As a result, at July 31, 2020 and 2021, we did not record any credit losses for these investments.

The following table summarizes the estimated fair value of our investments in marketable debt securities by their contractual maturity dates:

	As of July 31, 2021
	(in thousands)
Due within one year	$ 772,853
Due in one to two years	155,153
Total	$ 928,006

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following:

	As of July 31,	
	2020	2021
	(in thousands)	
Prepaid operating expenses	$ 31,690	$ 36,455
VAT receivables	8,381	8,290
Tenant improvement allowance receivables	8,557	—
Other current assets	14,404	12,071
Total prepaid expenses and other current assets	$ 63,032	$ 56,816

Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Life	As of July 31,	
		2020	2021
	(in months)	(in thousands)	
Computer, production, engineering and other equipment	36	$ 245,245	$ 300,583
Demonstration units	12	66,569	68,992
Leasehold improvements	(1)	65,557	62,676
Furniture and fixtures	60	17,026	16,518
Total property and equipment, gross		394,397	448,769
Less: accumulated depreciation (2)		(251,225)	(317,148)
Total property and equipment, net		$ 143,172	$ 131,621

(1) Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the remaining lease term.
(2) Includes a $1.2 million write-off related to the impairment of certain leasehold improvements during the fiscal year ended July 31, 2020 and a $0.9 million write-off related to the impairment of certain leasehold improvements during the fiscal year ended July 31, 2021. For additional information on these lease-related impairments, refer to Note 6.

Depreciation expense related to our property and equipment was $60.8 million, $76.4 million and $76.5 million for the fiscal years ended July 31, 2019, 2020 and 2021, respectively.

Intangible Assets, Net

Intangible assets, net consists of the following:

	As of July 31, 2020	As of July 31, 2021
	(in thousands)	
Developed technology	$ 79,300	$ 79,300
Customer relationships	8,860	8,860
Trade name	4,170	4,170
Total intangible assets, gross	92,330	92,330
Less:		
Accumulated amortization of developed technology	(35,987)	(50,764)
Accumulated amortization of customer relationships	(4,953)	(6,513)
Accumulated amortization of trade name	(1,998)	(3,041)
Total accumulated amortization	(42,938)	(60,318)
Total intangible assets, net	$ 49,392	$ 32,012

Amortization expense related to our 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 and trade name.

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

	As of July 31, 2020	As of July 31, 2021
	(in thousands)	
Intangible assets, net—beginning balance	$ 66,773	$ 49,392
Amortization of intangible assets [(1)]	(17,381)	(17,380)
Intangible assets, net—ending balance	$ 49,392	$ 32,012

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

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

Fiscal Year Ending July 31:	Amount
	(in thousands)
2022	$ 16,183
2023	10,856
2024	3,210
2025	1,763
Total	$ 32,012

Goodwill

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

	Carrying Amount (in thousands)
Balance at July 31, 2019	$ 185,180
Other	80
Balance at July 31, 2020	185,260
Balance at July 31, 2021	$ 185,260

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of July 31,	
	2020	2021
	(in thousands)	
Accrued commissions	$ 33,503	$ 48,321
Accrued vacation	24,006	26,961
Contributions to ESPP withheld	16,563	26,735
Payroll taxes payable	10,742	21,603
Accrued bonus	5,568	14,878
Accrued benefits	8,426	10,243
Other	10,301	13,596
Total accrued compensation and benefits	$ 109,109	$ 162,337

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of July 31,	
	2020	2021
	(in thousands)	
Income taxes payable	$ 9,703	$ 13,309
Accrued professional services	3,006	3,541
Other	13,215	22,554
Total accrued expenses and other current liabilities	$ 25,924	$ 39,404

NOTE 5. CONVERTIBLE SENIOR NOTES

2023 Notes

In January 2018, we issued the 2023 Notes with a 0% interest rate for an aggregate principal amount of $575.0 million, due in 2023, in a private placement to qualified institutional buyers pursuant to Rule144A under the Securities Act. This included $75.0 million in aggregate principal amount of the 2023 Notes that we issued resulting from initial purchasers fully exercising their option to purchase additional notes. There are no required principal payments prior to the maturity of the 2023 Notes. The total net proceeds from the 2023 Notes are as follows:

	Amount (in thousands)
Principal amount	$ 575,000
Less: initial purchasers' discount	(10,781)
Less: cost of the bond hedges	(143,175)
Add: proceeds from the sale of warrants	87,975
Less: other issuance costs	(707)
Net proceeds	$ 508,312

The 2023 Notes do not bear any interest and will mature on January 15, 2023, unless earlier converted or repurchased in accordance with their terms. The 2023 Notes are unsecured and do not contain any financial covenants or any restrictions on the payment of dividends, or the issuance or repurchase of securities by us.

Each $1,000 of principal of the 2023 Notes will initially be convertible into 20.4705 shares of our Class A common stock, which is equivalent to an initial conversion price of approximately $48.85 per share, subject to adjustment upon the occurrence of specified events. Holders of these Notes may convert their Notes at their option at any time prior to the close of the business day immediately preceding October 15, 2022, only under the following circumstances:

1) during any fiscal quarter commencing after the fiscal quarter ending on April 30, 2018 (and only during such fiscal quarter), if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter, is greater than or equal to 130% of the conversion price on each applicable trading day;

2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our Class A common stock and the conversion rate for the 2023 Notes on each such trading day; or

3) upon the occurrence of certain specified corporate events.

Based on the closing price of our Class A common stock of $36.02 on July 31, 2021, the if-converted value of the 2023 Notes was lower than the principal amount. The price of our Class A common stock was not greater than or equal to 130% of the conversion price for 20 or more trading days during the 30 consecutive trading days ending on the last trading day of the quarter ended July 31, 2021. As such, the 2023 Notes are not convertible for the fiscal quarter commencing after July 31, 2021.

On or after October 15, 2022, holders may convert all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing conditions.

Upon conversion of the 2023 Notes, we will pay or deliver, as the case may be, cash, shares of our Class A common stock or a combination of cash and shares of Class A common stock, at our election. We intend to settle the principal of the 2023 Notes in cash.

The conversion rate will be subject to adjustment in some events, but will not be adjusted for any accrued or unpaid interest. A holder who converts their 2023 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" per the indenture governing the 2023 Notes are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a fundamental change prior to the maturity date, holders may require us to repurchase for cash all or a portion of their 2023 Notes at a repurchase price equal to 100% of the principal amount of the repurchased 2023 Notes, plus accrued and unpaid interest.

We may not redeem the 2023 Notes prior to the maturity date, and no sinking fund is provided for the 2023 Notes.

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

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

The 2023 Notes consisted of the following:

	As of July 31,	
	2020	2021
	(in thousands)	
Principal amounts:		
Principal	$ 575,000	$ 575,000
Unamortized debt discount [1]	(80,298)	(48,616)
Unamortized debt issuance costs [1]	(4,480)	(2,713)
Net carrying amount	$ 490,222	$ 523,671
Carrying amount of equity component [2]	$ 148,598	$ 148,598

(1) Included in the consolidated balance sheets within "convertible senior notes, net" and amortized over the remaining life of the 2023 Notes using the effective interest rate method. The effective interest rate is 6.62%.
(2) Included in the consolidated balance sheets within additional paid-in capital, net of $3.0 million in equity issuance costs.

As of July 31, 2021, the remaining life of the 2023 Notes was approximately 17 months.

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Interest expense related to amortization of debt discount	$ 27,764	$ 29,658	$ 31,682
Interest expense related to amortization of debt issuance costs	1,549	1,654	1,767
Total interest expense	$ 29,313	$ 31,312	$ 33,449

Note Hedges and Warrants

Concurrently with the offering of the 2023 Notes in January 2018, we entered into convertible note hedge transactions with certain bank counterparties, whereby we have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a conversion price of approximately $48.85 per share, subject to adjustment for certain specified events. The total cost of the convertible note hedge transactions was approximately $143.2 million. In addition, we sold warrants to certain bank counterparties, whereby the holders of the warrants have the initial option to purchase a total of approximately 11.8 million shares of our Class A common stock at a price of $73.46 per share, subject to adjustment for certain specified events. We received approximately $88.0 million in cash proceeds from the sale of these warrants.

Taken together, the purchase of the convertible note hedges and the sale of warrants are intended to offset any actual dilution from the conversion of the 2023 Notes and to effectively increase the overall conversion price from $48.85 to $73.46 per share. As these transactions meet certain accounting criteria, the convertible note hedges and warrants are recorded within stockholders’ equity and are not accounted for as derivatives. The net cost incurred in connection with the convertible note hedge and warrant transactions of approximately $55.2 million was recorded as a reduction to additional paid-in capital in the consolidated balance sheets as of July 31, 2020 and 2021. The fair value of the note hedges and warrants are not remeasured each reporting period. The amounts paid for the note hedges were tax deductible expenses, while the proceeds received from the warrants were not taxable.

Impact to Earnings per Share

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

The warrants will have a dilutive effect when the average share price exceeds the warrant strike price of $73.46 per share. As the price of our Class A common stock continues to increase above the warrant strike price, additional dilution would occur at a declining rate so that a $10 increase from the warrant strike price would yield a cumulative dilution of approximately 4.9 million diluted shares for EPS purposes. However, upon conversion, the note hedges would neutralize the dilution from the 2023 Notes so that there would only be dilution from the warrants, which would result in an actual dilution of approximately 1.4 million shares at a common stock price of $83.46.

2026 Notes

In August 2020, we entered into an investment agreement (the "Investment Agreement") with BCPE Nucleon (DE) SVP, LP, an entity affiliated with Bain Capital, LP ("Bain") relating to the issuance and sale to Bain of $750.0 million in aggregate principal amount of the 2026 Notes. The total net proceeds from this offering were approximately $723.7 million, after deducting $26.3 million of debt issuance costs.

The 2026 Notes bear interest at a rate of 2.5% per annum, with such interest to be paid in kind ("PIK") on the 2026 Notes held by Bain through an increase in the principal amount of the 2026 Notes, and paid in cash on any 2026 Notes transferred to entities that are not affiliated with Bain. Interest on the 2026 Notes will accrue from the date of issuance (September 24, 2020) and be added to the principal amount on a semi-annual basis (March 15 and September 15 of each year, beginning on March 15, 2021). The 2026 Notes mature on September 15, 2026, subject to earlier conversion, redemption or repurchase.

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

The 2026 Notes will be convertible into our shares of Class A common stock based on an initial conversion rate of 36.036 shares of common stock per $1,000 principal amount of the 2026 Notes, which is equal to an initial conversion price of $27.75 per share, subject to customary anti-dilution and other adjustments, including in connection with any make-whole adjustments as a result of certain extraordinary transactions. In September 2021, the one-year anniversary of the 2026 Notes, the conversion price was subject to a one-time adjustment, on a sliding scale in the range of $25.25 to $27.75 per share based on the level of achievement of certain financial milestones. As a result, in September 2021, the conversion price became fixed at $27.75 per share.

On or after September 15, 2025, the 2026 Notes will be redeemable by us in the event that the closing sale price of our Class A common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide the redemption notice, for cash, at a redemption price of 100% of the principal amount of such 2026 Notes, plus any accrued and unpaid interest to, but excluding, the redemption date.

With certain exceptions, upon a change of control or a fundamental change, the holders of the 2026 Notes may require us to repurchase all or part of the principal amount of the 2026 Notes at a repurchase price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date. In addition, we will, in certain circumstances, increase the conversion rate for any 2026 Notes converted in connection with a change of control or a fundamental change.

In accordance with accounting guidance on embedded conversion features, we valued and bifurcated the conversion option associated with the 2026 Notes from the respective host debt instrument, which is treated as a debt discount, and initially recorded the conversion option of $230.9 million as a derivative liability in our consolidated balance sheet, with the corresponding amount recorded as a discount to the 2026 Notes to be amortized over the term of the 2026 Notes using the effective interest method.

The 2026 Notes consisted of the following:

		As of July 31, 2021
		(in thousands)
Principal amounts:		
Principal	$	750,000
Non-cash interest expense converted to principal		8,906
Unamortized debt discount (conversion feature) (1)		(203,619)
Unamortized debt issuance costs (1)		(23,264)
Net carrying amount	$	532,023

(1) Included in the consolidated balance sheets within convertible senior notes, net and amortized over the remaining life of the 2026 Notes using the effective interest rate method. The effective interest rate is 7.05%.

As of July 31, 2021, the remaining life of the 2026 Notes was approximately 5.1 years.

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

		Fiscal Year Ended July 31, 2021
		(in thousands)
Interest expense related to amortization of debt discount	$	27,291
Interest expense related to amortization of debt issuance costs		3,119
Non-cash interest expense		16,074
Total interest expense	$	46,484

Non-cash interest expense is related to the 2.5% PIK interest that we accrued from the issuance of the 2026 Notes through July 31, 2021 and was recognized within other expense, net in the consolidated statement of operations and other liabilities–non-current in the consolidated balance sheet. The accrued PIK interest will be converted to the principal balance of the 2026 Notes at each payment date and will be convertible to shares at maturity or when converted.

Impact to Earnings per Share

The 2026 Notes will have no impact on diluted EPS until the average price of our Class A common stock is greater than the conversion price, discussed above, as we intend to settle the principal amount of the 2026 Notes in cash upon conversion. Under the treasury stock method, in periods when we report net income, we are required to include the effect of additional shares that may be issued under the 2026 Notes when the price of our Class A common stock exceeds the conversion price. During the fiscal year ended July 31, 2021, the average price of our Class A common stock exceeded the conversion price of the 2026 Notes. However, in periods during which we report a net loss, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is antidilutive, and the potential impact of the 2026 Notes is therefore excluded.

NOTE 6. LEASES

We have operating leases for offices, research and development facilities and datacenters and finance leases for certain datacenter equipment. Our leases have remaining lease terms of one year to approximately eight years, some of which include options to renew or terminate. We do not include renewal options in the lease terms for calculating our lease liability, as we are not reasonably certain that we will exercise these renewal options at the time of the lease commencement. Our lease agreements do not contain any residual value guarantees or restrictive covenants.

Total operating lease cost was $39.1 million and $42.6 million for the fiscal years ended July 31, 2020 and 2021, respectively, excluding short-term lease costs, variable lease costs and sublease income, each of which were not material. Variable lease costs primarily include common area maintenance charges. Total lease expense recognized prior to our adoption of ASC 842 was $37.0 million for the fiscal year ended July 31, 2019. Total finance lease cost was $0.7 million for the fiscal year ended July 31, 2021. We had no finance leases during the fiscal year ended July 31, 2020.

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

During fiscal 2021, we recorded additional impairment charges related to certain of our international office spaces, as well as an impairment charge related to an office space in the United States. We recorded a $1.4 million net impairment in our consolidated statement of operations for the fiscal year ended July 31, 2021. Of the $1.4 million impairment, approximately $0.5 million relates to the impairment of our operating lease right-of-use assets and approximately $0.9 million relates to the impairment of leasehold improvements. Additional charges related to asset impairments may be recorded in the future.

Supplemental balance sheet information related to leases is as follows:

	As of July 31,	
	2020	2021
	(in thousands)	
Operating leases:		
Operating lease right-of-use assets, gross	$ 159,292	$ 170,277
Accumulated amortization	(31,966)	(64,374)
Operating lease right-of-use assets, net	$ 127,326	$ 105,903
Operating lease liabilities—current	$ 36,569	$ 42,670
Operating lease liabilities—non-current	116,794	86,599
Total operating lease liabilities	$ 153,363	$ 129,269
Weighted average remaining lease term (in years):	3.7	3.1
Weighted average discount rate:	5.3%	5.5%

	As of July 31, 2021
	(in thousands)
Finance leases:	
Finance lease right-of-use assets, gross (1)	$ 8,972
Accumulated amortization (1)	(687)
Finance lease right-of-use assets, net (1)	$ 8,285
Finance lease liabilities—current (2)	$ 1,772
Finance lease liabilities—non-current (3)	6,527
Total finance lease liabilities	$ 8,299
Weighted average remaining lease term (in years):	4.7
Weighted average discount rate:	6.7%

(1) Included in the consolidated balance sheets within property and equipment, net.
(2) Included in the consolidated balance sheets within accrued expenses and other current liabilities.
(3) Included in the consolidated balance sheets within other liabilities—non-current.

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

	Fiscal Year Ended July 31, 2020	Fiscal Year Ended July 31, 2021
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 42,231	$ 46,216
Financing cash flows from finance leases	$ —	$ 459
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ 45,278	$ 16,174
Finance leases	$ —	$ 9,622

The undiscounted cash flows for our operating lease liabilities as of July 31, 2021 were as follows:

Fiscal Year Ending July 31:	Operating Leases	Finance Leases	Total
		(in thousands)	
2022	$ 48,701	$ 1,832	$ 50,533
2023	47,131	1,832	48,963
2024	33,265	1,832	35,097
2025	7,603	1,832	9,435
2026	2,542	1,128	3,670
Thereafter	2,616	—	2,616
Total lease payments	141,858	8,456	150,314
Less: imputed interest	(12,589)	(157)	(12,746)
Total lease obligation	129,269	8,299	137,568
Less: current lease obligations	(42,670)	(1,772)	(44,442)
Long-term lease obligations	$ 86,599	$ 6,527	$ 93,126

As of July 31, 2021, we had additional operating lease commitments of approximately $2.5 million on an undiscounted basis for certain office leases that have not yet commenced. These operating leases will commence during fiscal 2022, with lease terms of approximately two to three years.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

In the normal course of business, we make commitments with our OEMs to ensure them a minimum level of financial consideration for their investment in our joint solutions. These commitments are based on performance targets or on-hand inventory and non-cancelable purchase orders for non-standard components. We record a charge related to these items when we determine that it is probable a loss will be incurred and we are able to estimate the amount of the loss. Our historical charges have not been material. As of July 31, 2021, we had up to approximately $72.7 million of non-cancelable purchase obligations and other commitments pertaining to our daily business operations, and up to approximately $48.0 million in the form of guarantees to certain of our OEMs.

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.

Legal Proceedings

Securities Class Actions. Beginning on March 29, 2019, several purported securities class actions were filed in the United States District Court for the Northern District of California against us and two of our officers. The initial complaints generally alleged that the defendants made false and misleading statements in violation of Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5. In July 2019, the court consolidated the actions into a single action, and appointed a lead plaintiff, who then filed a consolidated amended complaint (the "Original Complaint"). The action was brought on behalf of those who purchased or otherwise acquired our stock between November 30, 2017 and May 30, 2019, inclusive. The defendants subsequently filed a motion to dismiss the Original Complaint, which the court granted on March 9, 2020, while providing the lead plaintiff leave to amend. On April 17, 2020, the lead plaintiff filed a second amended complaint (the "Current Complaint"), again naming us and two of our officers as defendants. The Current Complaint alleges the same class period, includes many of the same factual allegations as the Original Complaint, and again alleges that the defendants violated Sections 10(b) and 20(a) of the Exchange Act, as well as SEC Rule 10b-5. The Current Complaint seeks monetary damages in an unspecified amount. On September 11, 2020, the court denied our motion to dismiss the Current Complaint and held that the lead plaintiff adequately stated a claim with respect to certain statements regarding our new customer growth and sales productivity. On January 27, 2021, lead plaintiff, Shimon Hedvat, filed a motion to (i) withdraw as lead plaintiff and (ii) substitute proposed new lead plaintiffs and approve their appointment of a new co-lead counsel. On March 1, 2021, the court granted the lead plaintiff’s motion to withdraw as lead plaintiff but denied without prejudice his motion to substitute proposed new lead plaintiffs. The court also reopened the lead plaintiff selection process, allowing any putative class member interested in serving as the new lead plaintiff to file a lead plaintiff application. Following the lead plaintiff selection hearing on April 28, 2021, on June 10, 2021 the court appointed California Ironworkers Field Pension Trust as lead plaintiff and approved its appointment of counsel. On May 28, 2021, one of the movants for lead plaintiff, John P. Norton on behalf of the Norton Family Living Trust UAD 11/15/2002, filed a separate class action complaint in the Northern District of California on behalf of a class of persons or entities who transacted in publicly traded call options and/or put options on Nutanix stock during the period from November 30, 2017 and May 30, 2019, containing allegations substantively the same as those alleged in the Current Complaint (the "Options Class Action"). On September 8, 2021, the court appointed the Norton Family Living Trust UAD 11/15/2002 as the lead plaintiff in the Options Class Action. The litigation is still in the early stages, and we plan to continue to vigorously defend against the allegations and we are not able to determine what, if any, liabilities will attach to the Current Complaint or the Options Class Action.

Shareholder Derivative Actions. Beginning on July 1, 2019, several shareholder derivative complaints were filed in each of the U.S. District Court for the Northern District of California, the Superior Court of California for the County of San Mateo and the Superior Court of California for the County of Santa Clara, naming (i) fourteen of Nutanix's current and former officers and directors as defendants and (ii) the Company as a nominal defendant. The complaints generally alleged claims for breach of fiduciary duty, waste of corporate assets and unjust enrichment, all based on the same general underlying allegations that are contained in the securities class actions described above. The Superior Court complaints additionally alleged insider trading and violation of California Corporations Code Section 25402, and the Santa Clara County Superior Court complaints further included additional claims for "abuse of control" and "gross mismanagement." In August 2019, the Superior Court of California for the County of Santa Clara consolidated the Santa Clara derivative actions into a single action and, in January 2020, the court stayed the consolidated Santa Clara action in deference to the federal derivative actions described above. On March 8, 2021, pursuant to the parties' stipulation, the matter was dismissed, and with prejudice with respect to plaintiffs' standing to pursue derivative claims based on allegations of demand futility. On September 17, 2019, the Superior Court of California for the County of San Mateo granted the plaintiff's request for voluntary dismissal without prejudice. On January 7, 2020, the U.S. District Court for the Northern District of California consolidated the federal actions and, on March 6, 2020, the plaintiffs filed a stipulation designating a lead plaintiff and deeming the lead plaintiff's original complaint as the designated complaint in the matter. On April 22, 2020, (i) the individual defendants filed a motion to dismiss the designated complaint on the grounds that it fails to state a claim, and (ii) we filed a motion to dismiss the designated complaint on the grounds that the plaintiffs failed to make a demand on our Board of Directors before filing the designated complaint. In response, the plaintiffs filed an amended complaint on June 17, 2020, which defendants moved to dismiss. On October 5, 2020, the court granted the motions to dismiss the amended complaint, while providing the plaintiffs leave to amend their complaint. In lieu of filing an amended complaint, the stockholders in the federal derivative actions have made a demand on our Board of Directors to investigate the allegations underlying the securities class action matters, and the parties subsequently filed a stipulation with the court to have the federal derivative lawsuit dismissed. On December 22, 2020, pursuant to the parties' stipulation, the matter was dismissed *in toto* and with prejudice with respect to plaintiffs' standing to pursue derivative claims based on allegations of demand futility.

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

NOTE 8. STOCKHOLDERS' EQUITY

We have two classes of authorized common stock, Class A common stock and Class B common stock. As of July 31, 2021, we had one billion shares of Class A common stock authorized, with a par value of $0.000025 per share, and 200 million shares of Class B common stock authorized, with a par value of $0.000025 per share. As of July 31, 2021, we had 208.6 million shares of Class A common stock issued and outstanding and 5.6 million shares of Class B common stock issued and outstanding.

Holders of Class A common stock are entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of Class B common stock are entitled to 10 votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and are generally automatically converted into shares of our Class A common stock upon a sale or transfer. Shares issued in connection with exercises of stock options, vesting of restricted stock units, or shares purchased under the employee stock purchase plan are generally automatically converted into shares of our Class A common stock. Shares issued in connection with an exercise of common stock warrants are converted into shares of our Class B common stock.

Share Repurchase

In August 2020, our Board of Directors authorized the repurchase of up to $125.0 million of our Class A common stock. Repurchases were made through open market purchases or privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program did not obligate us to acquire any particular amount of our common stock and could have been suspended at any time at our discretion.

During the fiscal year ended July 31, 2021, we repurchased 5.2 million shares of common stock in open market transactions at an average price of $24.15 per share, for an aggregate purchase price of $125.0 million. As of July 31, 2021, there is no remaining authorization and the program has expired.

Common Stock Reserved for Issuance

As of July 31, 2021, we had reserved shares of common stock for future issuance as follows:

	As of July 31, 2021 (in thousands)
Shares reserved for future equity grants	14,501
Shares underlying outstanding stock options	3,334
Shares underlying outstanding restricted stock units	21,708
Shares reserved for future employee stock purchase plan awards	5,189
Total	44,732

NOTE 9. EQUITY INCENTIVE PLANS

Stock Plans

We have three equity incentive plans, the 2010 Stock Plan ("2010 Plan"), 2011 Stock Plan ("2011 Plan") and 2016 Equity Incentive Plan ("2016 Plan"). Our stockholders approved the 2016 Plan in March 2016 and it became effective in connection with our initial public offering ("IPO"). As a result, at the time of the IPO, we ceased granting additional stock awards under the 2010 Plan and 2011 Plan and both plans were terminated. Any outstanding stock awards under the 2010 Plan and 2011 Plan will remain outstanding, subject to the terms of the applicable plan and award agreements, until such shares are issued under those stock awards, by exercise of stock options or settlement of RSUs, or until those stock awards become vested or expired by their terms.

Under the 2016 Plan, we may grant incentive stock options, non-statutory stock options, restricted stock, RSUs and stock appreciation rights to employees, directors and consultants. We initially reserved 22.4 million shares of our Class A common stock for issuance under the 2016 Plan. The number of shares of Class A common stock available for issuance under the 2016 Plan will also include an annual increase on the first day of each fiscal year, beginning in fiscal 2018, equal to the lesser of: 18.0 million shares, 5% of the outstanding shares of all classes of common stock as of the last day of our immediately preceding fiscal year, or such other amount as may be determined by the Board. Accordingly, on August 1, 2019 and 2020, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 9.4 million and 10.1 million shares, respectively, pursuant to these provisions. As of July 31, 2021, we had reserved a total of 39.5 million shares for the issuance of equity awards under the Stock Plans, of which 14.5 million shares were still available for grant. On August 1, 2021, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 10.7 million shares pursuant to the automatic increase provisions.

Restricted Stock Units

Performance RSUs — We have granted RSUs that have both service and performance conditions to our executives and employees ("Performance RSUs"). Vesting of Performance RSUs is subject to continuous service and the satisfaction of certain performance targets. While we recognize cumulative stock-based compensation expense for the portion of the awards for which both the service condition has been satisfied and it is probable that the performance conditions will be met, the actual vesting and settlement of Performance RSUs are subject to the performance conditions actually being met.

Market Stock Units— Due to the departure of our former Chief Executive Officer (“CEO”) in December 2020, the 300,000 RSUs subject to certain market conditions ("MSUs") that were previously granted in October 2018 and December 2019 were forfeited.

In connection with his hiring, in December 2020, the Compensation Committee of our Board of Directors approved the grant of 703,117 MSUs to our new CEO. These MSUs have a weighted average grant date fair value per unit of $35.69 and will vest up to 133% based upon the achievement of certain stock price targets over a performance period of approximately 4.0 years, subject to his continuous service on each vesting date.

In order to align with the MSUs granted to our new CEO, in December 2020, the Compensation Committee of our Board of Directors modified the vesting conditions for the 75,000 MSUs previously granted to another of our executives. These modified MSUs have a weighted average grant date fair value per unit of $27.54 and will vest based upon the achievement of a modified stock price target over the original performance period of approximately 3.9 years, subject to continuous service on each vesting date. The incremental compensation cost resulting from this modification was not material.

We used Monte Carlo simulations to calculate the fair value of these awards on the grant date, or modification date, as applicable. A Monte Carlo simulation requires the use of various assumptions, including the stock price volatility and risk-free interest rate as of the valuation date corresponding to the length of time remaining in the performance period and expected dividend yield. We recognize stock-based compensation expense related to these MSUs using the graded vesting attribution method over the respective performance periods. As of July 31, 2021, 423,915 MSUs remained outstanding.

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

	Fiscal Year Ended July 31,			
	2020		2021	
	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share
Outstanding at beginning of period	22,136	$ 36.72	22,632	$ 32.70
Granted	13,502	$ 27.31	13,732	$ 29.60
Released	(8,807)	$ 33.86	(9,744)	$ 32.58
Forfeited	(4,199)	$ 34.82	(4,912)	$ 31.87
Outstanding at end of period	22,632	$ 32.70	21,708	$ 30.98

The aggregate grant date fair value of RSUs, including MSUs, vested was $262.8 million, $298.2 million and $317.4 million for the fiscal years ended July 31, 2019, 2020 and 2021, respectively.

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.

Below is a summary of stock option activity under the Stock Plans:

	Fiscal Year Ended July 31,							
	2020				2021			
	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 thousands)		(in years)	(in thousands)	(in thousands)		(in years)	(in thousands)
Outstanding at beginning of period	8,740	$ 5.20	4.6	$ 153,000	7,546	$ 5.10	3.6	$ 129,010
Options granted	—	$ —			—	$ —		
Options exercised	(1,192)	$ 5.83			(3,712)	$ 4.07		
Options canceled/forfeited	(2)	$ 26.21			(500)	$ 12.00		
Outstanding at end of period	7,546	$ 5.10	3.6	$ 129,010	3,334	$ 5.20	2.8	$ 102,740
Exercisable at end of period	7,545	$ 5.09	3.7	$ 129,004	3,334	$ 5.20	2.8	$ 102,739

Stock options exercisable as of July 31, 2020 includes 7.0 million vested options and 0.5 million unvested options with an early exercise provision. As of July 31, 2021, there were no unvested options with an early exercise provision. There were no options granted during fiscal 2020 or 2021.

The aggregate intrinsic value of stock options exercised during the fiscal years ended July 31, 2019, 2020 and 2021 was $90.3 million, $23.4 million and $90.5 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 $12.2 million, $6.9 million and $15.1 million for the fiscal years ended July 31, 2019, 2020 and 2021, respectively. The total grant date fair value of stock options vested was $4.4 million, $1.0 million and $0.2 million for the fiscal years ended July 31, 2019, 2020 and 2021, respectively.

Employee Stock Purchase Plan

In December 2015, the Board adopted the 2016 Employee Stock Purchase Plan, which was subsequently amended in January 2016 and September 2016 and approved by our stockholders in March 2016 ("Original 2016 ESPP"). The Original 2016 ESPP became effective in connection with our IPO. On December 13, 2019, during our 2019 Annual Meeting of Stockholders, our stockholders approved certain amendments to the Original 2016 ESPP. Under the amended and restated 2016 ESPP, the maximum number of shares of Class A common stock available for sale is 11.5 million shares, representing an increase of 9.2 million shares.

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

On each purchase date, participating employees will purchase Class A common stock at a price per share equal to 85% of the lesser of the fair market value of our Class A common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of each purchase period in the applicable offering period. If the stock price of our Class A common stock on any purchase date in an offering period is lower than the stock price on the enrollment date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period.

During the fiscal year ended July 31, 2021, 4.0 million shares of common stock were purchased under the 2016 ESPP for an aggregate amount of $50.2 million. As of July 31, 2021, 5.2 million shares were available for future issuance under the 2016 ESPP.

We use the Black-Scholes option pricing model to determine the fair value of shares purchased under the 2016 ESPP with the following weighted average assumptions on the date of grant:

	Fiscal Year Ended July 31,		
	2019	2020	2021
Expected term (in years)	0.84	0.92	0.77
Risk-free interest rate	2.5%	0.1%	0.1%
Volatility	69.0%	73.4%	56.9%
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,		
	2019	2020	2021
		(in thousands)	
Cost of revenue:			
Product	$ 3,535	$ 5,334	$ 6,023
Support, entitlements and other services	15,326	22,014	24,460
Sales and marketing	107,751	126,015	122,815
Research and development	140,519	153,252	150,856
General and administrative	39,598	45,383	54,391
Total stock-based compensation expense	$ 306,729	$ 351,998	$ 358,545

As of July 31, 2021, unrecognized stock-based compensation expense related to outstanding stock awards was approximately $610.1 million and is expected to be recognized over a weighted average period of approximately 2.5 years.

NOTE 10. NET LOSS PER SHARE

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 using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by giving effect to potentially dilutive common stock equivalents outstanding during the period, as their effect would be dilutive. Potentially dilutive common shares include participating securities and shares issuable upon the exercise of stock options, the exercise of common stock warrants, the exercise of convertible preferred stock warrants, the vesting of RSUs and each purchase under the 2016 ESPP, under the treasury stock method.

In loss periods, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is antidilutive and therefore excluded.

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

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands, except per share data)		
Numerator:			
Net loss	$ (621,179)	$ (872,883)	$ (1,034,260)
Denominator:			
Weighted average shares—basic and diluted	181,031	194,719	206,475
Net loss per share attributable to common stockholders—basic and diluted	$ (3.43)	$ (4.48)	$ (5.01)

The potential shares of common stock that were 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:

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands)		
Outstanding stock options and RSUs	30,876	30,178	25,042
Employee stock purchase plan	1,659	4,368	2,838
Common stock issuable upon the conversion of convertible debt	—	—	1,529
Contingently issuable shares pursuant to acquisitions	749	506	253
Common stock warrants	34	—	—
Total	33,318	35,052	29,662

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. Common stock issuable upon the conversion of convertible debt represents the antidilutive impact of the conversion of the 2026 Notes, as the average price of our common stock during the fiscal year ended July 31, 2021 was higher than the conversion price of $27.75.

NOTE 11. INCOME TAXES

Income Taxes

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
	(in thousands)		
Domestic	$ (658,938)	$ (905,840)	$ (1,066,307)
Foreign	45,878	50,619	50,534
Loss before provision for income taxes	$ (613,060)	$ (855,221)	$ (1,015,773)

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

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
Current:			
U.S. federal	$ (1,998)	$ 175	$ 9
State and local	312	79	99
Foreign	17,270	18,033	21,801
Total current taxes	15,584	18,287	21,909
Deferred:			
U.S. federal	(4,949)	80	24
State and local	(770)	—	—
Foreign	(1,746)	(705)	(3,446)
Total deferred taxes	(7,465)	(625)	(3,422)
Provision for income taxes	$ 8,119	$ 17,662	$ 18,487

The income tax provision differs from the amount of income tax determined by applying the applicable U.S. federal statutory income tax rate of 21% 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,		
	2019	2020	2021
		(in thousands)	
U.S. federal income tax at statutory rate	$ (128,680)	$ (179,514)	$ (213,391)
Change in valuation allowance	142,273	145,244	156,576
Non-deductible item on fair value remeasurement of derivative liability	—	—	56,546
Stock-based compensation	(23,378)	30,913	4,663
Effect of foreign operations	14,305	12,676	9,851
Non-deductible expenses	4,651	5,393	1,739
Change in unrecognized tax benefit	727	1,709	2,550
State income taxes	(458)	79	99
Transfer pricing adjustments	(3)	7	—
Intangible asset migration	(2,027)	—	—
Other	709	1,155	(146)
Total	$ 8,119	$ 17,662	$ 18,487

During the fiscal year ended July 31, 2019, our provision for income taxes was primarily attributable to foreign tax provisions in certain foreign jurisdictions in which we conduct business, partially offset by a partial valuation release in the U.S. due to an acquisition completed during fiscal 2019 and a tax benefit related to the change in tax law.

During the fiscal years ended July 31, 2020 and 2021, our provision for income taxes was primarily attributable to foreign tax provisions in certain foreign jurisdictions in which we conduct business.

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

	As of July 31,	
	2020	2021
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforward	$ 412,110	$ 573,944
Deferred revenue	122,236	168,417
Tax credit carryforward	152,330	164,984
Leases	48,270	40,011
Intangible assets	31,119	28,557
Accruals and reserves	13,401	21,727
Stock-based compensation	24,177	18,957
Property and equipment	2,234	3,385
Other assets	29,022	41,886
Total deferred tax assets	834,899	1,061,868
Deferred tax liabilities:		
Deferred commission expense	(50,344)	(83,054)
Leases	(44,502)	(38,368)
Acquisition-related	(8,003)	(4,633)
Property and equipment	(5,629)	(3,681)
Prepaid expenses	(2,140)	(2,013)
Foreign branch taxes	(5,175)	(1,806)
Other	(1,991)	(1,204)
Total deferred tax liabilities	(117,784)	(134,759)
Valuation allowance	(712,093)	(918,689)
Net deferred tax assets	$ 5,022	$ 8,420

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 $918.7 million as of July 31, 2021. The net increase in the total valuation allowance for the fiscal years ended July 31, 2020 and 2021 was $202.3 million and $206.6 million, respectively.

As of July 31, 2021, we had approximately $2.6 billion of federal net operating loss carryforwards and $1.7 billion of state net operating loss carryforwards available to reduce future taxable income, which will begin to expire in fiscal 2029. In addition, we had approximately $113.5 million of federal research credit carryforwards, $82.3 million of state research credit carryforwards and $12.1 million of foreign tax credit carryforwards. The federal credits will begin to expire in fiscal 2030 and the state credits can be carried forward indefinitely. The foreign credits will begin to expire in fiscal 2027.

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, 2021, we held an aggregate of $164.3 million in cash and cash equivalents in our foreign subsidiaries, of which $87.4 million was denominated in U.S. dollars. 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.

The income tax benefit and provision for the fiscal year ended July 31, 2021 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 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,	
	2020	2021
	(in thousands)	
Balance at the beginning of the year	$ 81,250	$ 85,257
Increases related to current year tax positions	3,897	4,335
Increases related to prior year tax positions	491	328
Decreases related to prior year tax positions	(381)	—
Other	—	(145)
Balance at the end of the year	$ 85,257	$ 89,775

During the fiscal year ended July 31, 2021, the net increase in unrecognized tax positions was primarily attributable to federal and state research and development credits and intercompany charges.

As of July 31, 2021, if uncertain tax positions are fully recognized in the future, it would result in a $15.5 million impact to our effective tax rate, primarily relating to positions in foreign jurisdictions, 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, 2021, we had recognized $4.8 million of 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. We do not anticipate a significant impact to the gross unrecognized tax benefits within the next 12 months related to these years.

NOTE 12. SEGMENT INFORMATION

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer and Chief Financial Officer. This group reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, we have a single reportable segment.

The following table sets forth revenue by geographic location based on bill-to location:

	Fiscal Year Ended July 31,		
	2019	2020	2021
		(in thousands)	
U.S.	$ 682,340	$ 706,110	$ 758,128
Europe, the Middle East and Africa	238,356	277,489	320,837
Asia Pacific	271,712	265,092	260,637
Other Americas	43,735	58,991	54,762
Total revenue	$ 1,236,143	$ 1,307,682	$ 1,394,364

The following table sets forth long-lived assets, which primarily include property and equipment, net, by geographic location:

	As of July 31,	
	2020	2021
	(in thousands)	
United States	$ 136,721	$ 86,468
International	55,808	45,152
Total long-lived assets	$ 192,529	$ 131,620

NOTE 13. SUBSEQUENT EVENTS

Exchange and Subscription Transactions for 0.25% Convertible Senior Notes Due 2027

On September 15, 2021, we announced that we entered into privately negotiated exchange and/or subscription agreements with certain holders of the 2023 Notes and certain new investors pursuant to which we will issue $575 million principal amount of 0.25% convertible senior notes due 2027 (the "2027 Notes") consisting of (i) approximately $477.3 million principal amount of 2027 Notes in exchange for approximately $416.5 million principal amount of the 2023 Notes (the "Exchange Transactions") and (ii) approximately $97.7 million principal amount of 2027 Notes for cash (the "Subscription Transactions"). We also entered into privately negotiated transactions with certain holders of the 2023 Notes pursuant to which we will repurchase approximately $12.8 million principal amount of the 2023 Notes for cash (the "Note Repurchases"). Following the closing of the Exchange Transactions and the Note Repurchases, approximately $145.7 million in aggregate principal amount of 2023 Notes will remain outstanding with terms unchanged. The Exchange Transactions, the Subscription Transactions and the Note Repurchases are expected to close concurrently on or about September 22, 2021, subject to customary closing conditions. We will not receive any cash proceeds from the Exchange Transactions. In exchange for issuing the balance of the 2027 Notes pursuant to the Exchange Transactions, we will receive and cancel the exchanged 2023 Notes. We estimate that net cash proceeds from the Subscription Transactions will be approximately $88.4 million after deducting estimated offering expenses for both the Exchange Transactions and the Subscription Transactions. We intend to use (i) approximately $14.7 million of the net cash proceeds from the Subscription Transactions for the Note Repurchases and (ii) approximately $58.5 million of the net cash proceeds from the Subscription Transactions to repurchase approximately 1.4 million shares of our Class A common stock.

The exchange of $416.5 million in principal amount of the 2023 Notes is currently expected to result in the recognition of a loss on the extinguishment of debt instead of a debt modification. We are continuing to evaluate the accounting treatment of the exchange, which is expected to have a material impact on our consolidated financial statements.

Bond Hedge and Warrant Unwind Transactions

In connection with the Exchange Transactions and the Note Repurchases, we have agreed to terminate corresponding portions of the convertible note hedge and warrant transactions we previously entered into with certain financial institutions in connection with the issuance of the 2023 Notes.

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 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, 2021.

The effectiveness of our internal control over financial reporting as of July 31, 2021 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 2021 annual meeting of stockholders ("2021 Proxy Statement"), which will be filed not later than 120 days after the end of our fiscal year ended July 31, 2021.

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to our 2021 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 2021 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 2021 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated herein by reference to our 2021 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, by and between the Registrant and U.S. Bank National Association and Form of 0% Convertible Senior Notes due 2023.	8-K	001-37883	4.1	1/23/2018	
4.5	Description of Class A Common Stock.	10-K	001-37883	4.5	9/24/2019	
4.6	Indenture, dated as of September 24, 2020, by and between the Registrant and U.S. Bank National Association, as Trustee.	8-K	001-37883	4.1	9/24/2020	
4.7	Form of 2.5% Convertible Senior Notes due 2026 (included in Exhibit 4.6)	8-K	001-37883	4.2	9/24/2020	
10.1	Form of Indemnification Agreement by and between the Registrant and each of its directors and executive officers.	10-Q	001-37883	10.1	6/3/2021	
10.2+	Second Amended and Restated Outside Director Compensation Policy					X
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+	Amended and Restated 2016 Employee Stock Purchase Plan and forms of equity agreements thereunder.	10-Q	001-37883	10.1	3/5/2020	
10.7+	Executive Incentive Compensation Plan.	S-1	333-208711	10.14	12/22/2015	
10.8+	Form of Sales Incentive Plan by and between the Registrant and certain of its sales executives.					X
10.9+	Offer Letter, dated as of December 7, 2020, by and between Nutanix, Inc. and Rajiv Ramaswami.	8-K	001-37883	10.1	12/9/2020	
10.10+	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	
10.11+	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	
10.12+	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	
10.13+	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	
10.14+	Offer Letter, dated as of October 29, 2019, by and between the Registrant and Tarkan Maner.	10-Q	001-37883	10.2	3/5/2020	
10.15+	Offer Letter, dated as of February 1, 2021, by and between the Registrant and Christopher Nicholas Kaddaras Jr.	10-Q	001-37883	10.2	6/3/2021	
10.16+	Change of Control and Severance Policy.					X

10.17+	Executive Severance Policy.					X
10.18†	Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of May 16, 2014, by and among the Registrant, Nutanix Netherlands B.V. and Super Micro Computer Inc., as amended by Amendment One to Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of November 13, 2017 and Amendment Two to Original Equipment Manufacturer (OEM) Purchase Agreement dated as of October 31, 2018.	10-Q	001-37883	10.2	6/5/2019	
10.19†	Amendment Two to Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of October 31, 2018, by and between the Registrant and Super Micro Computer, Inc.	10-Q	001-37883	10.3	12/10/2018	
10.20	Participation Agreement to the Original Equipment Manufacturer Purchase Agreement, entered into as of September 26, 2019, by and between the Registrant, Nutanix Netherlands B.V. and Super Micro Computer, Inc.	10-Q	001-37883	10.5	12/5/2019	
10.21†	Amendment Three to Original Equipment Manufacturer (OEM) Purchase Agreement, dated as of December 20, 2020, by and between the Registrant and Super Micro Computer Inc.	10-Q	001-37883	10.1	3/4/2021	
10.22†	Memorandum of Understanding by and between the Registrant and Flextronics Telecom Systems Limited, executed on March 13, 2017.	10-Q	001-37883	10.1	6/5/2019	
10.23†	Manufacturing Services Agreement, by and among the Registrant, Nutanix Netherlands B.V. 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	10.3	6/5/2019	
10.24††	Amendment Four to the Manufacturing Services Agreement, entered into as of September 4, 2019, by and between the Registrant, Nutanix Netherlands B.V. and Flextronics Telecom Systems Limited.	10-Q	001-37883	10.4	12/5/2019	
10.25	Amendment Five to Manufacturing Services Agreement, dated October 5, 2020, by and between the Registrant, Nutanix Netherlands B.V. and Flextronics Telecom Systems, Ltd and its affiliates.	10-Q	001-37883	10.6	12/3/2020	
10.26	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	
10.27	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	

10.28	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	
10.29	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	
10.30	Eighth Amendment, dated as of November 23, 2020, by and between the Registrant and Hudson 1740 Technology, LLC.	10-Q	001-37883	10.3	12/3/2020	
10.31	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	
10.32	Fifth Amendment to the Office Lease dated as of October 1, 2018, by and between the Registrant and Hudson Metro Plaza, LLC.	10-Q	001-37883	10.1	12/10/2018	
10.33	Sixth Amendment to the Office Lease dated as of April 5, 2019, by and between the Registrant and Hudson Metro Plaza, LLC.	10-K	001-37883	10.28	9/24/2019	
10.34	Seventh Amendment to the Office Lease dated as of April 25, 2019, by and between the Registrant and Hudson Metro Plaza, LLC.	10-K	001-37883	10.29	9/24/2019	
10.35††	Eighth Amendment to the Office Lease, dated as of September 17, 2019, by and between the Registrant and Hudson Metro Plaza, LLC.	10-Q	001-37883	10.1	12/5/2019	
10.36	Ninth Amendment, dated as of November 23, 2020, by and between the Registrant and Judson Metro Plaza, LLC.	10-Q	001-37883	10.5	12/3/2020	
10.37	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	
10.38††	First Amendment to the Office Lease dated as of September 5, 2018, by and between the Registrant and the Hudson Concourse, LLC.	10-K	001-37883	10.31	9/24/2019	
10.39	Office Lease for 1741 Technology Dr., dated as of September 5, 2018, by and between the Registrant and Hudson Concourse, LLC.	10-Q	001-37883	10.2	12/10/2018	
10.40	First Amendment to the Office Lease, dated as of October 22, 2019, by and between the Registrant and Hudson Concourse, LLC.	10-Q	001-37883	10.2	12/5/2019	
10.41††	Confirmation Letter, dated as of November 12, 2019, relating to the Office Lease by and between the Registrant and Hudson Concourse, LLC.	10-Q	001-37883	10.3	12/5/2019	
10.42	Second Amendment, dated as of November 23, 2020, by and between the Registrant and Judson Concourse, LLC.	10-Q	001-37883	10.4	12/3/2020	
10.43	Purchase Agreement, dated January 17, 2018, by and among the Registrant 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	
10.44	Investment Agreement, dated as of August 26, 2020, by and among Nutanix, Inc. and BCPE Nucleon (DE) SPV, LP.	8-K	001-37883	10.1	8/27/2020	
10.45	Amendment to Investment Agreement, dated as of September 24, 2020, by and between the Registrant and BCPE Nucleon (DE) SPV, LP.	8-K	001-37883	10.1	9/24/2020	
21.1	List of significant subsidiaries of the Registrant.					X
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public 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	Inline XBRL Instance Document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.	Inline XBRL Taxonomy Extension Definition.	X
101.	Inline XBRL Taxonomy Extension Label Linkbase	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	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.

†† Certain confidential information contained in this Exhibit was omitted by means of marking such portions with brackets because the identified confidential information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

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

NUTANIX, INC.

Date: September 21, 2021	By:	/s/ Rajiv Ramaswami
		Rajiv Ramaswami President and Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Rajiv Ramaswami and Duston M. Williams, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her 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 below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Rajiv Ramaswami Rajiv Ramaswami	President and Chief Executive Officer *(Principal Executive Officer)*	September 21, 2021
/s/ Duston M. Williams Duston M. Williams	Chief Financial Officer *(Principal Financial Officer)*	September 21, 2021
/s/ Aaron Boynton Aaron Boynton	Chief Accounting Officer *(Principal Accounting Officer)*	September 21, 2021
/s/ Susan L. Bostrom Susan L. Bostrom	Director	September 21, 2021
/s/ Craig Conway Craig Conway	Director	September 21, 2021
/s/ Virginia Gambale Virginia Gambale	Director	September 21, 2021
/s/ Steven J. Gomo Steven J. Gomo	Director	September 21, 2021
/s/ Max de Groen Max de Groen	Director	September 21, 2021
/s/ David Humphrey David Humphrey	Director	September 21, 2021
/s/ Brian M. Stevens Brian M. Stevens	Director	September 21, 2021

BOARD OF DIRECTORS

Rajiv Ramaswami
President and Chief Executive Officer, 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.

Virginia Gambale
Managing Partner, Azimuth Partners LLC

Steven J. Gomo
Former Chief Financial Officer, NetApp, Inc..

Max de Groen
Managing Director, Bain Capital Private Equity

David Humphrey
Managing Director, Bain Capital Private Equity

Brian Stevens
Chief Executive Officer, Neuralmagic, Inc.

NUTANIX EXECUTIVE OFFICERS

Rajiv Ramaswami
President and Chief Executive Officer

Duston Williams
Chief Financial Officer

David Sangster
Chief Operating Officer

Tyler Wall
Chief Legal Officer

NUTANIX CORPORATE HEADQUARTERS

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INVESTOR RELATIONS

Tonya Chin
SVP, Corporate Marketing, IR and Chief Communications Officer
(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

Our Class A common stock trades on The Nasdaq Global Select Market under the ticker symbol NTNX.

REGISTRAR AND TRANSFER AGENT

or questions regarding stockholder accounts or changes of address, please contact our transfer agent:

Computershare Trust Company, N.A.
462 South 4th Street, Suite 1600
Louisville, KY 40202
Tel. (U.S. and Canada): (877) 373-6374
Tel. (Outside U.S. and Canada): (781) 575-3100
www.computershare.com

Nutanix is a global leader in cloud software and a pioneer in hyperconverged infrastructure solutions, making clouds invisible, freeing customers to focus on their business outcomes. Organizations around the world use Nutanix software to leverage a single platform to manage any app at any location for their hybrid multicloud environments.

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