UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2023

OR

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

For the transition period from __________ to

Commission File Number: 001-37883

NUTANIX, INC.

(Exact name of registrant as specified in its charter)

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

1740 Technology Drive, Suite 150
San Jose, CA 95110
(Address of principal executive offices, including zip code)

(408) 216-8360
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.000025 par value per share	NTNX	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 30, 2023, the registrant had 242,689,696 shares of Class A common stock, $0.000025 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our future billings, revenue, cost of revenue and operating expenses, as well as changes in the cost of product revenue, component costs, contract durations, 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 duration lengths and discounting behavior;
- our plans for, and the timing of, any current and future business model transitions, 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 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 the 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 reliance on key personnel;
- 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 plans and expectations concerning the remediation of the material weakness previously identified by management;
- our ability to maintain and strengthen existing strategic alliances and partnerships and address macroeconomic supply chain shortages, 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 grow our business 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 may become applicable to our business both in the United States and internationally, including recent changes in global tax laws;
- macroeconomic, geopolitical, and industry trends and environment, 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, war, malicious human acts, climate change, natural disasters (including extreme weather), pandemics or other major public health concerns, and other similar events;
- our ability to attract and retain qualified employees and key personnel; and
- the sufficiency of cash balances to meet cash needs for at least the next 12 months.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs in light of the information currently available to us. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2023. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained or implied in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NUTANIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As of	
	July 31, 2023	October 31, 2023
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 512,929	$ 612,462
Short-term investments	924,466	958,654
Accounts receivable, net of allowances of $733 and $1,360, respectively	157,251	133,716
Deferred commissions—current	120,001	126,195
Prepaid expenses and other current assets	147,087	86,920
Total current assets	1,861,734	1,917,947
Property and equipment, net	111,865	110,204
Operating lease right-of-use assets	93,554	96,301
Deferred commissions—non-current	237,990	226,698
Intangible assets, net	4,893	3,745
Goodwill	184,938	184,938
Other assets—non-current	31,941	30,807
Total assets	$ 2,526,915	$ 2,570,640
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 29,928	$ 35,795
Accrued compensation and benefits	143,679	136,258
Accrued expenses and other current liabilities	109,269	21,054
Deferred revenue—current	823,665	877,547
Operating lease liabilities—current	29,567	28,917
Total current liabilities	1,136,108	1,099,571
Deferred revenue—non-current	771,367	767,685
Operating lease liabilities—non-current	68,940	72,419
Convertible senior notes, net	1,218,165	1,239,189
Other liabilities—non-current	39,754	33,987
Total liabilities	3,234,334	3,212,851
Commitments and contingencies (Note 8)		
Stockholders' deficit:		
Preferred stock, par value of $0.000025 per share— 200,000 shares authorized as of July 31, 2023 and October 31, 2023; no shares issued and outstanding as of July 31, 2023 and October 31, 2023	—	—
Common stock, par value of $0.000025 per share—1,000,000 Class A shares authorized as of July 31, 2023 and October 31, 2023; 239,607 and 243,052 Class A shares issued and outstanding as of July 31, 2023 and October 31, 2023, respectively	6	6
Additional paid-in capital	3,930,668	4,020,672
Accumulated other comprehensive loss	(5,171)	(4,375)
Accumulated deficit	(4,632,922)	(4,658,514)
Total stockholders' deficit	(707,419)	(642,211)
Total liabilities and stockholders' deficit	$ 2,526,915	$ 2,570,640

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2022	**2023**
	(in thousands, except per share data)	
Revenue:		
Product	$ 208,574	$ 246,922
Support, entitlements and other services	225,035	264,132
Total revenue	433,609	511,054
Cost of revenue:		
Product	12,516	10,234
Support, entitlements and other services	69,979	71,725
Total cost of revenue	82,495	81,959
Gross profit	351,114	429,095
Operating expenses:		
Sales and marketing	236,222	235,323
Research and development	149,443	151,975
General and administrative	46,104	47,503
Total operating expenses	431,769	434,801
Loss from operations	(80,655)	(5,706)
Other expense, net	(13,416)	(5,275)
Loss before provision for income taxes	(94,071)	(10,981)
Provision for income taxes	5,443	4,872
Net loss	$ (99,514)	$ (15,853)
Net loss per share attributable to Class A common stockholders —basic and diluted	$ (0.44)	$ (0.07)
Weighted average shares used in computing net loss per share attributable to Class A common stockholders —basic and diluted	228,544	241,490

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Net loss	$ (99,514)	$ (15,853)
Other comprehensive income (loss), net of tax:		
Change in unrealized loss on available-for-sale securities, net of tax	(3,642)	796
Comprehensive loss	$ (103,156)	$ (15,057)

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Unaudited)

	Three Months Ended October 31, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
	(in thousands)					
Balance - July 31, 2022	226,938	$ 6	$ 3,583,928	$ (6,076)	$ (4,378,362)	$ (800,504)
Issuance of common stock through employee equity incentive plans	2,172	—	1,975	—	—	1,975
Issuance of common stock from ESPP purchase	998	—	18,947	—	—	18,947
Stock-based compensation	—	—	80,955	—	—	80,955
Other comprehensive loss	—	—	—	(3,642)	—	(3,642)
Net loss	—	—	—	—	(99,514)	(99,514)
Balance - October 31, 2022	230,108	$ 6	$ 3,685,805	$ (9,718)	$ (4,477,876)	$ (801,783)

	Three Months Ended October 31, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
	(in thousands)					
Balance - July 31, 2023	239,607	$ 6	$ 3,930,668	$ (5,171)	$ (4,632,922)	$ (707,419)
Issuance of common stock through employee equity incentive plans	3,274	—	547	—	—	547
Issuance of common stock from ESPP purchase	653	—	13,233	—	—	13,233
Repurchase and retirement of common stock	(482)	—	(7,774)	—	(9,739)	(17,513)
Stock-based compensation	—	—	83,998	—	—	83,998
Other comprehensive income	—	—	—	796	—	796
Net loss	—	—	—	—	(15,853)	(15,853)
Balance - October 31, 2023	243,052	$ 6	$ 4,020,672	$ (4,375)	$ (4,658,514)	$ (642,211)

See the accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Cash flows from operating activities:		
Net loss	$ (99,514)	$ (15,853)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,839	18,187
Stock-based compensation	80,955	83,998
Amortization of debt discount and issuance costs	10,477	11,055
Operating lease cost, net of accretion	8,722	7,872
Early exit of lease-related assets	(304)	—
Non-cash interest expense	4,894	5,017
Other	(776)	(4,044)
Changes in operating assets and liabilities:		
Accounts receivable, net	40,838	23,656
Deferred commissions	15,213	5,098
Prepaid expenses and other assets	958	60,696
Accounts payable	(7,104)	3,953
Accrued compensation and benefits	(29,820)	(7,421)
Accrued expenses and other liabilities	(3,076)	(89,029)
Operating leases, net	(11,910)	(7,791)
Deferred revenue	36,121	50,079
Net cash provided by operating activities	65,513	145,473
Cash flows from investing activities:		
Maturities of investments	267,667	248,980
Purchases of investments	(256,202)	(278,178)
Purchases of property and equipment	(19,702)	(13,020)
Net cash used in investing activities	(8,237)	(42,218)
Cash flows from financing activities:		
Proceeds from sales of shares through employee equity incentive plans	22,186	13,783
Repurchases of common stock	—	(17,513)
Payment of finance lease obligations	(1,856)	(637)
Net cash provided by (used in) financing activities	20,330	(4,367)
Net increase in cash, cash equivalents and restricted cash	$ 77,606	$ 98,888
Cash, cash equivalents and restricted cash—beginning of period	405,862	515,771
Cash, cash equivalents and restricted cash—end of period	$ 483,468	$ 614,659
Restricted cash (1)	2,851	2,197
Cash and cash equivalents—end of period	$ 480,617	$ 612,462
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 7,635	$ 8,134
Supplemental disclosures of non-cash investing and financing information:		
Purchases of property and equipment included in accounts payable and accrued and other liabilities	$ 10,748	$ 15,013
Finance lease liabilities arising from obtaining right-of-use assets	$ 9,822	$ 12,382

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

See the accompanying notes to condensed consolidated financial statements.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. OVERVIEW AND BASIS OF PRESENTATION

Organization and Description of Business

Nutanix, Inc. was incorporated in the state of Delaware in September 2009. Nutanix, Inc. is headquartered in San Jose, California, and together with its wholly-owned subsidiaries (collectively, "we," "us," "our" or "Nutanix"), has operations throughout North America, Europe, Asia Pacific, the Middle East, Latin America, and Africa.

We provide a leading enterprise cloud platform, which we call the Nutanix Cloud Platform, that consists of software solutions and cloud services that power our customers' enterprise infrastructure. Our solutions deliver a consistent cloud operating model across edge, private-, hybrid- and multicloud environments for all applications and their data. Our solutions allow organizations to simply run and move their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure services, container-based modern applications, and analytics applications, between on-premises and public clouds. Our solutions are primarily sold through channel partners and original equipment manufacturers ("OEMs") (collectively, "Partners"), and delivered directly to our end customers.

Principles of Consolidation and Significant Accounting Policies

The accompanying condensed consolidated financial statements, which include the accounts of Nutanix, Inc. and its wholly-owned subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and are consistent in all material respects with those included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, filed with the Securities and Exchange Commission ("SEC") on September 21, 2023. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements are unaudited, but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. The consolidated balance sheet as of July 31, 2023 is derived from audited financial statements; however, it does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

Use of Estimates

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such management estimates and assumptions include, but are not limited to, the best estimate of selling prices for products and related support; useful lives and recoverability of intangible assets and property and equipment; allowance for credit losses; determination of fair value of stock-based awards; accounting for income taxes, including the valuation allowance on deferred tax assets and uncertain tax positions; purchase commitment liabilities to our contract manufacturers; 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 (the "2026 Notes"); 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.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Concentration of Risk

Concentration of revenue and accounts receivable—We sell our products primarily through our Partners and occasionally directly to end customers. For the three months ended October 31, 2022 and 2023, no end customer accounted for more than 10% of total revenue or accounts receivable.

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

	Revenue		Accounts Receivable as of	
	Three Months Ended October 31,		July 31, 2023	October 31, 2023
Partners	2022	2023		
Partner A	17 %	15 %	19 %	19 %
Partner B	32 %	29 %	17 %	17 %
Partner C	(1)	(1)	11 %	11 %
Partner D	13 %	13 %	(1)	(1)

(1) Less than 10%

Summary of Significant Accounting Policies

There have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, filed with the SEC on September 21, 2023, that have had a material impact on our condensed consolidated financial statements.

Recent Accounting Pronouncements

We have implemented all applicable accounting pronouncements that are in effect and there are no new accounting pronouncements that have been issued that would have a material impact on our condensed consolidated financial statements.

NOTE 2. CORRECTION TO PRIOR PERIOD FINANCIAL STATEMENTS

In connection with the completed Audit Committee investigation, as initially disclosed in our Annual Report on Form 10-K/A filed with the SEC on May 24, 2023, and subsequent to the issuance of the condensed consolidated financial statements for the fiscal quarter ended October 31, 2022, we discovered an error in the reporting of expenses for software licenses and support for each prior period beginning in August 2014, resulting in an immaterial understatement of operating expenses and accrued expenses and other current liabilities for these prior periods. We have evaluated the materiality of this error and determined that the impact is not material to our previously issued financial statements. We have determined to prospectively correct our previously issued financial statements to reflect the correction of this error rather than record a cumulative out-of-period adjustment for this error in the current period. As a result, we have corrected the accompanying condensed consolidated financial statements as of and for the three months ended October 31, 2022, from amounts previously reported to reflect the correction of this error. The correction reflects our estimates of future payments for past non-compliant use of third-party software. Actual amounts may vary materially from these estimates.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following tables summarize the effects of the correction:

	Three Months Ended October 31, 2022		
	As Previously Reported	Adjustments	As Corrected
		(in thousands)	
Condensed Consolidated Statement of Operations:			
Sales and marketing	$ 236,072	$ 150	$ 236,222
Research and development	$ 149,195	$ 248	$ 149,443
Total operating expenses	$ 431,371	$ 398	$ 431,769
Loss from operations	$ (80,257)	$ (398)	$ (80,655)
Loss before provision for income taxes	$ (93,673)	$ (398)	$ (94,071)
Net loss	$ (99,116)	$ (398)	$ (99,514)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.43)	$ (0.01)	$ (0.44)

	Three Months Ended October 31, 2022		
	As Previously Reported	Adjustments	As Corrected
		(in thousands)	
Condensed Consolidated Statement of Comprehensive Loss:			
Net loss	$ (99,116)	$ (398)	$ (99,514)
Comprehensive loss	$ (102,758)	$ (398)	$ (103,156)

	As Previously Reported	Adjustments	As Corrected
		(in thousands)	
Condensed Consolidated Statement of Stockholders' Deficit:			
Accumulated Deficit as of:			
October 31, 2022	$ (4,467,142)	$ (10,734)	$ (4,477,876)
Total Stockholders' Deficit as of:			
October 31, 2022	$ (791,049)	$ (10,734)	$ (801,783)
Net Loss for the Three Months Ended:			
October 31, 2022	$ (99,116)	$ (398)	$ (99,514)

	Three Months Ended October 31, 2022		
	As Previously Reported	Adjustments	As Corrected
		(in thousands)	
Condensed Consolidated Statement of Cash Flows:			
Net loss	$ (99,116)	$ (398)	$ (99,514)
Accrued expenses and other liabilities	$ (3,474)	$ 398	$ (3,076)

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 3. 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:

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Subscription	$ 402,924	$ 479,478
Professional services	22,278	22,835
Other non-subscription product [(1)]	8,407	8,741
Total revenue	$ 433,609	$ 511,054

(1) Prior to the fiscal quarter ended October 31, 2023, disclosed as Non-portable software and Hardware, as described below. The prior period has been updated to conform with current period presentation.

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 $213.4 million and $253.5 million of our subscription revenue for the three months ended October 31, 2022 and 2023, 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 $189.5 million and $226.0 million of our subscription revenue for the three months ended October 31, 2022 and 2023, respectively.

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

Other non-subscription product revenue — Other non-subscription product revenue includes $7.8 million and $8.1 million of non-portable software revenue for the three months ended October 31, 2022 and 2023, respectively, and $0.6 million and $0.6 million of hardware revenue for the three months ended October 31, 2022 and 2023, 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.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

- 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.

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 in which 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. The balance of unbilled accounts receivable, included in accounts receivable, net on the condensed consolidated balance sheets, was $16.3 million and $16.5 million as of July 31, 2023 and October 31, 2023, respectively.

Payment terms on invoiced amounts are typically 30-45 days. We assess credit losses on accounts receivable by taking into consideration past collection experience, the credit quality of the customer, the age of the receivable balance, current and future economic conditions, and forecasts that may affect the collectability of the reported amount. The balance of accounts receivable, net of allowance for credit losses, as of July 31, 2023 and October 31, 2023 is presented in the accompanying condensed consolidated balance sheets.

Costs to obtain and fulfill a contract — We capitalize commissions paid to sales personnel and the related payroll taxes when customer contracts are signed. These costs are recorded as deferred commissions in the condensed consolidated balance sheets, current and non-current. We determine whether costs should be deferred based on our sales compensation plans, if the commissions are incremental and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are recognized over the estimated period of benefit, which may exceed the term of the initial contract if the commissions expected to be paid upon renewal are not commensurate with that of the initial contract. Accordingly, deferred costs are recognized on a systematic basis that is consistent with the pattern of revenue recognition allocated to each performance obligation over the entire period of benefit and included in sales and marketing expense in the condensed consolidated statements of operations. We determine the estimated period of benefit by evaluating the expected renewals of customer contracts, the duration of relationships with our customers, customer retention data, our technology development lifecycle and other factors. Deferred costs are periodically reviewed for impairment.

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

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

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

	Deferred Revenue	Deferred Commissions
	(in thousands)	
Balance as of July 31, 2023	$ 1,595,032	$ 357,991
Additions [1]	561,254	42,350
Revenue/commissions recognized	(511,054)	(47,448)
Balance as of October 31, 2023	$ 1,645,232	$ 352,893

(1) Includes both billed and unbilled amounts.

During the three months ended October 31, 2022, we recognized revenue of approximately $210.9 million pertaining to amounts deferred as of July 31, 2022. During the three months ended October 31, 2023, we recognized revenue of approximately $244.2 million pertaining to amounts deferred as of July 31, 2023.

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 $1.8 billion as of October 31, 2023, of which we expect to recognize approximately 55% over the next 12 months, and the remainder thereafter.

NOTE 4. FAIR VALUE MEASUREMENTS

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

	As of July 31, 2023			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets, Current:				
Cash equivalents:				
Money market funds	$ 211,319	$ —	$ —	$ 211,319
U.S. Government securities	—	6,999	—	6,999
Commercial paper	—	34,830	—	34,830
Short-term investments:				
Corporate bonds	—	452,703	—	452,703
Commercial paper	—	215,219	—	215,219
U.S. Government securities	—	256,544	—	256,544
Total measured at fair value	$ 211,319	$ 966,295	$ —	$ 1,177,614
Cash				259,781
Total cash, cash equivalents and short-term investments				$ 1,437,395
Financial Assets, Non-Current:				
Convertible note receivable	$ —	$ —	$ 5,700	$ 5,700

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	As of October 31, 2023			
	Level I	Level II	Level III	Total
	(in thousands)			
Financial Assets, Current:				
Cash equivalents:				
Money market funds	$ 320,832	$ —	$ —	$ 320,832
U.S. Government securities	—	10,974	—	10,974
Commercial paper	—	46,784	—	46,784
Short-term investments:				
Corporate bonds	—	554,598	—	554,598
Commercial paper	—	166,806	—	166,806
U.S. Government securities	—	237,250	—	237,250
Total measured at fair value	$ 320,832	$ 1,016,412	$ —	$ 1,337,244
Cash				233,872
Total cash, cash equivalents and short-term investments				$ 1,571,116
Financial Assets, Non-Current:				
Convertible note receivable	$ —	$ —	$ 4,810	$ 4,810

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

We report our financial instruments at fair value, with the exception of the 2026 Notes and the 0.25% convertible senior notes due 2027 (the "2027 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, 2023		As of October 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(in thousands)			
2026 Notes	$ 649,630	$ 1,043,889	$ 670,271	$ 1,178,894
2027 Notes	568,535	497,410	568,918	518,604
Total	$ 1,218,165	$ 1,541,299	$ 1,239,189	$ 1,697,498

The carrying value of the 2026 Notes as of July 31, 2023 and October 31, 2023 included $47.6 million and $57.5 million, respectively, of non-cash interest expense that was converted to the principal balance, net of unamortized debt discounts of $132.8 million and $123.2 million, respectively, and unamortized debt issuance costs of $15.2 million and $14.1 million, respectively.

The carrying value of the 2027 Notes as of July 31, 2023 and October 31, 2023 was net of unamortized debt issuance costs of $6.5 million and $6.1 million, respectively.

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 III valuation, as the 2026 Notes are not publicly traded. The Level III inputs used to determine the estimated fair value of the 2026 Notes include the conversion rate, risk-free interest rate, discount rate, volatility, and the price of our Class A common stock.

The total estimated fair value of the 2027 Notes was determined based on the closing trading price per $100 of the 2027 Notes as of the last day of trading for the period. We consider the fair value of the 2027 Notes to be a Level II valuation due to the limited trading activity.

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NOTE 5. 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, 2023 and October 31, 2023, 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, as of July 31, 2023 and October 31, 2023, we did not record any credit losses for these investments.

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

	As of October 31, 2023
	(in thousands)
Due within one year	$ 640,272
Due in one to two years	318,381
Total	$ 958,654

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Prepaid operating expenses	$ 84,998	$ 55,418
VAT receivables	5,954	6,902
Other current assets	56,135	24,600
Total prepaid expenses and other current assets	$ 147,087	$ 86,920

The decrease in prepaid expenses and other current assets from July 31, 2023 to October 31, 2023 was due primarily to the release of the insurance receivable and settlement payment made to escrow related to the securities class action lawsuit, as the settlement was paid out during the fiscal quarter ended October 31, 2023. For additional details on legal proceedings, refer to Note 8.

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Property and Equipment, Net

Property and equipment, net consists of the following:

	Estimated Useful Life	As of July 31, 2023	As of October 31, 2023
	(in months)	(in thousands)	
Computer, production, engineering and other equipment	36	$ 390,378	$ 396,063
Demonstration units	12	60,985	60,154
Leasehold improvements	(1)	64,667	65,522
Furniture and fixtures	60	16,132	15,823
Total property and equipment, gross		532,162	537,562
Less: accumulated depreciation		(420,297)	(427,358)
Total property and equipment, net		$ 111,865	$ 110,204

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

Depreciation expense related to our property and equipment was $16.0 million and $16.1 million for the three months ended October 31, 2022 and 2023, respectively.

Goodwill and Intangible Assets, Net

There was no change in the carrying value of goodwill during the three months ended October 31, 2023.

Intangible assets, net consists of the following:

	As of July 31, 2023	As of October 31, 2023
	(in thousands)	
Developed technology	$ 78,267	$ 78,267
Customer relationships	8,860	8,860
Trade name	4,170	4,170
Total intangible assets, gross	91,297	91,297
Less:		
Accumulated amortization of developed technology	(73,411)	(74,522)
Accumulated amortization of customer relationships	(8,823)	(8,860)
Accumulated amortization of trade name	(4,170)	(4,170)
Total accumulated amortization	(86,404)	(87,552)
Total intangible assets, net	$ 4,893	$ 3,745

Amortization expense related to our intangible assets is recognized in the condensed consolidated statements of operations within product cost of revenue for developed technology and sales and marketing expense for customer relationships and trade name.

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

Fiscal Year Ending July 31:	Amount
	(in thousands)
2024 (remaining nine months)	$ 1,982
2025	1,763
Total	$ 3,745

Accrued Compensation and Benefits

Accrued compensation and benefits consists of the following:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Accrued commissions	$ 36,882	$ 27,295
Accrued vacation	24,840	24,664
Accrued wages and taxes	11,485	23,376
Payroll taxes payable	17,427	16,049
Accrued benefits	12,391	13,158
Contributions to ESPP withheld	10,145	9,884
Accrued bonus	16,404	6,025
Other	14,105	15,807
Total accrued compensation and benefits	$ 143,679	$ 136,258

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consists of the following:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Accrued professional services	$ 1,978	$ 1,909
Software usage liability	11,248	1,347
Litigation settlement reserves	71,000	—
Income taxes payable	2,185	—
Other	22,858	17,798
Total accrued expenses and other current liabilities	$ 109,269	$ 21,054

The decrease in accrued expenses and other current liabilities from July 31, 2023 to October 31, 2023 was due primarily to the release of the litigation settlement reserve related to the securities class action lawsuit, that was settled and paid out during the fiscal quarter ended October 31, 2023. For additional details on legal proceedings, refer to Note 8.

NOTE 6. 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.

On September 22, 2021, we consummated privately negotiated exchanges with certain holders of the outstanding 2023 Notes, pursuant to which such holders exchanged approximately $416.5 million in aggregate principal amount of 2023 Notes for $477.3 million in aggregate principal amount of 2027 Notes. We also entered into privately negotiated transactions with certain holders of the 2023 Notes pursuant to which we repurchased approximately $12.8 million in aggregate principal amount of 2023 Notes for cash. Following the closing of these exchanges and repurchases, approximately $145.7 million in aggregate principal amount of 2023 Notes remained outstanding with terms unchanged.

In January 2023, we settled the 2023 Notes in full at maturity with a cash payment of $145.7 million.

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Interest expense related to amortization of debt issuance costs	$ 149	$ —

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.

In September 2021, in connection with the exchange and repurchase transactions described above, we terminated portions of the convertible note hedge transactions and warrant transactions previously entered into with certain financial institutions in connection with the issuance of the 2023 Notes. The net effect of these unwind transactions was a $21.5 million cash payment received, consisting of an $18.4 million payment for the warrant unwind and the receipt of $39.9 million from the hedge unwind. The amounts paid and received as part of the unwind transactions were recorded to additional paid-in capital within the condensed consolidated balance sheet.

In January 2023, the convertible note hedges and warrant transactions expired concurrently with the expiration of the 2023 Notes. No settlement is required as the stock has remained below the strike price throughout the unwind settlement averaging period.

2026 Notes

In September 2020, we issued $750.0 million in aggregate principal amount of the 2026 Notes to BCPE Nucleon (DE) SPV, LP, an entity affiliated with Bain Capital, LP ("Bain"). 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 has accrued from the date of issuance, September 24, 2020, and is added to the principal amount, in the case of the 2026 Notes held by Bain, or paid in cash, in the case of the 2026 Notes held by entities that are not affiliated with Bain, as applicable, on a semi-annual basis (on March 15 and September 15 of each year). The 2026 Notes mature on September 15, 2026, subject to earlier conversion, redemption or repurchase.

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The 2026 Notes are convertible at an initial conversion rate of 36.036 shares of Class A 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 issuance of the 2026 Notes, the conversion price was subject to a one-time adjustment, based on the level of achievement of certain financial milestones and as a result, the conversion price became fixed at $27.75 per share. For each $1,000 principal amount of 2026 Notes a holder elects to convert, we have initially elected to pay cash with respect to the first $1,000 of conversion value and deliver shares of Class A common stock with respect to any conversion value in excess of $1,000. Pursuant to the indenture governing the 2026 Notes, we may elect to change such default settlement method with respect to any conversion of 2026 Notes held by Bain by delivering written notice to Bain at least five trading days prior to the effective time of such settlement election. Additionally, if Bain elects to convert any 2026 Notes it holds upon our delivery of a notice of redemption, Bain will have the right to elect whether such conversion is settled in cash, shares of our Class A common stock or a combination thereof.

On or after September 15, 2025, the 2026 Notes will be redeemable by us, at our option, 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 consecutive 30 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.

Holders who convert their 2026 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" (as defined in the indenture governing the 2026 Notes) are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a "fundamental change" (as defined in the indenture governing the 2026 Notes) prior to the maturity date, holders of the 2026 Notes may require us to repurchase for cash all or a portion of their 2026 Notes at a repurchase price equal to 100% of the principal amount of the repurchased 2026 Notes, plus accrued and unpaid interest thereon.

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

The 2026 Notes consisted of the following:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Principal amounts:		
Principal	$ 750,000	$ 750,000
Non-cash interest expense converted to principal	47,569	57,539
Unamortized debt discount (conversion feature) (1)	(132,769)	(123,193)
Unamortized debt issuance costs (1)	(15,170)	(14,075)
Net carrying amount	$ 649,630	$ 670,271

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

As of October 31, 2023, the remaining life of the 2026 Notes was approximately 2.9 years.

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Interest expense related to amortization of debt discount	$ 8,927	$ 9,577
Interest expense related to amortization of debt issuance costs	1,020	1,094
Non-cash interest expense	4,894	5,017
Total interest expense	$ 14,841	$ 15,688

Non-cash interest expense is related to the 2.5% PIK interest that we accrued from the issuance of the 2026 Notes through October 31, 2023 and was recognized within other expense, net in the condensed consolidated statement of operations and other liabilities–non-current in the condensed consolidated balance sheet. The accrued PIK interest will be converted to the principal balance of the 2026 Notes at each payment date and will be convertible to shares of our Class A common stock at maturity or when converted.

Upon the conversion price of the 2026 Notes becoming fixed, subject to customary anti-dilution and other adjustments, in September 2021, the embedded conversion option for the 2026 Notes no longer required bifurcation because the conversion features are now considered indexed to our own equity and meet the equity classification conditions. The carrying amount of the derivative liability of $698.2 million as of that date was reclassified to additional paid-in capital within the condensed consolidated balance sheet. The remaining debt discount that arose from the original bifurcation continues to be amortized over the term of the 2026 Notes.

2027 Notes

In September 2021, we issued $575 million in aggregate principal amount of 0.25% convertible senior notes due 2027 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 did not receive any cash proceeds from the Exchange Transactions. The net cash proceeds from the Subscription Transactions was approximately $88.4 million after deducting the offering expenses for both the Exchange Transactions and the Subscription Transactions. We used (i) approximately $14.7 million of the net cash proceeds from the Subscription Transactions to repurchase approximately $12.8 million principal amount of the 2023 Notes 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 2027 Notes bear interest at a rate of 0.25% per annum, and pay interest semi-annually in arrears on each April 1 and October 1. The 2027 Notes will mature on October 1, 2027, unless earlier converted, redeemed or repurchased.

The 2027 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of Class A common stock, at our election. Each $1,000 of principal of the 2027 Notes is initially convertible into 17.3192 shares of our Class A common stock, which is equivalent to an initial conversion price of approximately $57.74 per share, subject to customary anti-dilution adjustments. Holders of these 2027 Notes may convert their 2027 Notes at their option at any time prior to the close of the business day immediately preceding July 1, 2027, only under the following circumstances:

(1) during any fiscal quarter, and only during such fiscal quarter, if the closing price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on, and including, the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the then applicable conversion price for the Notes per share of common stock;

(2) during the five business day period after any consecutive five trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of 2027 Notes for such trading day was less than 98% of the product of the closing price of our common stock and the then applicable conversion rate on each such trading day;

(3) if we call the 2027 Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

(4) upon the occurrence of certain specified corporate events.

Upon conversion of the 2027 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 2027 Notes in cash.

The conversion rate will be subject to adjustment in certain events, but will not be adjusted for any accrued or unpaid interest. Holders who convert their 2027 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" (as defined in the indenture governing the 2027 Notes) are, under certain circumstances, entitled to an increase in the conversion rate. In addition, if we undergo a "fundamental change" (as defined in the indenture governing the 2027 Notes) prior to the maturity date, holders of the 2027 Notes may require us to repurchase for cash all or a portion of their 2027 Notes at a repurchase price equal to 100% of the principal amount of the repurchased 2027 Notes, plus accrued and unpaid interest thereon.

In accounting for the exchange of convertible notes, we evaluated whether the transaction should be treated as a modification or extinguishment transaction. The partial exchange of the 2023 Notes and issuance of the 2027 Notes were deemed to have substantially different terms due to the significant difference between the value of the conversion option immediately prior to and after the exchange, and consequently, the 2023 Notes partial exchange was accounted for as a debt extinguishment. The $64.9 million difference between the total reacquisition price paid and the net carrying amount of the 2023 Notes was recognized as a debt extinguishment loss within other expense, net in the condensed consolidated statement of operations.

The 2027 Notes consisted of the following:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Principal amounts:		
Principal	$ 575,000	$ 575,000
Unamortized debt issuance costs [(1)]	(6,465)	(6,082)
Net carrying amount	$ 568,535	$ 568,918

(1) Included in the condensed consolidated balance sheets within convertible senior notes, net and amortized over the remaining life of the 2027 Notes using the effective interest rate method. The effective interest rate is 0.52%.

As of October 31, 2023, the remaining life of the 2027 Notes was approximately 3.9 years.

The following table sets forth the total interest expense recognized related to the 2027 Notes:

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Contractual interest expense	$ 359	$ 275
Interest expense related to amortization of debt issuance costs	382	384
Total interest expense	$ 741	$ 659

NOTE 7. 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 seven 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.

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Total operating lease cost was $10.7 million and $9.6 million for the three months ended October 31, 2022 and 2023, 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 finance lease cost was $0.7 million and $1.1 million for the three months ended October 31, 2022 and 2023, respectively.

During the three months ended October 31, 2022, we signed agreements to early exit certain office spaces in the United States. The reduction in the lease term resulted in a decrease to the carrying amount of the operating lease liability and the operating lease right-of-use asset on our condensed consolidated balance sheet as of October 31, 2022. In addition, we recorded $0.9 million of expense in our condensed consolidated statement of operations for the three months ended October 31, 2022.

Supplemental balance sheet information related to leases is as follows:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Operating leases:		
Operating lease right-of-use assets, gross	$ 181,226	$ 172,209
Accumulated amortization	(87,672)	(75,908)
Operating lease right-of-use assets, net	$ 93,554	$ 96,301
Operating lease liabilities—current	$ 29,567	$ 28,917
Operating lease liabilities—non-current	68,940	72,419
Total operating lease liabilities	$ 98,507	$ 101,336
Weighted average remaining lease term (in years):	5.0	5.0
Weighted average discount rate:	6.1 %	6.3 %

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	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
Finance leases:		
Finance lease right-of-use assets, gross [1]	$ 18,279	$ 18,279
Accumulated amortization [1]	(5,558)	(6,472)
Finance lease right-of-use assets, net [1]	$ 12,721	$ 11,807
Finance lease liabilities—current [2]	$ 3,518	$ 3,557
Finance lease liabilities—non-current [3]	9,722	8,825
Total finance lease liabilities	$ 13,240	$ 12,382
Weighted average remaining lease term (in years):	3.7	3.5
Weighted average discount rate:	6.8 %	6.8 %

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

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 11,849	$ 10,117
Financing cash flows from finance leases	$ 1,856	$ 2,476
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ 1,346	$ 10,620

The undiscounted cash flows for our operating lease liabilities as of October 31, 2023 were as follows:

Fiscal Year Ending July 31:	Operating Leases	Finance Leases	Total
		(in thousands)	
2024 (remaining nine months)	$ 25,904	$ 3,237	$ 29,141
2025	23,887	4,316	28,203
2026	17,199	3,614	20,813
2027	15,699	1,904	17,603
2028	15,930	916	16,846
Thereafter	21,541	—	21,541
Total lease payments	120,160	13,987	134,147
Less: imputed interest	(18,824)	(1,605)	(20,429)
Total lease obligation	101,336	12,382	113,718
Less: current lease obligations	(28,917)	(3,557)	(32,474)
Long-term lease obligations	$ 72,419	$ 8,825	$ 81,244

As of October 31, 2023, we did not have any additional operating lease commitments for office leases that have not yet commenced.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 8. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

In the normal course of business, we make commitments with our contract manufacturers 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 October 31, 2023, we had up to approximately $107.1 million of non-cancelable purchase obligations and other commitments pertaining to our daily business operations, and up to approximately $53.6 million in the form of guarantees to certain of our contract manufacturers.

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 "Amended Complaint"), again naming us and two of our officers as defendants. The Amended 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 Amended Complaint sought monetary damages in an unspecified amount. On September 11, 2020, the court denied the defendants' motion to dismiss the Amended 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 (the "Options 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 Amended Complaint (the "Options Class Action") and naming the same defendants. On September 8, 2021, the court appointed the John P. Norton on behalf of the Norton Family Living Trust UAD 11/15/2002 as the lead plaintiff in the Options Class Action. On April 26, 2022, the parties met for mediation, which did not result in a settlement. On September 1, 2022, California Ironworkers Field Pension Trust filed a third amended complaint (which amends the Amended Complaint, the "Third Amended Complaint") and John P. Norton on behalf of the Norton Family Living Trust UAD 11/15/2002 filed an amended complaint (which amends the Options Class Action Complaint, the "First Amended Complaint"). On November 14, 2022, the defendants filed a motion to dismiss the Third Amended Complaint and the First Amended Complaint. On February 9, 2023, the plaintiffs and the defendants agreed to a mediator’s recommendation to settle these actions for a total of $71.0 million, which was accrued as of July 31, 2023 and included within accrued expenses and other current liabilities on our condensed consolidated balance sheet. On May 19, 2023, the court granted its preliminary approval of the settlement and the notice to class members. In June 2023, the $31.1 million of settlement funds were deposited in escrow and were included within prepaid expenses and other current assets on our condensed consolidated balance sheet as of July 31, 2023. On October 6, 2023, the court granted final approval of the settlement and the funds were subsequently released from escrow and paid out to the plaintiffs. The settlement accrual was partially offset by a receivable of $39.9 million for amounts recoverable under our applicable insurance policies, which was included within prepaid expenses and other current assets on our condensed consolidated balance sheet as of July 31, 2023. During the fiscal year ended July 31, 2023, we recorded charges of $38.7 million for the settlement and applicable legal fees, net of our insurance receivable.

On April 14, 2023, a purported federal securities class action complaint was filed in the United States District Court for the Northern District of California against us, two of our current officers, and a former officer. The complaint generally alleges 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. The court appointed a lead plaintiff for the putative class in this action, consisting of those who purchased or otherwise acquired our securities between September 21, 2021 and March 6, 2023, inclusive. In addition, on May 5, 2023, a purported stockholder derivative complaint was filed in the United States District Court for the Northern District of California, naming our current directors as defendants and our company as a nominal defendant. The complaint generally alleges violations of Section 14(a) of the Exchange Act and breach of fiduciary duties, and aiding and abetting breach of fiduciary duties, based on similar underlying allegations contained in the purported federal securities class action complaint described above. The court has ordered that all proceedings in this stockholder derivative action be stayed pending the court's decision on any motion to dismiss in the federal securities class action. In September 2023, the Company and the lead plaintiff in the securities class action reached an agreement to dismiss the action, with prejudice as to the lead plaintiff and without prejudice as to the other members of the putative class. The settlement payment was not material. On November 20, 2023, the court dismissed the securities class action pursuant to the settlement agreement.

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 9. STOCKHOLDERS' EQUITY

We have one class of outstanding common stock consisting of Class A common stock. As of October 31, 2023, we had 1.0 billion shares of Class A common stock authorized, with a par value of $0.000025 per share. As of October 31, 2023, we had 243.1 million shares of Class A 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.

Share Repurchase

In August 2023, our Board of Directors authorized the repurchase of up to $350.0 million of our Class A common stock. Repurchases may be made from time to time through open market purchases or through privately negotiated transactions subject to market conditions, applicable legal requirements and other relevant factors. The repurchase program does not obligate us to acquire any particular amount of our common stock, and may be suspended at any time at our discretion. During the three months ended October 31, 2023, we repurchased 0.5 million shares of Class A common stock in open market transactions at a weighted average price of $36.34 per share, for an aggregate purchase price of $17.5 million. As of October 31, 2023, $332.5 million remained available for future share repurchases.

NOTE 10. 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 remain outstanding, subject to the terms of the applicable plan and award agreements, until such shares are issued under those stock awards, by exercise of stock options or settlement of restricted stock units ("RSUs"), or until those stock awards become vested or expired by their terms.

Under the 2016 Plan, we may grant incentive stock options, non-statutory stock options, restricted stock, RSUs and stock appreciation rights to employees, directors and consultants. We initially reserved 22.4 million shares of our Class A common stock for issuance under the 2016 Plan. The number of shares of Class A common stock available for issuance under the 2016 Plan also includes 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, 2022 and 2023, the number of shares of Class A common stock available for issuance under the 2016 Plan increased by 11.3 million and 12.0 million shares, respectively, pursuant to these provisions. As of October 31, 2023, we had reserved a total of 48.6 million shares for the issuance of equity awards under the Stock Plans, of which 17.4 million shares were still available for grant.

Restricted Stock Units

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

Market Stock Units

In connection with his hiring, in December 2020, the Compensation Committee of our Board of Directors approved the grant of 0.7 million RSUs subject to certain market conditions ("MSUs") to our President and 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 October 2021, August 2022, and August 2023, the Compensation Committee of our Board of Directors approved the grant of approximately 0.4 million, 1.3 million, and 0.8 million MSUs, respectively, to certain of our executives. These MSUs have a weighted average grant date fair value per unit of approximately $46.20, $27.89, and $47.09, respectively, and will vest up to 200% of the target number of MSUs based upon our total shareholder return relative to the total shareholder return of companies in the Nasdaq Composite Index over a performance period of approximately 2.8 years, 2.9 years, and 2.9 years, respectively, subject to continuous service on each vesting date. Additional MSUs have been granted with similar terms, but were 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 October 31, 2023, approximately 2.2 million MSUs remained outstanding.

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

	Number of Shares	Weighted Average Grant Date Fair Value per Share
	(in thousands)	
Outstanding at July 31, 2023	24,774	$ 24.46
Granted	8,966	$ 32.18
Released	(3,182)	$ 23.96
Forfeited	(322)	$ 25.40
Outstanding at October 31, 2023	30,236	$ 26.79

Stock Options

We did not grant any stock options during the three months ended October 31, 2023. A total of 0.1 million stock options were exercised during the three months ended October 31, 2023, with a weighted average exercise price per share of $5.94. As of October 31, 2023, 1.0 million stock options, with a weighted average exercise price of $6.92 per share, a weighted average remaining contractual life of 0.9 years and an aggregate intrinsic value of $27.9 million, remained outstanding.

Employee Stock Purchase Plan

In December 2015, the Board adopted the 2016 Employee Stock Purchase Plan, which was subsequently amended in January 2016 and September 2016 and approved by our stockholders in March 2016 (the "Original 2016 ESPP"). The Original 2016 ESPP became effective in connection with our IPO. Our stockholders subsequently approved amendments to the Original 2016 ESPP in December 2019 and December 2022 (as amended, the "2016 ESPP"). Under the 2016 ESPP, the maximum number of shares of Class A common stock available for sale is 13.8 million shares.

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

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

During the three months ended October 31, 2023, 0.7 million shares of common stock were purchased under the 2016 ESPP for an aggregate amount of $13.2 million. As of October 31, 2023, 12.0 million shares were available for future issuance under the 2016 ESPP.

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

	Three Months Ended October 31,	
	2022	**2023**
Expected term (in years)	0.86	0.79
Risk-free interest rate	4.0 %	5.1 %
Volatility	64.3 %	48.5 %
Dividend yield	— %	— %

Stock-Based Compensation

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Cost of revenue:		
Product	$ 2,159	$ 1,928
Support, entitlements and other services	5,346	7,116
Sales and marketing	20,472	21,471
Research and development	38,622	38,404
General and administrative	14,356	15,079
Total stock-based compensation expense	$ 80,955	$ 83,998

As of October 31, 2023, unrecognized stock-based compensation expense related to outstanding stock awards was approximately $734.0 million and is expected to be recognized over a weighted average period of approximately 2.6 years.

NOTE 11. INCOME TAXES

The income tax provisions of $5.4 million and $4.9 million for the three months ended October 31, 2022 and 2023, respectively, primarily consisted of foreign taxes on our international operations and U.S. state income taxes. We continue to maintain a full valuation allowance for our U.S. Federal and state deferred tax assets and a partial valuation allowance related to our foreign net deferred tax assets.

NOTE 12. RESTRUCTURING CHARGES

In August 2022, we announced a plan to reduce our global headcount by approximately 270 employees, which represented approximately 4% of our total employees, following a review of our business structure and after taking other cost-cutting measures to reduce expenses. This headcount reduction was part of our efforts to drive toward profitable growth.

As of October 31, 2023, we recognized total restructuring charges of approximately $16.5 million, which consisted primarily of one-time severance and other termination benefit costs directly related to this reduction in force. Of the approximately $16.5 million recognized, $0.4 million is included within support, entitlements and other services cost of revenue, $13.6 million is included within sales and marketing expense, $2.3 million is included within research and development expense, and $0.2 million is included within general and administrative expense on our condensed consolidated statements of operations.

During the three months ended October 31, 2022, we recognized restructuring charges of $5.8 million and made cash payments of $11.2 million. During the three months ended October 31, 2023, we did not incur any charges or make any cash payments. As of October 31, 2023, we had a remaining restructuring liability of approximately $0.6 million, included within accrued compensation and benefits in our condensed consolidated balance sheet. We do not expect to record any material future charges related to this reduction in force.

NOTE 13. NET LOSS PER SHARE

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands, except per share data)	
Numerator:		
Net loss	$ (99,514)	$ (15,853)
Denominator:		
Weighted average shares—basic and diluted	228,544	241,490
Net loss per share attributable to common stockholders—basic and diluted	$ (0.44)	$ (0.07)

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Outstanding stock options and RSUs	34,355	31,190
Employee stock purchase plan	2,902	2,133
Common stock issuable upon the conversion of the Notes	39,968	39,059
Total	77,225	72,382

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. Common stock issuable upon the conversion of convertible debt represents the antidilutive impact of the 2023 Notes, 2026 Notes and 2027 Notes under the if-converted method.

NUTANIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 14. SEGMENT INFORMATION

Our chief operating decision maker is a group which is comprised of our Chief Executive Officer and Chief Financial Officer. This group reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, we have a single reportable segment.

The following table sets forth revenue by geographic location based on bill-to location:

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
U.S.	$ 255,730	$ 290,274
Europe, the Middle East and Africa	100,253	124,584
Asia Pacific	69,103	83,112
Other Americas	8,523	13,084
Total revenue	$ 433,609	$ 511,054

The following table sets forth long-lived assets, which primarily include property and equipment, net, by geographic location:

	As of	
	July 31, 2023	October 31, 2023
	(in thousands)	
United States	$ 78,404	$ 77,706
International	33,461	32,498
Total long-lived assets	$ 111,865	$ 110,204

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with (1) the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023 filed on September 21, 2023. 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 gives effect to the correction disclosed in Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2023 and in Part II, Item 1A of this Quarterly Report on Form 10-Q. 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 deliver a consistent cloud operating model across edge, private-, hybrid- and multicloud environments for all applications and their data. Our solutions allow organizations to simply run and move their workloads, including enterprise applications, high-performance databases, end-user computing and virtual desktop infrastructure services, container-based modern applications, and analytics applications, between on-premises and public clouds. Our goal is to provide a single, simple, open software platform for all hybrid and multicloud applications and their data. We operate a subscription-based business model to provide our customers with the flexibility to choose the licensing that works best for them based on their specific business needs.

The Nutanix Cloud Platform can be deployed on-premises at the edge or in data centers, running on a variety of qualified hardware platforms, in popular public cloud environments such as AWS and Microsoft Azure through Nutanix Cloud Clusters, or, in the case of our cloud-based software and software-as-a-service ("SaaS") offerings, via hosted service. 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. 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. Purchases of term-based licenses and SaaS subscriptions have support and entitlements included within the subscription fees and are not sold separately. Purchases of non-portable software are typically accompanied by the purchase of separate support and entitlements.

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 toward 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.

We had a broad and diverse base of over 24,000 end customers as of October 31, 2023, including approximately 1,020 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.

Our solutions are primarily sold through channel partners 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 sustain profitable growth. As discussed further in the "Factors Affecting Our Performance" section below, 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.

As previously disclosed, in the fourth quarter of fiscal 2023, the Audit Committee of our Board of Directors completed its investigation into our management’s discovery that certain third-party evaluation software was instead used for interoperability testing, validation and customer proofs of concept over a multi-year period. In connection with the investigation, we had identified control deficiencies that, individually or in the aggregate, constitute a material weakness in our internal control over financial reporting. While our management, with the oversight of the Audit Committee, has made significant progress toward remediating this material weakness, our management determined that this material weakness has not yet been fully remediated. For more information about our remediation efforts, refer to Part I, Item 4 of this Quarterly Report on Form 10-Q. This material weakness resulted in an error in the reporting of expenses for software licenses and support for each prior period beginning in August 2014, resulting in an immaterial understatement of operating expenses and accrued expenses and other current liabilities for these prior periods. We have evaluated the materiality of this error and determined that the impact is not material to our previously issued financial statements. We have determined to prospectively correct our previously issued financial statements to reflect the correction of this error rather than record a cumulative out-of-period adjustment in the current period. As a result, we have prospectively corrected our financial statements for the affected periods to reflect the correction of this error. For more information, refer to Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Key Financial and Performance Metrics

We monitor the following key financial and performance metrics:

	As of and for the Three Months Ended October 31,	
	2022	2023
	(in thousands, except percentages and end customer count)	
Total revenue	$ 433,609	$ 511,054
Year-over-year percentage increase	14.6 %	17.9 %
Total billings	$ 469,730	$ 561,133
Annual contract value ("ACV") billings	$ 231,928	$ 287,216
Annual recurring revenue ("ARR")	$ 1,280,574	$ 1,663,918
Gross profit	$ 351,114	$ 429,095
Non-GAAP gross profit	$ 361,694	$ 439,250
Gross margin	81.0 %	84.0 %
Non-GAAP gross margin	83.4 %	85.9 %
Operating expenses	$ 431,769	$ 434,801
Non-GAAP operating expenses	$ 351,498	$ 359,764
Operating loss	$ (80,655)	$ (5,706)
Non-GAAP operating income	$ 10,196	$ 79,486
Operating margin	(18.6)%	(1.1)%
Non-GAAP operating margin	2.4 %	15.6 %
Net cash provided by operating activities	$ 65,513	$ 145,473
Free cash flow	$ 45,811	$ 132,453
Total end customers [(1)]	23,130	24,930

(1) The total end customer count reflects standard adjustments/consolidation to certain customer accounts within our system of record and is rounded to the nearest 10.

Disaggregation of Revenue and Billings

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Disaggregation of revenue:		
Subscription revenue	$ 402,924	$ 479,478
Professional services revenue	22,278	22,835
Other non-subscription product revenue [(1)]	8,407	8,741
Total revenue	$ 433,609	$ 511,054
Disaggregation of billings:		
Subscription billings	$ 441,430	$ 528,914
Professional services billings	19,893	23,478
Other non-subscription product billings [(1)]	8,407	8,741
Total billings	$ 469,730	$ 561,133

(1) Prior to the fiscal quarter ended October 31, 2023, disclosed as Non-portable software and Hardware, as described below. The prior period has been updated to conform with current period presentation.

NUTANIX, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 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 $213.4 million and $253.5 million of our subscription revenue for the three months ended October 31, 2022 and 2023, 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 $189.5 million and $226.0 million of our subscription revenue for the three months ended October 31, 2022 and 2023, respectively.

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

Other non-subscription product revenue — Other non-subscription product revenue includes $7.8 million and $8.1 million of non-portable software revenue for the three months ended October 31, 2022 and 2023, respectively, and $0.6 million and $0.6 million of hardware revenue for the three months ended October 31, 2022 and 2023, 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.

Non-GAAP Financial Measures and Key Performance Measures

We regularly monitor total billings, ACV billings, ARR, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income (loss), non-GAAP operating margin, free cash flow, and total end customers, 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 operate 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. ACV billings is a performance measure that we believe provides useful information to our management and investors as they allow us to better track the topline growth of our 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. Non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income (loss), and non-GAAP operating margin 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. 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. 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, ACV billings, ARR, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income (loss), non-GAAP operating margin, and free cash flow have limitations as analytical tools and they should not be considered in isolation or as substitutes for analysis of our results as reported under generally accepted accounting principles ("GAAP") in the United States. Total billings, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income (loss), non-GAAP operating margin, and free cash flow are not substitutes for total revenue, gross profit, gross margin, operating expenses, operating loss, operating margin, or net cash provided by (used in) operating activities, respectively. There is no GAAP measure that is comparable to ACV billings or ARR, so we have not reconciled either ACV billings or ARR numbers included in this Quarterly Report on Form 10-Q to any GAAP measure. In addition, other companies, including companies in our industry, may calculate non-GAAP financial measures and key performance measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures and key performance measures as tools for comparison. We urge you to review the reconciliation of our non-GAAP financial measures and key performance measures to the most directly comparable GAAP financial measures included below and not to rely on any single financial measure to evaluate our business.

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

Total billings — We calculate total billings by adding the change in deferred revenue and the change in unbilled accounts receivable between the start and end of the period to total 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.

Non-GAAP gross profit and Non-GAAP gross margin — We calculate non-GAAP gross margin as non-GAAP gross profit divided by total revenue. We define non-GAAP gross profit as gross profit adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, restructuring charges, impairment of lease-related assets, and costs associated with other non-recurring transactions. Our presentation of non-GAAP gross profit and non-GAAP gross margin 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 these non-GAAP financial measures.

Non-GAAP operating expenses — We define non-GAAP operating expenses as total operating expenses adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, restructuring charges, impairment of lease-related assets, litigation settlement accruals and legal fees related to certain litigation matters, 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.

Non-GAAP operating income (loss) and Non-GAAP operating margin — We calculate non-GAAP operating margin as non-GAAP operating income (loss) divided by total revenue. We define non-GAAP operating income (loss) as operating loss adjusted to exclude stock-based compensation expense, amortization of acquired intangible assets, restructuring charges, impairment of lease-related assets, litigation settlement accruals and legal fees related to certain litigation matters, and costs associated with other non-recurring transactions. Our presentation of non-GAAP operating income (loss) and non-GAAP operating margin 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 these non-GAAP financial measures.

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.

Total end customers — 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.

NUTANIX, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands, except percentages)	
Total revenue	$ 433,609	$ 511,054
Change in deferred revenue	36,121	50,079
Total billings (non-GAAP)	$ 469,730	$ 561,133
Gross profit	$ 351,114	$ 429,095
Stock-based compensation	7,505	9,044
Amortization of intangible assets	2,810	1,111
Restructuring charges	265	—
Non-GAAP gross profit	$ 361,694	$ 439,250
Gross margin	81.0 %	84.0 %
Stock-based compensation	1.7 %	1.7 %
Amortization of intangible assets	0.6 %	0.2 %
Restructuring charges	0.1 %	—
Non-GAAP gross margin	83.4 %	85.9 %
Operating expenses	$ 431,769	$ 434,801
Stock-based compensation	(73,450)	(74,954)
Amortization of intangible assets	(349)	(37)
Restructuring charges	(5,552)	—
Early exit of lease-related assets	(920)	—
Other	—	(46)
Non-GAAP operating expenses	$ 351,498	$ 359,764
Loss from operations	$ (80,655)	$ (5,706)
Stock-based compensation	80,955	83,998
Amortization of intangible assets	3,159	1,148
Restructuring charges	5,817	—
Early exit of lease-related assets	920	—
Other	—	46
Non-GAAP income from operations	$ 10,196	$ 79,486
Operating margin	(18.6)%	(1.1)%
Stock-based compensation	18.8 %	16.5 %
Amortization of intangible assets	0.7 %	0.2 %
Restructuring charges	1.3 %	—
Early exit of lease-related assets	0.2 %	—
Other	—	—
Non-GAAP operating margin	2.4 %	15.6 %
Net cash provided by operating activities	$ 65,513	$ 145,473
Purchases of property and equipment	(19,702)	(13,020)
Free cash flow (non-GAAP)	$ 45,811	$ 132,453

Factors Affecting Our Performance

We believe that our future success will depend on many factors, including those described below. While these areas present significant opportunity, they also present risks that we must manage to achieve successful results. See the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2023 and the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q for details. If we are unable to address these challenges, our business and operating results could be materially and adversely affected.

Investment in Profitable 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 sustain profitable growth.

Investment in Sales and Marketing – Our ability to achieve billings and revenue growth depends, in large part, on our ability to capitalize on our market opportunity, including our ability to recruit, train and retain sufficient numbers of ramped sales personnel to support our growth. As part of our investment in our growth over the long-run, we plan to invest in sales and marketing, including investing in our sales and marketing teams and 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 we continue to recruit additional sales representatives, it will take time to train and ramp them to full productivity. As a result, our overall sales and marketing expense may fluctuate. We estimate, based on past experience, that our average sales team members typically become fully ramped up around the start of their fourth quarter of employment with us, and as our newer employees ramp up, we expect their increased productivity to contribute to our revenue growth. As of October 31, 2023, we considered approximately 81% of our global sales team members to be fully ramped, while the remaining approximately 19% 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 operate our 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. As part of our overall efforts to improve our free 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.

Investment in Research and Development and Engineering – 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.

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

Our Subscription-Based Business Model

We operate a subscription-based business model to provide our customers with the flexibility to choose the licensing that works best for them based on their specific business needs. A subscription-based business model means one in which our products, including associated support and entitlement arrangements, are sold with a defined term. Subscription-based sales consist of subscription term-based licenses and offerings with ongoing performance obligations, including software entitlement and support subscriptions and cloud-based SaaS offerings. Revenue from subscription term-based licenses is generally recognized upfront upon transfer of control to the customer, which happens when we make the software available to the customer. Accordingly, any decline in average contract durations associated with our subscription term-based licenses would negatively impact our topline results. Revenue from software entitlement and support subscription and cloud-based SaaS offerings is recognized ratably over the contractual service period. Accordingly, any decline in new or renewed subscriptions in any one fiscal quarter may not be fully or immediately reflected in our revenue for that fiscal quarter. For additional information on revenue recognition, see Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Market Adoption of Our Products

The public cloud and, more recently, hybrid cloud paradigms, have changed IT buyer expectations about the simplicity, agility, scalability, portability and pay-as-you-grow economics of IT resources, which represent a major architectural shift and business model evolution. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our enterprise cloud platform. This includes our newer products outside of our core hyperconverged infrastructure offering, both as compared to traditional datacenter architectures as well as the public cloud, particularly as we continue to pursue large enterprises and mission critical workloads. The broad nature of the technology shift that our enterprise cloud platform represents and the relationships our end customers have with existing IT vendors 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 Partners

We plan to continue to leverage our relationships with our channel and OEM partners and expand our network of cloud and ecosystem partners, all of which help to drive the adoption and sale of our solutions with our end customers. We sell our solutions primarily through our partners, and our solutions primarily run on hardware appliances which are purchased from our channel or OEM partners. 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 channel and OEM partners in the long term will extend and improve our engagement with a broad set of end customers. Our reliance on manufacturers, including our channel and OEM partners, to produce the hardware appliances on which our software runs exposes us to supply chain delays, which impair our ability to provide services to end customers in a timely manner. Our business and results of operations will be significantly affected by our success in leveraging our relationships with our channel and OEM partners and expanding our network of cloud and ecosystem partners.

Customer Retention and Expansion

Our end customers typically deploy our technology for a specific workload initially. After a new end customer's initial order, which includes the product and associated software entitlement and support subscription and services, we focus on expanding our footprint by serving more workloads. We also generate recurring revenue from our software entitlement and support subscription renewals, and given our transition to a subscription-focused business model, software and support renewals will have an increasing significance for our future revenue streams as existing subscriptions come up for renewal. We view continued purchases and upgrades as critical drivers of our success, as the sales cycles are typically shorter as compared to new end customer deployments, and selling efforts are typically less. As of October 31, 2023, approximately 74% 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 8.0x greater, on average, than their initial order. This number increases to approximately 26.3x, on average, for Global 2000 end customers who have been with us for 18 months or longer as of October 31, 2023. 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 solutions 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 transition to a subscription-based business model and product transitions 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 and OEMs. Revenue is recognized net of sales tax and withholding tax.

Product revenue — Product revenue primarily consists of software revenue. A majority of our product revenue is generated from the sale of our enterprise cloud operating system. We also sell renewals of previously purchased software licenses 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.

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. As we continue to recruit additional sales representatives, it will take time to train and ramp them to full productivity. As a result, our sales and marketing expense may fluctuate.

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 debt issuance costs associated with our previously outstanding 0% convertible senior notes due 2023 (the "2023 Notes"), our 2.50% convertible senior notes due 2026 (the "2026 Notes") and our 0.25% convertible senior notes due 2027 (the "2027 Notes"), changes in the fair value of the derivative liability associated with the 2026 Notes, non-cash interest expense on the 2026 Notes, the amortization of the debt discount on the 2026 Notes, interest expense on the 2027 Notes, debt extinguishment costs, 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 certain foreign net operating losses due to the uncertainty of the ultimate realization of the future benefits of those assets.

Results of Operations

The following tables set forth our condensed consolidated results of operations in dollars and as a percentage of total revenue for the periods presented. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Revenue:		
Product	$ 208,574	$ 246,922
Support, entitlements and other services	225,035	264,132
Total revenue	433,609	511,054
Cost of revenue:		
Product [(1)(2)]	12,516	10,234
Support, entitlements and other services [(1)]	69,979	71,725
Total cost of revenue	82,495	81,959
Gross profit	351,114	429,095
Operating expenses:		
Sales and marketing [(1)(2)]	236,222	235,323
Research and development [(1)]	149,443	151,975
General and administrative [(1)]	46,104	47,503
Total operating expenses	431,769	434,801
Loss from operations	(80,655)	(5,706)
Other expense, net	(13,416)	(5,275)
Loss before provision for income taxes	(94,071)	(10,981)
Provision for income taxes	5,443	4,872
Net loss	$ (99,514)	$ (15,853)

[(1)] Includes stock-based compensation expense as follows:		
Product cost of revenue	$ 2,159	$ 1,928
Support, entitlements and other services cost of revenue	5,346	7,116
Sales and marketing	20,472	21,471
Research and development	38,622	38,404
General and administrative	14,356	15,079
Total stock-based compensation expense	$ 80,955	$ 83,998

[(2)] Includes amortization of intangible assets as follows:		
Product cost of revenue	$ 2,810	$ 1,111
Sales and marketing	349	37
Total amortization of intangible assets	$ 3,159	$ 1,148

NUTANIX, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

	Three Months Ended October 31,	
	2022	2023
	(as a percentage of total revenue)	
Revenue:		
Product	48.1 %	48.3 %
Support, entitlements and other services	51.9 %	51.7 %
Total revenue	100.0 %	100.0 %
Cost of revenue:		
Product	2.9 %	2.0 %
Support, entitlements and other services	16.1 %	14.0 %
Total cost of revenue	19.0 %	16.0 %
Gross profit	81.0 %	84.0 %
Operating expenses:		
Sales and marketing	54.5 %	46.0 %
Research and development	34.5 %	29.7 %
General and administrative	10.6 %	9.3 %
Total operating expenses	99.6 %	85.0 %
Loss from operations	(18.6)%	(1.0)%
Other expense, net	(3.1)%	(1.0)%
Loss before provision for income taxes	(21.7)%	(2.0)%
Provision for income taxes	1.3 %	1.0 %
Net loss	(23.0)%	(3.0)%

Comparison of the Three Months Ended October 31, 2022 and 2023

Revenue

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Product	$ 208,574	$ 246,922	$ 38,348	18 %
Support, entitlements and other services	225,035	264,132	39,097	17 %
Total revenue	$ 433,609	$ 511,054	$ 77,445	18 %

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
U.S.	$ 255,730	$ 290,274	$ 34,544	14 %
Europe, the Middle East and Africa	100,253	124,584	24,331	24 %
Asia Pacific	69,103	83,112	14,009	20 %
Other Americas	8,523	13,084	4,561	54 %
Total revenue	$ 433,609	$ 511,054	$ 77,445	18 %

The increase in product revenue for the three months ended October 31, 2023, as compared to the prior year period, was due primarily to increases in software revenue resulting from growth in software renewals due to an increased adoption of our products, partially offset by the impact of the shorter average contract durations. For the three months ended October 31, 2022, the total average contract duration was approximately 3.0 years. For the three months ended October 31, 2023, the total average contract duration was approximately 2.9 years. Total average contract duration 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 for the three months ended October 31, 2023, as compared to the prior year period, in conjunction with the growth of our end customer base and the related software entitlement and support subscription contracts and renewals.

Cost of Revenue and Gross Margin

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Cost of product revenue	$ 12,516	$ 10,234	$ (2,282)	(18)%
Product gross margin	*94.0 %*	*95.9 %*		
Cost of support, entitlements and other services revenue	$ 69,979	$ 71,725	$ 1,746	2 %
Support, entitlements and other services gross margin	*68.9 %*	*72.8 %*		
Total gross margin	*81.0 %*	*84.0 %*		

Cost of product revenue

Cost of product revenue decreased for the three months ended October 31, 2023, as compared to the prior year period, due primarily to a decrease in amortization expense resulting from acquired intangible assets starting to reach the end of their useful lives. Slight fluctuations in hardware revenue and cost of product revenue are anticipated, as we expect to continue selling small amounts of hardware for the foreseeable future.

Product gross margin increased by 1.9 percentage points for the three months ended October 31, 2023, as compared to the prior year period, due primarily to the higher mix of software revenue, as we continued to focus on more software-only transactions, 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 for the three months ended October 31, 2023, as compared to the prior year period, due primarily to higher personnel-related costs, resulting from growth in our global customer support organization.

Support, entitlements and other services gross margin increased by 3.9 percentage points for the three months ended October 31, 2023, as compared to the prior year period, due primarily to support, entitlements and other services revenue growing at a higher rate than personnel-related costs.

Operating Expenses

Sales and marketing

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Sales and marketing	$ 236,222	$ 235,323	$ (899)	(0)%
Percent of total revenue	*54.5 %*	*46.0 %*		

Sales and marketing expense decreased for the three months ended October 31, 2023, as compared to the prior year period, due primarily to lower commissions expense resulting from changes to our commission plans for fiscal 2024.

Research and development

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Research and development	$ 149,443	$ 151,975	$ 2,532	2 %
Percent of total revenue	*34.5 %*	*29.7 %*		

Research and development expense increased for the three months ended October 31, 2023, as compared to the prior year period, due primarily to higher personnel-related costs resulting from growth in our R&D headcount, partially offset by decreases in technical costs.

General and administrative

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
General and administrative	$ 46,104	$ 47,503	$ 1,399	3 %
Percent of total revenue	*10.6 %*	*9.3 %*		

General and administrative expense increased for the three months ended October 31, 2023, as compared to the prior year period, due primarily to higher personnel-related costs, including stock-based compensation expense, as well as an increase in technical costs, partially offset by lower legal costs.

Other Expense, Net

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Interest income, net	$ 5,512	$ 15,386	$ (9,874)	(179)%
Amortization of debt discount and issuance costs and interest expense	(15,730)	(16,347)	617	4 %
Other	(3,198)	(4,314)	1,116	35 %
Other expense, net	$ (13,416)	$ (5,275)	$ (8,141)	(61)%

Other expense, net decreased for the three months ended October 31, 2023, as compared to the prior year period, due primarily to increases in interest income on our investments.

Provision for Income Taxes

	Three Months Ended October 31,		Change	
	2022	2023	$	%
	(in thousands, except percentages)			
Provision for income taxes	$ 5,443	$ 4,872	$ (571)	(10)%

The decrease in the income tax provision for the three months ended October 31, 2023, as compared to the prior year period, was due primarily to excess tax benefits on stock options and restricted stock units exercised in the current period. 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 certain foreign net operating losses.

Liquidity and Capital Resources

Our principal sources of liquidity were cash, cash equivalents, and marketable securities and net accounts receivable. As of October 31, 2023, we had $612.5 million of cash and cash equivalents, $2.2 million of restricted cash and $958.7 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. As of October 31, 2023, we had accounts receivable of $133.7 million, net of allowances of $1.4 million.

In January 2018, we issued convertible senior notes with a 0% interest rate for an aggregate principal amount of $575.0 million. In September 2021, we entered into privately negotiated exchange and note repurchase transactions, after which $145.7 million in aggregate principal amount of 2023 Notes remained outstanding. In January 2023, we settled the 2023 Notes in full at maturity with a cash payment of $145.7 million. For additional information, see Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In September 2020, we issued $750.0 million in aggregate principal amount of 2.50% convertible senior notes due 2026 to BCPE Nucleon (DE) SPV, LP, an entity affiliated with Bain Capital, LP. For additional information, see Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

In September 2021, we issued convertible senior notes with a 0.25% interest rate for an aggregate principal amount of $575.0 million due 2027, of which $477.3 million in principal amount was issued in exchange for approximately $416.5 million principal amount of the 2023 Notes and the remaining $97.7 million in principal amount was issued for cash. There are no required principal payments on the 2027 Notes prior to their maturity. For additional information, see Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Due to investments in our business as well as the potential cash flow impacts resulting from our transition to a subscription-based business model, our operating and free cash flow may continue to fluctuate 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, including share repurchases, 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, 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.

Capital Return

In August 2023, our Board of Directors authorized the repurchase of up to $350.0 million of our Class A common stock. Repurchases will be funded from available working capital and may be made at management’s discretion from time to time. The authorization has no fixed expiration date and does not obligate us to repurchase any specified number or dollar value of shares. The program may be modified, suspended or discontinued at any time. For more information on the share repurchase program, refer to Note 9 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flows

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

	Three Months Ended October 31,	
	2022	2023
	(in thousands)	
Net cash provided by operating activities	$ 65,513	$ 145,473
Net cash used in investing activities	(8,237)	(42,218)
Net cash provided by (used in) financing activities	20,330	(4,367)
Net increase in cash, cash equivalents and restricted cash	$ 77,606	$ 98,888

Cash Flows from Operating Activities

Net cash provided by operating activities was $145.5 million for the three months ended October 31, 2023, compared to $65.5 million for the three months ended October 31, 2022. The increase in cash provided by operating activities for the three months ended October 31, 2023 was due primarily to the decrease in our net loss from operations.

Cash Flows from Investing Activities

Net cash used in investing activities of $8.2 million for the three months ended October 31, 2022 included $256.2 million of short-term investment purchases and $19.7 million of purchases of property and equipment, partially offset by $267.7 million of maturities of short-term investments.

Net cash used in investing activities of $42.2 million for the three months ended October 31, 2023 included $278.2 million of short-term investment purchases and $13.0 million of purchases of property and equipment, partially offset by $249.0 million of maturities of short-term investments.

Cash Flows from Financing Activities

Net cash provided by financing activities of $20.3 million for the three months ended October 31, 2022 included $22.2 million of proceeds from the sale of shares through employee equity incentive plans, partially offset by $1.9 million of payments for finance lease obligations.

Net cash used in financing activities of $4.4 million for the three months ended October 31, 2023 included $17.5 million of repurchases of our Class A common stock and $0.6 million of payments for finance lease obligations, partially offset by $13.8 million of proceeds from the sale of shares through employee equity incentive plans.

Material Cash Requirements and Other Obligations

The following table summarizes our material cash requirements and other obligations as of October 31, 2023:

	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)	$ 1,385,235	$ 116	$ 810,119	$ 575,000	$ —
Operating leases (undiscounted basis) (2)	120,160	32,200	35,424	30,985	21,551
Other commitments (3)	107,110	95,393	9,519	2,198	—
Guarantees with contract manufacturers	53,649	53,649	—	—	—
Total	$ 1,666,154	$ 181,358	$ 855,062	$ 608,183	$ 21,551

(1) Includes accrued paid-in-kind interest on the 2026 Notes and accrued interest on the 2027 Notes. For additional information regarding our convertible senior notes, refer to Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(2) For additional information regarding our operating leases, refer to Note 7 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(3) Purchase obligations and other commitments pertaining to our daily business operations.

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

As of October 31, 2023, we had accrued liabilities related to uncertain tax positions, which are reflected on our condensed consolidated balance sheet. These accrued liabilities are not reflected in the contractual obligations disclosed in the table above, as it is uncertain if or when such amounts will ultimately be settled.

Critical Accounting Policies and Estimates

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

There have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

Recent Accounting Pronouncements

See Note 1 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally and we are exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Risk

Our condensed consolidated results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Historically, our revenue contracts have been denominated in U.S. dollars. Our expenses are generally denominated in the currencies of the countries where our operations are located. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative instruments. In the event our foreign sales and expenses increase, our operating results may be more significantly affected by foreign currency exchange rate fluctuations, which can affect our operating income or loss. The effect of a hypothetical 10% change in foreign currency exchange rates on our non-U.S. dollar monetary assets and liabilities would not have had a material impact on our historical condensed consolidated financial statements. Foreign currency transaction gains and losses and exchange rate fluctuations have not been material to our condensed consolidated financial statements.

A hypothetical 10% decrease in the U.S. dollar against other currencies would result in an increase in our operating loss of approximately $19.0 million and $15.9 million for the three months ended October 31, 2022 and 2023, respectively. The decrease in this hypothetical change is due to a decrease in our expenses denominated in foreign currencies. This analysis disregards the possibilities that rates can move in opposite directions and that losses from one geographic area may be offset by gains from another geographic area.

Interest Rate Risk

Our investment objective is to conserve capital and maintain liquidity to support our operations; therefore, we generally invest in highly liquid securities, consisting primarily of bank deposits, money market funds, commercial paper, U.S. government securities and corporate bonds. Such fixed and floating interest-earning instruments carry a degree of interest rate risk. The fair market value of fixed income securities may be adversely impacted by a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall. Due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. Therefore, we do not expect our operating results or cash flows to be materially affected by a sudden change in interest rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal 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")). As initially disclosed in our Annual Report on Form 10-K/A filed with the SEC on May 24, 2023, our management identified a material weakness in our internal control over financial reporting. As described below, while our management, with the oversight of the Audit Committee of our Board of Directors, has made significant progress toward remediating this material weakness, our management determined that this material weakness has not yet been fully remediated. Accordingly, based on our management’s evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of October 31, 2023. Notwithstanding this material weakness, our management concluded that our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in conformity with U.S. GAAP.

Previously Identified Material Weakness in Internal Control Over Financial Reporting

Based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"), our management identified control deficiencies, as previously disclosed, that, individually or in the aggregate, constitute a material weakness in our internal control over financial reporting. While our management, with the oversight of the Audit Committee of our Board of Directors, has made significant progress toward remediating the material weakness, the material weakness has not been fully remediated as of October 31, 2023.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified by management primarily relates to design deficiencies in the information and communication component of the COSO Framework, that also impacted the design and operating effectiveness of elements of the risk assessment and other components. In particular, we determined that our controls were not designed and operating effectively to provide the information necessary for our risk assessment process to identify non-compliant use of third-party software as a risk of material misstatement in our financial reporting and we did not effectively reinforce the importance of raising concerns about perceived unethical conduct in a timely manner. These control deficiencies, individually or in the aggregate, create a reasonable possibility that a material misstatement of our consolidated financial statements would not be prevented or detected on a timely basis, and constitute a material weakness in our internal control over financial reporting.

This material weakness resulted in an immaterial error in the reporting of expenses for software licenses and support for each prior period beginning in August 2014, which we have corrected prospectively as we issue future financial statements, as disclosed in Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We have evaluated the materiality of this error and determined that the impact is not material to our previously issued financial statements.

Status of Remediation Efforts to Address Material Weakness

Our management and the Audit Committee of our Board of Directors are committed to remediating the material weakness and strengthening our overall internal control over financial reporting. To this end, our management, with oversight from the Audit Committee, has implemented all of the remedial measures outlined in the remediation plan initially disclosed in our Annual Report on Form 10-K/A filed with the SEC on May 24, 2023. Specifically, we have implemented the following remedial measures as outlined in the remediation plan:

- We have enhanced management’s quarterly sub-certification process related to non-compliant use of third-party software and increased the certifiers’ awareness of financial reporting implications of non-compliant use of third-party software.
- We have enhanced management’s disclosure committee process related to non-compliant use of third-party software.
- We have enhanced the finance department’s process for collecting information about unaccrued software expenditures and/or other potential unrecorded usage of third-party software.
- We have educated business unit representatives on understanding potential items, activities or services that require accrual.
- We have trained relevant employees on appropriate software acquisition and usage practices and software licensing compliance.
- We have revised our code of business conduct and ethics to reinforce the importance of compliant use of third-party software.
- We have provided additional training of, and communications to, employees to further promote ethical conduct and timely escalation of concerns.
- We have designed and implemented additional systems, processes and controls over third-party software license procurement, usage, and compliance.

Our management believes that the remediation measures described above will remediate the material weakness and strengthen our overall internal control over financial reporting. While we have implemented all of the remedial measures described above, we are still in the process of testing the applicable remediated controls. Accordingly, our management determined that this material weakness has not yet been fully remediated as of October 31, 2023. The material weakness will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. As our management continues to evaluate and work to enhance our internal control over financial reporting, our management may take additional measures to address control deficiencies or we may modify some of the remediation measures described above.

Changes in Internal Control over Financial Reporting

Except for the remediation measures we have implemented to address the previously identified material weakness noted above, 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the "Legal Proceedings" subheading in Note 8 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2023, which is incorporated herein by reference, together with all of the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect our business. There have been no material changes from the risks and uncertainties previously disclosed under the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity for the three months ended October 31, 2023:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
		(in thousands, except per share amounts)		
August 1 - 31, 2023	—	$ —	—	$ 350,000
September 1 - 30, 2023	—	$ —	—	$ 350,000
October 1 - 31, 2023	482	$ 36.34	482	$ 332,497
Total	482		482	

(1) In August 2023, our Board of Directors authorized the repurchase of up to $350.0 million of our Class A common stock. We may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act in accordance with applicable securities laws and other restrictions. The timing and amount of share repurchases will depend upon prevailing stock prices, business and market conditions, corporate and regulatory requirements, alternative investment opportunities and other factors. The authorization has no expiration date and may be modified, suspended or discontinued at any time and does not obligate us to repurchase any minimum number of shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended October 31, 2023, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

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

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EXHIBIT INDEX

		Incorporated by Reference				
Number	Exhibit Title	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.1	Thirteenth Amendment to the Office Lease dated as of November 16, 2023, by and between the Registrant and Hudson 1740 Technology, LLC.					X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XRBL tags are embedded within the Inline XBRL document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.	XBRL Taxonomy Extension Definition					X
101.	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

* These exhibits are furnished with this Quarterly Report on Form 10-Q and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Nutanix, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filings.

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: December 7, 2023	/s/ Rukmini Sivaraman
	Rukmini Sivaraman
	Chief Financial Officer
	(Principal Financial Officer)

THIRTEENTH AMENDMENT (1740 TECHNOLOGY)

THIS THIRTEENTH AMENDMENT (this "**Amendment**") is made and entered into as of November 16, 2023, by and between **HUDSON 1740 TECHNOLOGY, LLC**, a Delaware limited liability company ("**Landlord**"), and **NUTANIX, INC**., a Delaware corporation ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to CA-1740 Technology Drive Limited Partnership, a Delaware limited partnership) and Tenant are parties to that certain Office Lease dated August 5, 2013 ("**Original Lease**"), as previously amended by that certain First Amendment dated October 9, 2013 ("**First Amendment**"), by that certain Second Amendment dated April 17, 2014 ("**Second Amendment**"), by that certain Third Amendment dated October 13, 2014 ("**Third Amendment**"), by that certain Fourth Amendment dated March 23, 2015 ("**Fourth Amendment**"), by that certain Fifth Amendment dated July 28, 2016 (the "**Fifth Amendment**"), by that certain Confirmation Letter dated April 11, 2017, by that certain Sixth Amendment dated January 29, 2018 ("**Sixth Amendment**"), by that certain Seventh Amendment dated April 4, 2018 ("**Seventh Amendment**"), by that certain Eighth Amendment dated November 23, 2020 ("**Eighth Amendment**"), by that certain Ninth Amendment dated August 23, 2021 ("**Ninth Amendment**"), by that certain Tenth Amendment dated May 18, 2022 ("**Tenth Amendment**"), by that certain Eleventh Amendment dated June 28, 2022 ("**Eleventh Amendment**"), and by that certain Twelfth Amendment dated August 31, 2022 ("**Twelfth Amendment**" and as amended, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant certain office space in the building commonly known as 1740 Technology Drive located at 1740 Technology Drive, San Jose, California 95110 (the "**Building**").

B. Tenant and Landlord mutually desire that the Lease be amended on and subject to the following terms and conditions.

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

1. <u>The Premises</u>.

1.1. Notwithstanding any provision of the Lease to the contrary (including, without limitation <u>Section</u> <u>1</u> of the Eleventh Amendment), Landlord and Tenant hereby acknowledge, agree and stipulate that the Suite 460 Expansion Effective Date occurred on November 1, 2022, and that effective as of November 1, 2022, the parties have stipulated that the Premises consists of a total of **215,857** rentable square feet of office and storage space more particularly identified as:

a. Suite 150 located on the first (1^{st}) floor of the Building (described as the "Premises" in the Original Lease) and depicted on **<u>Exhibit A</u>** attached hereto;

b. Suites 280 and 310 located on the second (2^{nd}) and third (3^{rd}) floors of the Building (defined collectively as the "Expansion Space" in the Second Amendment) and depicted on **<u>Exhibit B</u>** attached hereto;

c. Suites 270, 290 and 320 located on the second (2^{nd}) and third (3^{rd}) floors of the Building (described as the "Suite 270 Expansion Space," the "Suite 290 Expansion Space" and the "Suite 320 Expansion Space," respectively, in the Third Amendment) and depicted on **<u>Exhibit C</u>** attached hereto;

d. Suites 400, 500, 510, 530 and 600 located on the fourth (4^{th}), fifth (5^{th}), and sixth (6^{th}) floors of the Building (defined as the "Suite 400 Expansion Space," the "Suite 500 Expansion Space," the 'Suite 510 Expansion Space," the "Suite 530 Expansion Space" and the 'Suite 600 Expansion Space" in the Fourth Amendment) and depicted on **<u>Exhibit D</u>** attached hereto,

e. Suites 200, 300 and 550 (defined as the "Suite 200 Must Take Space," the "Suite 300 Must Take Space" and the "Suite 550 Must Take Space" in the Fifth Amendment), and depicted on **<u>Exhibit E</u>** attached hereto;

f. Suite 210 located on the second (2^{nd}) floor of the Building (defined as the "Expansion Space" in the Sixth Amendment), and depicted on **<u>Exhibit F</u>** attached hereto; and

g. Suites 205 and 260 located on the second (2^{nd}) floor of the Building (defined collectively as the "First Expansion Space" in the Seventh Amendment), and Suite 110 located on the first (1st) floor of the Building and 236 rentable square feet of storage space located on the second floor of the Building (defined collectively as the "Second Expansion Space" in the Seventh Amendment); Suite 250 located on the second (2nd) floor of the Building (defined as the "Suite 250 Must Take Space" in the Seventh Amendment); Suite 460 located on the Fourth Floor of the Building (defined as the "Suite 460 Must Take Space" in the Seventh Amendment); and Suite 100 located on the first (1st) floor of the Building (defined as the "Suite 100 Must Take Space" in the Seventh Amendment); all as depicted on **Exhibit G** attached hereto.

1.2. Per Section 1.2.2 of the Original Lease, as the Premises includes all of the office space on each floor of the Building, all corridors, restrooms and shower facilities located on each floor of the Building shall also be considered part of the Premises. Additionally, Landlord and Tenant hereby agree that the lobby of the Building (as depicted on page 1 of **Exhibit H** attached hereto), the loading dock area and loading dock door (collectively, the "**Loading Dock**," as depicted on page 1 of **Exhibit H** attached hereto), the stairwells between each floor of the Building, and the storage spaces on each floor of the Building, and the storage area located in the Parking Facility shall be deemed part of the Premises; provided, however, that Rent owing under the Lease shall be calculated based upon 215,857 rentable square feet. Tenant hereby acknowledges that the Loading Dock shall not constitute part of the Base Building, as defined in Section 7.1 of the Original Lease, and the obligation to maintain and repair the Loading Dock shall be included in Tenant's maintenance and repair obligations under Section 7.1 of the Original Lease. The remainder of the Property, as defined in Section 1.2.3 of the Original Lease, shall not be included in the Premises.

1.3. For clarity, a depiction of the Premises (as redefined per this Section 1) on a floor-by-by-floor basis is attached hereto as **Exhibit H**.

2. Card-Key Access Control. As a result of Tenant becoming the sole office tenant of the Building, Landlord and Tenant hereby acknowledge that, effective as of November 1, 2022, Landlord has permitted Tenant to control the card-key access to the Premises and the Parking Facility (as further described in Section 5 below), subject to the terms hereof (including, without limitation Section 3 below) and Landlord's rights to enter such areas pursuant to the terms of the Lease (including, without limitation, Section 18 of the Original Lease [entitled, Entry By Landlord] as it relates to Landlord's entry in the Premises). Tenant shall provide Landlord with such access cards, keys, code information and other materials and information as may be necessary for Landlord to access the Building, the Premises and the Parking Facility. Tenant shall, at Tenant's sole cost and expense, install, maintain, and repair all such card-key access control systems (and associated doors on which the card-key access control system has been installed). In the event Tenant modifies the current or future access control system, such modifications shall be deemed Alterations (subject to all terms of the Lease related thereof) and Tenant shall, concurrently with the installation of any new system, furnish to Landlord specifications regarding such system and provide Landlord with the access cards or codes, as appliable. Upon the expiration or earlier termination of the Lease, Tenant shall remove such card key access systems and repair all damage to the Building resulting from such removal, ordinary wear and tear excepted. Notwithstanding the foregoing provisions of this Section 2, Tenant acknowledges that Landlord shall at all times maintain and control all of the "hard keys" to the front and back doors of the Building.

3. Landlord Access. Notwithstanding Tenant's control of the card-key access system for the Premises and the Parking Facility (as described in Section 2 above), Landlord, its employees, vendors, and contractors shall, subject to Section 18 of the Original Lease (as modified in Section 9.2, below), be entitled to enter the Building (a) to satisfy Landlord's obligations to third parties who lease or license those portions of the Building that do not constitute the Premises (which portions include the roof of the Building and those other portions of the Building depicted on Exhibit H attached hereto), (b) to perform Landlord's obligations in the Premises, and (c) to perform Landlord's obligations in the non- Premises portions of the Building. Tenant hereby acknowledges and agrees that (i) Landlord has (and may in the future) leased or licensed non-Premises portions of the Building to third parties (including, without limitation, the roof of the Building and those other portions of the Building depicted on Exhibit H attached hereto), (ii) such lessees or licenses will, from time to time, need access to such portions of the Building, and (iii) Tenant will provide access to (and will not interfere with such parties' access to) such portions of the Building upon reasonable notice to Tenant; provided, however, that such third- party access shall not unreasonably interfere with Tenant's use of, or access to, the Premises.

4. Janitorial Service and Selective Day Porter Services. From and after November 1, 2023, Tenant, at its expense, shall provide all trash-disposal, janitorial, cleaning and pest-control services to the interior of the Premises, on a regular basis, so that the Premises are kept in a reasonably neat, clean and pest- free condition. Without limiting the foregoing, trash, garbage and other waste shall be kept only in sanitary containers installed by Tenant in the Premises, and all containers and equipment in the Premises for the storage or disposal of such materials shall be kept in a clean and sanitary condition. All trash, garbage and other waste collected in the Premises, when removed by Tenant from the Premises, shall be deposited in containers provided by Landlord for such purpose in the Common

Areas, subject to such reasonable rules and procedures as Landlord may establish from time to time. Notwithstanding any provision of the Lease to the contrary (including, without limitation Section 6.1(d) of the Original Lease), effective as of November 1, 2023, Landlord shall have no obligation to provide or pay for trash-disposal, janitorial, cleaning or pest-control services to the interior of the Premises. In addition, effective as of November 1, 2023, (a) Tenant (at its expense) shall provide day- porter services to the sport court adjacent to the Building ("**Sport Court**"), which day-porter-services ("**Selective Day Porter Services**") shall consist of the following tasks: picking up trash in the Sport Court, emptying garbage cans in the Sport Court in containers provided by Landlord for such purpose in the Common Areas ; and(b) Landlord shall have no obligation to provide or pay for the Selective Day Porter Services for the Sport Court. Landlord shall provide a day porter for four (4) hours per day to empty garbage in containers placed by Landlord in the Parking Facility and provide landscape/blower vacuum services for the Property, the costs of which shall be included in Expenses. From and after November 1, 2023, the Base Year (as applicable to each portion of the Premises) shall be adjusted to exclude the cost of services which will be provided by Tenant going forward under the terms of this Section 4.

5. Parking Facilities.

5.1. Section 1.9 of the Original Lease, Section 7.1 of the Second Amendment, Section 7.1 of the Third Amendment, Section 9.1 of the Fourth Amendment, Sections 11.8, 12.8, and 13.8 of the Fifth Amendment, Section 11 of the Sixth Amendment, and Sections 3.7, 4.7, 7.8, 8.8, and 9.7 of the Seventh Amendment, are hereby deleted in their entirety.

5.2. Section 24 of the Original Lease is hereby deleted in its entirety and the following is substituted in lieu thereof:

> Tenant may park in the Building parking facilities ("**Parking Facility**), upon the following terms and conditions. All of the parking spaces in the Parking Facility, except those depicted on Exhibit I attached hereto, shall be reserved for use by Tenant. Landlord shall not be liable to Tenant, nor shall this Lease be affected, if any parking is impaired by (or any parking charges are imposed as a result of) any Law. Tenant shall pay Landlord any fees, taxes or any other charges imposed by any governmental or quasi-governmental agency in connection with the parking Facility. Tenant shall comply with all rules and regulations established by Landlord from time to time for the orderly operation and use of the Parking Facility, including any sticker or other identification system and the prohibition of vehicle repair and maintenance activities in the Parking Facility. Tenant's use of the Parking Facility shall be at Tenant's sole risk, and Landlord shall have no liability for any personal injury or damage to or theft of any vehicles or other property occurring in the Parking Facility or otherwise in connection with any use of the Parking Facility by Tenant or its employees or invitees except to the extent such injury, damage, or theft is caused by the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or invitees. Subject to no less than thirty (30) days' prior written notice, Landlord may alter the size, configuration, design, layout or any other aspect of the Parking Facility, and, in connection therewith, temporarily deny or restrict access to the Parking Facility, in each case without abatement of Rent or liability to Tenant; provided in no event shall such alterations result in a reduction of parking spaces available to Tenant. Tenant's parking rights under this Section 24 are solely for the benefit of Tenant's employees and invitees and such rights are not be transferred without Landlord's prior consent, except pursuant to a Transfer permitted under Section 14.

5.3. Landlord acknowledges that all of the parking spaces in the Parking Facility shall be reserved for Tenant, its employees and invitees. However, Landlord, its agents, contractors and employees shall be entitled to utilize the ten (10) parking spaces depicted on **Exhibit I** attached hereto ("**Landlord’s Parking Spaces**"). Landlord shall, at Landlord’s sole cost and expense, install signage designating Landlord's Parking Spaces, provided that such signage shall not reduce the number of parking spaces available for Tenant's use.

5.4. Tenant, at Tenant's sole cost and expense, will repair and maintain the roll-up doors and the gates serving the Parking Facility, including having the roll-up doors regularly serviced; provided if Tenant fails to so maintain such roll-up doors and gates within five (5) business days after written notice from Landlord, then Landlord may perform such maintenance and repair and Tenant shall reimburse Landlord for the costs thereof (including a 15% administrative fee) within thirty (30) days after invoice.

5.5. Tenant acknowledges that Tenant's waivers, releases and insurance obligations under Section 10 of the Original Lease and its indemnity obligations under Section 10.1 of the Original

Lease shall apply to occurrences in the Parking Facility. Accordingly, Tenant shall provide Landlord with an updated certificate of insurance showing that such insurance applies to the Parking Facility.

6. Sport Court. Subject to the provisions of this Section 6, so long as Tenant is not in Default under this Lease (as amended) beyond all applicable notice and cure periods, Tenant's employees, agents, and invitees (the "**Sport Court Users**") shall be entitled to use the Sport Court. The use of the Sport Court shall be subject to applicable Laws and the reasonable rules and regulations established from time to time by Landlord; provided, however, that Landlord shall not restrict the hours during which Tenant or Tenant's employees, agents, or invitees may use the Sport Court. Landlord and Tenant acknowledge that the use of the Sport Court by the Sport Court Users shall be at their own risk and that each of the Tenant's waivers, releases, insurance obligations and indemnities set forth in the Lease shall apply to Tenant's and the Sport Court User's use of the Sport Court. The Landlord's costs of operating, maintaining, and repairing the Sport Court may be included as part of Expenses. Tenant acknowledges that the provisions of this Section shall not be deemed to be a representation by Landlord that Landlord shall continuously maintain the Sport Court (or any other sport court) throughout the term of the Lease (as amended), and Landlord shall have the right, subject to no less than thirty (30) days' prior written notice, at Landlord's sole discretion, to expand, contract, eliminate or otherwise modify the Sport Court. No expansion, contraction, elimination or modification of the Sport Court, and no termination of Tenant's or the Sport Court Users' rights to the Sport Court shall entitle Tenant to an abatement or reduction in Rent, or constitute a constructive eviction, or result in an event of default by Landlord under the Lease. However, so long as the Sport Court exists during the term of the Lease, Landlord shall not lease or license the Sport Court to any other person or entity.

7. Security Camera System. As a result of Tenant becoming the sole office tenant of the Building, Landlord and Tenant hereby acknowledge that, effective as of November 1, 2022, Tenant (at its sole cost and expense) has assumed control over the currently existing interior and exterior security cameras serving the Building (collectively, the "**CCTV System**"), and Tenant (at its sole cost and expense) shall contract directly with the vendor for the installation, maintenance, repair, replacement, and monitoring of the CCTV System. In the event of a security or other incident involving personal injury or property damage at the Property, Landlord may deliver to Tenant written request for access to the CCTV System (and copies of all recordings associated with such incident) and Tenant will provide Landlord copies of all recordings associated with such incident within ten (10) business days of Tenant's receipt of Landlord's request (except in the case of the occurrence of a crime or other emergency situation, in which case Tenant will provide Landlord copies of all such recordings as soon as possible after Landlord's request); provided, however, Landlord shall not use or disclose the recordings except as expressly permitted herein, and such recordings shall be maintained by Landlord using reasonable security measures and, in any event, not less than the same security measures used by Landlord for the protection of its own confidential information. Landlord shall be permitted to disclose the recordings only to the extent that Landlord is compelled by law, but prior to such disclosure Landlord shall provide Tenant with prior notice of the compelled disclosure and reasonable assistance, at Tenant's cost, if Tenant wishes to contest or limit the disclosure. Upon the expiration or earlier termination of the Lease, Tenant shall, at Tenant's sole cost and expense, remove the CCTV System and repair all damage to the Building resulting from such removal, ordinary wear and tear excepted. From and after November 1, 2022 the Base Year (as applicable to each portion of the Premises) shall be adjusted to exclude the cost of maintenance, repair, replacement and monitoring of the CCTV System which will be provided by Tenant going forward.

8. Security Personnel. Effective as of November 1, 2022, Tenant, at its sole cost and expense, shall contract with a security vendor to provide interior and exterior security personnel to the Premises and the Building ("**Tenant's Security Personnel**"). Tenant's Security Personnel (a) shall be licensed, insured, and registered in compliance with all applicable Laws, and (b) shall not be armed without the prior written consent of Landlord (which consent may be granted, withheld and/or conditioned in Landlord's sole and absolute discretion). In addition, Tenant shall furnish Landlord with copies of contract(s), necessary permits and approvals, evidence of such contractor's insurance in amounts reasonably required by Landlord and naming Landlord, the Landlord Parties and Landlord's agents as additional insureds, and the names of all Tenant's Security Personnel. Tenant agrees that Tenant's Security Personnel will comply with applicable Laws, and will cooperate, and work in harmony, with Landlord and Landlord's contractors and agents. Landlord agrees that Landlord and Landlord's contractors and agents will cooperate, and work in harmony, with Tenant and Tenant's Security Personnel. Tenant's Security Personnel shall at all times be subject to the reasonable rules and regulations established by Landlord from time to time, and Landlord agrees to comply and to cause Landlord's employees, agents, contractors, and licensees to comply with reasonable rules and regulations established by Tenant or Tenant's Security Personnel and reasonably approved by Landlord. Tenant's Security Personnel shall be considered Tenant's contractor for purposes of Section 10.1 of the Original Lease. Notwithstanding the foregoing, (i) Landlord shall be permitted (at its sole option) to maintain a roving patrol security detail at the Property, and (ii) the cost thereof shall be considered an Expense; provided, however, that the foregoing shall not be deemed to mitigate Tenant's waiver set forth in Section 10.1(ii) of the Original Lease. From and after November 1, 2022, the Base Year (as applicable to each portion of the Premises) shall be adjusted to exclude the cost of the contract

with a security vendor to provide personnel to the Premises and the Building which will be provided by Tenant going forward.

9. Other Modifications.

9.1. Section 12 of the Seventh Amendment is hereby deleted in its entirety and the following is substituted in lieu thereof:

12. **The Single Tenant Amendment**. Tenant hereby acknowledges and agrees, that at such time that Tenant has added to the Premises all of the remaining must-take space as provided in the Fifth Amendment and this Seventh Amendment, such that Tenant is effectively the only office tenant in the Building, Landlord may prepare and deliver to Tenant an amendment (the "**Single Tenant Amendment**") (a) shifting the obligation to provide and pay for janitorial services and security services to the Premises from Landlord to Tenant, and (b) decreasing the amount included for Expenses in the Base Year(s) then-applicable to various portions of the Premises to exclude the amount that Landlord reasonably determines it incurred to provide janitorial services and security service in the applicable Base Year(s). Tenant shall execute and return the Single Tenant Amendment to Landlord within fifteen (15) days after receiving it, but Landlord shall be relieved of the obligation to provide and pay for janitorial service and security service to the Premises and the Expenses included in the Base Year(s) shall be adjusted whether or not the Single Tenant Amendment is executed.

9.2. Section 18 of the Original Lease is hereby deleted in its entirety and the following is substituted in lieu thereof:

18. **Entry by Landlord**. At all reasonable times and upon reasonable notice to Tenant, Landlord may enter the Premises to (i) inspect the Premises; (ii) show the Premises to prospective purchasers, current or prospective Security Holders or insurers, or, during the last twelve (12) months of the Term (or while an uncured Default exists), prospective tenants; (iii) post notices of responsibility; or (iv) perform maintenance, repairs or alterations. If reasonably necessary, Landlord may temporarily close any portion of the Premises to perform maintenance, repairs or alterations. Notwithstanding the foregoing, in an emergency, no notice shall be required, and Landlord may use any means it deems proper to open doors to and in the Premises. Except in an emergency, Landlord shall use reasonable efforts to minimize interference with Tenant's use of the Premises. No entry into or closure of any portion of the Premises pursuant to this Section 18 shall render Landlord liable to Tenant, constitute a constructive eviction, or excuse Tenant from any obligation hereunder.

10. Miscellaneous.

10.1. This Amendment and the attached exhibits, which are hereby incorporated into and made a part of this Amendment, set forth the entire agreement between the parties with respect to the matters set forth herein.

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

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

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

10.5. Each party hereto, and their respective successors and assigns shall be authorized to rely upon the signatures of all of the parties hereto which are delivered by facsimile, PDF or DocuSign (or the like) as constituting a duly authorized, irrevocable, actual, current delivery hereof with original ink signatures of each person and entity.

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

10.7. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. The signature of a party transmitted electronically (e.g., e-signature) or by facsimile, email of a pdf copy, DocuSign or other similar technology application shall constitute and have the same force and effect as the original signature of the party. Following execution, a pdf (or similar image file format) of this entire agreement (whether signed electronically or in ink) shall be deemed the equivalent of the delivery of the original, and any party delivering such a counterpart shall in all events deliver to the other party an original signature promptly upon request.

[*Signatures Follow*]

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

LANDLORD: **HUDSON 1740 TECHNOLOGY, LLC**,
a Delaware limited liability company

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

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

By: /s/ Kenneth Young

Name: Kenneth Young

Title: Senior Vice President, Leasing

TENANT: **NUTANIX, INC**.,
a Delaware corporation

By: /s/ Prairie Padilla

Name: Prairie Padilla

Title: VP, Corporate Controller

Exhibit 31.1

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

I, Rajiv Ramaswami, certify that:

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

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

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

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

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

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

Date: December 7, 2023

/s/ Rajiv Ramaswami
Rajiv Ramaswami
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Rukmini Sivaraman, certify that:

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

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

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

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

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

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

Date: December 7, 2023

/s/ Rukmini Sivaraman
Rukmini Sivaraman
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rajiv Ramaswami, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the fiscal quarter ended October 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 7, 2023	/s/ Rajiv Ramaswami
	Rajiv Ramaswami
	President and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Rukmini Sivaraman, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Nutanix, Inc. for the fiscal quarter ended October 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Nutanix, Inc.

Date: December 7, 2023	/s/ Rukmini Sivaraman
	Rukmini Sivaraman
	Chief Financial Officer
	(Principal Financial Officer)