

## NUTANIX FQ2 2024 EARNINGS

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### CONTEXT

Nutanix [reported](#) results for its fiscal Q2 2024, which beat consensus estimates for revenue and earnings. The company also provided healthy guidance for the coming quarters.

#### Q2 FY2024 Financial Summary

	Q2'24 Results	Y/Y Change	Q2'24 Guidance
ACV Billings	\$329.5M	23%	\$295 – \$305M
Annual Recurring Revenue	\$1.74B	26%	N/A
Average Contract Duration	2.8 Years	(0.2) Years	N/A
Revenue <sup>(1)</sup>	\$565.2M	16%	\$545 – \$555M
Non-GAAP Gross Margin	87.3%	250 bps	85 – 86%
Non-GAAP Operating Expenses	\$369.4M	8%	N/A
Non-GAAP Operating Income	\$123.9M	\$53.9M	N/A
Non-GAAP Operating Margin	21.9%	7.5% pts	14 – 16%
Non-GAAP Net Income per Share (Diluted)	\$0.46	\$0.20	N/A
Free Cash Flow	\$162.6M	\$99.6M	N/A

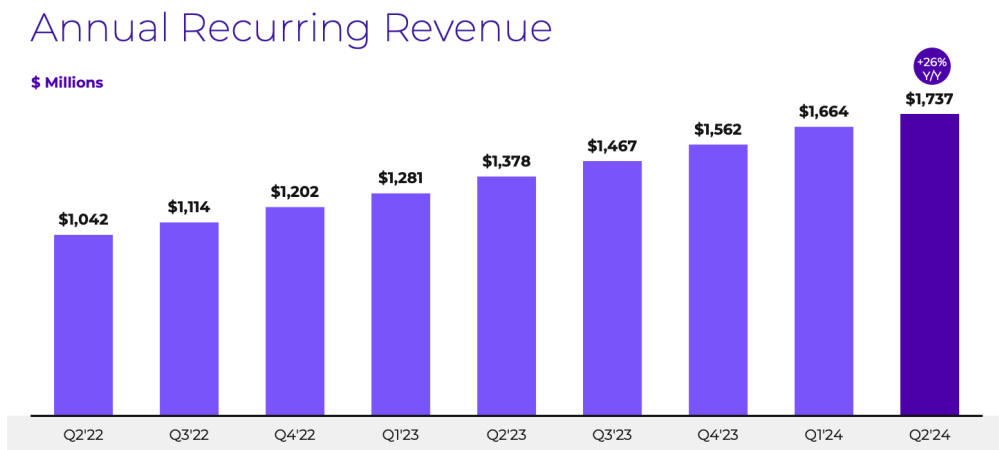
### FISCAL PERFORMANCE

Nutanix reported a robust fiscal and financial performance for its second quarter of the fiscal year 2024, with several highlights indicating the company's growth and strategic execution:

- Record Quarterly Revenue:** Nutanix achieved record revenue of \$565 million for the quarter, which not only surpassed the guidance but also underscored the effectiveness of its business model and the continued demand for its solutions.
- Subscription Services Revenue Growth:** The company witnessed a significant increase in its revenue, reaching \$328.9 million, marking a 24% year-over-year growth. This growth is a testament to the company's successful pivot towards

a subscription-based revenue model, which ensures recurring income and customer engagement.

3. **Annual Recurring Revenue (ARR):** The ARR saw a robust growth of 26% year-over-year, reaching \$1.74 billion. This increase reflects the growing customer base and the strong retention and expansion within the existing customer accounts.



4. **Free Cash Flow Generation:** Nutanix demonstrated strong free cash flow generation during the quarter, indicating efficient cash management and operational excellence.
5. **GAAP Operating Profitability:** For the first time, Nutanix achieved GAAP operating profitability in Q2. This milestone illustrates the company's progress toward achieving sustainable profitability and financial health.
6. **Guidance Exceedance:** The company exceeded all of its guided metrics for the quarter, highlighting disciplined execution and the strong market demand for its cloud platform solution despite an uncertain macroeconomic environment.

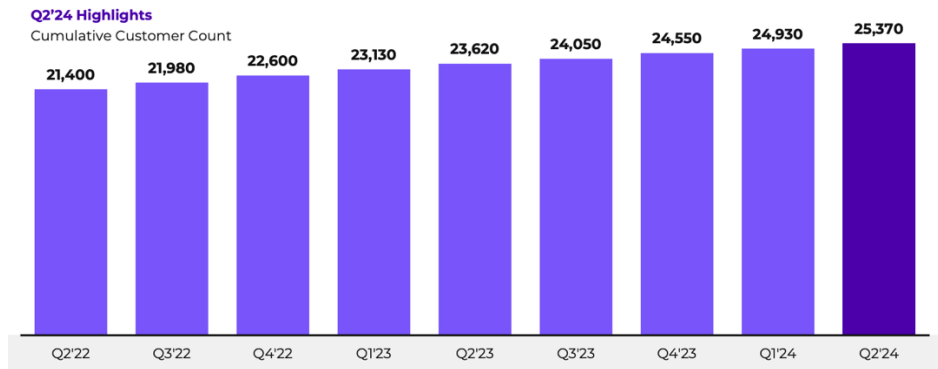
Nutanix's financial performance in Q2 FY2024 demonstrates its ability to navigate market challenges effectively, capitalize on the demand for cloud and infrastructure modernization, and continue its growth trajectory through strategic focus on subscription services and customer satisfaction.

## HIGHLIGHTS

Nutanix also detailed several non-fiscal highlights during the earnings call:

1. **Significant Customer Wins:** Nutanix shared details of considerable customer wins across different regions and industries, showcasing its cloud platform's widespread appeal and versatility. These wins included a global EMEA-based

provider of automotive technology solutions, a large North American-based hedge fund, and a global airline based in the EMEA region.



2. **Interest in GenAI-ready Infrastructure Offering:** The company observed a growing interest in its GPT-in-a-Box offering, enabling customers to accelerate generative AI across their enterprises while keeping their data secure. This interest, particularly in the early stages, indicates the potential for future growth in the generative AI applications space.
3. **Cisco Partnership:** Early successes in the partnership with Cisco were highlighted, demonstrating positive customer interest and additional wins. This partnership has the potential for significant growth, suggesting early progress in leveraging Cisco's market presence for mutual benefit.
4. **Focus on Digital Transformation:** Nutanix emphasized its role in enabling businesses to prioritize their digital transformation and infrastructure modernization initiatives. The company's solutions aim to optimize its customers' total cost of ownership (TCO).

## GUIDANCE & OUTLOOK

Nutanix provided an optimistic forecast and outlook:

1. **Quarterly Guidance:** For the third quarter of fiscal year 2024, Nutanix expects ACV billings to range between \$265 million and \$275 million and revenue to be between \$510 million and \$520 million. The company also anticipates non-GAAP gross margins of approximately 85% and a non-GAAP operating margin of 7.5% to 8.5%. This guidance reflects Nutanix's expectations for continued growth and operational efficiency.

	Q3'24 Guidance
ACV Billings	\$265 – \$275M
Revenue	\$510 – \$520M
Non-GAAP Gross Margin	~85%
Non-GAAP Operating Margin	7.5% to 8.5%
Weighted Average Shares Outstanding (Diluted) <sup>(1)</sup>	~301M

- Full Year Fiscal 2024 Outlook:** Nutanix raised its guidance for the full fiscal year 2024, indicating a positive trajectory. The updated guidance includes ACV billings of \$1.09 billion to \$1.11 billion, representing year-over-year growth of 15% at the midpoint. Revenue is expected to be between \$2.12 billion and \$2.15 billion, indicating a 15% year-over-year growth at the midpoint. Furthermore, the company forecasts non-GAAP gross margins of 85% to 86%, non-GAAP operating margins of 12.5% to 13.5%, and free cash flow of \$420 million to \$440 million, reflecting a free cash flow margin of 20% at the midpoint.

	FY'24 Guidance
ACV Billings	\$1.09 – \$1.11B
Revenue	\$2.12 – \$2.15B
Non-GAAP Gross Margin	85% to 86%
Non-GAAP Operating Margin	12.5% to 13.5%
Free Cash Flow	\$420 – \$440M

- Strategic Factors Influencing Outlook:** Nutanix's outlook is based on several strategic considerations, including steady demand for its solutions driven by digital transformation and infrastructure modernization initiatives, disciplined execution, and the compelling value proposition of its cloud platform. Additionally, the company's guidance accounts for the uncertain macroeconomic environment, modestly elongated sales cycles compared to historical levels, and the impact of larger deals in its pipeline, which may introduce variability in timing.
- Renewals and Contract Duration Expectations:** The forecast assumes that renewals will continue to perform well and that the average contract duration will remain flat to slightly lower compared to fiscal year 2023. This assumption

aligns with the company's expectations for renewal growth and the nature of its customer contracts.

5. **Positive Impacts and Opportunities:** Nutanix's outlook also considers the potential positive impacts from industry dynamics, such as the Broadcom acquisition of VMware, and the early progress seen with strategic partnerships like the one with Cisco. These factors are expected to contribute to the company's growth and market share gains.

Nutanix's forecast and outlook for the coming quarters and the full fiscal year 2024 reflect a solid and positive expectation for the company's performance, driven by strategic focus, market opportunities, and a robust business model emphasizing subscription services and cloud-based solutions.

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## ANALYSIS

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Nutanix's financial performance in Q2 FY2024, along with its forward-looking guidance, illustrates a company on a robust growth trajectory underpinned by strategic initiatives and a keen focus on subscription-based and cloud-integrated solutions.

The company's record quarterly revenue of \$565 million, exceeding its guidance, signals strong demand for its offerings despite a challenging macroeconomic environment. The significant 24% year-over-year growth in subscription services revenue is particularly noteworthy, highlighting the successful transition towards a recurring revenue model—a critical factor in ensuring long-term financial stability and customer engagement. The achievement of GAAP operating profitability for the first time is a pivotal milestone, demonstrating Nutanix's ability to grow revenue and improve operational efficiency and cost management.

Looking ahead, Nutanix's raised guidance for FY2024, projecting ACV billings growth and revenue increase at the midpoint of 15%, along with improved non-GAAP operating margins, suggests confidence in its business strategy and market position.

Several factors, including steady demand for digital transformation and infrastructure modernization, strategic partnerships with Cisco, and potential market share gains from industry dynamics like the Broadcom acquisition of VMware

bolster this optimism.

Despite introducing some variability in sales cycles, the emphasis on larger deal sizes indicates an upward shift in market segmentation and an increased focus on capturing significant enterprise engagements.

Nutanix appears well-positioned to capitalize on the growing demand for hybrid and multi-cloud solutions, underpinned by a solid financial foundation, strategic

partnerships, and a compelling product portfolio that resonates with the current needs of enterprises embarking on digital transformation journeys.

It's clear that Nutanix is navigating its path with strategic foresight, aiming to expand its footprint in the cloud infrastructure market and solidify its position as a leader in enabling modern IT environments.



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