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9 **UNITED STATES DISTRICT COURT**
10 **NORTHERN DISTRICT OF CALIFORNIA**

11 JOSEPH S. MAROUN, Individually and on)
Behalf of All Others Similarly Situated,)
12)
Plaintiff,)

13 vs.)

14 NUTANIX, INC., DHEERAJ PANDEY and)
15 DUSTON M. WILLIAMS,)
16)
Defendants.)

Case No.:

CLASS ACTION

**COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

1 Plaintiff Joseph S. Maroun (“Plaintiff”), individually and on behalf of all others similarly
2 situated, alleges the following based upon the investigation of plaintiff’s counsel, which included
3 a review of U.S. Securities and Exchange Commission (“SEC”) filings by Nutanix, Inc.
4 (“Nutanix” or “the Company”), as well as regulatory filings and reports, securities analysts’
5 reports and advisories about the Company, press releases and other public statements issued by
6 the Company, and media reports about the Company. Plaintiff believes that substantial
7 additional evidentiary support will exist for the allegations set forth herein after a reasonable
8 opportunity for discovery.

9 NATURE OF THE ACTION

10 1. This is a securities class action on behalf of all those who purchased or sold
11 Nutanix publicly traded securities during the period from March 2, 2018 through February 28,
12 2019, inclusive (the “Class Period”), who were damaged thereby (the “Class”) seeking remedies
13 under the Securities Exchange Act of 1934 (the “Exchange Act”). Excluded from the Class are:
14 Defendants; the officers and directors of the Company during the Class Period (the “Excluded
15 D&Os”); members of Defendants’ and the Excluded D&Os’ immediate families; the subsidiaries
16 and affiliates of the Company, including the Company’s employee retirement and benefit plan(s)
17 and their participants or beneficiaries, to the extent they made purchases through such plan(s);
18 and any entity in which Defendants or the Excluded D&Os have or had a controlling interest;
19 and the legal representatives, heirs, successors or assigns of any excluded person or entity.

20 2. During the Class Period, Defendants made repeated statements that Nutanix was
21 investing heavily in growth and was increasing sales and marketing activities while improving
22 upon gross margins due to changes being made to the Company’s business model, including the
23 shift from hardware to software and the change from licensing to subscription platforms.

24 3. Contrary to these statements, and as revealed by the Defendants on February 28,
25 2019, starting with the fourth fiscal quarter of 2017 (beginning May 1, 2017) through the third
26 fiscal quarter of 2018 (ending April 30, 2018), Defendants did not increase Nutanix’s lead
27 generation spending, but rather held lead generation spending, an admitted “key component to
28 building pipeline,” flat. Further, starting with the fourth fiscal quarter of 2018 (beginning May 1,

1 2018) through the second fiscal quarter of 2019 (ending January 31, 2019), rather than either
2 increasing lead generation spending or holding that spending flat, Defendants actually decreased
3 Nutanix's lead generation spending. Additionally, on this same date Defendants revealed that
4 Nutanix had fallen behind in its sales hiring goals.

5 4. By misrepresenting the magnitude of Nutanix's marketing spending, and failing
6 to disclose Nutanix was pulling back on lead generation spending, Defendants were able to
7 misrepresent that Nutanix had improved its gross margins through changes to its business model
8 rather than the truth—that Nutanix was skimping on important drivers of revenue growth.

9 5. As a result of Nutanix's lower lead generation spending and failure to keep pace
10 with its sales hiring goals, Nutanix's pipeline of new business was severely negatively impacted,
11 resulting in significantly lower forecasted earnings starting in the third fiscal quarter of 2019
12 (ending April 30, 2019).

13 6. Once Defendants revealed the truth on February 28, 2019, the price of Nutanix
14 common stock plummeted \$16.39 per share, or more than 32 percent, from its closing price of
15 \$50.09 per share on February 28, 2019, to close at \$33.70 per share on March 1, 2019.

16 **JURISDICTION AND VENUE**

17 7. The claims asserted herein arise under and pursuant to §§ 10(b) and 20(a) of the
18 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the
19 SEC (17 C.F.R. § 240.10b-5).

20 8. This Court has jurisdiction over the subject matter of this action pursuant to 28
21 U.S.C. § 1331 and § 27 of the Exchange Act (15 U.S.C. § 78a).

22 9. Venue is proper in this District pursuant to § 27 of the Exchange Act, and 28
23 U.S.C. § 1391(b). Nutanix maintains its headquarters in this District and many of the acts and
24 conduct that constitute the violations of the law complained of herein occurred in this District.

25 10. This action is a Securities Class Action, and pursuant to L.R. 3-2(c) is exempt
26 from the Intradistrict Assignment allegation requirements of L.R. 3-5(b).

27 11. In connection with the acts alleged in this complaint, Defendants, directly or
28 indirectly, used the means and instrumentalities of interstate commerce, including, but not

1 limited to, the mails, interstate telephone communications and the facilities of the national
2 securities markets.

3 **PARTIES**

4 12. Plaintiff purchased Nutanix securities in reliance on Defendants' materially false
5 and misleading statements and omissions of material facts, and on the integrity of the market for
6 Nutanix securities, at artificially inflated prices during the Class Period, and was damaged when
7 the truth about Nutanix was revealed to the market, removing the prior inflation. Plaintiff's
8 certification, with a listing of his transactions in Nutanix securities during the Class Period, is
9 annexed to this Complaint.

10 13. Defendant Nutanix, Inc. is an enterprise cloud platform provider. Nutanix
11 common stock trades under the ticker "NTNX" on the NASDAQ, an efficient market.

12 14. Defendant Dheeraj Pandey ("Pandey") is, and was during the Class Period, Chief
13 Executive Officer ("CEO") and Chairman of the Board of Nutanix.

14 15. Defendant Duston M. Williams ("Williams") is, and was during the Class Period,
15 Chief Financial Officer ("CFO") of Nutanix.

16 16. Defendants Pandey and Williams are collectively referred to herein as the
17 "Individual Defendants." Nutanix and the Individual Defendants are referred to herein,
18 collectively, as "Defendants."

19 17. The Individual Defendants, because of their positions with the Company,
20 possessed the power and authority to control the contents of Nutanix's quarterly reports,
21 shareholder letters, press releases and presentations to securities analysts, money and portfolio
22 managers and institutional investors, *i.e.*, the market. They were provided with copies of the
23 Company's reports and press releases alleged herein to be misleading prior to or shortly after
24 their issuance and had the ability and opportunity to prevent their issuance or cause them to be
25 corrected. Because of their positions with the Company and their access to material non-public
26 information available to them but not to the public, the Individual Defendants knew that the
27 adverse facts specified herein had not been disclosed to and were being concealed from the
28 public and that the positive representations being made were then materially false and

1 misleading. The Individual Defendants are liable for the false and misleading statements pleaded
2 herein.

3 18. Defendants are liable for: (i) making false statements; or (ii) failing to disclose
4 adverse facts known to them about Nutanix. Defendants' fraudulent scheme and course of
5 business that operated as a fraud or deceit on purchasers of Nutanix securities was a success, as
6 it: (i) deceived the investing public regarding Nutanix's prospects and business; and (ii) caused
7 plaintiff and other members of the Class to purchase Nutanix securities at artificially inflated
8 prices who were damaged thereby when the prior inflation came out.

9 **BACKGROUND**

10 19. Defendant Nutanix provides a leading enterprise cloud platform that powers many
11 of the world's business applications and end-user services by providing software solutions that
12 digitize traditional silos of enterprise computing, converging compute, virtualization, storage,
13 networking, desktop, governance and security services into one integrated solution. Nutanix
14 primarily sells its products and services to end customers through distributors, resellers and
15 original equipment manufacturers ("OEMs").

16 20. Customers have the choice to buy Nutanix enterprise cloud software and deploy
17 the software on a variety of qualified hardware platforms or to purchase the software pre-
18 installed onto hardware through one of their OEM partners or other channel partners, including
19 on the Nutanix-branded NX hardware line. The Company's OEM partners, Dell Technologies,
20 Lenovo Group Ltd., International Business Machines Corporation, and Fujitsu Technology
21 Solutions GmbH license Nutanix's software and package it with their hardware in the Dell XC
22 Series, Lenovo Converged HX Series, IBM CS Series, and Fujitsu XF Series appliances,
23 respectively. Super Micro Computer, Inc. and Flextronics Systems Ltd. license Nutanix's
24 software and package it with Nutanix-branded NX appliances. The OEM partners offer these
25 appliances in a range of configurations and also sell associated support offerings, which Nutanix
26 jointly supports.

27 21. Nutanix also delivers certain of its cloud and platform solutions, such as Beam
28 and Frame, and is continuing to develop additional cloud services, such as Nutanix Xi Cloud

1 Services and Nutanix Era, all of which are intended to be delivered as a hosted service that can
2 be purchased on a subscription basis.

3 22. The Nutanix platform is primarily sold through channel partners, including
4 distributors and resellers, thus the distributor is typically considered the direct purchaser in a
5 transaction.

6 23. On September 18, 2017, Nutanix filed a Form 10-K for the fiscal year ending July
7 31, 2017 with the SEC. The Form 10-K described the Company's sales and marketing efforts in
8 pertinent part as follows:

9 We have invested heavily in the growth of our business, including
10 the development of our solutions, build-out of our global sales
11 force and the acquisitions of Calm.io Pte. Ltd., or Calm, and
12 PernixData, Inc., or PernixData, during the first quarter of fiscal
13 2017. The number of our full-time employees increased from
14 1,980 as of July 31, 2016 to 2,813 as of July 31, 2017. We have
15 recruited an engineering team focused on distributed systems and
16 IT infrastructure technologies at our San Jose, California
17 headquarters and at our research and development centers in
18 Bangalore, India, Durham, North Carolina and Seattle,
19 Washington. We have also expanded our international sales and
20 marketing presence by continuing to build out our global teams.
21 We intend to continue to invest in our global engineering team to
22 enhance the functionality of our operating system, introduce new
23 products and features and build upon our technology leadership, as
24 well as continue to expand our global sales and marketing teams.

25 * * *

26 We plan to continue to invest in sales and marketing so that we can
27 capitalize on our market opportunity, and as part of this, we intend
28 to specifically expand our focus on opportunities with major
accounts and large deals, which we define as transactions over
\$500,000 in committed value. We have significantly increased our
sales and marketing personnel, which grew by 42% from July 31,
2016 to July 31, 2017. . . . We intend to continue to grow our
global sales and marketing team to acquire new end-customers and
to increase sales to existing end-customers.

29 * * *

30 Sales and marketing expense increased year-over-year both for
31 fiscal 2016 and 2017 primarily due to higher personnel costs and
32 sales commissions, as our sales and marketing headcount increased
33 year-over-year by 70% in fiscal 2016 and 42% in fiscal 2017. The
34 year-over-year increase in fiscal 2017 in sales and marketing
35 personnel costs includes a \$70.1 million increase in stock-based
36 compensation expense as a result of our IPO. Additionally, as part
37 of our efforts to penetrate and expand in global markets, we have

1 continually increased our marketing activities related to brand
2 awareness, promotions, trade shows and partner programs.

3 24. On November 30, 2017, Nutanix held a conference call with analysts and
4 investors to discuss their earnings and operations for the fiscal quarter ending October 31, 2017.
5 During the call, Defendants described the Company's transition to what Defendant Pandey
6 described as Nutanix's new "software-centric approach to go-to-market and financial reporting,"
7 reassuring investors that the transition would result in higher profit margins with minimal
8 disruption. Defendant Williams stated, in pertinent part:

9 All things being equal, the direct impact of this specific change
10 would result in significantly higher software content and
11 significantly higher gross margins with no change to our growth in
12 gross profit dollars. Probably the most important point to make
13 here is that this change will have absolutely no impact to our future
14 growth rates of our software and support billings, that being the
15 portion of our business today that represents 74% of our billings.
16 Over time, we would also hope to gain additional selling leverage
17 that naturally comes from focusing on software-only transactions.

18 25. On December 13, 2017, Nutanix filed a Form 10-Q with the SEC for the first
19 quarter of fiscal 2018, ended October 31, 2017, which was signed by Defendant Williams. With
20 respect to sales and marketing, the Form 10-Q made the same representations as the Company's
21 Form 10-K filed on September 19, 2017 described in ¶ 23 above.

22 **SUBSTANTIVE ALLEGATIONS**

23 26. On March 1, 2018, after the market closed, Nutanix issued a press release
24 announcing its financial results for the second quarter of fiscal 2018, ended January 31, 2018.
25 For the second quarter of fiscal 2018, Nutanix reported a record number of new customers and a
26 growing number of large deals. The March 1, 2018 Press Release also announced that Nutanix
27 had a gross margin of 62.1 percent on a Generally Accepted Accounting Principles ("GAAP")
28 basis, and 63.5 percent on a non-GAAP basis, for the second fiscal quarter of 2018.

29 27. Defendant Pandey was quoted in the press release commenting on the results,
30 stating in pertinent part:

31 Our continued success with Global 2000 customers, the strength of
32 our large deal execution and record number of new customers
33 prove that we are reducing friction for our customers and providing
34 them with a consumer-grade experience that is unmatched.

1 Defendant Williams also stated, in pertinent part:

2 Our 57% billings growth year-over-year and our 45% increase in
3 non-GAAP gross profit year-over-year drove a better than
4 expected bottom line. Our software and support billings also rose
5 significantly during the quarter, demonstrating our progress as we
6 transition to a software-centric business model. Our strong
7 execution on our strategic initiatives, together with our successful
8 convertible debt offering, put us in a strong position for the future.

6 28. Later on March 1, 2018, Nutanix held a conference call to with analysts and
7 investors to discuss its financial results. On the call, Defendant Pandey stated that the second
8 fiscal quarter of 2018 was “yet another strong quarter for Nutanix, with billings, revenue, gross
9 margin and EPS, all better than our guidance and consensus.” Defendant Williams stated that
10 “Our gross margin for the quarter was 63.5%, which was at the high end of our guidance, and
11 compares to 63.2% in the year-ago quarter and 61.9% in the prior quarter.”

12 29. On March 2, 2018, the price of Nutanix common stock increased \$2.67 per share,
13 or 8.3 percent, from its March 1, 2018 closing price of \$36.20, closing at \$38.87 per share.

14 30. On March 15, 2018, Nutanix filed its Form 10-Q with the SEC for the second
15 quarter of fiscal 2018, ended January 31, 2018, which was signed by Defendant Williams. With
16 respect to sales and marketing, the Form 10-Q stated in pertinent part as follows:

17 ***We continue to invest heavily in the growth of our business,***
18 ***including the development of our solutions and build-out of our***
19 ***global sales force. . . . We have also expanded our international***
20 ***sales and marketing presence by continuing to build out our global***
21 ***teams. We intend to continue to invest in our global engineering***
22 ***team to enhance the functionality of our operating system,***
23 ***introduce new products and features and build upon our***
24 ***technology leadership, as well as continue to expand our global***
25 ***sales and marketing teams.***¹

26 * * *

23 ***We plan to continue to invest in sales and marketing*** so that we
24 ***can capitalize on our market opportunity, and as part of this, we***
25 ***intend to specifically expand our focus on opportunities with***
26 ***major accounts and large deals,*** which we define as transactions
27 over \$500,000 in committed value. We have significantly
28 increased our sales and marketing personnel, which grew by
approximately 30% from January 31, 2017 to January 31, 2018.
We intend to continue to grow our global sales and marketing team

¹ Emphasis added throughout, unless otherwise noted.

1 to acquire new end-customers and to increase sales to existing end-
2 customers.

3 * * *

4 We expect sales and marketing expense to continue to increase in
5 absolute dollars as we increase the size of our global sales and
6 marketing organizations. Our sales and marketing expense may
7 fluctuate as a percentage of total revenue.

8 * * *

9 The increase in product revenue for the three and six months ended
10 January 31, 2018 reflects increased domestic and international
11 demand for our solutions as we continued to penetrate and expand
12 in global markets through increased sales and marketing activities.

13 * * *

14 Sales and marketing expense increased in the three and six months
15 ended January 31, 2018 compared to the same prior year periods
16 primarily due to higher personnel costs and sales commissions, as
17 our sales and marketing headcount increased by 30% from January
18 31, 2017 to January 31, 2018. *Additionally, as part of our efforts
19 to penetrate and expand in global markets, we have continually
20 increased our marketing activities related to brand awareness,
21 promotions, trade shows and partner programs.*

22 31. On May 24, 2018, Nutanix issued a press release announcing its financial results
23 for the third quarter of fiscal 2018, ended April 30, 2018. For the third quarter of fiscal 2018,
24 Nutanix reported software and support billings growth of 67 percent year over year. The
25 Company further reported that it had expanded gross margins while executing on its transition to
26 a software-centric business model.

27 32. Defendant Pandey commented on the results, stating in pertinent part:

28 *Investment in our innovation engine is delivering strong
results. . . . Our continued industry-leading Net Promoter Score
proves that a relentless focus on our customers drives our
continued success.*

Defendant Williams also added,

Demand for our solutions remains strong as we saw 67 percent
growth in software and support billings and 55 percent growth in
software and support revenue. We had strong success in our hiring
in the quarter that positions us to deliver on our future growth
plans, as we outlined at our March Investor Day. The continued
growth in our software and support billings and *gross margin
expansion in the quarter demonstrates we are successfully
executing on our transition to a software- defined business
model.*

1 33. On the same day, Nutanix held a conference call with analysts and investors to
2 discuss the Company’s earnings and operations. During the call, Defendant Pandey reported
3 “accelerated growth,” “strong across the board, with billings, revenue and gross margins all
4 ahead of consensus.” In regard to the transition to a software-centric business model, Defendant
5 Pandey added that “we have managed change immensely well.” During the conference call,
6 Defendant Williams stated that “we were pleased with our results that reflected continued strong
7 growth” and highlighted the Company’s hiring performance, stating in pertinent part:

8 ***During the quarter, we added over 60 new sales teams, which is***
9 ***critical to our planned growth for future periods.*** We were very
10 pleased with our hiring performance in the quarter. And although
11 not yet at our planned headcount, we did significantly exceed what
12 we thought was possible when guiding Q3, including, the addition
of almost 85 employees from our 2 recent acquisitions, Netsil and
Minjar. This strong hiring performance drove expenses to \$232
million in Q3, exceeding the high end of our guidance by \$12
million.

13 34. On June 12, 2018, Nutanix filed a Form 10-Q with the SEC for the third quarter
14 of fiscal 2018, ended April 30, 2018, which was signed by Defendant Williams. With respect to
15 sales and marketing, the Form 10-Q stated in pertinent part as follows:

16 ***We continue to invest heavily in the growth of our business,***
17 including the development of our solutions and build-out of our
18 global sales force. The number of our full-time employees
19 increased from 2,672 as of April 30, 2017 to 3,709 as of April 30,
20 2018. ***We have also expanded our international sales and***
21 ***marketing presence by continuing to build out our global teams.***
22 We intend to continue to invest in our global engineering team to
23 enhance the functionality of our operating system, introduce new
24 products and features and build upon our technology leadership, as
25 well as continue to expand our global sales and marketing teams.

26 * * *

27 ***We plan to continue to invest in sales and marketing so that we***
28 ***can capitalize on our market opportunity,*** and as part of this, we
intend to specifically expand our focus on opportunities with major
accounts and large deals, which we define as transactions over
\$500,000 in committed value. We have significantly increased our
sales and marketing personnel, which grew by approximately 40%
from April 30, 2017 to April 30, 2018. . . . ***We intend to continue***
to grow our global sales and marketing team to acquire new end
customers and to increase sales to existing end customers.

* * *

1 The increase in product revenue for the three and nine months
 2 ended April 30, 2018 reflects increased domestic and international
 3 demand for our solutions as *we continue to penetrate and expand
 in global markets through increased sales and marketing
 activities.*

4 * * *

5 Sales and marketing expense increased for the three and nine
 6 months ended April 30, 2018, as compared to the prior year
 7 periods, due primarily to higher personnel costs and sales
 8 commissions, as our sales and marketing headcount increased by
 40% from April 30, 2017 to April 30, 2018. *Additionally, as part
 of our efforts to penetrate and expand in global markets, we
 continue to increase our marketing activities related to brand
 awareness, promotions, trade shows, and partner programs.*

9 35. On June 13, 2018, the price of Nutanix common stock increased \$2.85 per share,
 10 or 4.7 percent, from its June 12, 2018 closing price of \$60.65 per share, to close at \$63.50 per
 11 share.

12 36. On August 30, 2018, Nutanix issued a press release announcing its financial
 13 results for the fourth quarter of fiscal 2018, ended July 31, 2018. For the fourth quarter of fiscal
 14 2018, Nutanix reported 66 percent year-over-year growth in software and support billings and 78
 15 percent Non-GAAP gross margins, as the Company continued its successful shift to a software-
 16 centric business model. Defendant Pandey commented on the results, stating in pertinent part as
 17 follows:

18 We ended the year on a high note with a record quarter on many
 19 fronts, positioning us extremely well for the future. We will
 20 continue to invest in talent and hybrid cloud technology while
 incubating strategic multi-cloud investments such as Netsil, Beam,
 and now Frame.

21 Defendant Williams added:

22 *The company's strong achievement of 78 percent non-GAAP*
 23 *gross margin, the best in our history, is the direct result of our*
 24 *successful execution toward a software-defined business*
 25 *model We're also tracking above our target performance we*
 set using the 'Rule of 40' framework, demonstrating our ability to
 balance growth and cash flow.

26 37. On the same day, Nutanix held a conference call with analysts and investors to
 27 discuss the Company's earnings and operations. During this call, Defendant Pandey reiterated
 28 the positive results for the fourth quarter, stating in pertinent part as follows:

1 Q4 was another fantastic quarter and a great bookend to our fiscal
2 2018. We grew our software and subscription business steadily
3 throughout the year, with Q4 year-over-year billings growth of
4 66% and Q4 year-over-year revenue growth of 49%. We delivered
5 record performance in several areas, including delivering non-
6 GAAP gross margins of nearly 78% and growing our deferred
7 revenue balance by 71% for the—from the prior year.

8 * * *

9 In fiscal '18, we delivered close to \$1.2 billion in software and
10 support billings, growing 54% year-over-year and added over
11 3,600 new customers.

12 Defendant Pandey also highlighted the Company's large amount of new customers and large
13 deals, stating in pertinent part as follows:

14 Coming to some color in Q4, this quarter, we added approximately
15 1,000 new customers, bringing our total number to 10,610. In this
16 last fiscal year, we added nearly as many customers as we had
17 when we IPO-ed 2 years ago. We now count 710 Global 2000
18 companies as customers, adding approximately 40 in Q4 2018 and
19 140 overall in fiscal '18. Q4 also brought continued momentum in
20 large deals with 46 deals worth more than \$1 million; 9 of which
21 were worth more than \$3 million and 2 of which were worth more
22 than \$5 million. We closed 201 deals worth more than \$1 million
23 in fiscal '18, up from 144 in fiscal '17, and now have 26 customers
24 with a lifetime spend of more than \$10 million, up from 11 in
25 fiscal '17.

26 Defendant Williams also answered a question on the call regarding the Company's pipeline
27 composition going forward from Mark Ronald Murphy, a stock research analyst at JP Morgan &
28 Chase Co.:

29 **Murphy:** Duston, if I may, I had a follow-up. The billings result in
30 the billings guidance are obviously quite robust. And I was just
31 wondering if you – could you just clarify whether all of that large
32 U.S. DoD deal win is reflected in the result this quarter?

33 And then when you look at the pipeline composition, does it seem
34 fairly diversified and predictable? Or would you say that there are
35 more of these large discrete deals along the lines of the DoD win
36 that might be a little harder to predict the timing?

37 **Williams:** Yes. So on the big deal that we referenced greater than
38 \$20 million, it was all billed in Q4. Although that's one of the
39 reasons our bill-to-revenue ratio went up a little bit is that – just the
40 nature of the support piece on that. Only about 40% of that deal
41 was actually recognized in revenue in the quarter and the rest will
42 be over the support period. So that's the first piece there. And on
43 the second piece, I think just the business in general, as Dheeraj
44 talked about extensively earlier, is that we're seeing bigger deals
45 and we will continue to get larger and larger deals. Now Q1 has the

1 additional variable of federal, of course. With the year-end we've
 2 always had a pretty good Q1 for federal we're assuming it's going
 3 to be okay this quarter also, a decent performance there. And any
 4 time you're talking federal, you have some lumpiness in there. So
 we'll have some bigger deals that will appear in the quarter. We've
 assumed some will, some won't, so we've taken – hope a pretty
 good balanced approach from a federal perspective.

5 Defendant Williams also answered a question on that call regarding gross margins from Kay
 6 Huberty, a stock research analyst with Morgan Stanley (“Huberty”).

7 **Huberty:** You hit your target around hardware run off in the
 8 fourth quarter and yet you beat gross margin by 400 basis points.
 So, can you just talk about the contributors to that upside? And
 then I have a follow-up.

9 **Williams:** Yeah. I think if you look at the support margins, there is
 10 a little bit of increase there, a couple of points probably quarter-
 11 over-quarter. The team did a nice job from a support perspective,
 and the infrastructure and cost there. And then even some of our
 12 internal operations cost were a little bit lower, which clearly helped
 too. And then there are some other things around the fringe there,
 but pretty much those are the driving factors anyway, Katy.

13 38. On September 24, 2018, Nutanix filed a Form 10-K with the SEC for the fourth
 14 quarter and full year fiscal 2018, ended July 31, 2018, which was signed by Defendants Pandey
 15 and Williams, among others. With respect to sales and marketing, the Form 10-K stated in
 16 pertinent part as follows:

17 *We continue to invest heavily in the growth of our business,*
 18 *including the development of our solutions and build-out of our*
 19 *global sales force. . . . We have also expanded our international*
 20 *sales and marketing presence by continuing to build out our global*
 21 *teams. We intend to continue to invest in our global engineering*
 team to enhance the functionality of our platform, introduce new
 products and features and build upon our technology leadership, as
 well as continue to expand our global sales and marketing teams.

22 * * *

23 *We plan to continue to invest in sales and marketing so that we*
 24 *can capitalize on our market opportunity and as part of this, we*
 25 *intend to specifically expand our focus on opportunities with*
 26 *major accounts and large deals,* which we define as transactions
 over \$500,000. . . . We intend to continue to grow our global sales
 and marketing team to acquire new end customers and to increase
 sales to existing end customers.

27 * * *

28 The increase in product revenue reflects increased domestic and
 international demand for our solutions as *we continued to*

1 *penetrate and expand in global markets through increased sales*
 2 *and marketing activities.*

3 * * *

4 Sales and marketing expense increased year-over-year both for
 5 fiscal 2017 and fiscal 2018 due primarily to higher personnel-
 6 related costs and sales commissions, as our sales and marketing
 7 headcount increased by 42% year-over-year in both fiscal 2017
 8 and 2018. . . . *Additionally, as part of our efforts to penetrate and*
 9 *expand in global markets, we continue to increase our marketing*
 10 *activities related to brand awareness, promotions, trade shows,*
 11 *and partner programs.*

12 39. On November 27, 2018, Nutanix issued a press release announcing its financial
 13 results for the first quarter of fiscal 2019, ended October 31, 2018. For the first quarter of fiscal
 14 2019, Nutanix reported revenue of \$313.3 million, up from \$275.6 million in the first quarter of
 15 fiscal 2018, and \$383.6 million in billings, up from \$315.3 million in the first quarter of fiscal
 16 2018. Further, the Company reported an increase in GAAP gross margins to 76.3 percent from
 17 60.6 percent and non-GAAP gross margins to 78.6 percent from 61.9 percent. Defendant Pandey
 18 commented on the results, stating in pertinent part as follows:

19 Our results this quarter prove that our core business continues to
 20 grow strongly and put us on a solid path to meet our goal of at least
 21 \$3 billion in software and support billings by 2021. . . . 51% of our
 22 billings in our first quarter were derived from subscriptions, up
 23 from 31% in the same quarter last year, and our subscription
 24 revenue grew 104% year-over-year. As we look ahead, we expect
 25 to continue this shift towards subscription, driving a cloud-like,
 26 pay-as-you-grow business model.

27 40. On the same day, Nutanix held a conference call with analysts and investors to
 28 discuss the Company's earnings and operations. In his opening remarks, Defendant Pandey
 represented that the Company had had a great start to 2019, highlighting the "higher-than-guided
 revenue, better gross margins and lower operating expenses," and stating, in pertinent part, as
 follows:

Now on to our Q1 results. We had a great start to fiscal 2019,
 delivering another strong quarter, growing software and support
 billings by 50% year-over-year to \$351 million and software and
 support revenue by 44% to \$281 million. Notably, subscription
 revenue increased 104% year-over-year, as we shift our business to
 an increasingly subscription-based consumption. ***The combination***
of higher-than-guided revenue, better gross margins and lower
operating expenses drove our net loss per share to \$0.13 per
share, significantly better than our guidance of a loss between

1 **\$0.26 and \$0.28.** Duston will share more on our financial metrics
2 and outlook later in the call.

3 41. In his opening remarks on the call, Defendant Williams reiterated the Company's
4 improvement in gross margins, stating that "our non-GAAP gross margins grew in Q1 to 78.6%,
5 up from 61.9% in the year-ago quarter and 77.7% in the prior quarter." Further, he stated he
6 expected gross margins to be "between 78% and 79%" in the second quarter.

7 42. During the question-and-answer session of the conference call, Defendants were
8 asked about whether their pipeline was growing because competitors were affirming their
9 strategies. In his response, Defendant Pandey made no mention of having made a reduction in
10 lead generation spending that was affecting the pipeline. The following exchange took place:

11 **Huberty:** Question for . . . Dheeraj first. You mentioned that
12 hybrid multicloud is becoming a buzzword, and we've certainly
13 heard it from just about every infrastructure hardware, software
14 company this quarter. So curious how you think it impacts your
15 business. Are you seeing your pipeline growing customers, coming
16 to you because competitors are affirming your strategy? Do your
17 salespeople have to spend more time explaining the difference
18 between your strategy and some of the others? Just how this
19 evolves as more players follow your lead.

20 **Pandey:** Yes, thanks, Katy. Yes, I think we definitely go and talk
21 from the position of our strength as opposed to a position of
22 someone else's strength. And many of the customers, we go and
23 talk about their adjacency and our adjacency. Their adjacency is
24 on-prem right now. And our adjacency is on-prem, which is
25 software-defined infrastructure. And then we go talk about disaster
26 recovery as a service, like, hey, about the first crawl piece of this
27 multicloud journey where we can do one-click failover and testing
28 and failback and fix that, then all of a sudden, the app is mobile
because we did all the hard work with runbook automation and
shipping data and things like that. So we basically start with our
adjacencies and then, there's all these multicloud services that are
very adjacent to Nutanix like desktops, it's very adjacent to what
we have really understood and embraced in the last 7, 8 years. We
probably are one of the strongest companies to understand end user
computing experiences across Citrix and VMware and now with
Frame itself. And now people are asking about Frame to be
extremely multicloud, used by AWS credits, used by Azure credits.
I talked about one of our experiences with co-selling with Google
G Suite itself. So I think we are going and navigating this
multicloud buzzword around our adjacencies so we don't talk fluff,
I think, because most of the money is still coming from computed
storage and networking and security and some of these workloads
around that, like files, like databases, like desktops. So I think we
asked our sellers and – to actually go and focus on workloads
because workloads and applications is where most journeys
actually begin.

1 43. When asked about the fact that software and support billings had come down in
2 the quarter, Defendant Williams asserted that it was expected, as reflected in the following
3 exchange:

4 **Huberty:** Understood. And Duston, software and support billings
5 came down a bit this quarter. Is that just new seasonality as the
6 business scales? Or was there some impact of the subscription
7 transition in the quarter? If so, how much?

8 **Williams:** Yes – no, there really wasn't any impact to say on the
9 subscription piece. Actually, when you look at the length of these
10 new licenses, the \$20 million, it's slightly higher than the 3.6
11 average. So there really wasn't any tilt to one year or anything like
12 that in that. But we had – and just looking and addressing billings
13 in total, we had the guided billings down actually in Q1. We came
14 off a really strong Q3, a really strong Q4 into a seasonally soft Q1
15 so that we had guided \$370 million to \$390 million of total
16 billings. And obviously, we came in at roughly \$384 million, so
17 close to the top end of that range. So it was kind of as expected
18 there and the pieces kind of fell out as they did.

19 44. On December 10, 2018, Nutanix filed its Form 10-Q with the SEC for the first
20 quarter of fiscal 2019, ended October 31, 2018, which was signed by Defendant Williams. With
21 respect to sales and marketing, the Form 10-Q stated in pertinent part as follows:

22 *We continue to invest heavily in the growth of our business,*
23 *including the development of our solutions and build-out of our*
24 *global sales force. The number of our full-time employees*
25 *increased from approximately 3,010 as of October 31, 2017 to*
26 *approximately 4,380 as of October 31, 2018. . . . We have also*
27 *expanded our international sales and marketing presence by*
28 *continuing to build out our global teams. We intend to continue to*
invest in our global engineering team to enhance the functionality
of our platform, introduce new products and features and build
upon our technology leadership, as well as continue to expand our
global sales and marketing teams.

* * *

29 *We plan to continue to invest in sales and marketing so that we*
30 *can capitalize on our market opportunity, and as part of this, we*
31 *intend to specifically expand our focus on opportunities with*
32 *major accounts and large deals, which we define as transactions*
33 *over \$500,000. We have significantly increased our sales and*
34 *marketing personnel, which grew by approximately 40% from*
35 *October 31, 2017 to October 31, 2018. . . . We intend to continue*
36 *to grow our global sales and marketing team to acquire new end*
37 *customers and to increase sales to existing end customers.*

* * *

1 The increase in product revenue for the three months ended
2 October 31, 2018 reflects increased demand for our solutions as *we*
3 *continue to penetrate and expand in global markets through*
4 *increased sales and marketing activities.*

5 * * *

6 Sales and marketing expense increased for the three months ended
7 October 31, 2018, as compared to the prior year period, due
8 primarily to higher personnel- related costs, including stock-based
9 compensation expense, as our sales and marketing headcount
10 increased by 40% from October 31, 2017 to October 31, 2018.
11 *Additionally, as part of our efforts to penetrate and expand in*
12 *global markets, we continue to increase our marketing activities*
13 *related to brand awareness, promotions, trade shows and partner*
14 *programs.*

15 45. The statements referenced above in ¶¶ 26–44 were materially false and
16 misleading, as they failed to disclose the following adverse facts that were known to Defendants
17 or recklessly disregarded by them:

18 (a) that Nutanix had reallocated lead generation spending to other priorities,
19 which represented a significant strategy shift from how the Company had historically conducted
20 its sales efforts;

21 (b) that Nutanix’s decision to reallocate lead generation spending had caused
22 a large disruption in the Company’s sales execution, thereby negatively impacting Nutanix’s
23 sales pipeline and slowing the Company’s sales growth;

24 (c) that Nutanix had fallen behind in its sales hiring goals, which was further
25 impairing the Company’s efforts to grow its sales pipeline development;

26 (d) that the improvement in the Company’s gross margins was not the result
27 of the changes being made to the Company’s business model, including the shift from hardware
28 to software and the change from licensing to subscription platforms, but rather was the result of
the Company’s decision to reallocate lead generation spending; and

(e) as a result of the foregoing, Defendants lacked a reasonable basis for their
positive statements about Nutanix, its revenues, earnings and prospects.

1 **THE TRUTH IS REVEALED**

2 46. On December 19, 2018, Louis J. Attanasio, Nutanix's Chief Revenue Officer,
3 sold 134,499 shares of Nutanix stock, at prices between \$41.19 and \$41.68 per share, receiving
4 more than \$5.5 million on the sales. This sale represented Attanasio's entire holdings in
5 Nutanix.

6 47. On December 28, 2018, Tyler Wall, Nutanix's Chief Legal Officer, sold 34,144
7 shares of Nutanix at \$40.36 per share, receiving almost \$1.38 million dollars on the sale.

8 48. On February 28, 2019, Nutanix issued a press release announcing its second
9 quarter fiscal 2019 financial results for the period ended January 31, 2019, reporting revenue of
10 \$335.4 million, up from \$286.7 million in the second quarter of fiscal 2018, and \$413.4 million
11 in billings, up from \$355.9 million in the second quarter of fiscal 2018. Despite being pleased
12 with the Company's large deal activity and progress in moving toward a subscription model,
13 Defendant Williams surprised the market by revealing the repercussions of inadequate marketing
14 spending and slow sales hiring, stating in pertinent part as follows:

15 Looking ahead, our third quarter guidance reflects the impact of
16 ***inadequate marketing spending for pipeline generation and***
17 ***slower than expected sales hiring***. We took a critical look at these
18 areas and have taken actions to address them.

19 49. On the same day, Nutanix held a conference call with analysts and investors to
20 discuss the Company's earnings and operations. During the conference call, Defendant Pandey
21 revealed that imbalances in lead generation spending were impacting the Company's sales
22 pipeline and that the Company's failure to keep pace with sales hiring goals had had a negative
23 effect on sales pipeline development. Defendant Pandey stated in pertinent part as follows:

24 In that way, I'd like to take you through 3 key areas of our
25 business where we're making adjustments to maximize our strong
26 market opportunity. ***First, we recently identified some imbalances***
27 ***in our lead generation spending that were beginning to impact***
28 ***our sales pipeline. We recognize these imbalances in Q2 and***
have adjusted our lead generation spend accordingly. Despite
these, these actions will take some time to take effect and
therefore, our Q3 guidance reflects the short term impact of these
imbalances. The changes we implemented are already showing
early positive signs at the top of the funnel, and we expect to see
increasing traction in our sales pipeline over the coming quarters.
Duston will provide more details on these imbalances and our
actions taken later in the call.

1 Second, over the past few quarters, ***we have not kept pace with our***
2 ***bullish sales hiring goals***. This plays a role in our sales pipeline
3 development. Hiring at this scale is an art and there's an ebb and
4 flow to the process. We've been putting more focus on this aspect
5 of our execution as we don't foresee any macro weakness in the
6 horizon.

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50. During the conference call, Defendant Williams also acknowledged
disappointment at missing the Company's pipeline targets, stating in pertinent part as follows:

Now turning to the guidance for the third quarter. And before
getting into the line item detail, let me step back a bit and provide
some additional context for our Q2 performance and our third
quarter guidance.

In Q2, while we were pleased with our progress with moving to a
recurring subscription business as well as with our large deals and
EMEA performance, ***we were disappointed to miss our pipeline***
targets. Generally speaking, our Q2 quarter, that should afford us
to build backlog and that did not happen this year.

As Dheeraj discussed at the beginning of the call, ***we recently***
identified some imbalances in our lead generation spending that
were beginning to impact our sales pipeline. Lead generation
spending is a key component to building pipeline, which
ultimately, significantly impacts bookings, billings and revenue.
In fiscal '18 – I'm sorry in fiscal '17, we had increased lead
generation spend by 75% over the prior year. This increase drove
strong pipeline generation in fiscal '17 and fiscal '18 as well as
improved efficiencies within the lead generation spend during
fiscal '18.

Encouraged by our overall company performance, ***in fiscal '18, we***
reallocated some of our lead generation spending to other
priorities. As a result, there was a 4 quarter period from Q4 '17 to
Q3 '18 that we basically kept lead generation spend flat, all while
the company continued to perform quite well. Based on lead
generation spend efficiencies we experienced in FY '18, ***we***
assumed further efficiencies would take place in FY '19 and we
again reallocated capital away from lead generation spend
during our planning process.

In Q2, we noticed a pattern that some of our lead generation
efficiencies that we had planned for were not being realized. We
began taking actions to reallocate capital back to lead generation
spending, while at the same time dialing back on non- sales hiring.
We have continued these actions into Q3.

Our quota-carrying sales reps also contribute to pipeline build, and
our ***pipeline targets were further impacted by a shortage of sales***
reps in the first half of the fiscal year, resulting in an underspend
by several million dollars.

It's important to note that all this shifting of spend back to lead
generation is not an insignificant amount, the magnitude of the

1 *shift is in a few tens of millions.* Although we started making this
2 adjustment in Q2, we expect it to take a couple of quarters to show
meaningful results.

3 In the meantime, we will double down on driving further business
4 from within our large existing Enterprise customer base, while the
augmented lead generation spending works its way into the
pipeline.

5 *This brings us to our guidance for Q3, where we expect*
6 *significant impact from an imbalance in lead generation*
7 *spending earlier in the year and slower-than- expected sales*
8 *hiring.* However, we believe that our actions to address these
factors, combined with better sales execution, will drive improved
pipeline build into Q4, which we expect to leave us in a solid
position as we enter FY '20.

9 51. Defendant Williams also provided guidance for the third fiscal quarter of 2019
10 *significantly below* street estimates:

11 Now turning to specific details of the guidance. On a non-GAAP
12 basis, we expect – for Q3, we expect the following: billings
13 between \$360 million and \$370 million; revenue between \$290
14 million and \$300 million; gross margins between 75% and 76%;
operating expenses between \$330 million and \$340 million; and a
per-share loss of approximately \$0.60, using weighted average
shares outstanding of \$183 million.

15 52. By contrast, as stated by Wells Fargo Securities in a February 28, 2019 analyst
16 report, street consensus estimates were for revenue of \$348 million, gross margins of 79 percent,
17 non-GAAP operating expenses of \$326.4 million, and non-GAAP EPS of a loss of \$0.28 per
18 share.

19 53. Defendant Williams summed up the decreased spending on lead generation in
20 response to a question from Ron Hall, an analyst with Goldman Sachs:

21 Now looking back at it, we probably over-rotated a bit to the
22 existing customer base and large customers there, where those
23 efficiency dollars are easier to get, and probably underspent a little
24 bit on new customers, which – those efficiencies are a little tougher
25 to get on new customers. But the cost at the company was doing
26 fine in FY '18 and then we go into FY '19 and we have a lot of
27 spending demands and a lot of pressure on spending and a lot of
28 people looking for leverage. And we made a decision at that point
that we figured those efficiencies would not only continue but to
increase in FY '19. And we reallocated spending away from
demand gen to a certain degree into headcount.

1 54. Defendants did not reallocate lead generation to only headcount in marketing.
2 Rather, as confirmed by Defendant Williams, Nutanix reallocated to “headcount, a lot went to
3 engineering, some new products and things like that.”

4 55. In response to a question from stock research analyst Victor Chiu of Raymond
5 James, Defendant Pandey confirmed that the lack of lead generation spending and sales force
6 hiring was responsible for 80 percent of the lowered guidance:

7 **Chiu:** Can we isolate the impact to results exclusively to lead
8 generation, meaning if you hadn't reduced the lead generation
9 allocation, how confident are you that you could've driven results
near the consensus expectation on like the 20%-ish year-over-year
growth?

10 **Pandey:** *I think with sales hiring and lead generation, were the 2*
11 *inputs that we were shy of. And most of it, in an 80-20 kind of*
12 *argument, I think 80% of it can be contributed to these 2,*
13 *actually.* 20% obviously relates to better sales execution. With the
same inputs, could we have derived better outputs? I think
Americas could have done better there as well.

14 56. Additionally, during the call, Defendants acknowledged that, despite their
15 assertions to the contrary in early 2018, Nutanix’s product portfolio was in “chaos,” which had
16 caused problems in the Company’s pipeline and with its sales force by moving too quickly on
17 big transformations and introducing too many new products in 2018. The following exchange
18 took place between Jason Noah Ader, an analyst at William Blair & Company L.L.C. and
19 Defendant Pandey:

20 **Ader:** I wanted to – I know that Allegiant is going to dominate the
21 conversation here, but I wanted to understand a little bit more
22 about whether you think, number one, you may have over-rotated a
23 little bit much to the – too much to the large Enterprise, and also
whether you think you took too much on in terms of new products
in 2018, which may have affected the demand gen just from the
standpoint of maybe the sales force and the channel being a little
bit confused with all of these new products.

24 **Pandey:** Yes, I think on the – thanks, Jason, for the questions. On
25 the first one, it does camouflage stuff, and the fact that we had
26 large deals and large customers, it does come in the way of
27 thinking. So now looking back, running at high velocity, I wish we
28 didn’t have to think about this as an afterthought, but it does come
up. And I think how we go and really segment commercial select
and look at the top 12,000 customers of America, not just the top
3,000, 5,000, I think those things have been things that we have
looked at in the last 3 to 6 months. But before I get to the product,
there’s – people also probably will realize that in the last 18

1 months, this company has gone through 2 big transformations. And
2 our sales force has gone through the transformation, has been the
3 people that have really gone through this, which is software-only
4 and in subscription now. So in the last 18 months, we've had a big
5 payload of transformation and it probably does count towards
6 simple things like hiring and stuff like that, they're like, man, it's a
7 big change. So I think how we do a better job of absorbing all the
8 stuff while we become a software company, while we become a
9 subscription company, while we become a cloud company, I think
10 does come up. On the product portfolio, yes, I mean, obviously I'm
11 a big fan of Andy Grove and the way he wrote the 2 chapters in the
12 book, Let Chaos Reign, and Then Rein in Chaos (sic) [Let Chaos
13 Reign, Then Rein In Chaos]. So we let chaos reign in the first half
14 of '18 with the product portfolio in terms of lack of Chris
15 messaging and then obviously when we realize that we had to do a
16 better job of messaging and classification and things of that nature,
17 I think, the core Essentials Enterprise has been a great sort of
18 storytelling methodology for everybody. And people need to
19 realize that we can't just sell things because Beam is a thing and
20 IoT is a thing and Calm is a thing, but they have to really think
21 about the customer journey and really empathize on behalf of the
22 customer, say, "Look, start with Core, then Essentials, then
23 Enterprise." So I think it's helped a lot in the last 4, 5 months. But
24 yes, it comes up, we are a high-velocity company and sometimes
25 we let chaos reign, and then we go and rein in the chaos. But I
26 think the most important sort of, at least in my head, is how our
27 sales force has actually gone through 2 big transformations in the
28 last 18, 24 months.

57. As a result of Defendants' disclosure of their false and misleading statements during the Class Period, on March 1, 2019, Nutanix common stock fell \$16.39 per share from its February 28, 2019 closing price of \$50.09 per share, or more than 32 percent, to close at \$33.70 per share on March 1, 2019.

58. Analysts were quick to react to Nutanix's disclosure, highlighting Nutanix's failure to properly invest in sales personnel and lead generation, downgrading Nutanix stock, and lowering price targets.

59. For example, in a report dated February 28, 2019, Wells Fargo downgraded Nutanix to market perform, and lowered Nutanix's price target to \$45 per share from \$70 per share "following the company's disappointing outlook reflective of sales under-investment . . . the company is now a *prove-it story* in our view as it relates to its plans / ability to drive incremental platform monetization" (emphasis in original).

1 60. Oppenheimer, in a report dated March 1, 2019, downgraded Nutanix common
2 stock to Perform, and removed a price target for Nutanix all together (from a prior price target of
3 \$70 per share), commenting that “we think Nutanix has tried to do too much (massive portfolio
4 expansion, cloud rollout, M&A, etc.) with too little (under investment in sales/go-to-market) for
5 too long (recent year) and this has caught up with it. NTNX can eventually regain its footing, yet
6 there is a greater probability that its upcoming Analyst Day will reset the growth/margin bar
7 lower, and with execution risk elevated.”

8 61. FBN Securities, in a report dated March 1, 2019, lowered its price target for
9 Nutanix common stock from \$70 per share to \$45 per share.

10 62. On March 6, 2019, days after Defendants’ February 28, 2019 announcement,
11 Attanasio (who, less than three months earlier had liquidated all of his holding in Nutanix stock)
12 notified Nutanix that he would be leaving Nutanix effective March 8, 2019 “to pursue other
13 opportunities.”

14 63. The market for Nutanix securities was open, well-developed and efficient at all
15 relevant times. As a result of these materially false and misleading statements and failures to
16 disclose, Nutanix securities traded at artificially inflated prices during the Class Period, which
17 inflation came out once the truth was revealed. Plaintiff and other members of the Class
18 purchased Nutanix securities relying upon the integrity of the market price of Nutanix securities
19 and market information relating to Nutanix and have been damaged thereby.

20 64. During the Class Period, Defendants misled the investing public, thereby inflating
21 the price of Nutanix securities by publicly issuing false and misleading statements and omitting
22 to disclose material facts necessary to make Defendants’ statements, as set forth herein, not false
23 and misleading. Said statements and omissions were materially false and misleading in that they
24 failed to disclose material adverse information and misrepresented the truth about the Company’s
25 business, operations and prospects, as alleged herein.

26 65. At all relevant times, the material misrepresentations and omissions particularized
27 in this complaint directly or proximately caused or were a substantial contributing cause of the
28 damages sustained by plaintiff and other members of the Class. As described herein, during the

1 Class Period, Defendants made or caused to be made a series of materially false or misleading
2 statements about Nutanix's business, prospects and operations. These material misstatements
3 and omissions had the cause and effect of creating in the market an unrealistically positive
4 assessment of Nutanix and its business, prospects and operations, thus causing the price of
5 Nutanix securities to be overvalued and artificially inflated at all relevant times, which inflation
6 was removed once the truth came out. Defendants' materially false and misleading statements
7 during the Class Period resulted in plaintiff and other members of the Class purchasing Nutanix
8 securities at artificially inflated prices, thus causing the damages complained of herein. When
9 the true facts about the Company were revealed to the market, the artificial inflation in the price
10 of Nutanix securities was removed and the price declined dramatically, causing losses to plaintiff
11 and the other members of the Class.

12 **ADDITIONAL SCIENTER ALLEGATIONS**

13 66. As alleged herein, Nutanix and the Individual Defendants acted with scienter in
14 that they knew that the public documents and statements issued or disseminated in the name of
15 the Company were materially false and misleading, knew that such statements or documents
16 would be issued or disseminated to the investing public, and knowingly and substantially
17 participated or acquiesced in the issuance or dissemination of such statements or documents as
18 primary violations of the federal securities laws. As set forth elsewhere herein in detail, these
19 Defendants, by virtue of their receipt of information reflecting the true facts regarding Nutanix,
20 their control over, and/or receipt and/or modification of Nutanix's allegedly materially
21 misleading statements and/or their associations with the Company which made them privy to
22 confidential proprietary information concerning Nutanix, participated in the fraudulent scheme
23 alleged herein.

24 **LOSS CAUSATION/ECONOMIC LOSS**

25 67. During the Class Period, as detailed herein, Defendants made false and
26 misleading statements by misrepresenting the Company's business and prospects and engaged in
27 a scheme to deceive the market and a course of conduct that artificially inflated the price of
28 Nutanix securities and operated as a fraud on Class Period purchasers of Nutanix securities.

1 Later, when Defendants' prior misrepresentations and fraudulent conduct became apparent to the
2 market, the price of Nutanix securities fell precipitously, as the prior artificial inflation came out.
3 As a result of their purchases of Nutanix securities during the Class Period, plaintiff and other
4 members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

5 **NO SAFE HARBOR**

6 68. The statutory safe harbor provided for forward-looking statements under certain
7 circumstances does not apply to any of the allegedly false statements pleaded in this complaint.
8 Many of the specific statements pleaded herein were not identified as "forward-looking
9 statements" when made. To the extent there were any forward-looking statements, there were no
10 meaningful cautionary statements identifying important factors that could cause actual results to
11 differ materially from those in the purportedly forward-looking statements. Alternatively, to the
12 extent that the statutory safe harbor does apply to any forward-looking statements pleaded
13 herein, Defendants are liable for those false forward-looking statements because, at the time each
14 of those forward-looking statements was made, the particular speaker knew that the particular
15 forward-looking statement was false and/or the forward-looking statement was authorized and/or
16 approved by an executive officer of Nutanix who knew that those statements were false when
17 made.

18 **APPLICABILITY OF THE PRESUMPTION OF RELIANCE**
19 **AND FRAUD ON THE MARKET**

20 69. Plaintiff will rely upon the presumption of reliance established by the fraud-on-
21 the- market doctrine in that, among other things:

- 22 (a) Defendants made public misrepresentations or failed to disclose material
23 facts during the Class Period;
- 24 (b) The omissions and misrepresentations were material;
- 25 (c) Nutanix securities traded in an efficient market;
- 26 (d) The misrepresentations alleged would tend to induce a reasonable investor
27 to misjudge the value of Nutanix securities; and
28

1 (e) Plaintiff and other members of the Class purchased Nutanix securities
2 between the time Defendants misrepresented or failed to disclose material facts and the time the
3 true facts were disclosed, without knowledge of the misrepresented or omitted facts.

4 70. At all relevant times, the market for Nutanix securities was efficient for the
5 following reasons, among others:

6 (a) As a regulated issuer, Nutanix filed periodic public reports with the SEC;
7 and

8 (b) Nutanix regularly communicated with public investors via established
9 market communication mechanisms, including through the regular disseminations of press
10 releases on major news wire services and through other wide-ranging public disclosures, such as
11 communications with the financial press, securities analysts and other similar reporting services.

12 **CLASS ACTION ALLEGATIONS**

13 71. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
14 Procedure 23(a) and (b)(3) on behalf of a class consisting of all those who purchased or sold
15 Nutanix securities during the Class Period and who were damaged thereby (the “Class”).
16 Excluded from the Class are: Defendants; the officers and directors of the Company during the
17 Class Period (the “Excluded D&Os”); members of Defendants’ and the Excluded D&Os’
18 immediate families; the subsidiaries and affiliates of the Company, including the Company’s
19 employee retirement and benefit plan(s) and their participants or beneficiaries, to the extent they
20 made purchases through such plan(s); and any entity in which Defendants or the Excluded D&Os
21 have or had a controlling interest; and the legal representatives, heirs, successors or assigns of
22 any excluded person or entity.

23 72. The members of the Class are so numerous that joinder of all members is
24 impracticable. Throughout the Class Period, Nutanix stock was actively traded on the NASDAQ.
25 While the exact number of Class members is unknown to plaintiff at this time and can only be
26 ascertained through appropriate discovery, plaintiff believes that there are hundreds or thousands
27 of members in the proposed Class. Record owners and other members of the Class may be
28 identified from records maintained by Nutanix or its transfer agent and may be notified of the

1 pendency of this action by mail, using the form of notice similar to that customarily used in
2 securities class actions.

3 73. Plaintiff's claims are typical of the claims of the members of the Class, as all
4 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
5 federal law that is complained of herein.

6 74. Plaintiff will fairly and adequately protect the interests of the members of the
7 Class and has retained counsel competent and experienced in class and securities litigation.

8 75. Common questions of law and fact exist as to all members of the Class and
9 predominate over any questions solely affecting individual members of the Class. Among the
10 questions of law and fact common to the Class are:

11 (a) whether the federal securities laws were violated by Defendants' acts as
12 alleged herein;

13 (b) whether statements made by Defendants to the investing public during the
14 Class Period misrepresented material facts about the Company's business, operations and
15 prospects; and

16 (c) to what extent the members of the Class have sustained damages and the
17 proper measure of damages.

18 76. A class action is superior to all other available methods for the fair and efficient
19 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as
20 the damages suffered by individual Class members may be relatively small, the expense and
21 burden of individual litigation make it impossible for members of the Class to individually
22 redress the wrongs done to them. There will be no difficulty in the management of this action as
23 a class action.

24 **COUNT I**

25 **For Violation of § 10(b) of the Exchange Act**
26 **and Rule 10b-5 Promulgated Thereunder**
Against All Defendants

27 77. Plaintiff repeats and realleges each and every allegation contained in the
28 foregoing paragraphs as if fully set forth herein.

1 authority to cause Nutanix to engage in the wrongful conduct complained of herein. Nutanix
2 controlled each of the Individual Defendants and all of its employees. By reason of such
3 conduct, the Individual Defendants and Nutanix are liable pursuant to § 20(a) of the Exchange
4 Act.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, plaintiff prays for relief and judgment as follows:

7 A. Determining that this action is a proper class action, designating plaintiff as Lead
8 Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of
9 Civil Procedure and plaintiff's counsel as Lead Counsel;

10 B. Awarding compensatory damages in favor of plaintiff and the other Class
11 members against all Defendants, jointly and severally, for all damages sustained as a result of
12 Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

13 C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in
14 this action, including counsel fees and expert fees; and

15 D. Such other and further relief as the Court may deem just and proper.

16 **JURY DEMAND**

17 Plaintiff hereby demands a trial by jury.

18 DATED: May 20, 2019

Respectfully submitted,

19 /s/ Christopher J. Keller
20

21 **LABATON SUCHAROW LLP**

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 20, 2019, I was authorized to electronically file the foregoing with the Clerk of Court using the CM/ECF system, which will send a Notice of Electronic Filing to all counsel of record.

/s/ Frank Busch
Frank Busch