

## **Non-GAAP Financial Measures and Other Key Metrics**

This unaudited supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). We use these non-GAAP financial measures and key metrics internally in analyzing our financial results and believe that the disclosure of these non-GAAP financial measures and key metrics will be useful to investors as an additional tool to evaluate our ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures or key metrics.

Non-GAAP financial measures and key metrics are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our non-GAAP financial measures and key metrics to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations. We have not provided a reconciliation of forward-looking non-GAAP measures to the corresponding GAAP measures as they are not available without unreasonable effort.

**Palo Alto Networks, Inc.**  
**Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(In millions, except percentages)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
Revenue:								
Product	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9
Subscription and support	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2
Total revenue	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1
Cost of revenue:								
Product	81.9	88.8	88.9	97.8	126.0	142.8	120.1	100.5
Subscription and support	248.7	270.1	291.7	307.5	314.5	349.5	341.8	365.7
Total cost of revenue	330.6	358.9	380.6	405.3	440.5	492.3	461.9	466.2
Total gross profit	743.3	860.4	866.8	911.6	946.2	1,058.2	1,101.5	1,188.9
<i>Product gross margin</i>	71.7 %	73.8 %	69.9 %	68.2 %	64.2 %	65.0 %	63.6 %	71.5 %
<i>Subscription and support gross margin</i>	68.3 %	69.3 %	69.4 %	69.5 %	69.6 %	69.4 %	72.3 %	71.9 %
<i>Total gross margin</i>	69.2 %	70.6 %	69.5 %	69.2 %	68.2 %	68.2 %	70.5 %	71.8 %
Operating expenses:								
Research and development	311.0	325.3	339.5	359.0	355.4	363.8	371.8	404.1
Sales and marketing	448.0	489.8	505.9	528.8	543.6	570.6	615.0	625.5
General and administrative	94.7	105.7	104.1	97.7	94.8	108.4	99.5	119.4
Total operating expenses	853.7	920.8	949.5	985.5	993.8	1,042.8	1,086.3	1,149.0
Operating income (loss)	(110.4)	(60.4)	(82.7)	(73.9)	(47.6)	15.4	15.2	39.9
Interest expense	(41.0)	(41.4)	(6.9)	(6.8)	(6.8)	(6.9)	(6.8)	(6.9)
Other income (expense), net	1.0	(0.5)	(1.6)	(0.1)	1.9	8.8	26.0	51.4
Income (loss) before income taxes	(150.4)	(102.3)	(91.2)	(80.8)	(52.5)	17.3	34.4	84.4
Provision for (benefit from) income taxes	(5.3)	17.0	12.4	12.7	20.7	14.0	14.4	0.2
Net income (loss)	<u><u>\$(145.1)</u></u>	<u><u>\$(119.3)</u></u>	<u><u>\$(103.6)</u></u>	<u><u>\$ (93.5)</u></u>	<u><u>\$ (73.2)</u></u>	<u><u>\$ 3.3</u></u>	<u><u>\$ 20.0</u></u>	<u><u>\$ 84.2</u></u>

**Palo Alto Networks, Inc.**  
**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(In millions, except percentages)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
Revenue:								
Product	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9
Subscription and support	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2
Total revenue	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1
Cost of revenue:								
Product	78.4	85.4	85.4	94.2	122.3	139.3	116.5	96.9
Subscription and support	194.0	216.1	234.0	247.7	254.1	275.5	285.2	309.1
Total cost of revenue	272.4	301.5	319.4	341.9	376.4	414.8	401.7	406.0
Total gross profit	801.5	917.8	928.0	975.0	1,010.3	1,135.7	1,161.7	1,249.1
<i>Product gross margin</i>	72.9 %	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %	72.5 %
<i>Subscription and support gross margin</i>	75.3 %	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %	76.3 %
<i>Total gross margin</i>	74.6 %	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %	75.5 %
Operating expenses:								
Research and development	189.0	211.6	211.2	228.7	236.4	250.0	251.4	270.1
Sales and marketing	368.8	416.1	423.9	438.8	456.8	486.4	518.8	527.7
General and administrative	61.4	77.3	68.9	64.8	64.2	76.1	69.1	74.5
Total operating expenses	619.2	705.0	704.0	732.3	757.4	812.5	839.3	872.3
Operating income	182.3	212.8	224.0	242.7	252.9	323.2	322.4	376.8
Interest expense	(5.1)	(5.0)	(5.1)	(5.0)	(5.0)	(5.1)	(5.0)	(5.2)
Other income (expense), net	1.6	(0.3)	(0.5)	(0.6)	(0.4)	7.8	24.2	53.7
Income before income taxes	178.8	207.5	218.4	237.1	247.5	325.9	341.6	425.3
Provision for income taxes	39.3	45.6	48.1	52.1	54.4	71.8	75.2	93.6
Net income	\$ 139.5	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters**

(In millions, except percentages and per share amounts)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 207.0	\$ 250.6	\$ 206.6	\$ 210.2	\$ 225.5	\$ 265.3	\$ 209.9	\$ 252.4
Share-based compensation-related charges	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.8
Litigation-related charges <sup>(1)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Non-GAAP product gross profit	<u>\$ 210.5</u>	<u>\$ 254.0</u>	<u>\$ 210.1</u>	<u>\$ 213.8</u>	<u>\$ 229.2</u>	<u>\$ 268.8</u>	<u>\$ 213.5</u>	<u>\$ 256.0</u>
Non-GAAP product gross margin	<u>72.9 %</u>	<u>74.8 %</u>	<u>71.1 %</u>	<u>69.4 %</u>	<u>65.2 %</u>	<u>65.9 %</u>	<u>64.7 %</u>	<u>72.5 %</u>
GAAP subscription and support gross profit	\$ 536.3	\$ 609.8	\$ 660.2	\$ 701.4	\$ 720.7	\$ 792.9	\$ 891.6	\$ 936.5
Share-based compensation-related charges	28.1	27.9	31.5	33.7	34.4	34.2	35.0	37.6
Amortization expense of acquired intangible assets	26.6	26.1	26.2	26.1	26.0	25.8	23.3	19.0
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	14.0	(1.7)	—
Non-GAAP subscription and support gross profit	<u>\$ 591.0</u>	<u>\$ 663.8</u>	<u>\$ 717.9</u>	<u>\$ 761.2</u>	<u>\$ 781.1</u>	<u>\$ 866.9</u>	<u>\$ 948.2</u>	<u>\$ 993.1</u>
Non-GAAP subscription and support gross margin	<u>75.3 %</u>	<u>75.4 %</u>	<u>75.4 %</u>	<u>75.4 %</u>	<u>75.5 %</u>	<u>75.9 %</u>	<u>76.9 %</u>	<u>76.3 %</u>
GAAP total gross profit	\$ 743.3	\$ 860.4	\$ 866.8	\$ 911.6	\$ 946.2	\$ 1,058.2	\$ 1,101.5	\$ 1,188.9
Share-based compensation-related charges	29.8	29.6	33.2	35.5	36.3	36.0	36.8	39.4
Amortization expense of acquired intangible assets	26.6	26.1	26.2	26.1	26.0	25.8	23.3	19.0
Litigation-related charges <sup>(1)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	14.0	(1.7)	—
Non-GAAP total gross profit	<u>\$ 801.5</u>	<u>\$ 917.8</u>	<u>\$ 928.0</u>	<u>\$ 975.0</u>	<u>\$ 1,010.3</u>	<u>\$ 1,135.7</u>	<u>\$ 1,161.7</u>	<u>\$ 1,249.1</u>
Non-GAAP gross margin	<u>74.6 %</u>	<u>75.3 %</u>	<u>74.4 %</u>	<u>74.0 %</u>	<u>72.9 %</u>	<u>73.2 %</u>	<u>74.3 %</u>	<u>75.5 %</u>
GAAP research and development expense	\$ 311.0	\$ 325.3	\$ 339.5	\$ 359.0	\$ 355.4	\$ 363.8	\$ 371.8	\$ 404.1
Share-based compensation-related charges	122.0	113.7	128.3	130.3	119.0	111.5	120.9	134.0
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	2.3	(0.5)	—
Non-GAAP research and development expense	<u>\$ 189.0</u>	<u>\$ 211.6</u>	<u>\$ 211.2</u>	<u>\$ 228.7</u>	<u>\$ 236.4</u>	<u>\$ 250.0</u>	<u>\$ 251.4</u>	<u>\$ 270.1</u>
Non-GAAP research and development expense as a percentage of revenue	<u>17.6 %</u>	<u>17.4 %</u>	<u>16.9 %</u>	<u>17.4 %</u>	<u>17.0 %</u>	<u>16.1 %</u>	<u>16.1 %</u>	<u>16.3 %</u>
GAAP sales and marketing expense	\$ 448.0	\$ 489.8	\$ 505.9	\$ 528.8	\$ 543.6	\$ 570.6	\$ 615.0	\$ 625.5
Share-based compensation-related charges	73.8	68.2	76.6	84.6	81.3	78.8	90.8	92.4
Amortization expense of acquired intangible assets	5.4	5.5	5.4	5.4	5.5	5.4	5.4	5.4
Non-GAAP sales and marketing expense	<u>\$ 368.8</u>	<u>\$ 416.1</u>	<u>\$ 423.9</u>	<u>\$ 438.8</u>	<u>\$ 456.8</u>	<u>\$ 486.4</u>	<u>\$ 518.8</u>	<u>\$ 527.7</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>34.3 %</u>	<u>34.1 %</u>	<u>34.0 %</u>	<u>33.3 %</u>	<u>33.1 %</u>	<u>31.4 %</u>	<u>33.2 %</u>	<u>31.9 %</u>
GAAP general and administrative expense	\$ 94.7	\$ 105.7	\$ 104.1	\$ 97.7	\$ 94.8	\$ 108.4	\$ 99.5	\$ 119.4
Share-based compensation-related charges	21.6	27.7	32.1	32.9	30.6	25.0	30.4	32.8
Acquisition-related costs <sup>(3)</sup>	11.7	0.7	3.1	—	—	2.4	—	12.1
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	4.9	—	—
Non-GAAP general and administrative expense	<u>\$ 61.4</u>	<u>\$ 77.3</u>	<u>\$ 68.9</u>	<u>\$ 64.8</u>	<u>\$ 64.2</u>	<u>\$ 76.1</u>	<u>\$ 69.1</u>	<u>\$ 74.5</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>5.7 %</u>	<u>6.3 %</u>	<u>5.5 %</u>	<u>4.9 %</u>	<u>4.6 %</u>	<u>4.9 %</u>	<u>4.4 %</u>	<u>4.5 %</u>

(1) Consists of the amortization of intellectual property licenses and covenant not to sue.

(2) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(3) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
GAAP total operating expense	\$ 853.7	\$ 920.8	\$ 949.5	\$ 985.5	\$ 993.8	\$1,042.8	\$1,086.3	\$1,149.0
Share-based compensation-related charges	217.4	209.6	237.0	247.8	230.9	215.3	242.1	259.2
Acquisition-related costs <sup>(1)</sup>	11.7	0.7	3.1	—	—	2.4	—	12.1
Amortization expense of acquired intangible assets	5.4	5.5	5.4	5.4	5.5	5.4	5.4	5.4
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	7.2	(0.5)	—
Non-GAAP total operating expense	\$ 619.2	\$ 705.0	\$ 704.0	\$ 732.3	\$ 757.4	\$ 812.5	\$ 839.3	\$ 872.3
Non-GAAP total operating expense as a percentage of revenue	57.6 %	57.8 %	56.4 %	55.6 %	54.7 %	52.4 %	53.7 %	52.7 %
GAAP operating income (loss)	\$ (110.4)	\$ (60.4)	\$ (82.7)	\$ (73.9)	\$ (47.6)	\$ 15.4	\$ 15.2	\$ 39.9
Share-based compensation-related charges	247.2	239.2	270.2	283.3	267.2	251.3	278.9	298.6
Acquisition-related costs <sup>(1)</sup>	11.7	0.7	3.1	—	—	2.4	—	12.1
Amortization expense of acquired intangible assets	32.0	31.6	31.6	31.5	31.5	31.2	28.7	24.4
Litigation-related charges <sup>(3)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	21.2	(2.2)	—
Non-GAAP operating income	\$ 182.3	\$ 212.8	\$ 224.0	\$ 242.7	\$ 252.9	\$ 323.2	\$ 322.4	\$ 376.8
Non-GAAP operating margin	17.0 %	17.5 %	18.0 %	18.4 %	18.2 %	20.8 %	20.6 %	22.8 %
GAAP interest expense	\$ (41.0)	\$ (41.4)	\$ (6.9)	\$ (6.8)	\$ (6.8)	\$ (6.9)	\$ (6.8)	\$ (6.9)
Non-cash charges related to convertible notes <sup>(4)</sup>	35.9	36.4	1.8	1.8	1.8	1.8	1.8	1.7
Non-GAAP interest expense	\$ (5.1)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.2)
Non-GAAP interest expense as a percentage of revenue	(0.5)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.3)%	(0.3)%	(0.3)%
GAAP other income (expense), net	\$ 1.0	\$ (0.5)	\$ (1.6)	\$ (0.1)	\$ 1.9	\$ 8.8	\$ 26.0	\$ 51.4
Foreign currency (gain) loss associated with non-GAAP adjustments	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3
Non-GAAP other income (expense), net	\$ 1.6	\$ (0.3)	\$ (0.5)	\$ (0.6)	\$ (0.4)	\$ 7.8	\$ 24.2	\$ 53.7
Non-GAAP other income (expense), net as a percentage of revenue	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.5 %	1.5 %	3.2 %
GAAP income (loss) before income taxes	\$ (150.4)	\$ (102.3)	\$ (91.2)	\$ (80.8)	\$ (52.5)	\$ 17.3	\$ 34.4	\$ 84.4
Share-based compensation-related charges	247.2	239.2	270.2	283.3	267.2	251.3	278.9	298.6
Acquisition-related costs <sup>(1)</sup>	11.7	0.7	3.1	—	—	2.4	—	12.1
Amortization expense of acquired intangible assets	32.0	31.6	31.6	31.5	31.5	31.2	28.7	24.4
Litigation-related charges <sup>(3)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	21.2	(2.2)	—
Non-cash charges related to convertible notes <sup>(4)</sup>	35.9	36.4	1.8	1.8	1.8	1.8	1.8	1.7
Foreign currency (gain) loss associated with non-GAAP adjustments	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3
Non-GAAP income before income taxes	\$ 178.8	\$ 207.5	\$ 218.4	\$ 237.1	\$ 247.5	\$ 325.9	\$ 341.6	\$ 425.3

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.

(2) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(3) Consists of the amortization of intellectual property licenses and covenant not to sue.

(4) Consists primarily of non-cash interest expense for amortization of debt discount and issuance costs related to our convertible senior notes. Effective Q1'22, we no longer recognize interest expense for amortization of debt discount as a result of the adoption of new debt guidance.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
GAAP provision for (benefit from) income taxes	\$ (5.3)	\$ 17.0	\$ 12.4	\$ 12.7	\$ 20.7	\$ 14.0	\$ 14.4	\$ 0.2
Income tax and other tax adjustments <sup>(1)</sup>	44.6	28.6	35.7	39.4	33.7	57.8	60.8	93.4
Non-GAAP provision for income taxes	\$ 39.3	\$ 45.6	\$ 48.1	\$ 52.1	\$ 54.4	\$ 71.8	\$ 75.2	\$ 93.6
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net income (loss)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2
Share-based compensation-related charges	247.2	239.2	270.2	283.3	267.2	251.3	278.9	298.6
Acquisition-related costs <sup>(2)</sup>	11.7	0.7	3.1	—	—	2.4	—	12.1
Amortization expense of acquired intangible assets	32.0	31.6	31.6	31.5	31.5	31.2	28.7	24.4
Litigation-related charges <sup>(3)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Restructuring and other costs <sup>(4)</sup>	—	—	—	—	—	21.2	(2.2)	—
Non-cash charges related to convertible notes <sup>(5)</sup>	35.9	36.4	1.8	1.8	1.8	1.8	1.8	1.7
Foreign currency (gain) loss associated with non-GAAP adjustments	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3
Income tax and other tax adjustments <sup>(1)</sup>	(44.6)	(28.6)	(35.7)	(39.4)	(33.7)	(57.8)	(60.8)	(93.4)
Non-GAAP net income	\$ 139.5	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7
GAAP net income (loss) per share, diluted	\$ (0.50)	\$ (0.41)	\$ (0.35)	\$ (0.32)	\$ (0.25)	\$ 0.01	\$ 0.06	\$ 0.25
Share-based compensation-related charges	0.83	0.80	0.88	0.90	0.84	0.78	0.87	0.94
Acquisition-related costs <sup>(2)</sup>	0.04	0.00	0.01	0.00	0.00	0.01	0.00	0.04
Amortization expense of acquired intangible assets	0.11	0.11	0.11	0.11	0.11	0.09	0.08	0.07
Litigation-related charges <sup>(3)</sup>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Restructuring and other costs <sup>(4)</sup>	0.00	0.00	0.00	0.00	0.00	0.06	(0.01)	0.00
Non-cash charges related to convertible notes <sup>(5)</sup>	0.12	0.12	0.01	0.01	0.01	0.01	0.01	0.01
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.00	0.00	0.00	(0.01)	0.00	(0.01)	0.01
Income tax and other tax adjustments <sup>(1)</sup>	(0.15)	(0.10)	(0.12)	(0.13)	(0.11)	(0.17)	(0.18)	(0.28)
Non-GAAP net income per share, diluted	\$ 0.46	\$ 0.53	\$ 0.55	\$ 0.58	\$ 0.60	\$ 0.80	\$ 0.83	\$ 1.05
GAAP weighted-average shares used to compute net income (loss) per share, diluted	290.8	291.7	292.9	294.5	296.7	336.2	338.4	331.6
Weighted-average dilutive effect of potentially dilutive securities <sup>(6)</sup>	19.1	22.9	33.8	42.4	46.4	—	—	—
Weighted-average anti-dilutive impact of note hedge agreements	(6.9)	(10.5)	(15.0)	(18.0)	(19.7)	(17.0)	(17.8)	(15.2)
Non-GAAP weighted-average shares used to compute net income per share, diluted	303.0	304.1	311.7	318.9	323.4	319.2	320.6	316.4

(1) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'23, it included a tax benefit from a release of tax reserves related to uncertain tax positions resulting from a tax settlement.

(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.

(3) Consists of the amortization of intellectual property licenses and covenant not to sue.

(4) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(5) Consists primarily of non-cash interest expense for amortization of debt discount and issuance costs related to our convertible senior notes. Effective Q1'22, we no longer recognize interest expense for amortization of debt discount as a result of the adoption of new debt guidance.

(6) Consists of potentially dilutive effect of employee equity incentive plan awards and convertible senior notes outstanding and related warrants in periods with GAAP net loss position as they are excluded from GAAP weighted-average shares.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
Net cash provided by operating activities	\$ 277.8	\$ 325.8	\$ 588.9	\$ 482.6	\$ 389.5	\$ 523.7	\$ 1,236.7	\$ 694.6
Less: purchases of property, equipment, and other assets	26.9	27.4	34.6	80.7	38.3	39.2	39.6	38.3
Free cash flow (non-GAAP)	\$ 250.9	\$ 298.4	\$ 554.3	\$ 401.9	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 656.3
Add: capital expenditures for headquarters <sup>(1)</sup>	—	—	—	38.9	—	—	—	—
Add: cash payment related to tax settlement	—	—	—	—	—	—	—	28.9
Add: repayments of convertible senior notes attributable to debt discount	—	0.1	—	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 250.9	\$ 298.5	\$ 554.3	\$ 440.8	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 685.2
Net cash provided by (used in) investing activities	\$ (207.6)	\$ (2.4)	\$ (229.9)	\$ (274.3)	\$ 42.9	\$ (472.1)	\$ (1,319.8)	\$ (1,164.5)
Net cash provided by (used in) financing activities	\$ (298.5)	\$ (335.6)	\$ 38.7	\$ (558.5)	\$ 66.3	\$ (353.1)	\$ 31.1	\$ (250.8)
Free cash flow margin (non-GAAP)	23.4 %	24.5 %	44.4 %	30.5 %	25.3 %	31.2 %	76.6 %	39.7 %
Adjusted free cash flow margin (non-GAAP)	23.4 %	24.5 %	44.4 %	33.5 %	25.3 %	31.2 %	76.6 %	41.4 %

**Disaggregation of Revenue by Type**

Revenue:

Product	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9
Subscription and support								
Subscription	473.8	535.3	578.8	618.0	639.8	702.4	764.0	815.4
Support	311.2	344.6	373.1	390.9	395.4	440.0	469.4	486.8
Total subscription and support	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2
Total revenue	\$1,073.9	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1

**Other Key Metrics - Calculation of Billings**

Total revenue	\$1,073.9	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1
Add: change in total deferred revenue, net of acquired deferred revenue	212.5	649.0	134.2	291.0	410.2	1,134.6	185.6	374.0
Total billings	\$1,286.4	\$1,868.3	\$1,381.6	\$1,607.9	\$1,796.9	\$2,685.1	\$1,749.0	\$2,029.1

(1) Consists of a land purchase of \$38.9 million.

**Palo Alto Networks, Inc.**  
**Calculation of Other Key Metrics - First Half Fiscal Year**  
**(In millions)**

	<u>1H FY22</u>	<u>1H FY23</u>
Total revenue	\$ 2,564.3	\$ 3,218.5
Add: change in total deferred revenue, net of acquired deferred revenue	425.2	559.6
Total billings	<u>\$ 2,989.5</u>	<u>\$ 3,778.1</u>
Product revenue	\$ 603.5	\$ 682.9
Add: change in product deferred revenue	(6.8)	7.9
Product billings	<u>\$ 596.7</u>	<u>\$ 690.8</u>
Subscription revenue	\$ 1,196.8	\$ 1,579.4
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	279.4	397.0
Subscription billings	<u>\$ 1,476.2</u>	<u>\$ 1,976.4</u>
Support revenue	\$ 764.0	\$ 956.2
Add: change in support deferred revenue	152.6	154.7
Support billings	<u>\$ 916.6</u>	<u>\$ 1,110.9</u>



**Palo Alto Networks, Inc.**  
**Condensed Consolidated Balance Sheets - Fiscal Quarters**  
(In millions)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 1,886.1	\$ 1,874.2	\$ 2,272.9	\$ 1,922.7	\$ 2,419.9	\$ 2,118.5	\$ 2,067.2	\$ 1,346.3
Short-term investments	1,059.3	1,026.9	1,188.5	1,417.6	1,454.7	1,516.0	1,736.5	2,000.6
Accounts receivable, net	766.8	1,240.4	812.1	952.2	1,240.6	2,142.5	1,238.1	1,278.1
Short-term deferred contract costs	235.0	276.5	272.9	278.1	286.8	317.7	310.6	313.4
Prepaid expenses and other current assets	193.7	229.3	292.7	298.0	295.6	320.2	381.1	467.4
<b>Total current assets</b>	<b>4,140.9</b>	<b>4,647.3</b>	<b>4,839.1</b>	<b>4,868.6</b>	<b>5,697.6</b>	<b>6,414.9</b>	<b>5,733.5</b>	<b>5,405.8</b>
Property and equipment, net	322.7	318.4	324.3	362.7	355.6	357.8	353.7	344.7
Operating lease right-of-use assets	258.7	262.9	251.8	238.8	239.9	242.0	260.4	251.1
Long-term investments	885.4	888.3	898.8	851.0	714.7	1,051.9	2,094.7	2,820.6
Long-term deferred contract costs	420.1	494.6	476.1	472.1	480.3	550.1	520.3	511.3
Goodwill	2,713.1	2,710.1	2,732.3	2,731.3	2,731.3	2,747.7	2,747.7	2,912.3
Intangible assets, net	530.3	498.6	471.3	443.9	412.1	384.5	355.4	361.7
Other assets	290.9	421.4	432.7	432.1	468.5	504.7	478.1	555.9
<b>Total assets</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>	<b>\$ 12,543.8</b>	<b>\$ 13,163.4</b>
<b>Liabilities, temporary equity, and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 71.8	\$ 56.9	\$ 95.3	\$ 120.4	\$ 108.0	\$ 128.0	\$ 125.9	\$ 128.3
Accrued compensation	252.8	430.6	250.8	329.9	365.2	461.1	268.9	395.1
Accrued and other liabilities	261.5	329.4	324.6	324.0	375.4	399.2	380.4	328.9
Deferred revenue	2,421.2	2,741.9	2,801.6	2,958.2	3,152.9	3,641.2	3,741.3	3,942.5
Convertible senior notes, net	—	1,557.9	3,672.1	3,673.9	3,675.7	3,676.8	3,678.6	3,680.3
<b>Total current liabilities</b>	<b>3,007.3</b>	<b>5,116.7</b>	<b>7,144.4</b>	<b>7,406.4</b>	<b>7,677.2</b>	<b>8,306.3</b>	<b>8,195.1</b>	<b>8,475.1</b>
Convertible senior notes, net	3,190.6	1,668.1	—	—	—	—	—	—
Long-term deferred revenue	1,953.8	2,282.1	2,356.6	2,491.0	2,706.5	3,352.8	3,438.3	3,611.5
Long-term operating lease liabilities	317.7	313.4	299.5	282.4	275.7	276.1	283.1	274.2
Other long-term liabilities	95.5	97.7	107.0	102.9	103.0	108.4	119.3	73.6
<b>Total liabilities</b>	<b>8,564.9</b>	<b>9,478.0</b>	<b>9,907.5</b>	<b>10,282.7</b>	<b>10,762.4</b>	<b>12,043.6</b>	<b>12,035.8</b>	<b>12,434.4</b>
Temporary equity	—	129.1	—	—	—	—	—	—
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,541.1	2,311.2	2,033.9	1,745.2	2,066.3	1,932.7	2,266.2	2,303.0
Accumulated other comprehensive income (loss)	3.6	(9.9)	(11.3)	(30.2)	(58.3)	(55.6)	(111.1)	(11.1)
Accumulated deficit	(1,547.5)	(1,666.8)	(1,503.7)	(1,597.2)	(1,670.4)	(1,667.1)	(1,647.1)	(1,562.9)
<b>Total stockholders' equity</b>	<b>997.2</b>	<b>634.5</b>	<b>518.9</b>	<b>117.8</b>	<b>337.6</b>	<b>210.0</b>	<b>508.0</b>	<b>729.0</b>
<b>Total liabilities, temporary equity, and stockholders' equity</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>	<b>\$ 12,543.8</b>	<b>\$ 13,163.4</b>

**Palo Alto Networks, Inc.**  
**Condensed Consolidated Statements of Cash Flows - Fiscal Quarters**  
(In millions)

	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	233.1	230.0	259.1	265.1	247.3	239.6	266.0	283.3
Depreciation and amortization	68.7	68.8	69.0	69.7	71.4	72.5	70.7	69.9
Amortization of deferred contract costs	73.9	89.7	85.9	86.1	89.1	101.0	97.0	99.0
Amortization of debt discount and debt issuance costs	35.9	36.4	1.8	1.8	1.8	1.8	1.8	1.7
Reduction of operating lease right-of-use assets	11.9	11.9	12.7	12.4	12.4	16.9	12.1	12.5
Amortization of investment premiums, net of accretion of purchase discounts	3.3	3.9	3.6	3.7	3.2	3.0	1.7	(16.0)
Repayments of convertible senior notes attributable to debt discount	—	(0.1)	—	—	—	—	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(97.4)	(473.7)	428.4	(140.1)	(288.4)	(901.9)	904.4	(39.8)
Deferred contract costs	(94.1)	(205.7)	(63.8)	(87.4)	(105.9)	(201.7)	(60.1)	(92.8)
Prepaid expenses and other assets	(36.1)	(163.6)	(72.8)	(0.1)	(26.0)	(42.1)	(41.1)	(118.5)
Accounts payable	27.0	(15.2)	37.6	22.2	(8.2)	17.7	(1.0)	1.7
Accrued compensation	(8.5)	177.8	(179.8)	79.0	35.4	95.8	(192.3)	124.0
Accrued and other liabilities	(7.3)	35.9	(23.4)	(27.3)	20.4	(16.8)	(28.1)	(88.6)
Deferred revenue	212.5	649.0	134.2	291.0	410.2	1,134.6	185.6	374.0
Net cash provided by operating activities	277.8	325.8	588.9	482.6	389.5	523.7	1,236.7	694.6
<b>Cash flows from investing activities</b>								
Purchases of investments	(381.6)	(464.8)	(439.1)	(616.2)	(241.1)	(975.3)	(2,112.8)	(1,606.5)
Proceeds from sales of investments	36.7	94.4	36.1	246.1	7.0	160.0	485.0	14.6
Proceeds from maturities of investments	311.0	395.4	225.1	176.5	315.3	402.0	347.6	651.3
Business acquisitions, net of cash acquired	(146.8)	—	(17.4)	—	—	(19.6)	—	(185.6)
Purchases of property, equipment, and other assets	(26.9)	(27.4)	(34.6)	(80.7)	(38.3)	(39.2)	(39.6)	(38.3)
Net cash provided by (used in) investing activities	(207.6)	(2.4)	(229.9)	(274.3)	42.9	(472.1)	(1,319.8)	(1,164.5)
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes attributable to principal and equity component	—	(0.9)	—	—	—	(0.6)	—	—
Repurchases of common stock	(350.0)	(328.1)	—	(550.0)	—	(342.3)	(22.7)	(250.0)
Proceeds from sales of shares through employee equity incentive plans	58.0	0.3	58.7	0.1	77.5	0.3	67.7	0.7
Payments for taxes related to net share settlement of equity awards	(6.5)	(6.9)	(20.0)	(8.6)	(11.2)	(10.5)	(13.9)	(1.5)
Net cash provided by (used in) financing activities	(298.5)	(335.6)	38.7	(558.5)	66.3	(353.1)	31.1	(250.8)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(228.3)	(12.2)	397.7	(350.2)	498.7	(301.5)	(52.0)	(720.7)
Cash, cash equivalents, and restricted cash - beginning of period	2,120.6	1,892.3	1,880.1	2,277.8	1,927.6	2,426.3	2,124.8	2,072.8
Cash, cash equivalents, and restricted cash - end of period	\$1,892.3	\$1,880.1	\$2,277.8	\$1,927.6	\$2,426.3	\$2,124.8	\$2,072.8	\$1,352.1
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$1,886.1	\$1,874.2	\$2,272.9	\$1,922.7	\$2,419.9	\$2,118.5	\$2,067.2	\$1,346.3
Restricted cash included in prepaid expenses and other current assets	5.2	5.4	4.4	4.9	6.4	6.3	5.6	5.8
Restricted cash included in other assets	1.0	0.5	0.5	—	—	—	—	—
Total cash, cash equivalents, and restricted cash	\$1,892.3	\$1,880.1	\$2,277.8	\$1,927.6	\$2,426.3	\$2,124.8	\$2,072.8	\$1,352.1