

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.

After the close of trading on December 12, 2024, we effected a two-for-one stock split. All share and per-share amounts presented have been retroactively adjusted to reflect the stock split.

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

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Revenue:								
Product	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5
Subscription and support	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9
Total revenue	1,720.9	1,953.3	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4
Cost of revenue:								
Product	93.4	104.3	77.4	88.2	77.9	104.7	75.0	101.3
Subscription and support	381.4	402.5	395.4	410.9	435.7	469.0	479.1	497.9
Total cost of revenue	474.8	506.8	472.8	499.1	513.6	573.7	554.1	599.2
Total gross profit	1,246.1	1,446.5	1,405.3	1,476.0	1,471.2	1,615.8	1,584.7	1,658.2
<i>Product gross margin</i>	75.9 %	79.4 %	77.3 %	77.4 %	80.1 %	78.2 %	78.8 %	76.0 %
<i>Subscription and support gross margin</i>	71.4 %	72.2 %	74.3 %	74.1 %	72.7 %	72.6 %	73.2 %	72.9 %
<i>Total gross margin</i>	72.4 %	74.1 %	74.8 %	74.7 %	74.1 %	73.8 %	74.1 %	73.5 %
Operating expenses:								
Research and development	413.7	414.4	409.5	447.9	457.2	494.8	480.4	505.7
Sales and marketing	639.5	664.0	660.5	673.0	718.7	742.3	720.1	758.3
General and administrative	114.2	114.6	120.1	301.5	118.6	140.3	97.7	153.8
Total operating expenses	1,167.4	1,193.0	1,190.1	1,422.4	1,294.5	1,377.4	1,298.2	1,417.8
Operating income	78.7	253.5	215.2	53.6	176.7	238.4	286.5	240.4
Interest expense	(7.8)	(5.7)	(2.9)	(2.8)	(2.3)	(0.3)	(1.2)	(0.9)
Other income, net	60.1	68.7	70.3	84.7	76.8	80.9	83.3	85.3
Income before income taxes	131.0	316.5	282.6	135.5	251.2	319.0	368.6	324.8
Provision for (benefit from) income taxes	23.2	88.8	88.4	(1,611.4)	(27.6)	(38.7)	17.9	57.5
Net income	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3

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

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Revenue:								
Product	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5
Subscription and support	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9
Total revenue	1,720.9	1,953.3	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4
Cost of revenue:								
Product	89.7	100.8	73.8	84.8	74.4	101.8	71.8	98.2
Subscription and support	321.0	343.2	338.5	349.8	370.0	405.2	413.3	430.5
Total cost of revenue	410.7	444.0	412.3	434.6	444.4	507.0	485.1	528.7
Total gross profit	1,310.2	1,509.3	1,465.8	1,540.5	1,540.4	1,682.5	1,653.7	1,728.7
<i>Product gross margin</i>	76.9 %	80.1 %	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %
<i>Subscription and support gross margin</i>	75.9 %	76.3 %	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %
<i>Total gross margin</i>	76.1 %	77.3 %	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %
Operating expenses:								
Research and development	281.4	294.5	285.6	302.0	319.8	350.8	338.0	356.5
Sales and marketing	547.4	574.1	571.2	586.0	631.8	660.1	626.0	648.9
General and administrative	74.7	86.7	79.7	88.3	80.9	83.3	73.5	82.9
Total operating expenses	903.5	955.3	936.5	976.3	1,032.5	1,094.2	1,037.5	1,088.3
Operating income	406.7	554.0	529.3	564.2	507.9	588.3	616.2	640.4
Interest expense	(6.0)	(4.2)	(1.9)	(1.7)	(1.5)	0.3	(0.7)	(0.6)
Other income, net	60.1	68.7	70.3	84.7	76.8	80.9	83.3	85.3
Income before income taxes	460.8	618.5	597.7	647.2	583.2	669.5	698.8	725.1
Provision for income taxes	101.4	136.0	131.4	142.5	128.3	147.3	153.9	159.4
Net income	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 294.7	\$ 403.1	\$ 263.7	\$ 302.5	\$ 313.1	\$ 375.8	\$ 278.8	\$ 320.2
Share-based compensation-related charges	1.9	1.8	1.8	1.6	1.7	1.2	1.4	1.3
Litigation-related charges ⁽¹⁾	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Non-GAAP product gross profit	\$ 298.4	\$ 406.6	\$ 267.3	\$ 305.9	\$ 316.6	\$ 378.7	\$ 282.0	\$ 323.3
Non-GAAP product gross margin	76.9 %	80.1 %	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %
GAAP subscription and support gross profit	\$ 951.4	\$ 1,043.4	\$ 1,141.6	\$ 1,173.5	\$ 1,158.1	\$ 1,240.0	\$ 1,305.9	\$ 1,338.0
Share-based compensation-related charges	40.5	40.0	37.8	38.6	38.0	36.3	36.7	38.4
Amortization expense of acquired intangible assets	19.9	19.3	19.1	22.5	27.7	27.5	29.1	29.0
Non-GAAP subscription and support gross profit	\$ 1,011.8	\$ 1,102.7	\$ 1,198.5	\$ 1,234.6	\$ 1,223.8	\$ 1,303.8	\$ 1,371.7	\$ 1,405.4
Non-GAAP subscription and support gross margin	75.9 %	76.3 %	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %
GAAP total gross profit	\$ 1,246.1	\$ 1,446.5	\$ 1,405.3	\$ 1,476.0	\$ 1,471.2	\$ 1,615.8	\$ 1,584.7	\$ 1,658.2
Share-based compensation-related charges	42.4	41.8	39.6	40.2	39.7	37.5	38.1	39.7
Amortization expense of acquired intangible assets	19.9	19.3	19.1	22.5	27.7	27.5	29.1	29.0
Litigation-related charges ⁽¹⁾	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Non-GAAP total gross profit	\$ 1,310.2	\$ 1,509.3	\$ 1,465.8	\$ 1,540.5	\$ 1,540.4	\$ 1,682.5	\$ 1,653.7	\$ 1,728.7
Non-GAAP gross margin	76.1 %	77.3 %	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %
GAAP research and development expense	\$ 413.7	\$ 414.4	\$ 409.5	\$ 447.9	\$ 457.2	\$ 494.8	\$ 480.4	\$ 505.7
Share-based compensation-related charges	132.3	119.9	123.9	145.9	137.4	144.0	142.4	149.2
Non-GAAP research and development expense	\$ 281.4	\$ 294.5	\$ 285.6	\$ 302.0	\$ 319.8	\$ 350.8	\$ 338.0	\$ 356.5
Non-GAAP research and development expense as a percentage of revenue	16.4 %	15.1 %	15.2 %	15.3 %	16.1 %	16.0 %	15.8 %	15.8 %
GAAP sales and marketing expense	\$ 639.5	\$ 664.0	\$ 660.5	\$ 673.0	\$ 718.7	\$ 742.3	\$ 720.1	\$ 758.3
Share-based compensation-related charges	86.7	84.5	83.9	81.6	81.7	76.0	82.5	94.6
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.4	5.2	6.2	11.6	14.8
Non-GAAP sales and marketing expense	\$ 547.4	\$ 574.1	\$ 571.2	\$ 586.0	\$ 631.8	\$ 660.1	\$ 626.0	\$ 648.9
Non-GAAP sales and marketing expense as a percentage of revenue	31.8 %	29.4 %	30.4 %	29.6 %	31.8 %	30.1 %	29.3 %	28.7 %
GAAP general and administrative expense	\$ 114.2	\$ 114.6	\$ 120.1	\$ 301.5	\$ 118.6	\$ 140.3	\$ 97.7	\$ 153.8
Share-based compensation-related charges	32.1	27.9	40.4	29.1	31.2	29.6	52.1	59.8
Acquisition-related costs ⁽²⁾	7.4	—	—	7.3	2.8	3.5	15.1	9.7
Litigation-related charges ⁽¹⁾	—	—	—	176.8	3.7	23.9	(43.0)	1.4
Non-GAAP general and administrative expense	\$ 74.7	\$ 86.7	\$ 79.7	\$ 88.3	\$ 80.9	\$ 83.3	\$ 73.5	\$ 82.9
Non-GAAP general and administrative expense as a percentage of revenue	4.3 %	4.4 %	4.2 %	4.5 %	4.1 %	3.8 %	3.4 %	3.7 %

(1) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q2'25, and a litigation settlement charge in Q4'24.

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

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
GAAP total operating expense	\$1,167.4	\$1,193.0	\$1,190.1	\$1,422.4	\$1,294.5	\$1,377.4	\$1,298.2	\$1,417.8
Share-based compensation-related charges	251.1	232.3	248.2	256.6	250.3	249.6	277.0	303.6
Acquisition-related costs ⁽¹⁾	7.4	—	—	7.3	2.8	3.5	15.1	9.7
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.4	5.2	6.2	11.6	14.8
Litigation-related charges ⁽²⁾	—	—	—	176.8	3.7	23.9	(43.0)	1.4
Non-GAAP total operating expense	<u>\$ 903.5</u>	<u>\$ 955.3</u>	<u>\$ 936.5</u>	<u>\$ 976.3</u>	<u>\$1,032.5</u>	<u>\$1,094.2</u>	<u>\$1,037.5</u>	<u>\$1,088.3</u>
Non-GAAP total operating expense as a percentage of revenue	<u>52.5 %</u>	<u>48.9 %</u>	<u>49.8 %</u>	<u>49.4 %</u>	<u>52.0 %</u>	<u>49.9 %</u>	<u>48.5 %</u>	<u>48.2 %</u>
GAAP operating income	\$ 78.7	\$ 253.5	\$ 215.2	\$ 53.6	\$ 176.7	\$ 238.4	\$ 286.5	\$ 240.4
Share-based compensation-related charges	293.5	274.1	287.8	296.8	290.0	287.1	315.1	343.3
Acquisition-related costs ⁽¹⁾	7.4	—	—	7.3	2.8	3.5	15.1	9.7
Amortization expense of acquired intangible assets	25.3	24.7	24.5	27.9	32.9	33.7	40.7	43.8
Litigation-related charges ⁽²⁾	1.8	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2
Non-GAAP operating income	<u>\$ 406.7</u>	<u>\$ 554.0</u>	<u>\$ 529.3</u>	<u>\$ 564.2</u>	<u>\$ 507.9</u>	<u>\$ 588.3</u>	<u>\$ 616.2</u>	<u>\$ 640.4</u>
Non-GAAP operating margin	<u>23.6 %</u>	<u>28.4 %</u>	<u>28.2 %</u>	<u>28.6 %</u>	<u>25.6 %</u>	<u>26.9 %</u>	<u>28.8 %</u>	<u>28.4 %</u>
GAAP interest expense	\$ (7.8)	\$ (5.7)	\$ (2.9)	\$ (2.8)	\$ (2.3)	\$ (0.3)	\$ (1.2)	\$ (0.9)
Non-cash charges related to convertible notes ⁽³⁾	1.8	1.5	1.0	1.1	0.8	0.6	0.5	0.3
Non-GAAP interest expense	<u>\$ (6.0)</u>	<u>\$ (4.2)</u>	<u>\$ (1.9)</u>	<u>\$ (1.7)</u>	<u>\$ (1.5)</u>	<u>\$ 0.3</u>	<u>\$ (0.7)</u>	<u>\$ (0.6)</u>
Non-GAAP interest expense as a percentage of revenue	<u>(0.3)%</u>	<u>(0.2)%</u>	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>
GAAP income before income taxes	\$ 131.0	\$ 316.5	\$ 282.6	\$ 135.5	\$ 251.2	\$ 319.0	\$ 368.6	\$ 324.8
Share-based compensation-related charges	293.5	274.1	287.8	296.8	290.0	287.1	315.1	343.3
Acquisition-related costs ⁽¹⁾	7.4	—	—	7.3	2.8	3.5	15.1	9.7
Amortization expense of acquired intangible assets	25.3	24.7	24.5	27.9	32.9	33.7	40.7	43.8
Litigation-related charges ⁽²⁾	1.8	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2
Non-cash charges related to convertible notes ⁽³⁾	1.8	1.5	1.0	1.1	0.8	0.6	0.5	0.3
Non-GAAP income before income taxes	<u>\$ 460.8</u>	<u>\$ 618.5</u>	<u>\$ 597.7</u>	<u>\$ 647.2</u>	<u>\$ 583.2</u>	<u>\$ 669.5</u>	<u>\$ 698.8</u>	<u>\$ 725.1</u>
GAAP provision for (benefit from) income taxes	\$ 23.2	\$ 88.8	\$ 88.4	\$(1,611.4)	\$ (27.6)	\$ (38.7)	\$ 17.9	\$ 57.5
Income tax and other tax adjustments ⁽⁴⁾	78.2	47.2	43.0	1,753.9	155.9	186.0	136.0	101.9
Non-GAAP provision for income taxes	<u>\$ 101.4</u>	<u>\$ 136.0</u>	<u>\$ 131.4</u>	<u>\$ 142.5</u>	<u>\$ 128.3</u>	<u>\$ 147.3</u>	<u>\$ 153.9</u>	<u>\$ 159.4</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>				

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

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q2'25, and a litigation settlement charge in Q4'24.

(3) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'24 through Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
GAAP net income	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3
Share-based compensation-related charges	293.5	274.1	287.8	296.8	290.0	287.1	315.1	343.3
Acquisition-related costs ⁽¹⁾	7.4	—	—	7.3	2.8	3.5	15.1	9.7
Amortization expense of acquired intangible assets	25.3	24.7	24.5	27.9	32.9	33.7	40.7	43.8
Litigation-related charges ⁽²⁾	1.8	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2
Non-cash charges related to convertible notes ⁽³⁾	1.8	1.5	1.0	1.1	0.8	0.6	0.5	0.3
Income tax and other tax adjustments ⁽⁴⁾	(78.2)	(47.2)	(43.0)	(1,753.9)	(155.9)	(186.0)	(136.0)	(101.9)
Non-GAAP net income	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7
GAAP net income per share, diluted	\$ 0.16	\$ 0.32	\$ 0.28	\$ 2.44	\$ 0.39	\$ 0.51	\$ 0.49	\$ 0.38
Share-based compensation-related charges	0.45	0.44	0.43	0.44	0.43	0.41	0.46	0.50
Acquisition-related costs ⁽¹⁾	0.01	0.00	0.00	0.01	0.00	0.00	0.02	0.01
Amortization expense of acquired intangible assets	0.04	0.03	0.04	0.04	0.05	0.05	0.06	0.06
Litigation-related charges ⁽²⁾	0.00	0.00	0.00	0.25	0.01	0.04	(0.06)	0.00
Non-cash charges related to convertible notes ⁽³⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax and other tax adjustments ⁽⁴⁾	(0.11)	(0.07)	(0.06)	(2.45)	(0.22)	(0.26)	(0.19)	(0.14)
Non-GAAP net income per share, diluted	\$ 0.55	\$ 0.72	\$ 0.69	\$ 0.73	\$ 0.66	\$ 0.75	\$ 0.78	\$ 0.81
GAAP weighted-average shares used to compute net income per share, diluted	689.4	709.0	699.6	715.0	709.3	707.8	709.0	709.0
Weighted-average anti-dilutive impact of note hedge agreements	(38.5)	(38.6)	(23.2)	(25.9)	(19.1)	(14.7)	(11.8)	(8.7)
Non-GAAP weighted-average shares used to compute net income per share, diluted	650.9	670.4	676.4	689.1	690.2	693.1	697.2	700.3

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

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q2'25, and a litigation settlement charge in Q4'24.

(3) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'24 through Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Net cash provided by operating activities	\$ 432.1	\$ 414.1	\$ 1,526.0	\$ 690.0	\$ 528.9	\$ 512.7	\$ 1,509.6	\$ 556.9
Less: purchases of property, equipment, and other assets	31.2	37.2	36.8	35.2	37.4	47.4	44.1	47.5
Free cash flow (non-GAAP)	\$ 400.9	\$ 376.9	\$ 1,489.2	\$ 654.8	\$ 491.5	\$ 465.3	\$ 1,465.5	\$ 509.4
Add: cash payment related to tax settlement	—	10.9	—	—	—	—	—	—
Add: litigation-related payment ⁽¹⁾	—	—	—	—	—	20.0	—	—
Adjusted free cash flow (non-GAAP)	\$ 400.9	\$ 387.8	\$ 1,489.2	\$ 654.8	\$ 491.5	\$ 485.3	\$ 1,465.5	\$ 509.4
Net cash provided by (used in) investing activities	\$ 87.9	\$ 362.6	\$ (129.0)	\$ (1,325.5)	\$ 113.1	\$ (168.5)	\$ (543.8)	\$ (380.8)
Net cash provided by (used in) financing activities	\$ 128.2	\$ (1,634.8)	\$ (41.8)	\$ (72.6)	\$ (1,049.4)	\$ (179.3)	\$ (219.7)	\$ (232.2)
Free cash flow margin (non-GAAP)	23.3 %	19.3 %	79.3 %	33.2 %	24.8 %	21.3 %	68.5 %	22.6 %
Adjusted free cash flow margin (non-GAAP)	23.3 %	19.9 %	79.3 %	33.2 %	24.8 %	22.2 %	68.5 %	22.6 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5
Subscription and support								
Subscription	838.1	917.9	988.3	1,027.1	1,045.6	1,127.5	1,191.8	1,233.2
Support	494.7	528.0	548.7	557.3	548.2	581.5	593.2	602.7
Total subscription and support	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9
Total revenue	\$1,720.9	\$1,953.3	\$1,878.1	\$1,975.1	\$1,984.8	\$2,189.5	\$2,138.8	\$2,257.4

(1) Consists of a one-time payment in Q4'24 to settle a litigation-related matter.

Palo Alto Networks, Inc.
Other Key Metrics - Fiscal Quarters
(In billions, except percentages)

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Next-Generation Security Annualized Recurring Revenue ⁽¹⁾	\$ 2.57	\$ 2.95	\$ 3.23	\$ 3.49	\$ 3.79	\$ 4.22	\$ 4.52	\$ 4.78
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	60 %	56 %	53 %	50 %	47 %	43 %	40 %	37 %
Remaining performance obligations	\$ 9.2	\$ 10.6	\$ 10.4	\$ 10.8	\$ 11.3	\$ 12.7	\$ 12.6	\$ 13.0
Remaining performance obligations year-over-year percentage increase	35 %	30 %	26 %	22 %	23 %	20 %	20 %	21 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services. Beginning Q1'25, NGS ARR includes revenue attributable to QRadar software as a service contracts.

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

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,992.9	\$ 1,135.3	\$ 2,491.4	\$ 1,782.5	\$ 1,373.7	\$ 1,535.2	\$ 2,282.8	\$ 2,226.3
Short-term investments	1,965.3	1,254.7	1,402.4	1,588.5	1,516.7	1,043.6	1,108.2	1,006.6
Accounts receivable, net	1,443.6	2,463.2	1,413.0	1,896.3	1,715.4	2,618.6	1,132.9	1,495.5
Short-term financing receivables, net	245.2	388.8	445.9	445.5	572.3	725.9	805.1	754.9
Short-term deferred contract costs	317.3	339.2	328.7	328.0	337.0	369.0	367.6	376.1
Prepaid expenses and other current assets	449.3	466.8	396.2	405.9	403.7	557.4	546.1	480.4
Total current assets	6,413.6	6,048.0	6,477.6	6,446.7	5,918.8	6,849.7	6,242.7	6,339.8
Property and equipment, net	341.7	354.5	352.6	352.3	350.3	361.1	361.0	358.2
Operating lease right-of-use assets	248.3	263.3	274.3	355.8	369.7	385.9	389.0	372.9
Long-term investments	2,709.8	3,047.9	2,988.9	3,619.6	3,504.4	4,173.2	4,119.7	4,559.8
Long-term financing receivables, net	390.4	653.3	639.8	639.9	882.5	1,182.1	1,092.2	1,163.8
Long-term deferred contract costs	503.6	547.1	515.4	504.6	511.2	562.0	531.9	523.4
Goodwill	2,926.8	2,926.8	2,926.8	3,372.7	3,372.7	3,350.1	4,050.8	4,050.8
Intangible assets, net	340.6	315.4	290.5	440.1	407.9	374.9	809.6	771.4
Deferred tax assets	19.8	23.1	25.4	2,234.3	2,291.9	2,399.0	2,397.5	2,446.9
Other assets	275.9	321.7	317.2	326.0	321.4	352.9	380.2	364.7
Total assets	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 91.6	\$ 132.3	\$ 131.8	\$ 178.8	\$ 108.9	\$ 116.3	\$ 211.6	\$ 149.3
Accrued compensation	344.7	548.3	331.4	452.6	385.9	554.7	354.5	491.6
Accrued and other liabilities	376.1	390.8	371.5	394.2	412.6	506.7	683.1	777.6
Deferred revenue	4,146.7	4,674.6	4,732.0	4,918.1	5,014.9	5,541.1	5,507.7	5,599.9
Convertible senior notes, net	3,682.1	1,991.5	1,946.7	1,821.8	1,162.5	963.9	645.8	533.8
Total current liabilities	8,641.2	7,737.5	7,513.4	7,765.5	7,084.8	7,682.7	7,402.7	7,552.2
Long-term deferred revenue	3,942.9	4,621.8	4,710.8	4,900.3	5,152.7	5,939.4	5,585.9	5,662.5
Deferred tax liabilities	17.6	28.1	30.1	588.5	503.0	387.7	250.8	116.1
Long-term operating lease liabilities	264.5	279.2	275.8	362.7	369.8	380.5	379.6	363.0
Other long-term liabilities	71.9	86.1	107.9	317.8	352.7	430.9	843.8	882.6
Total liabilities	12,938.1	12,752.7	12,638.0	13,934.8	13,463.0	14,821.2	14,462.8	14,576.4
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,708.2	3,019.0	3,296.7	3,650.0	3,530.7	3,821.1	4,214.9	4,421.0
Accumulated other comprehensive loss	(20.7)	(43.2)	(93.0)	(6.5)	(55.4)	(1.6)	(4.0)	(13.9)
Retained earnings (accumulated deficit)	(1,455.1)	(1,227.4)	(1,033.2)	713.7	992.5	1,350.2	1,700.9	1,968.2
Total stockholders' equity	1,232.4	1,748.4	2,170.5	4,357.2	4,467.8	5,169.7	5,911.8	6,375.3
Total liabilities and stockholders' equity	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7

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

	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225
Cash flows from operating activities								
Net income	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	271.0	254.2	271.0	272.0	263.5	268.9	294.3	320.5
Deferred income taxes	2.8	7.2	(0.3)	(1,691.0)	(127.0)	(215.4)	(137.4)	(179.4)
Depreciation and amortization	72.3	69.3	64.3	68.6	74.3	76.1	83.9	87.6
Amortization of deferred contract costs	101.4	116.0	105.5	108.9	110.3	121.3	110.4	114.6
Amortization of debt issuance costs	1.8	1.4	1.0	1.1	0.8	0.6	0.5	0.3
Change in fair value of contingent consideration liability	—	—	—	—	—	—	6.3	9.7
Reduction of operating lease right-of-use assets	12.1	13.2	12.4	13.7	14.6	14.6	16.0	16.0
Amortization of investment premiums, net of accretion of purchase discounts	(20.1)	(17.8)	(14.7)	(16.2)	(15.6)	(13.6)	(15.0)	(10.8)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(165.3)	(1,019.6)	1,050.2	(482.2)	180.9	(903.2)	1,485.7	(362.6)
Financing receivables, net	(245.7)	(406.5)	(43.6)	0.3	(369.4)	(453.2)	10.7	(21.4)
Deferred contract costs	(97.6)	(181.4)	(63.3)	(96.0)	(125.9)	(204.1)	(78.9)	(114.6)
Prepaid expenses and other assets	(91.0)	(101.2)	54.0	(8.1)	1.3	(181.3)	(3.6)	92.5
Accounts payable	(37.0)	37.3	(0.4)	47.7	(67.8)	5.5	96.8	(63.4)
Accrued compensation	(50.9)	203.6	(216.9)	118.6	(66.7)	168.8	(200.2)	137.1
Accrued and other liabilities	35.2	3.9	(33.8)	233.6	27.6	157.1	(94.0)	94.7
Deferred revenue	535.3	1,206.8	146.4	372.1	349.2	1,312.9	(416.6)	168.8
Net cash provided by operating activities	432.1	414.1	1,526.0	690.0	528.9	512.7	1,509.6	556.9
Cash flows from investing activities								
Purchases of investments	(742.1)	(999.0)	(854.7)	(1,156.7)	(475.1)	(1,064.8)	(660.0)	(1,072.1)
Proceeds from sales of investments	375.4	90.9	304.6	126.6	69.6	455.4	291.3	353.6
Proceeds from maturities of investments	504.7	1,307.9	457.9	350.4	556.0	488.3	369.0	384.7
Business acquisitions, net of cash and restricted cash acquired	(18.9)	—	—	(610.6)	—	—	(500.0)	0.5
Purchases of property, equipment, and other assets	(31.2)	(37.2)	(36.8)	(35.2)	(37.4)	(47.4)	(44.1)	(47.5)
Net cash provided by (used in) investing activities	87.9	362.6	(129.0)	(1,325.5)	113.1	(168.5)	(543.8)	(380.8)
Cash flows from financing activities								
Repayments of convertible senior notes	—	(1,692.0)	(46.0)	(126.3)	(661.8)	(199.6)	(319.0)	(112.4)
Repurchases of common stock	—	—	(66.7)	—	(500.0)	—	—	—
Proceeds from sales of shares through employee equity incentive plans	130.3	60.1	86.4	57.5	115.8	24.2	120.7	36.6
Payments for taxes related to net share settlement of equity awards	(2.1)	(2.9)	(15.5)	(3.8)	(3.4)	(3.9)	(21.4)	(156.4)
Net cash provided by (used in) financing activities	128.2	(1,634.8)	(41.8)	(72.6)	(1,049.4)	(179.3)	(219.7)	(232.2)
Net increase (decrease) in cash, cash equivalents, and restricted cash	648.2	(858.1)	1,355.2	(708.1)	(407.4)	164.9	746.1	(56.1)
Cash, cash equivalents, and restricted cash - beginning of period	1,352.1	2,000.3	1,142.2	2,497.4	1,789.3	1,381.9	1,546.8	2,292.9
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,000.3</u>	<u>\$1,142.2</u>	<u>\$2,497.4</u>	<u>\$1,789.3</u>	<u>\$1,381.9</u>	<u>\$1,546.8</u>	<u>\$2,292.9</u>	<u>\$2,236.8</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$1,992.9	\$1,135.3	\$2,491.4	\$1,782.5	\$1,373.7	\$1,535.2	\$2,282.8	\$2,226.3
Restricted cash included in prepaid expenses and other current assets	7.4	6.9	6.0	6.3	8.2	11.6	10.1	10.5
Restricted cash included in other assets	—	—	—	0.5	—	—	—	—
Total cash, cash equivalents, and restricted cash	<u>\$2,000.3</u>	<u>\$1,142.2</u>	<u>\$2,497.4</u>	<u>\$1,789.3</u>	<u>\$1,381.9</u>	<u>\$1,546.8</u>	<u>\$2,292.9</u>	<u>\$2,236.8</u>