

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)

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Revenue:								
Product	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0
Subscription and support	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8
Total revenue	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3	1,878.1	1,975.1	1,984.8
Cost of revenue:								
Product	142.8	120.1	100.5	93.4	104.3	77.4	88.2	77.9
Subscription and support	349.5	341.8	365.7	381.4	402.5	395.4	410.9	435.7
Total cost of revenue	492.3	461.9	466.2	474.8	506.8	472.8	499.1	513.6
Total gross profit	1,058.2	1,101.5	1,188.9	1,246.1	1,446.5	1,405.3	1,476.0	1,471.2
<i>Product gross margin</i>	65.0 %	63.6 %	71.5 %	75.9 %	79.4 %	77.3 %	77.4 %	80.1 %
<i>Subscription and support gross margin</i>	69.4 %	72.3 %	71.9 %	71.4 %	72.2 %	74.3 %	74.1 %	72.7 %
<i>Total gross margin</i>	68.2 %	70.5 %	71.8 %	72.4 %	74.1 %	74.8 %	74.7 %	74.1 %
Operating expenses:								
Research and development	363.8	371.8	404.1	413.7	414.4	409.5	447.9	457.2
Sales and marketing	570.6	615.0	625.5	639.5	664.0	660.5	673.0	718.7
General and administrative	108.4	99.5	119.4	114.2	114.6	120.1	301.5	118.6
Total operating expenses	1,042.8	1,086.3	1,149.0	1,167.4	1,193.0	1,190.1	1,422.4	1,294.5
Operating income	15.4	15.2	39.9	78.7	253.5	215.2	53.6	176.7
Interest expense	(6.9)	(6.8)	(6.9)	(7.8)	(5.7)	(2.9)	(2.8)	(2.3)
Other income, net	8.8	26.0	51.4	60.1	68.7	70.3	84.7	76.8
Income before income taxes	17.3	34.4	84.4	131.0	316.5	282.6	135.5	251.2
Provision for (benefit from) income taxes	14.0	14.4	0.2	23.2	88.8	88.4	(1,611.4)	(27.6)
Net income	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$1,746.9	\$ 278.8

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

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Revenue:								
Product	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0
Subscription and support	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8
Total revenue	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3	1,878.1	1,975.1	1,984.8
Cost of revenue:								
Product	139.3	116.5	96.9	89.7	100.8	73.8	84.8	74.4
Subscription and support	275.5	285.2	309.1	321.0	343.2	338.5	349.8	370.0
Total cost of revenue	414.8	401.7	406.0	410.7	444.0	412.3	434.6	444.4
Total gross profit	1,135.7	1,161.7	1,249.1	1,310.2	1,509.3	1,465.8	1,540.5	1,540.4
<i>Product gross margin</i>	65.9 %	64.7 %	72.5 %	76.9 %	80.1 %	78.4 %	78.3 %	81.0 %
<i>Subscription and support gross margin</i>	75.9 %	76.9 %	76.3 %	75.9 %	76.3 %	78.0 %	77.9 %	76.8 %
<i>Total gross margin</i>	73.2 %	74.3 %	75.5 %	76.1 %	77.3 %	78.0 %	78.0 %	77.6 %
Operating expenses:								
Research and development	250.0	251.4	270.1	281.4	294.5	285.6	302.0	319.8
Sales and marketing	486.4	518.8	527.7	547.4	574.1	571.2	586.0	631.8
General and administrative	76.1	69.1	74.5	74.7	86.7	79.7	88.3	80.9
Total operating expenses	812.5	839.3	872.3	903.5	955.3	936.5	976.3	1,032.5
Operating income	323.2	322.4	376.8	406.7	554.0	529.3	564.2	507.9
Interest expense	(5.1)	(5.0)	(5.2)	(6.0)	(4.2)	(1.9)	(1.7)	(1.5)
Other income, net	7.8	24.2	53.7	60.1	68.7	70.3	84.7	76.8
Income before income taxes	325.9	341.6	425.3	460.8	618.5	597.7	647.2	583.2
Provision for income taxes	71.8	75.2	93.6	101.4	136.0	131.4	142.5	128.3
Net income	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9

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)

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 265.3	\$ 209.9	\$ 252.4	\$ 294.7	\$ 403.1	\$ 263.7	\$ 302.5	\$ 313.1
Share-based compensation-related charges	1.8	1.8	1.8	1.9	1.8	1.8	1.6	1.7
Litigation-related charges ⁽¹⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Non-GAAP product gross profit	<u>\$ 268.8</u>	<u>\$ 213.5</u>	<u>\$ 256.0</u>	<u>\$ 298.4</u>	<u>\$ 406.6</u>	<u>\$ 267.3</u>	<u>\$ 305.9</u>	<u>\$ 316.6</u>
Non-GAAP product gross margin	<u>65.9 %</u>	<u>64.7 %</u>	<u>72.5 %</u>	<u>76.9 %</u>	<u>80.1 %</u>	<u>78.4 %</u>	<u>78.3 %</u>	<u>81.0 %</u>
GAAP subscription and support gross profit	\$ 792.9	\$ 891.6	\$ 936.5	\$ 951.4	\$1,043.4	\$1,141.6	\$1,173.5	\$1,158.1
Share-based compensation-related charges	34.2	35.0	37.6	40.5	40.0	37.8	38.6	38.0
Amortization expense of acquired intangible assets	25.8	23.3	19.0	19.9	19.3	19.1	22.5	27.7
Restructuring and other costs ⁽²⁾	14.0	(1.7)	—	—	—	—	—	—
Non-GAAP subscription and support gross profit	<u>\$ 866.9</u>	<u>\$ 948.2</u>	<u>\$ 993.1</u>	<u>\$1,011.8</u>	<u>\$1,102.7</u>	<u>\$1,198.5</u>	<u>\$1,234.6</u>	<u>\$1,223.8</u>
Non-GAAP subscription and support gross margin	<u>75.9 %</u>	<u>76.9 %</u>	<u>76.3 %</u>	<u>75.9 %</u>	<u>76.3 %</u>	<u>78.0 %</u>	<u>77.9 %</u>	<u>76.8 %</u>
GAAP total gross profit	\$1,058.2	\$1,101.5	\$1,188.9	\$1,246.1	\$1,446.5	\$1,405.3	\$1,476.0	\$1,471.2
Share-based compensation-related charges	36.0	36.8	39.4	42.4	41.8	39.6	40.2	39.7
Amortization expense of acquired intangible assets	25.8	23.3	19.0	19.9	19.3	19.1	22.5	27.7
Litigation-related charges ⁽¹⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Restructuring and other costs ⁽²⁾	14.0	(1.7)	—	—	—	—	—	—
Non-GAAP total gross profit	<u>\$1,135.7</u>	<u>\$1,161.7</u>	<u>\$1,249.1</u>	<u>\$1,310.2</u>	<u>\$1,509.3</u>	<u>\$1,465.8</u>	<u>\$1,540.5</u>	<u>\$1,540.4</u>
Non-GAAP gross margin	<u>73.2 %</u>	<u>74.3 %</u>	<u>75.5 %</u>	<u>76.1 %</u>	<u>77.3 %</u>	<u>78.0 %</u>	<u>78.0 %</u>	<u>77.6 %</u>
GAAP research and development expense	\$ 363.8	\$ 371.8	\$ 404.1	\$ 413.7	\$ 414.4	\$ 409.5	\$ 447.9	\$ 457.2
Share-based compensation-related charges	111.5	120.9	134.0	132.3	119.9	123.9	145.9	137.4
Restructuring and other costs ⁽²⁾	2.3	(0.5)	—	—	—	—	—	—
Non-GAAP research and development expense	<u>\$ 250.0</u>	<u>\$ 251.4</u>	<u>\$ 270.1</u>	<u>\$ 281.4</u>	<u>\$ 294.5</u>	<u>\$ 285.6</u>	<u>\$ 302.0</u>	<u>\$ 319.8</u>
Non-GAAP research and development expense as a percentage of revenue	<u>16.1 %</u>	<u>16.1 %</u>	<u>16.3 %</u>	<u>16.4 %</u>	<u>15.1 %</u>	<u>15.2 %</u>	<u>15.3 %</u>	<u>16.1 %</u>
GAAP sales and marketing expense	\$ 570.6	\$ 615.0	\$ 625.5	\$ 639.5	\$ 664.0	\$ 660.5	\$ 673.0	\$ 718.7
Share-based compensation-related charges	78.8	90.8	92.4	86.7	84.5	83.9	81.6	81.7
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.2
Non-GAAP sales and marketing expense	<u>\$ 486.4</u>	<u>\$ 518.8</u>	<u>\$ 527.7</u>	<u>\$ 547.4</u>	<u>\$ 574.1</u>	<u>\$ 571.2</u>	<u>\$ 586.0</u>	<u>\$ 631.8</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>31.4 %</u>	<u>33.2 %</u>	<u>31.9 %</u>	<u>31.8 %</u>	<u>29.4 %</u>	<u>30.4 %</u>	<u>29.6 %</u>	<u>31.8 %</u>
GAAP general and administrative expense	\$ 108.4	\$ 99.5	\$ 119.4	\$ 114.2	\$ 114.6	\$ 120.1	\$ 301.5	\$ 118.6
Share-based compensation-related charges	25.0	30.4	32.8	32.1	27.9	40.4	29.1	31.2
Acquisition-related costs ⁽³⁾	2.4	—	12.1	7.4	—	—	7.3	2.8
Litigation-related charges ⁽¹⁾	—	—	—	—	—	—	176.8	3.7
Restructuring and other costs ⁽²⁾	4.9	—	—	—	—	—	—	—
Non-GAAP general and administrative expense	<u>\$ 76.1</u>	<u>\$ 69.1</u>	<u>\$ 74.5</u>	<u>\$ 74.7</u>	<u>\$ 86.7</u>	<u>\$ 79.7</u>	<u>\$ 88.3</u>	<u>\$ 80.9</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>4.9 %</u>	<u>4.4 %</u>	<u>4.5 %</u>	<u>4.3 %</u>	<u>4.4 %</u>	<u>4.2 %</u>	<u>4.5 %</u>	<u>4.1 %</u>

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and a legal contingency charge.

(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)

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
GAAP total operating expense	\$1,042.8	\$1,086.3	\$1,149.0	\$1,167.4	\$1,193.0	\$1,190.1	\$1,422.4	\$1,294.5
Share-based compensation-related charges	215.3	242.1	259.2	251.1	232.3	248.2	256.6	250.3
Acquisition-related costs ⁽¹⁾	2.4	—	12.1	7.4	—	—	7.3	2.8
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.2
Litigation-related charges ⁽²⁾	—	—	—	—	—	—	176.8	3.7
Restructuring and other costs ⁽³⁾	7.2	(0.5)	—	—	—	—	—	—
Non-GAAP total operating expense	\$ 812.5	\$ 839.3	\$ 872.3	\$ 903.5	\$ 955.3	\$ 936.5	\$ 976.3	\$1,032.5
<i>Non-GAAP total operating expense as a percentage of revenue</i>	52.4 %	53.7 %	52.7 %	52.5 %	48.9 %	49.8 %	49.4 %	52.0 %
GAAP operating income	\$ 15.4	\$ 15.2	\$ 39.9	\$ 78.7	\$ 253.5	\$ 215.2	\$ 53.6	\$ 176.7
Share-based compensation-related charges	251.3	278.9	298.6	293.5	274.1	287.8	296.8	290.0
Acquisition-related costs ⁽¹⁾	2.4	—	12.1	7.4	—	—	7.3	2.8
Amortization expense of acquired intangible assets	31.2	28.7	24.4	25.3	24.7	24.5	27.9	32.9
Litigation-related charges ⁽²⁾	1.7	1.8	1.8	1.8	1.7	1.8	178.6	5.5
Restructuring and other costs ⁽³⁾	21.2	(2.2)	—	—	—	—	—	—
Non-GAAP operating income	\$ 323.2	\$ 322.4	\$ 376.8	\$ 406.7	\$ 554.0	\$ 529.3	\$ 564.2	\$ 507.9
<i>Non-GAAP operating margin</i>	20.8 %	20.6 %	22.8 %	23.6 %	28.4 %	28.2 %	28.6 %	25.6 %
GAAP interest expense	\$ (6.9)	\$ (6.8)	\$ (6.9)	\$ (7.8)	\$ (5.7)	\$ (2.9)	\$ (2.8)	\$ (2.3)
Non-cash charges related to convertible notes ⁽⁴⁾	1.8	1.8	1.7	1.8	1.5	1.0	1.1	0.8
Non-GAAP interest expense	\$ (5.1)	\$ (5.0)	\$ (5.2)	\$ (6.0)	\$ (4.2)	\$ (1.9)	\$ (1.7)	\$ (1.5)
<i>Non-GAAP interest expense as a percentage of revenue</i>	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.2)%	(0.1)%	(0.1)%	(0.1)%
GAAP other income, net	\$ 8.8	\$ 26.0	\$ 51.4	\$ 60.1	\$ 68.7	\$ 70.3	\$ 84.7	\$ 76.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(1.0)	(1.8)	2.3	—	—	—	—	—
Non-GAAP other income, net	\$ 7.8	\$ 24.2	\$ 53.7	\$ 60.1	\$ 68.7	\$ 70.3	\$ 84.7	\$ 76.8
<i>Non-GAAP other income, net as a percentage of revenue</i>	0.5 %	1.5 %	3.2 %	3.5 %	3.5 %	3.7 %	4.3 %	3.9 %
GAAP income before income taxes	\$ 17.3	\$ 34.4	\$ 84.4	\$ 131.0	\$ 316.5	\$ 282.6	\$ 135.5	\$ 251.2
Share-based compensation-related charges	251.3	278.9	298.6	293.5	274.1	287.8	296.8	290.0
Acquisition-related costs ⁽¹⁾	2.4	—	12.1	7.4	—	—	7.3	2.8
Amortization expense of acquired intangible assets	31.2	28.7	24.4	25.3	24.7	24.5	27.9	32.9
Litigation-related charges ⁽²⁾	1.7	1.8	1.8	1.8	1.7	1.8	178.6	5.5
Restructuring and other costs ⁽³⁾	21.2	(2.2)	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	1.8	1.8	1.7	1.8	1.5	1.0	1.1	0.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(1.0)	(1.8)	2.3	—	—	—	—	—
Non-GAAP income before income taxes	\$ 325.9	\$ 341.6	\$ 425.3	\$ 460.8	\$ 618.5	\$ 597.7	\$ 647.2	\$ 583.2

(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 the amortization of intellectual property licenses and covenant not to sue, and a legal contingency charge.

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

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

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)

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
GAAP provision for (benefit from) income taxes	\$ 14.0	\$ 14.4	\$ 0.2	\$ 23.2	\$ 88.8	\$ 88.4	\$(1,611.4)	\$ (27.6)
Income tax and other tax adjustments ⁽¹⁾	57.8	60.8	93.4	78.2	47.2	43.0	1,753.9	155.9
Non-GAAP provision for income taxes	\$ 71.8	\$ 75.2	\$ 93.6	\$ 101.4	\$ 136.0	\$ 131.4	\$ 142.5	\$ 128.3
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net income	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8
Share-based compensation-related charges	251.3	278.9	298.6	293.5	274.1	287.8	296.8	290.0
Acquisition-related costs ⁽²⁾	2.4	—	12.1	7.4	—	—	7.3	2.8
Amortization expense of acquired intangible assets	31.2	28.7	24.4	25.3	24.7	24.5	27.9	32.9
Litigation-related charges ⁽³⁾	1.7	1.8	1.8	1.8	1.7	1.8	178.6	5.5
Restructuring and other costs ⁽⁴⁾	21.2	(2.2)	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁵⁾	1.8	1.8	1.7	1.8	1.5	1.0	1.1	0.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(1.0)	(1.8)	2.3	—	—	—	—	—
Income tax and other tax adjustments ⁽¹⁾	(57.8)	(60.8)	(93.4)	(78.2)	(47.2)	(43.0)	(1,753.9)	(155.9)
Non-GAAP net income	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9
GAAP net income per share, diluted	\$ 0.01	\$ 0.06	\$ 0.25	\$ 0.31	\$ 0.64	\$ 0.56	\$ 4.89	\$ 0.79
Share-based compensation-related charges	0.78	0.87	0.94	0.91	0.86	0.86	0.88	0.85
Acquisition-related costs ⁽²⁾	0.01	0.00	0.04	0.02	0.00	0.00	0.02	0.01
Amortization expense of acquired intangible assets	0.09	0.08	0.07	0.07	0.07	0.07	0.08	0.09
Litigation-related charges ⁽³⁾	0.01	0.01	0.01	0.01	0.00	0.01	0.50	0.02
Restructuring and other costs ⁽⁴⁾	0.06	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00
Non-cash charges related to convertible notes ⁽⁵⁾	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	(0.01)	0.01	0.00	0.00	0.00	0.00	0.00
Income tax and other tax adjustments ⁽¹⁾	(0.17)	(0.18)	(0.28)	(0.23)	(0.13)	(0.12)	(4.91)	(0.44)
Non-GAAP net income per share, diluted	\$ 0.80	\$ 0.83	\$ 1.05	\$ 1.10	\$ 1.44	\$ 1.38	\$ 1.46	\$ 1.32
GAAP weighted-average shares used to compute net income per share, diluted	336.2	338.4	331.6	344.7	354.5	349.8	357.5	354.6
Weighted-average anti-dilutive impact of note hedge agreements	(17.0)	(17.8)	(15.2)	(19.3)	(19.3)	(11.6)	(13.0)	(9.5)
Non-GAAP weighted-average shares used to compute net income per share, diluted	319.2	320.6	316.4	325.4	335.2	338.2	344.5	345.1

(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. In Q2'24 and Q3'24, 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.

(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, and a legal contingency charge.

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

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

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)

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Net cash provided by operating activities	\$ 523.7	\$ 1,236.7	\$ 694.6	\$ 432.1	\$ 414.1	\$ 1,526.0	\$ 690.0	\$ 528.9
Less: purchases of property, equipment, and other assets	39.2	39.6	38.3	31.2	37.2	36.8	35.2	37.4
Free cash flow (non-GAAP)	\$ 484.5	\$ 1,197.1	\$ 656.3	\$ 400.9	\$ 376.9	\$ 1,489.2	\$ 654.8	\$ 491.5
Add: cash payment related to tax settlement	—	—	28.9	—	10.9	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 484.5	\$ 1,197.1	\$ 685.2	\$ 400.9	\$ 387.8	\$ 1,489.2	\$ 654.8	\$ 491.5
Net cash provided by (used in) investing activities	\$ (472.1)	\$ (1,319.8)	\$ (1,164.5)	\$ 87.9	\$ 362.6	\$ (129.0)	\$ (1,325.5)	\$ 113.1
Net cash provided by (used in) financing activities	\$ (353.1)	\$ 31.1	\$ (250.8)	\$ 128.2	\$ (1,634.8)	\$ (41.8)	\$ (72.6)	\$ (1,049.4)
Free cash flow margin (non-GAAP)	31.2 %	76.6 %	39.7 %	23.3 %	19.3 %	79.3 %	33.2 %	24.8 %
Adjusted free cash flow margin (non-GAAP)	31.2 %	76.6 %	41.4 %	23.3 %	19.9 %	79.3 %	33.2 %	24.8 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0
Subscription and support								
Subscription	702.4	764.0	815.4	838.1	917.9	988.3	1,027.1	1,045.6
Support	440.0	469.4	486.8	494.7	528.0	548.7	557.3	548.2
Total subscription and support	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4	1,593.8
Total revenue	\$ 1,550.5	\$ 1,563.4	\$ 1,655.1	\$ 1,720.9	\$ 1,953.3	\$ 1,878.1	\$ 1,975.1	\$ 1,984.8

Other Key Metrics - Calculation of Billings

Total revenue	\$ 1,550.5	\$ 1,563.4	\$ 1,655.1	\$ 1,720.9	\$ 1,953.3	\$ 1,878.1	\$ 1,975.1	\$ 1,984.8
Add: change in total deferred revenue, net of acquired deferred revenue	1,134.6	185.6	374.0	535.3	1,206.8	146.4	372.1	349.2
Total billings	\$ 2,685.1	\$ 1,749.0	\$ 2,029.1	\$ 2,256.2	\$ 3,160.1	\$ 2,024.5	\$ 2,347.2	\$ 2,334.0

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

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,118.5	\$ 2,067.2	\$ 1,346.3	\$ 1,992.9	\$ 1,135.3	\$ 2,491.4	\$ 1,782.5	\$ 1,373.7
Short-term investments	1,516.0	1,736.5	2,000.6	1,965.3	1,254.7	1,402.4	1,588.5	1,516.7
Accounts receivable, net	2,142.5	1,238.1	1,278.1	1,443.6	2,463.2	1,413.0	1,896.3	1,715.4
Short-term financing receivables, net	111.3	153.7	171.8	245.2	388.8	445.9	445.5	572.3
Short-term deferred contract costs	317.7	310.6	313.4	317.3	339.2	328.7	328.0	337.0
Prepaid expenses and other current assets	208.9	227.4	295.6	449.3	466.8	396.2	405.9	403.7
Total current assets	6,414.9	5,733.5	5,405.8	6,413.6	6,048.0	6,477.6	6,446.7	5,918.8
Property and equipment, net	357.8	353.7	344.7	341.7	354.5	352.6	352.3	350.3
Operating lease right-of-use assets	242.0	260.4	251.1	248.3	263.3	274.3	355.8	369.7
Long-term investments	1,051.9	2,094.7	2,820.6	2,709.8	3,047.9	2,988.9	3,619.6	3,504.4
Long-term financing receivables, net	192.1	162.1	218.1	390.4	653.3	639.8	639.9	882.5
Long-term deferred contract costs	550.1	520.3	511.3	503.6	547.1	515.4	504.6	511.2
Goodwill	2,747.7	2,747.7	2,912.3	2,926.8	2,926.8	2,926.8	3,372.7	3,372.7
Intangible assets, net	384.5	355.4	361.7	340.6	315.4	290.5	440.1	407.9
Deferred tax assets	17.0	18.0	19.5	19.8	23.1	25.4	2,234.3	2,291.9
Other assets	295.6	298.0	318.3	275.9	321.7	317.2	326.0	321.4
Total assets	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 128.0	\$ 125.9	\$ 128.3	\$ 91.6	\$ 132.3	\$ 131.8	\$ 178.8	\$ 108.9
Accrued compensation	461.1	268.9	395.1	344.7	548.3	331.4	452.6	385.9
Accrued and other liabilities	399.2	380.4	328.9	376.1	390.8	371.5	394.2	412.6
Deferred revenue	3,641.2	3,741.3	3,942.5	4,146.7	4,674.6	4,732.0	4,918.1	5,014.9
Convertible senior notes, net	3,676.8	3,678.6	3,680.3	3,682.1	1,991.5	1,946.7	1,821.8	1,162.5
Total current liabilities	8,306.3	8,195.1	8,475.1	8,641.2	7,737.5	7,513.4	7,765.5	7,084.8
Long-term deferred revenue	3,352.8	3,438.3	3,611.5	3,942.9	4,621.8	4,710.8	4,900.3	5,152.7
Deferred tax liabilities	5.8	9.4	14.5	17.6	28.1	30.1	588.5	503.0
Long-term operating lease liabilities	276.1	283.1	274.2	264.5	279.2	275.8	362.7	369.8
Other long-term liabilities	102.6	109.9	59.1	71.9	86.1	107.9	317.8	352.7
Total liabilities	12,043.6	12,035.8	12,434.4	12,938.1	12,752.7	12,638.0	13,934.8	13,463.0
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	1,932.7	2,266.2	2,303.0	2,708.2	3,019.0	3,296.7	3,650.0	3,530.7
Accumulated other comprehensive loss	(55.6)	(111.1)	(11.1)	(20.7)	(43.2)	(93.0)	(6.5)	(55.4)
Retained earnings (accumulated deficit)	(1,667.1)	(1,647.1)	(1,562.9)	(1,455.1)	(1,227.4)	(1,033.2)	713.7	992.5
Total stockholders' equity	210.0	508.0	729.0	1,232.4	1,748.4	2,170.5	4,357.2	4,467.8
Total liabilities and stockholders' equity	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8

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

	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324
Cash flows from operating activities								
Net income	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$1,746.9	\$ 278.8
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	239.6	266.0	283.3	271.0	254.2	271.0	272.0	263.5
Deferred income taxes	(2.0)	2.6	(0.1)	2.8	7.2	(0.3)	(1,691.0)	(127.0)
Depreciation and amortization	72.5	70.7	69.9	72.3	69.3	64.3	68.6	74.3
Amortization of deferred contract costs	101.0	97.0	99.0	101.4	116.0	105.5	108.9	110.3
Amortization of debt issuance costs	1.8	1.8	1.7	1.8	1.4	1.0	1.1	0.8
Reduction of operating lease right-of-use assets	16.9	12.1	12.5	12.1	13.2	12.4	13.7	14.6
Amortization of investment premiums, net of accretion of purchase discounts	3.0	1.7	(16.0)	(20.1)	(17.8)	(14.7)	(16.2)	(15.6)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(901.9)	904.4	(39.8)	(165.3)	(1,019.6)	1,050.2	(482.2)	180.9
Financing receivables, net	(9.3)	(12.4)	(74.1)	(245.7)	(406.5)	(43.6)	0.3	(369.4)
Deferred contract costs	(201.7)	(60.1)	(92.8)	(97.6)	(181.4)	(63.3)	(96.0)	(125.9)
Prepaid expenses and other assets	(31.9)	(28.7)	(49.7)	(91.0)	(101.2)	54.0	(8.1)	1.3
Accounts payable	17.7	(1.0)	1.7	(37.0)	37.3	(0.4)	47.7	(67.8)
Accrued compensation	95.8	(192.3)	124.0	(50.9)	203.6	(216.9)	118.6	(66.7)
Accrued and other liabilities	(15.7)	(30.7)	(83.2)	35.2	3.9	(33.8)	233.6	27.6
Deferred revenue	1,134.6	185.6	374.0	535.3	1,206.8	146.4	372.1	349.2
Net cash provided by operating activities	523.7	1,236.7	694.6	432.1	414.1	1,526.0	690.0	528.9
Cash flows from investing activities								
Purchases of investments	(975.3)	(2,112.8)	(1,606.5)	(742.1)	(999.0)	(854.7)	(1,156.7)	(475.1)
Proceeds from sales of investments	160.0	485.0	14.6	375.4	90.9	304.6	126.6	69.6
Proceeds from maturities of investments	402.0	347.6	651.3	504.7	1,307.9	457.9	350.4	556.0
Business acquisitions, net of cash and restricted cash acquired	(19.6)	—	(185.6)	(18.9)	—	—	(610.6)	—
Purchases of property, equipment, and other assets	(39.2)	(39.6)	(38.3)	(31.2)	(37.2)	(36.8)	(35.2)	(37.4)
Net cash provided by (used in) investing activities	(472.1)	(1,319.8)	(1,164.5)	87.9	362.6	(129.0)	(1,325.5)	113.1
Cash flows from financing activities								
Repayments of convertible senior notes	(0.6)	—	—	—	(1,692.0)	(46.0)	(126.3)	(661.8)
Repurchases of common stock	(342.3)	(22.7)	(250.0)	—	—	(66.7)	—	(500.0)
Proceeds from sales of shares through employee equity incentive plans	0.3	67.7	0.7	130.3	60.1	86.4	57.5	115.8
Payments for taxes related to net share settlement of equity awards	(10.5)	(13.9)	(1.5)	(2.1)	(2.9)	(15.5)	(3.8)	(3.4)
Net cash provided by (used in) financing activities	(353.1)	31.1	(250.8)	128.2	(1,634.8)	(41.8)	(72.6)	(1,049.4)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(301.5)	(52.0)	(720.7)	648.2	(858.1)	1,355.2	(708.1)	(407.4)
Cash, cash equivalents, and restricted cash - beginning of period	2,426.3	2,124.8	2,072.8	1,352.1	2,000.3	1,142.2	2,497.4	1,789.3
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<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>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$2,118.5	\$2,067.2	\$1,346.3	\$1,992.9	\$1,135.3	\$2,491.4	\$1,782.5	\$1,373.7
Restricted cash included in prepaid expenses and other current assets	6.3	5.6	5.8	7.4	6.9	6.0	6.3	8.2
Restricted cash included in other assets	—	—	—	—	—	—	0.5	—
Total cash, cash equivalents, and restricted cash	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<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>