Q2 FY'18
Investor Presentation

February 26, 2018

paloalto NETWORKS

Safe harbor

This presentation contains "forward-looking" statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on our management's beliefs and assumptions and on information currently available to management, including statements regarding Palo Alto Networks' expectations regarding its expected effective tax rate, its expected weighted average non-GAAP effective tax rate, and the effects of such rates, as well as expectations regarding its revenue and non-GAAP earnings per share, the related components of non-GAAP earnings per share, weighted average basic and diluted outstanding share count expectations for its fiscal third quarter and full fiscal year 2018, our competitive position and the demand and market opportunity for our products, subscription and support offerings, the expected efficacy of our products and subscription and support offerings and timing of new subscription offerings, the expansion of our total addressable market, our ability to drive outsized growth rates; trends in certain financial results, operating metrics, mix shift and seasonality; and continued momentum in our business.

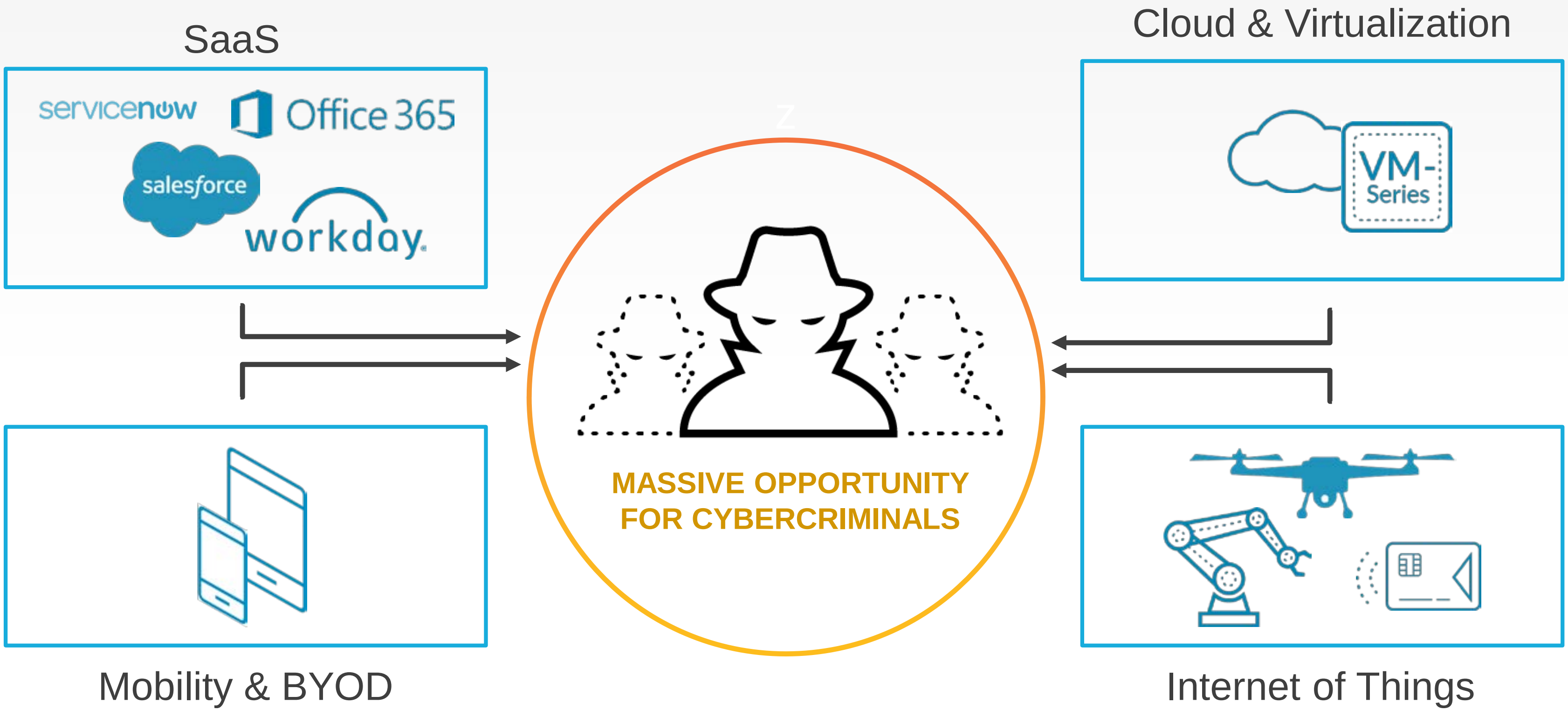
There are a significant number of factors that could cause actual results to differ materially from statements made in this presentation, including: our limited operating history; risks associated with managing our rapid growth; the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; delays in the development or release of new subscription offerings, or the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products and subscription and support offerings; rapidly evolving technological developments in the market for network security products and subscription and support offerings; length of sales cycles; and general market, political, economic and business conditions. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks' most recent Quarterly Report on Form 10-Q filed for the fiscal quarter ended January 31, 2018, which is available on our website at investors.paloaltonetworks.com and on the SEC's website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based our current beliefs and on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made or to update the reasons why actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

All information in this presentation is as of February 26, 2018. This presentation contains non-GAAP financial measures and key metrics relating to the company's past and expected future performance. We have not reconciled diluted non-GAAP net income per share guidance to GAAP net income (loss) per diluted share because we do not provide guidance on GAAP net income (loss) and would not be able to present the various reconciling cash and non-cash items between GAAP net income (loss) and non-GAAP net income, including share-based compensation expense, without unreasonable effort. You can also find information regarding our use of non-GAAP financial measures in our earnings release dated February 26, 2018.

OUR MISSION:

TO PROTECT OUR WAY OF LIFE IN THE DIGITAL AGE BY PREVENTING SUCCESSFUL CYBERATTACKS

Continuous evolution



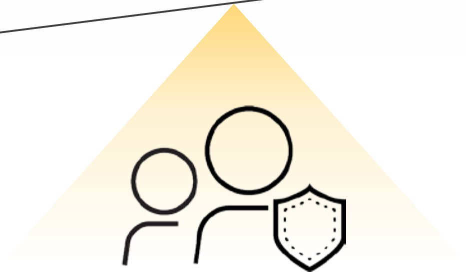
The challenge

SPEED

Keep pace with business needs

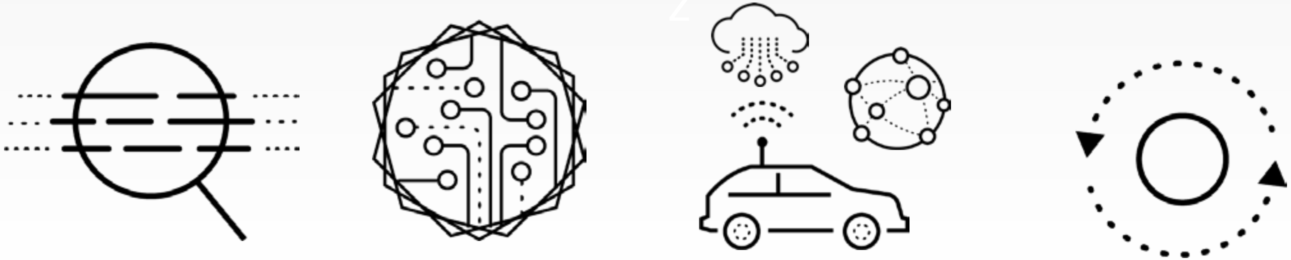
RISK

Disjointed tools limit insights.



BALANCING DISJOINTED TOOLS AND MANUAL EFFORTS

Security in the digital age



ANALYTICS | AI | IoT | AUTOMATION

DATA DRIVEN | **AUTOMATED** | **CLOUD DELIVERED**

Palo Alto Networks Next-Generation Security Platform

PREVENT SUCCESSFUL CYBERATTACKS

Operate with ease using best practices.

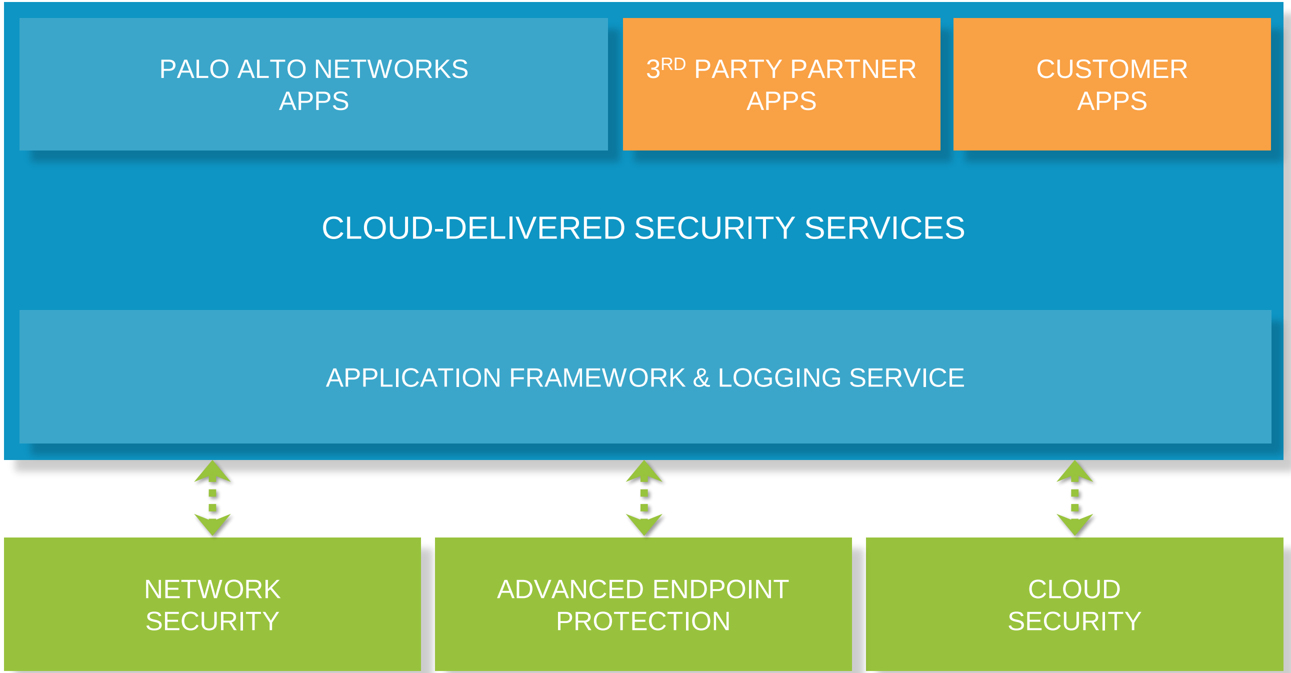
FOCUS ON WHAT MATTERS

Automate tasks using analytics - focus on hunting threats.

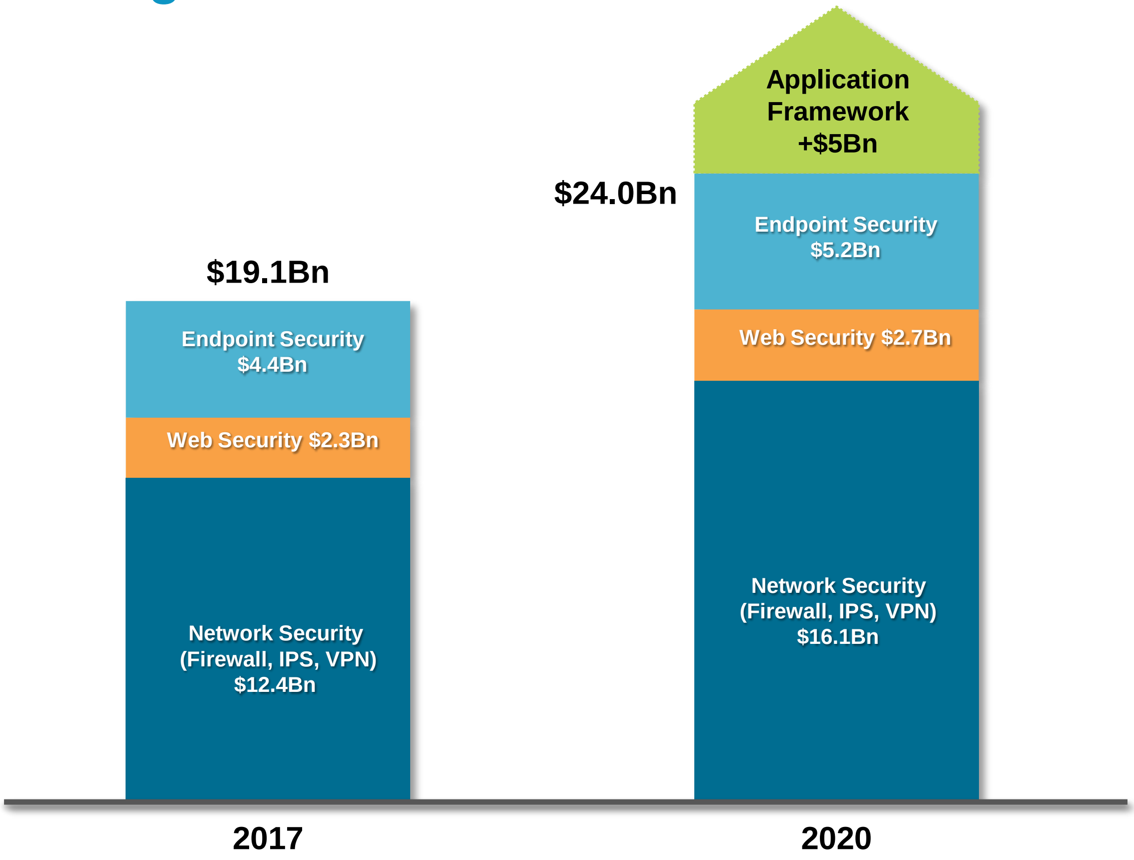
CONSUME INNOVATIONS QUICKLY

From our technologies and 3rd parties.

Palo Alto Networks Next-Generation Security Platform



Large and expanding addressable market



Sources: IDC, Worldwide Network Security 2016–2020 Forecast, September 2016.
IDC, Worldwide Web Security 2016–2020 Forecast, December 2016.
IDC, Worldwide Enterprise Endpoint Security 2016–2020 Forecast, October 2016.

The power of the hybrid-SaaS model

Product		Recurring subscription and support revenue		
Hardware	**Perpetual**	**Attached subscriptions**	**Non-attached subscriptions**	**Support**
Appliances *Accessories*	*Panorama* *VM-Series*	*Threat Prevention* *URL Filtering* *GlobalProtect* *WildFire*	*Traps* *VM-Series* *AutoFocus* *Aperture* *Logging Service* *GlobalProtect cloud service* *Magnifier*	*Support* *Professional services*

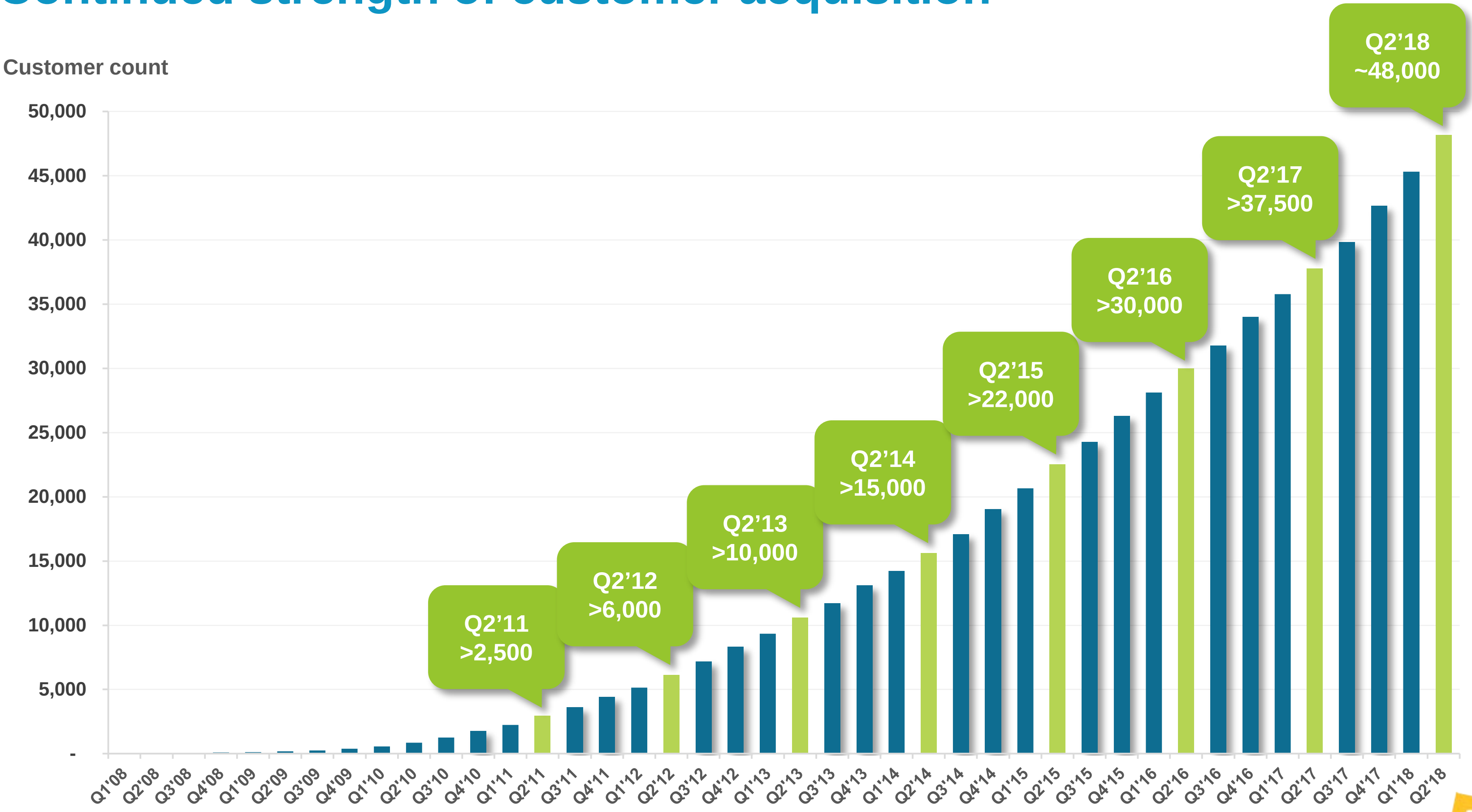
Renewals

Subscriptions: >90%   Support: ~100%

Renewal rates as of Q2 FY'18

Renewals = actual contract value / available to renew contract value, average from Q1 FY'17 to Q2 FY'18.

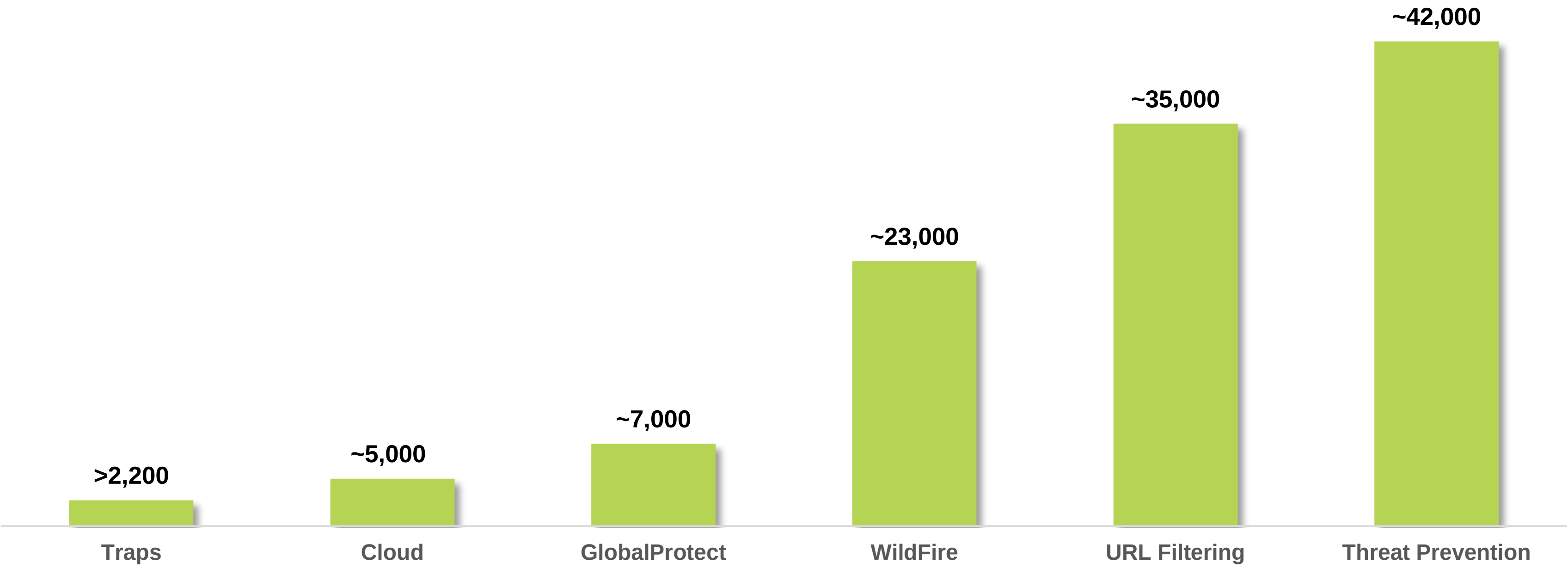
Continued strength of customer acquisition



Note: Fiscal year ends July 31.

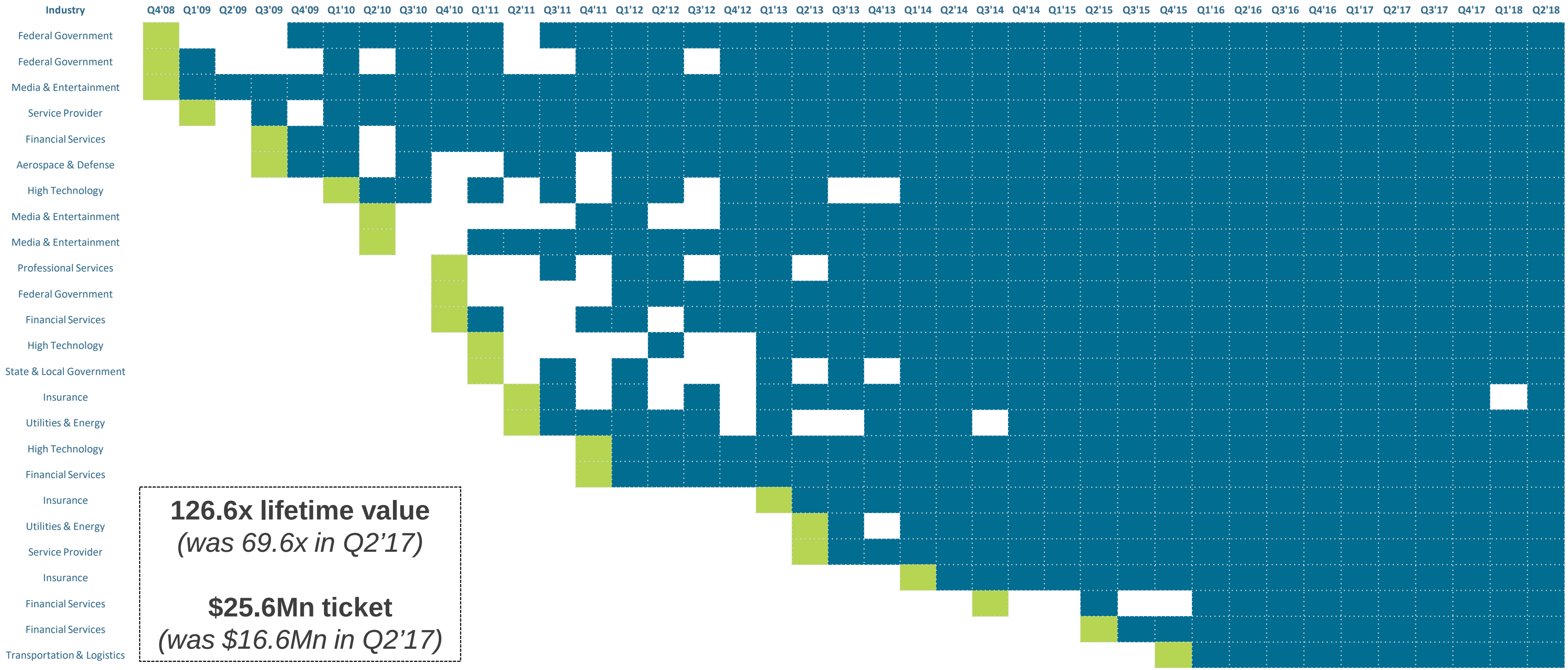
Customer adoption of the Next-Generation Security Platform

Q2 FY'18 total customers: ~48,000



Adoption = # of customers who have purchased the subscription since inception. Customer count is as of end of Q2 FY'18.
Traps and Cloud are non-attached subscriptions. Cloud customer count in Q2 FY'18 includes VM-Series, Aperture and GlobalProtect Cloud Service.
GlobalProtect, Wildfire, URL Filtering and Threat Prevention are attached subscriptions.

Q2’18 top-25 customer buying behavior



126.6x lifetime value
(was 69.6x in Q2’17)

$25.6Mn ticket
(was $16.6Mn in Q2’17)

The green cell indicates the quarter of initial purchase.

The blue cell indicates each quarter a customer transacted with Palo Alto Networks.

Financial highlights

	Q2 FY'18	Y/Y Change	1H FY'18	Y/Y Change
Billings(1)	$674.6Mn	20.1%	$1.3Bn	17.9%
Revenue	$542.4Mn	28.3%	$1.0Bn	27.7%
Gross margin %(2)	75.9%	(270) bps	76.3%	(270) bps
Operating margin %(2)	20.5%	80 bps	19.8%	90 bps
EPS(2)	$0.97	$0.34	$1.72	$0.54
Deferred revenue	$2.0Bn	33.2%	$2.0Bn	33.2%
Free cash flow margin %(2)	40.2%	10 bps	43.9%	100 bps

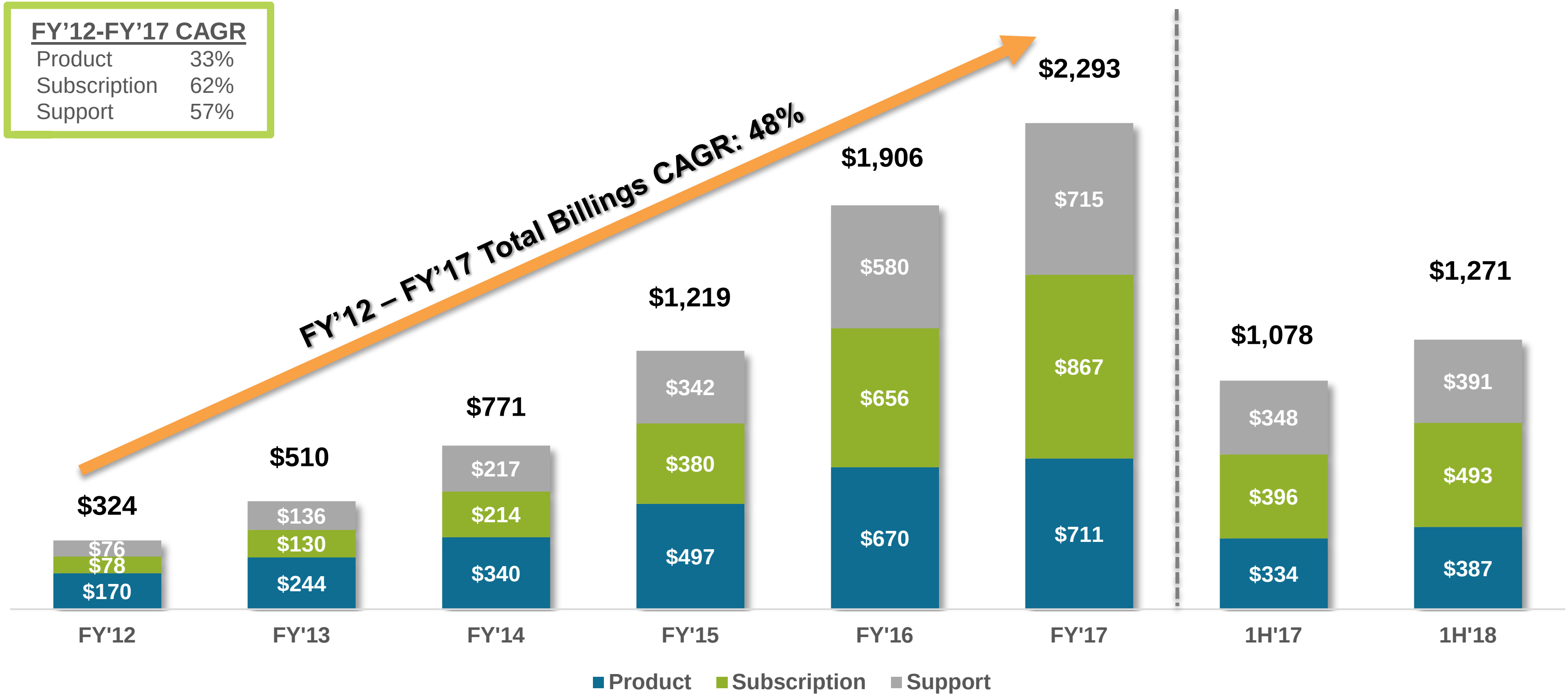
(1) Billings is a key financial metric defined as total revenue plus the change in total deferred revenue, net of acquired deferred revenue, during the period. See appendix for calculation.
(2) Non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP financial measure.
Note: Fiscal year ends July 31.

Billings by type

$Millions

FY’12-FY’17 CAGR

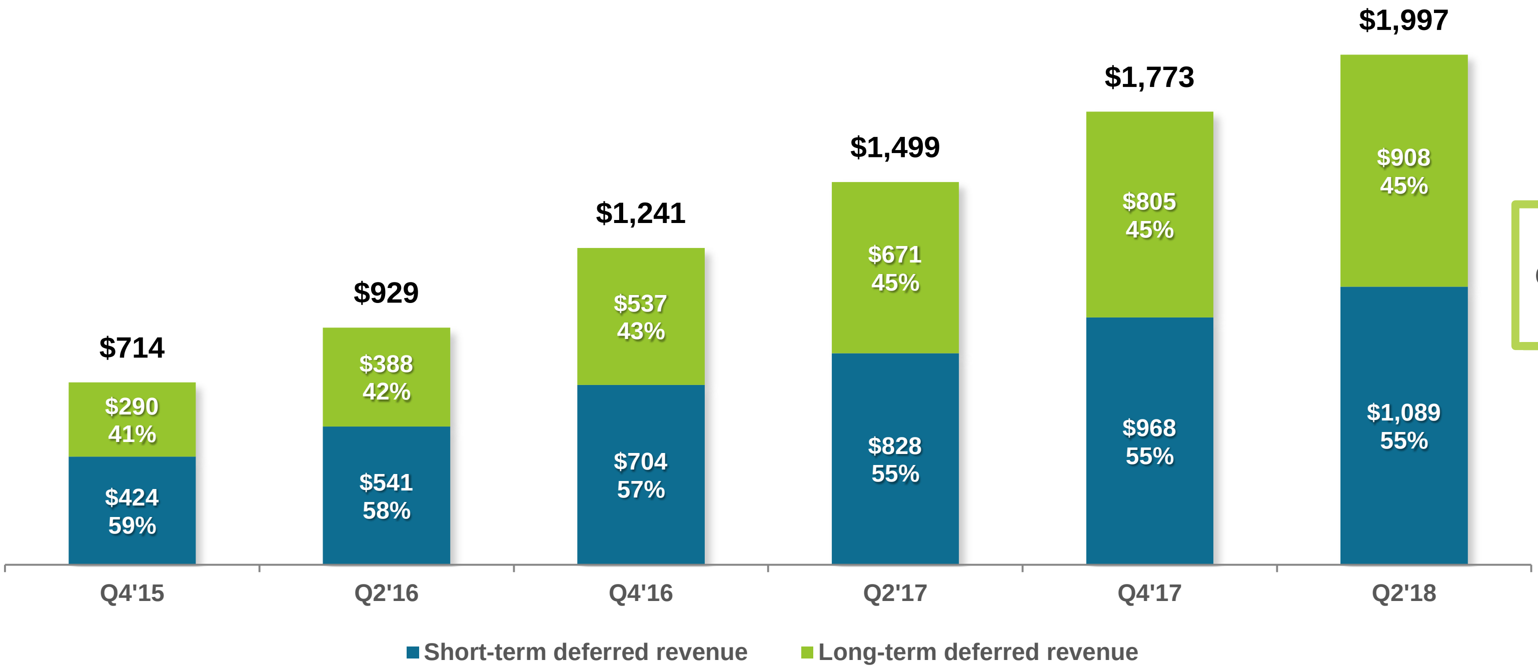
Product	33%
Subscription	62%
Support	57%



Billings is a key financial metric defined as total revenue plus the change in total deferred revenue, net of acquired deferred revenue, during the period. See appendix for calculation.
Note: Fiscal year ends July 31.

Deferred revenue & contract duration

$Millions
% of total



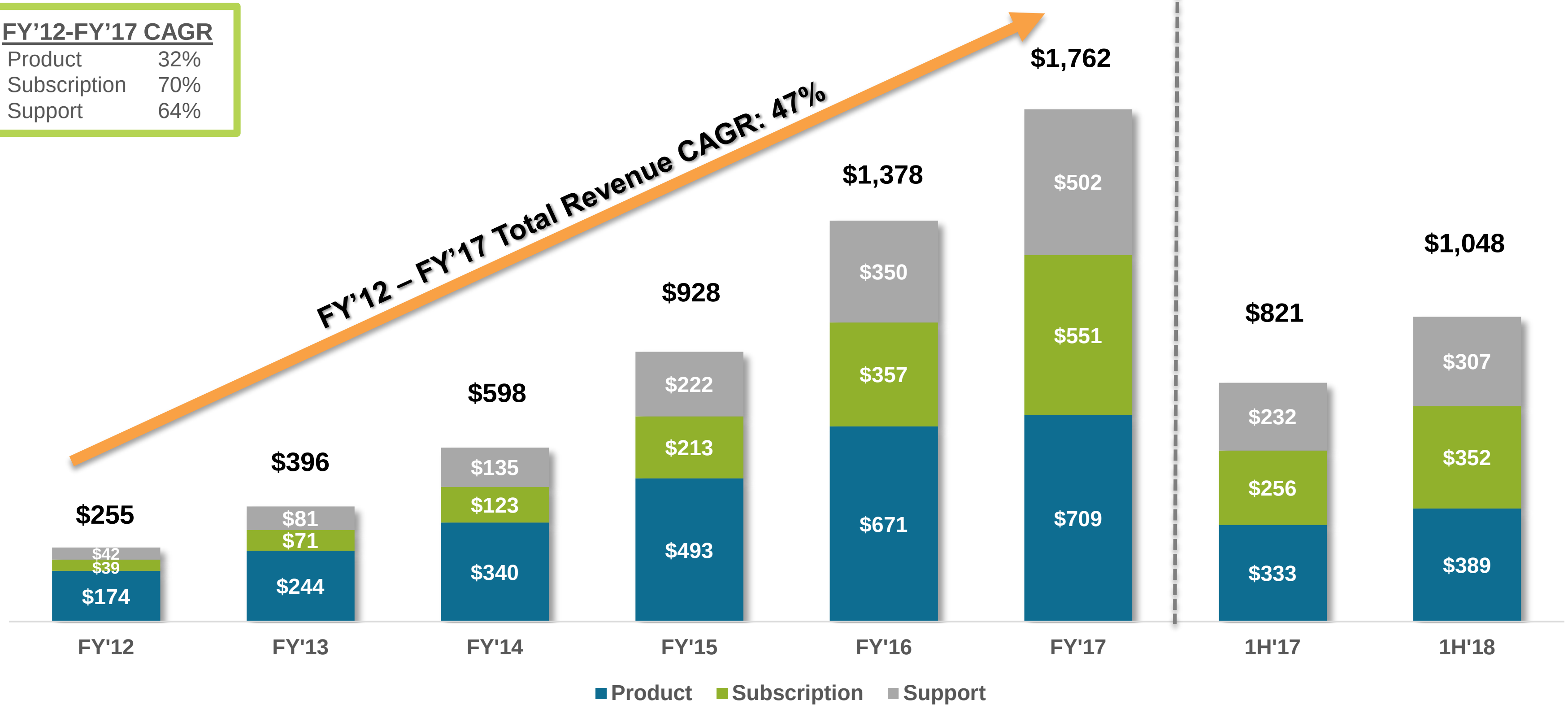
Q2 FY'18
Contract length:
~3.0 years

Contract length = Measure of average billings-weighted term of all new subscription and support contracts. Contract duration metric is reported on a semi-annual basis.
Note: Fiscal year ends July 31.

Revenue by type

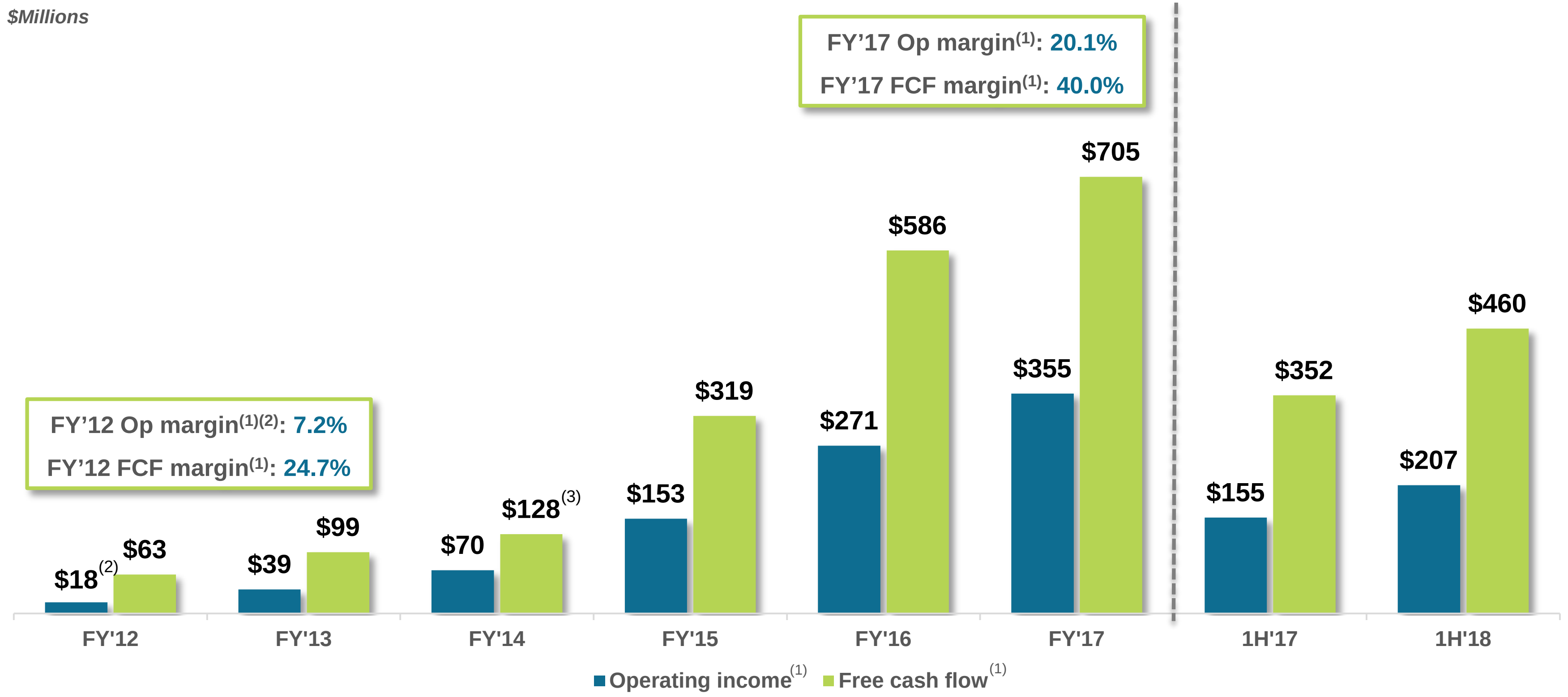
$Millions

FY’12-FY’17 CAGR	
Product	32%
Subscription	70%
Support	64%



Note: Fiscal year ends July 31.

Leverage at scale



(1) Non-GAAP financial measure. See appendix for reconciliation to most comparable GAAP financial measure.
(2) FY'12 operating income and margin are not adjusted for deferred commissions impact. All other periods reflect change in accounting policy.
(3) FY'14 free cash flow is adjusted to exclude the $75.0 million cash payment related to the Juniper settlement in Q4 FY'14. See appendix for reconciliation to most comparable GAAP financial measure.
Note: Fiscal year ends July 31.

U.S. Tax Cuts and Jobs Act (TCJA) impact on EPS

	Reported Non-GAAP EPS	TCJA benefit	Non-GAAP ETR per TCJA	Non-GAAP EPS excl. TCJA
Q2 FY'18	$0.97	$0.11	22%	$0.86

Note: Q2 FY'18 non-GAAP EPS excluding the impact of the TCJA was $0.86. The lower effective tax rate (ETR) from 31% to 22% contributed an $0.11 benefit to the reported non-GAAP EPS of $0.97. GAAP net loss was $0.38 per diluted share, which included a $0.07 benefit from the TCJA.

	Non-GAAP EPS guidance range	TCJA benefit	New non-GAAP ETR per TCJA	Non-GAAP EPS guide excl. TCJA
Q3 FY'18	$0.94 to $0.96	~$0.11	22%	$0.83 to $0.85
FY'18	$3.84 to $3.91	~$0.36	~24%	$3.48 to $3.55

Note: As of February 26, 2018, we expect the TCJA to lower our non-GAAP ETR from 31% to 22% for both Q3 and Q4 of FY'18. For the full year fiscal 2018, we expect a weighted average non-GAAP ETR of approximately 24%, which includes the prior tax rate of 31% for Q1 FY'18 and the remainder of the year at the revised lower tax rate of 22%.

Appendix

Calculation of billings

$Millions

Billings:	**FY'12**	**FY'13**	**FY'14**	**FY'15**	**FY'16**	**FY'17**	**1H'17**	**1H'18**	**Q2'17**	**Q2'18**
Total revenue	$ 255.1	$ 396.1	$ 598.2	$ 928.1	$ 1,378.5	$ 1,761.6	$ 820.7	$ 1,047.9	$ 422.6	$ 542.4
Add: change in total deferred revenue, net of acquired deferred revenue	68.6	113.4	173.2	291.0	527.1	531.8	257.8	223.2	139.0	132.2
Billings	$ 323.7	$ 509.5	$ 771.4	$ 1,219.1	$ 1,905.6	$ 2,293.4	$ 1,078.5	$ 1,271.1	$ 561.6	$ 674.6

Product billings:	**FY'12**	**FY'13**	**FY'14**	**FY'15**	**FY'16**	**FY'17**	**1H'17**	**1H'18**
Product revenue	$ 174.5	$ 243.7	$ 340.1	$ 492.7	$ 670.8	$ 709.1	$ 332.6	$ 388.7
Add: change in product deferred revenue	(4.3)	0.1	0.1	4.0	(0.7)	2.0	1.7	(1.5)
Product billings	$ 170.2	$ 243.8	$ 340.2	$ 496.7	$ 670.1	$ 711.1	$ 334.3	$ 387.2

Support billings:	**FY'12**	**FY'13**	**FY'14**	**FY'15**	**FY'16**	**FY'17**	**1H'17**	**1H'18**
Support revenue	$ 41.9	$ 81.2	$ 134.9	$ 222.7	$ 350.7	$ 501.7	$ 232.6	$ 306.6
Add: change in support deferred revenue	34.0	54.9	81.8	119.3	228.9	213.6	115.7	84.7
Support billings	$ 75.9	$ 136.1	$ 216.7	$ 342.0	$ 579.6	$ 715.3	$ 348.3	$ 391.3

Subscription billings:	**FY'12**	**FY'13**	**FY'14**	**FY'15**	**FY'16**	**FY'17**	**1H'17**	**1H'18**
Subscription revenue	$ 38.7	$ 71.2	$ 123.2	$ 212.7	$ 357.0	$ 550.8	$ 255.5	$ 352.6
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	38.9	58.4	91.3	167.7	298.9	316.2	140.4	140.0
Subscription billings	$ 77.6	$ 129.6	$ 214.5	$ 380.4	$ 655.9	$ 867.0	$ 395.9	$ 492.6

Note: Fiscal year ends July 31.

GAAP to non-GAAP reconciliations

$Millions

Non-GAAP gross profit and gross margin:	**1H'17**			**1H'18**			**Q2'17**			**Q2'18**		
		$	**%**		**$**	**%**		**$**	**%**		**$**	**%**
GAAP gross profit and gross margin	$	606.3	73.9%	$	747.2	71.3%	$	309.4	73.2%	$	383.1	70.6%
Share-based compensation related charges		32.1	3.9%		41.6	3.9%		17.8	4.3%		23.0	4.3%
Amortization expense of acquired intangible assets		3.8	0.5%		4.8	0.5%		1.9	0.4%		2.4	0.4%
Litigation related charges (1)		6.1	0.7%		6.1	0.6%		3.0	0.7%		3.0	0.6%
Non-GAAP gross profit and gross margin	$	648.3	79.0%	$	799.7	76.3%	$	332.1	78.6%	$	411.5	75.9%

(1) Consists of the amortization of intellectual property licenses.
Note: Fiscal year ends July 31.

GAAP to non-GAAP reconciliations (cont'd)

$Millions

Non-GAAP operating income and operating margin:	FY'12		FY'13		FY'14		FY'15		FY'16		FY'17	
	$	%	$	%	$	%	$	%	$	%	$	%
GAAP operating loss and operating margin[1]	$ 3.9	1.5%	$ (9.9)	(2.5%)	$ (196.2)	(32.8%)	$ (99.8)	(10.8%)	$ (157.3)	(11.4%)	$ (179.8)	(10.2%)
Share-based compensation related charges	13.9	5.4%	45.1	11.4%	101.3	16.9%	233.2	25.1%	407.5	29.6%	488.9	27.7%
Acquisition related costs	-	-	-	-	7.8	1.3%	0.7	0.1%	-	-	3.1	0.2%
Amortization expense of acquired intangible assets	-	-	-	-	2.1	0.4%	7.0	0.8%	8.3	0.6%	8.9	0.5%
Litigation related charges[2]	0.7	0.3%	3.6	0.9%	154.5	25.8%	12.3	1.3%	12.3	0.9%	12.3	0.7%
Facility exit costs[3]	-	-	0.3	0.1%	-	-	-	-	-	-	21.3	1.2%
Non-GAAP operating income and operating margin	$ 18.5	7.2%	$ 39.1	9.9%	$ 69.5	11.6%	$ 153.4	16.5%	$ 270.8	19.7%	$ 354.7	20.1%

Non-GAAP operating income and operating margin:	1H'17		1H'18	
	$	%	$	%
GAAP operating loss and operating margin	$ (103.4)	(12.6%)	$ (86.1)	(8.2%)
Share-based compensation related charges	247.4	30.2%	265.2	25.3%
Acquisition related costs	0.7	0.1%	-	-
Amortization expense of acquired intangible assets	4.1	0.5%	5.0	0.5%
Litigation related charges[2]	6.1	0.7%	6.1	0.6%
Facility exit costs[3]	-	-	17.0	1.6%
Non-GAAP operating income and operating margin	$ 154.9	18.9%	$ 207.2	19.8%

	Q2'17		Q2'18	
	$	%	$	%
GAAP operating loss and operating margin	$ (54.4)	(12.9%)	$ (31.8)	(5.9%)
Share-based compensation related charges	131.8	31.3%	136.3	25.0%
Acquisition related costs	0.7	0.1%	-	-
Amortization expense of acquired intangible assets	2.0	0.5%	2.5	0.5%
Litigation related charges[2]	3.0	0.7%	3.0	0.6%
Facility exit costs[3]	-	-	1.4	0.3%
Non-GAAP operating income and operating margin	$ 83.1	19.7%	$ 111.4	20.5%

(1) FY'12 GAAP operating loss and operating margin are not adjusted for deferred commissions impact. All other periods reflect change in policy.

(2) Includes expenses for legal services and settlements, including the legal settlement with Fortinet, Inc. of $20.0M in Q2'14, the legal settlement with Juniper Networks, Inc. ("Juniper") of $121.2M in Q3'14, the mark-to-market for the warrants issued as part of the settlement with Juniper of $5.9M in Q4'14, and the amortization of intellectual property licenses entered into as part of the settlement with Juniper of $2.0M in Q4'14 and approximately $3.1M each quarter thereafter.

(3) For FY'13, consists of loss on facility sublease. For FY'17, consists of charges related to the relocation of our corporate headquarters (impairment loss of $20.9 million and accelerated depreciation). For 1H'18, consists of charges related to the relocation of our corporate headquarters (cease-use loss of $15.4 million and accelerated depreciation in Q1'18) and charges related to the relocation of our research and development center in Israel (cease-use loss of $1.3 million and accelerated depreciation in Q2'18).

Note: Fiscal year ends July 31.

GAAP to non-GAAP reconciliations (cont'd)

Non-GAAP net income per share, diluted:	1H'17	1H'18	Q2'17	Q2'18
GAAP net loss per share, diluted	$ (1.30)	$ (1.09)	$ (0.67)	$ (0.38)
Share-based compensation related charges	2.69	2.86	1.42	1.46
Acquisition related costs	0.01	-	0.01	-
Amortization expense of acquired intangible assets	0.05	0.05	0.02	0.03
Litigation related charges(1)	0.07	0.07	0.03	0.03
Facility exit costs(2)	-	0.19	-	0.02
Non-cash interest expense related to convertible notes	0.13	0.14	0.07	0.07
Foreign currency loss associated with non-GAAP adjustments	-	0.02	0.01	0.01
Income tax and other tax adjustments related to the above(3)	(0.47)	(0.52)	(0.26)	(0.27)
Non-GAAP net income per share, diluted	$ 1.18	$ 1.72	$ 0.63	$ 0.97
Income tax benefit from Tax Cuts and Jobs Act(3)				(0.11)
Non-GAAP net income per share, diluted, excluding impact of Tax Cuts and Jobs Act(3)				$ 0.86

(1) Consists of the amortization of intellectual property licenses.
(2) Consists of charges related to the relocation of our corporate headquarters (cease-use loss of $15.4 million and accelerated depreciation in Q1'18) and charges related to the relocation of our research and development center in Israel (cease-use loss of $1.3 million and accelerated depreciation in Q2'18).
(3) Effective Q2'18, our non-GAAP effective tax rate changed from 31% to 22% due to the reduction of the U.S. federal corporate income tax rate under the U.S. Tax Cuts and Jobs Act, which was enacted into law on December 22, 2017.
Note: Fiscal year ends July 31.

GAAP to non-GAAP reconciliations (cont'd)

$Millions

Free cash flow (non-GAAP):	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	1H'17	1H'18(1)	Q2'17	Q2'18
Net cash provided by operating activities	$ 77.6	$ 121.3	$ 89.4	$ 352.8	$ 658.6	$ 868.5	$ 417.8	$ 517.8	$ 214.3	$ 243.7
Less: purchases of property, equipment, and other assets	14.6	22.4	36.1	33.8	72.5	163.4	65.6	57.8	44.7	25.6
Free cash flow (non-GAAP)	$ 63.0	$ 98.9	$ 53.3	$ 319.0	$ 586.1	$ 705.1	$ 352.2	$ 460.0	$ 169.6	$ 218.1
Free cash flow margin (non-GAAP)	*24.7%*	*25.0%*	*8.9%*	*34.4%*	*42.5%*	*40.0%*	*42.9%*	*43.9%*	*40.1%*	*40.2%*
Net cash used in investing activities	$ (14.6)	$ (151.5)	$ (320.3)	$ (679.0)	$ (338.9)	$ (472.6)	$ (244.3)	$ (88.5)	$ (173.1)	$ (36.1)
Net cash provided by (used in) financing activities	$ 219.1	$ 18.2	$ 574.1	$ 48.2	$ 38.9	$ (386.0)	$ (146.5)	$ (258.6)	$ (119.2)	$ (135.2)

Adjusted free cash flow (non-GAAP):	FY'14
Net cash provided by operating activities	$ 89.4
Less: purchases of property, equipment, and other assets	36.1
Free cash flow (non-GAAP)	53.3
Add: cash paid for legal settlement	75.0
Adjusted free cash flow (non-GAAP)	$ 128.3
Adjusted free cash flow margin (non-GAAP)	*21.4%*

(1) Cash provided by operating activities during 1H'18 includes the receipt of an upfront cash reimbursement of $38.2 million from our landlords in Q1'18 in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement will be applied against rental payments due in fiscal years 2018 through 2020 under the amended lease agreements.

Note: Fiscal year ends July 31.

