



Q3 Fiscal Year 2021 Earnings Call



May 20, 2021

Safe Harbor

This presentation may contain “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 growth drivers, introduction of new offerings, our intention to continue investing in Cloud & AI and to transition customers to software models, the impact of Bridgecrew on our offerings, our financial guidance for the fourth quarter of fiscal 2021 and our expectations for fiscal year 2021 regarding total billings, Next-Gen Security ARR, total revenue, product revenue, non-GAAP operating margin, non-GAAP EPS and adjusted free cash flow margin, expectations for fiscal 2021 Network Security billings, revenue, non-GAAP gross margin, non-GAAP operating margin, and adjusted free cash flow margin and lifetime customers, and our expectations for fiscal 2021 Cloud & AI ARR, revenue, non-GAAP gross margin, non-GAAP operating margin, and adjusted free cash flow margin and lifetime customers, and our expectations regarding improvement in gross margins and operating margins. Many of these assumptions relate to matters that are beyond our control and changing rapidly, including, but not limited to, the timeframes for and severity of social distancing and other mitigation requirements, the impact of COVID-19 on our customers’ purchasing decisions and the length of our sales cycles, particularly for customers in certain industries highly affected by COVID-19.

There are a significant number of factors that could cause actual results to differ materially from forward-looking statements made in this presentation, including: developments and changes in general market, political, economic, and business conditions; the duration and global impact of COVID-19; risks associated with managing our 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; our competition; rapidly evolving technological developments in the market for network security products and subscription and support offerings; our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner; length of sales cycles; our share repurchase program, which may not be fully consummated or enhance shareholder value, and any share repurchases which could affect the price of our common stock. 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 quarter ended January 31, 2021, 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 on 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 May 20, 2021. 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. Reconciliations of historical non-GAAP measures can be found in the Appendix. You can also find information regarding our use of non-GAAP financial measures in our earnings release dated May 20, 2021.

Nikesh Arora | Chairman and CEO

Number and sophistication of attacks continues to increase rapidly

The Microsoft Exchange Server hack: A timeline

SolarWinds Says Russian Group Likely Took Data During Cyber-Attack

PRO CYBER NEWS

Ransomware Poses a Threat to National Security, Report Warns

Tech companies urge U.S. to make sweeping policy and legal changes to combat cybercriminals



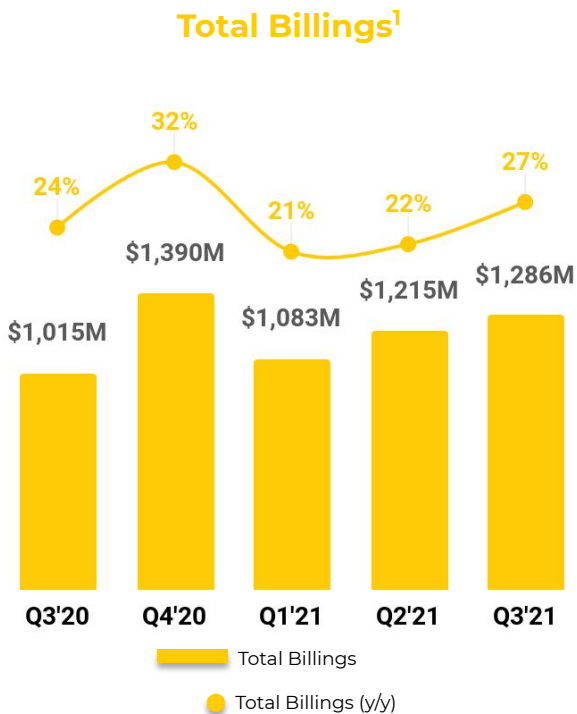
NIST
National Institute of
Standards and Technology
U.S. Department of Commerce



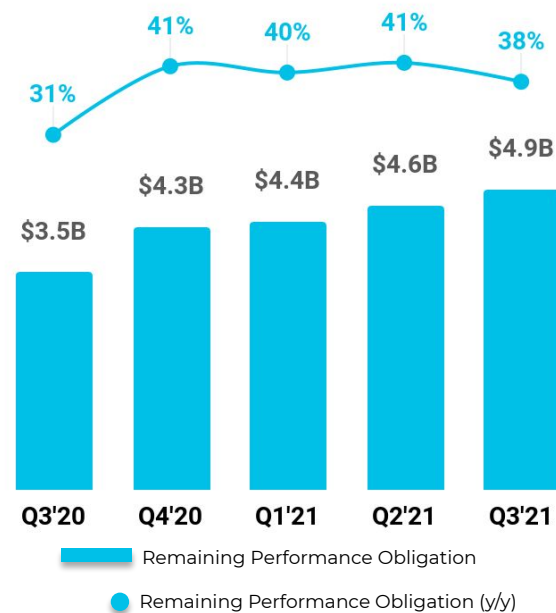
Defending Against Software Supply Chain Attacks

Publication: April 2021
Cybersecurity and Infrastructure Security Agency

Q3 Billings acceleration, strong remaining performance obligation



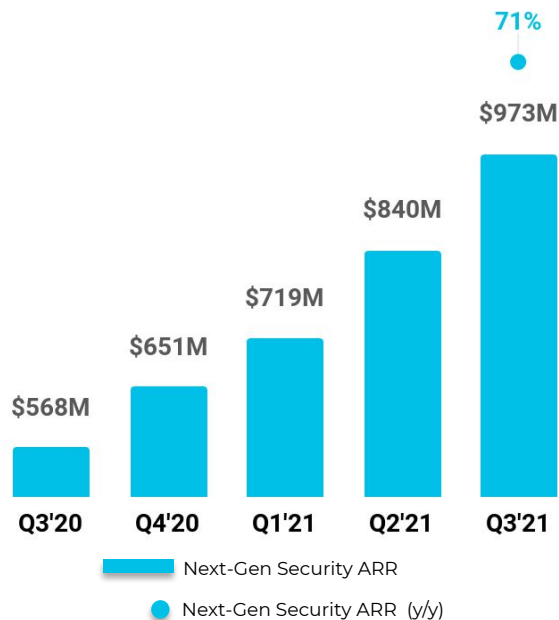
Remaining Performance Obligation



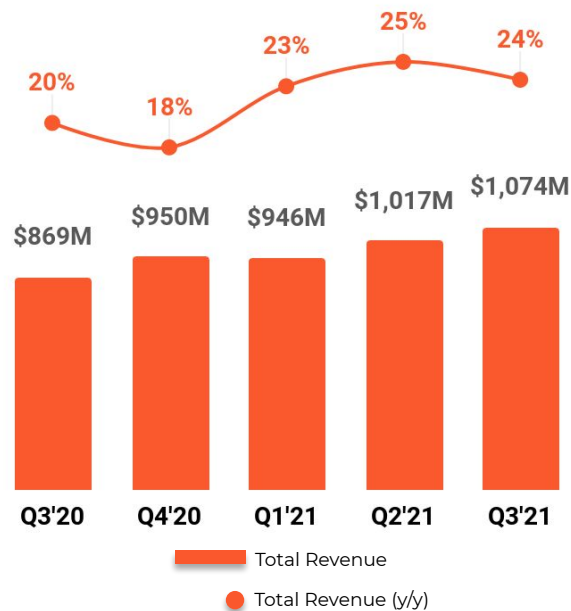
¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue. Fiscal year ending on July 31.

ARR driving improved quality and sustained growth in revenue

Next-Gen Security ARR¹



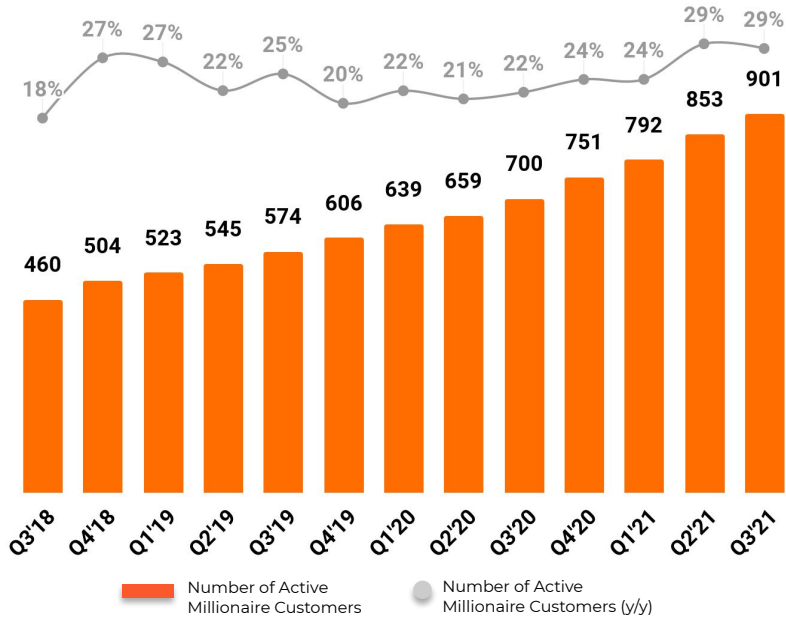
Total Revenue



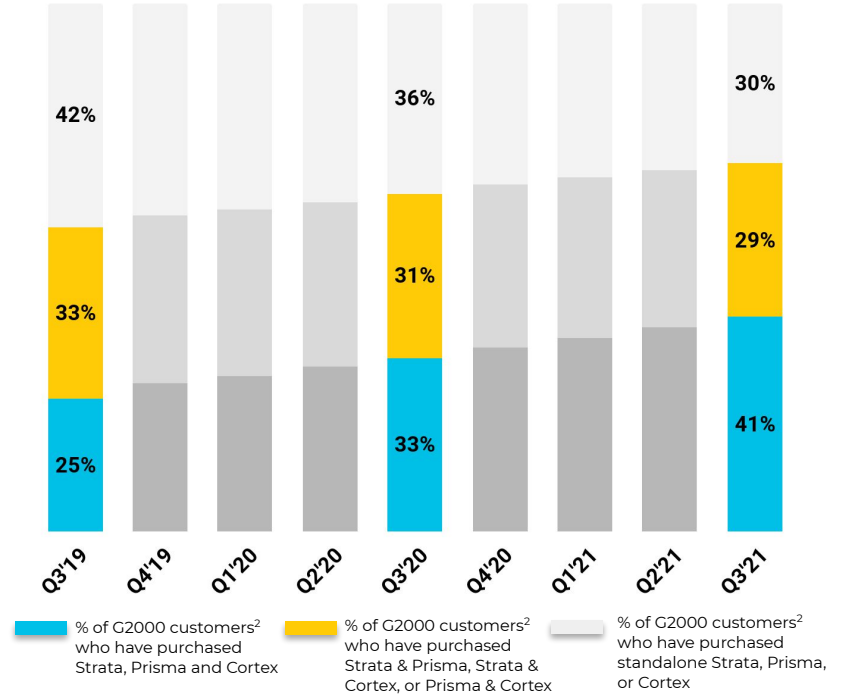
¹ ARR = Annualized Recurring Revenue, to be consistent with the calculation of other financial performance metrics which are derived from allocated revenue, the Company refined the Q3'21 Next-Gen Security ARR methodology as the annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services. Fiscal year ending on July 31.

Large deals and multi-platform sales helping drive performance

Growth in Active Millionaire Customers¹



Cross Platform Adoption



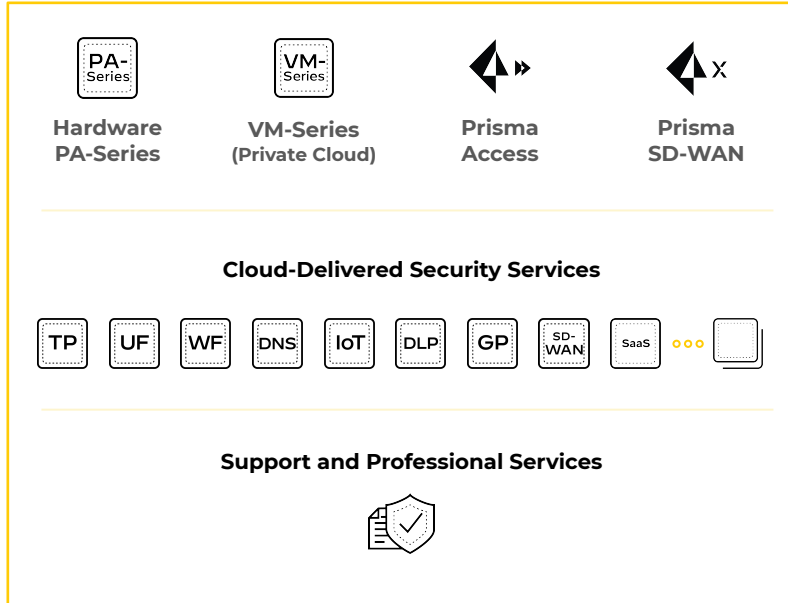
¹ Active Millionaire customer defined as customers who have spent \$1M or more in bookings value over the last 4 quarters.

² Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Driving innovation across the industry's broadest product portfolio

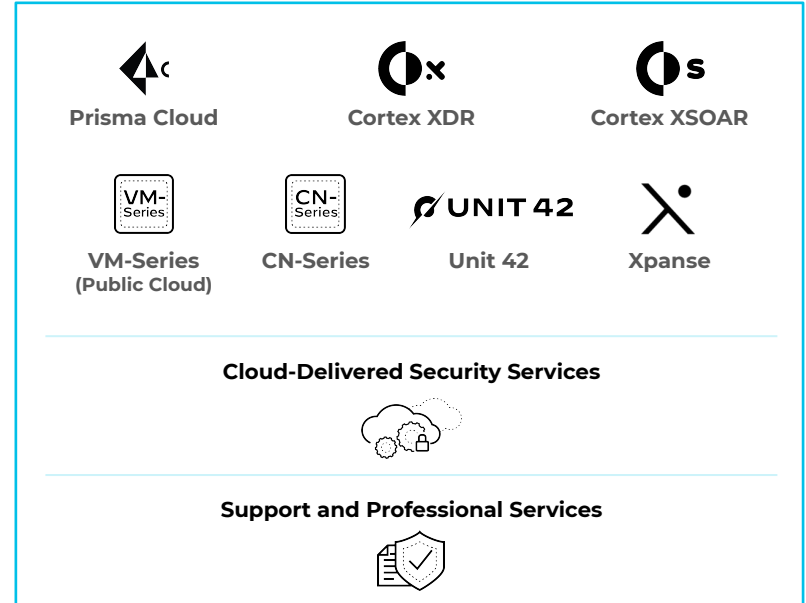
Network Security (NetSec)

Firewalls, subscriptions and support across form factors



Cloud & AI (ClaiSec)

Security in the cloud and automation & analytics through AI



Network Security (NetSec)

Firewalls, subscriptions and support across form factors



Hardware
PA-Series



VM-Series
(Private Cloud)



Prisma
Access



Prisma
SD-WAN

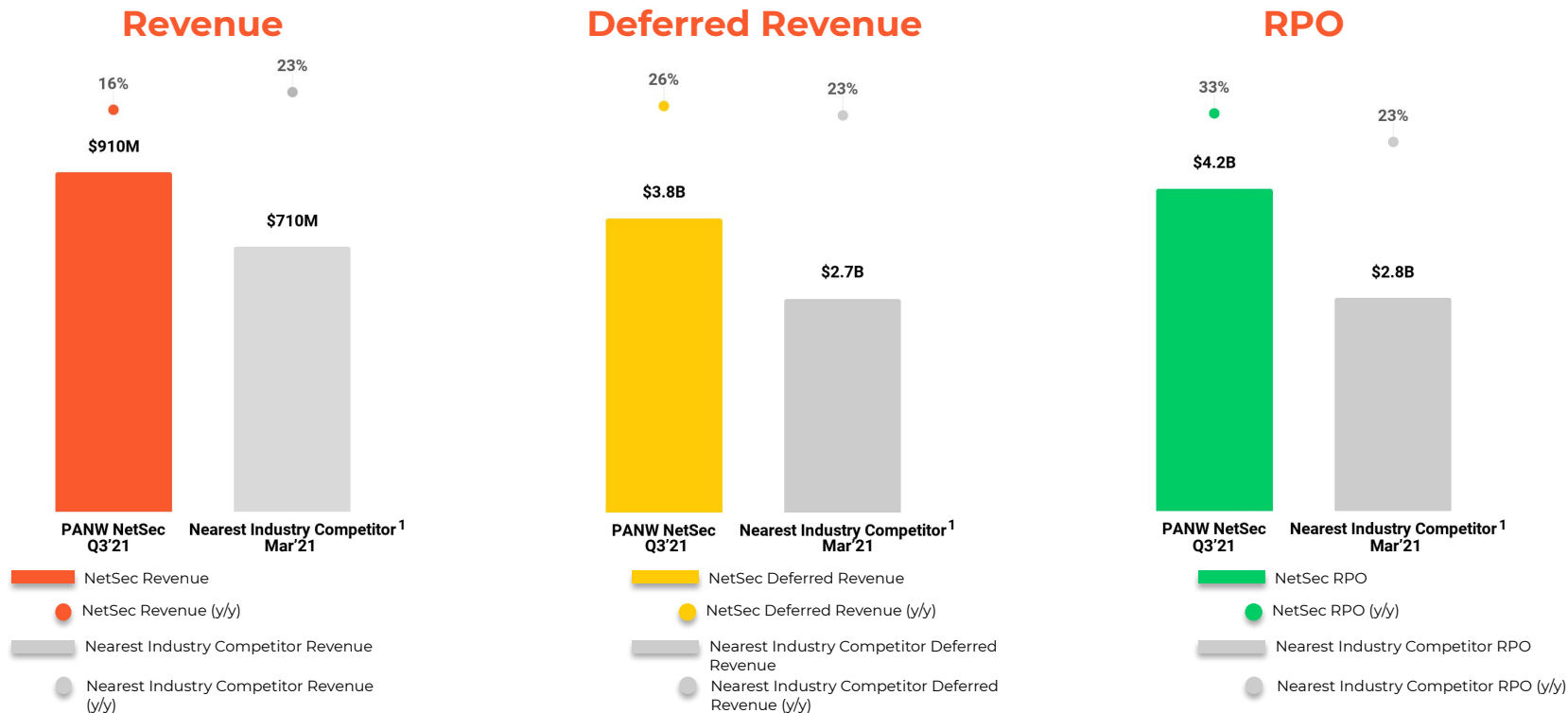
NetSec Updates



Support and Professional Services



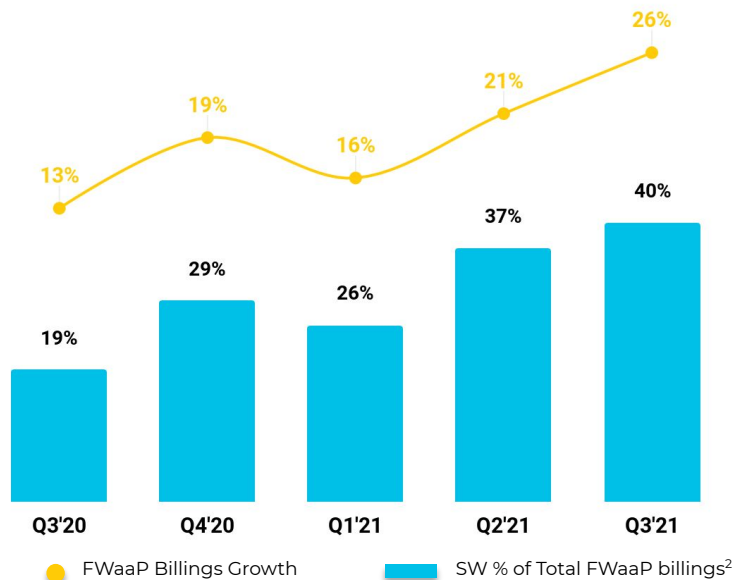
Palo Alto Networks is the largest Network Security business



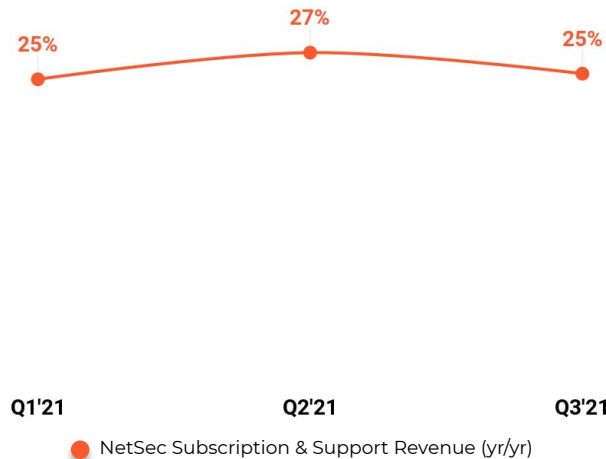
¹Nearest industry competitor is represented by Fortinet. Fortinet revenue and y/y revenue growth rates are based on publicly reported results for the quarter 3/31/21. Fortinet deferred revenue and RPO and y/y growth represent the period ended 3/31/21. Source: public filings per www.sec.gov. Fiscal year ending on July 31.

Continuing the software transition while growing Subs & Support

Firewall as a Platform¹ growth in the midst of shift to Software



NetSec Attached Sub & Support growth remains Stable

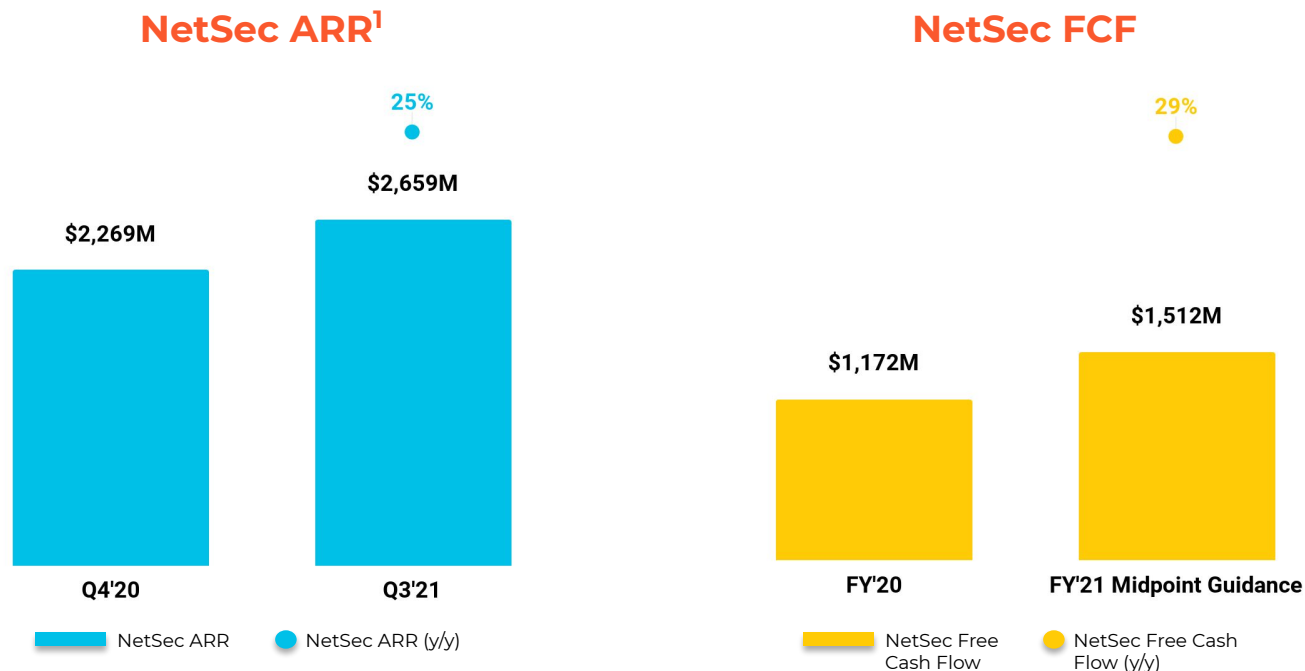


¹ Firewall as a Platform billings is a key financial and operating metric defined as publicly reported product billings, together with total amount invoiced and billed for Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated.

² SW % of Total FWaaP billings is the total amount invoiced and billed for the Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated, as a percentage of total Firewall as a Platform billings.

Fiscal year ending on July 31.

Balanced NetSec growth yields strong ARR and free cash flow



¹ARR = Annualized Recurring Revenue. Annualized allocated revenue of all active contracts as of the final day of the reporting period. Fiscal year ending on July 31.

Work from home and 2.0 launch driving Prisma Access momentum

Product innovation and partner momentum driving large deals with new and upsell customers

COMCAST
BUSINESS



verizon[✓]

Increased Partner and Service Provider momentum enabling deal traction

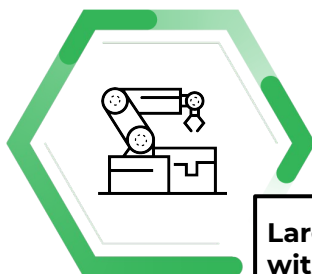
>25%

of new Prisma Access customers¹ in Q3 were new to Palo Alto Networks



8-figure follow-on deal with a global technology company

Enabling the customer's work-life shift initiative



Large 8-figure deal with manufacturing company

Flexible, multi-form factor firewall



8-figure deal with a Fortune 10 healthcare company

Multi-platform purchase & expansion

¹Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Consistent Zero Trust innovation across our leading platform

“The Zero Trust security model eliminates implicit trust in any one element, node, or service and instead requires continuous verification of the operational picture via real-time information from multiple sources to determine access and other system responses.”

-- Biden Administration Executive Order, May 12, 2021



Cloud & AI (ClaiSec)

Security in the cloud and automation & analytics through AI



Prisma Cloud



Cortex XDR



Cortex XSOAR



VM-Series
(Public Cloud)



CN-Series



Unit 42



Xpanse

ClaiSec Updates

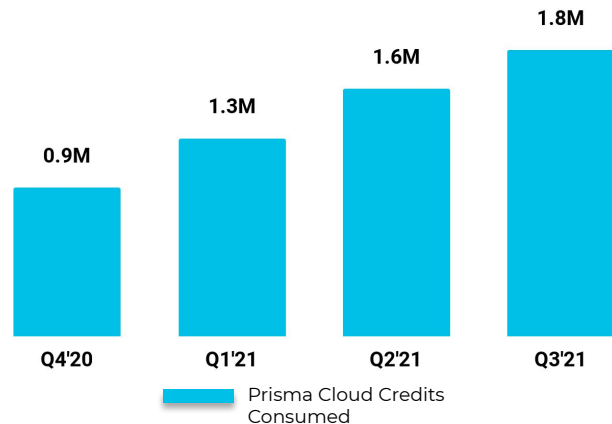


Support and Professional Services

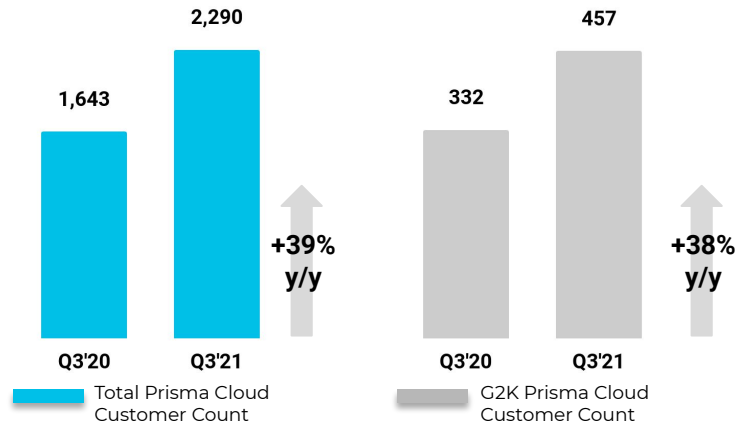


Prisma Cloud is largest cloud-native security business

Prisma Cloud Credits Consumed



Prisma Cloud Total & G2K customers¹



Q3'21 highlights:

- **Surpassed \$250M** in Prisma Cloud + VM-Series (public cloud) + CN-series **ARR²**
- Named as the only **Outperformer-Leaders** in the **GigaOm** Radar for Vulnerability Management³ third party evaluation
- **Xpanse and Prisma Cloud integration** to better correlate unmanaged cloud assets and bring them under management with Prisma Cloud

¹Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

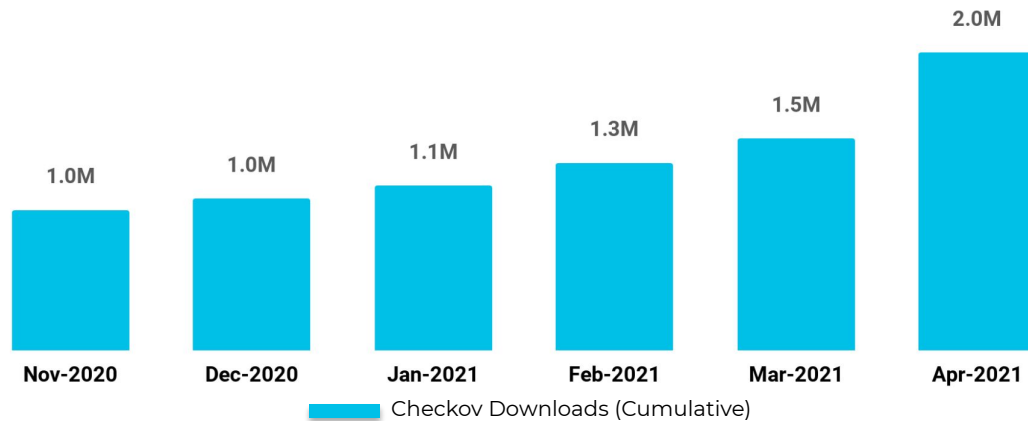
²ARR = Annualized Recurring Revenue. Annualized allocated revenue of all active contracts as of the final day of the reporting period.

³GigaOm Radar for Vulnerability Management v1.0.

Fiscal year ending on July 31.

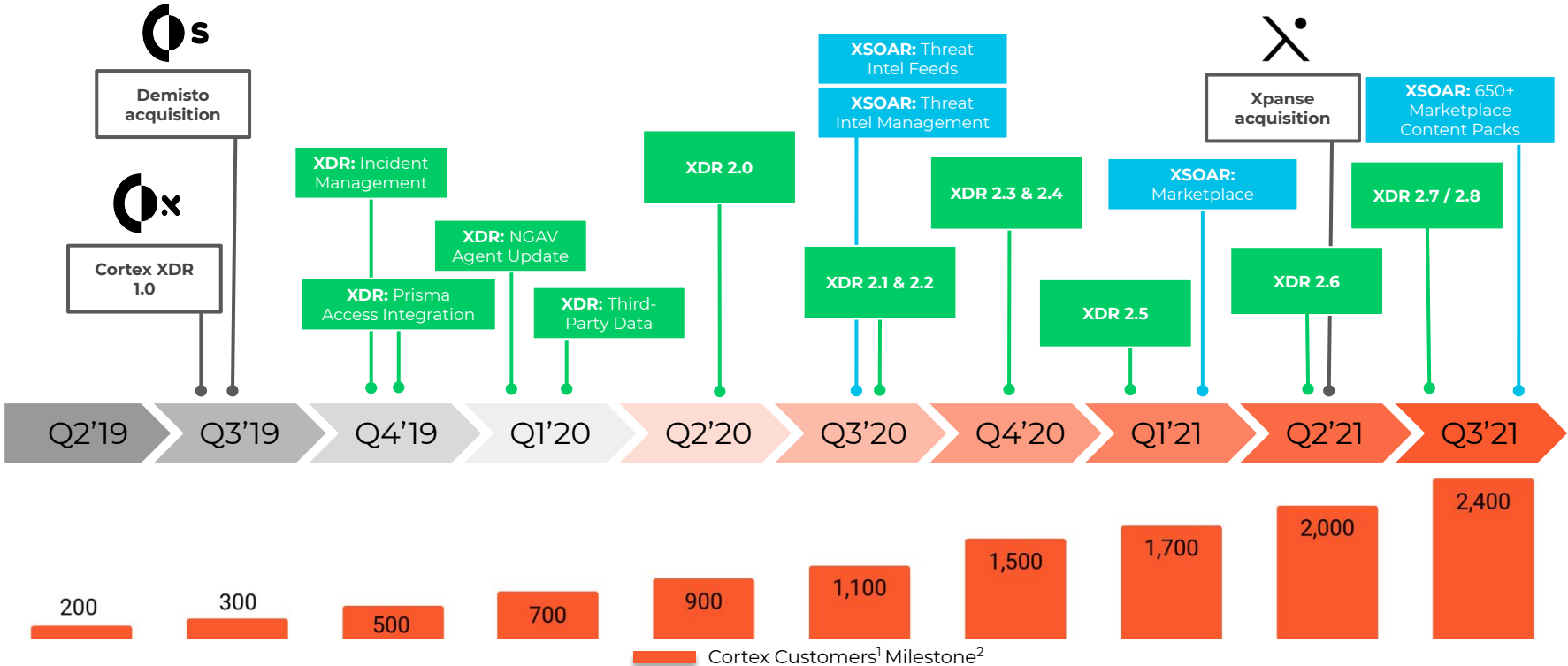
Bridgecrew Showing Early “Shift Left” Momentum

Checkov Downloads



- Released **Checkov 2.0** in April 2021, adding nearly 250 new out-of-the-box policies **to improve developer security**
- Download momentum **accelerating** post acquisition & 2.0 release
- **Prisma Cloud** helping to fill pipeline with **larger opportunities**, while preserving core **download / small transaction** sales motion

Fast Move from Launch to Leadership Position in Cortex



¹ Cortex customers represents all customers who have purchased Cortex XDR Pro and/or Cortex XSOAR since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

² Milestone represents each hundred customer acquired, and not necessarily the number of customers at the end of a period. Fiscal year ending on July 31.

Cortex industry recognition and customer momentum is building

Cortex XDR

- **Best Overall Results** in MITRE ATT&CK¹ (Round 3 Evaluation). **Blocked 100% of attacks** and achieved **97% visibility** of attack techniques
- **Leader** in Forrester ESS WAVE²

Cortex XSOAR

- **650+ content packs** in the XSOAR Marketplace
- Surpassed **100th partner-contributed content pack** in Q3'21

Cortex Xpanse an emerging leader in Attack Surface Management

- Closed a **large XDR Pro + XSOAR deal** to a leading residential and commercial services firm with a **focus on accelerating detection and response** capabilities
- Multinational law firm adopted Cortex solutions in order to **reduce spend and improve analyst efficiency**
- American employment technology firm with >10k employees **adopted Xpanse to ensure visibility** in the new WFH environment

¹ 2021 MITRE ATT&CK round 3 evaluation.

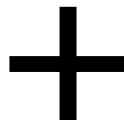
² Leader in Forrester Wave™; Endpoint Security Software as a Service, Q2 2021. Fiscal year ending on July 31.

NEW Unit42 combines leading threat intel with incident response



Threat Intelligence

- **Unit42** founded in 2014
- **Continuous** threat investigation
- Fuels rapid **product updates**
- **Share findings** with infosec community, gov't, law enforcement



Incident Response

- Joined as part of Sept 2020 **Crypsis** acquisition
- **1,300+ engagements**¹ in CY20
- **140+ consultants**
- **Rapid Response** engagements focused on SolarStorm, MS Exchange and other events

¹Engagement defined as a billable service or activity provided to a customer by Unit 42, formerly known as Crypsis.

Raising guidance for the full year

	FY 2021 Guidance as of 2/22/21	FY 2021 Guidance as of 5/20/21
Total Billings ¹	\$5.13B - \$5.18B 19%-20% yr/yr	\$5.28B - \$5.30B 23% yr/yr
Next-Gen Security ARR ²	~\$1.15B 77% yr/yr	~\$1.15B 77% yr/yr
Total Revenue	\$4.15B - \$4.20B 22%-23% yr/yr	\$4.20B - \$4.21B 23%-24% yr/yr
Product Revenue	Flat yr/yr	+100-200 bps yr/yr
Op Margin (Non-GAAP)	+50 bps yr/yr	+50 bps yr/yr
EPS (Non-GAAP)	\$5.80 - \$5.90	\$5.97 - \$5.99
Adj. FCF Margin (Non-GAAP)	~29%	~30%



¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

²ARR = Annualized Recurring Revenue. Next-Gen Security ARR is 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.

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Dipak Golechha | EVP and CFO

Strong execution and industry tailwinds drove Q3 momentum

	Q3'21 Guidance (as of 2/22/21)	Q3'21 Actual	
Total Billings ¹	\$1.22B-\$1.24B 20%-22% yr/yr	\$1,286M 27% yr/yr	
Total Revenue	\$1.05B-\$1.06B 21%-22% yr/yr	\$1,074M 24% yr/yr	
Next-Gen Security ARR ²		\$973M 71% yr/yr	
Gross Margin (Non-GAAP)		74.6% -60 bps yr/yr	
Op Margin (Non-GAAP)		17.0% +60 bps yr/yr	
EPS (Non-GAAP)	\$1.27-\$1.29	\$1.38 +\$0.21 yr/yr	
Adj. FCF Margin (Non-GAAP)		23.4%	

¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

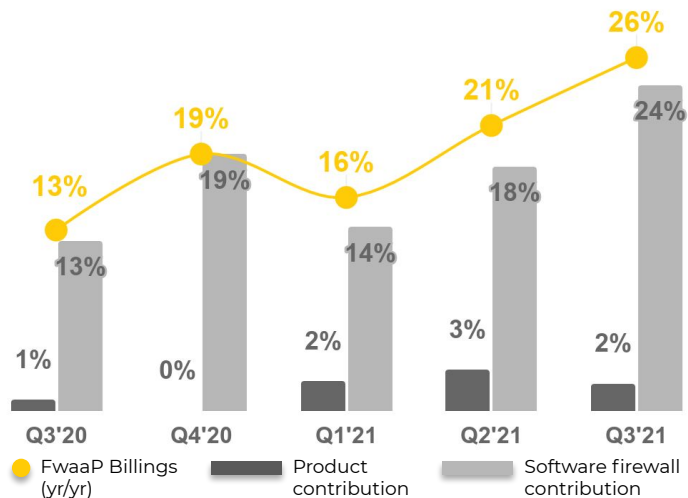
²ARR = Annualized Recurring Revenue. Next-Gen Security ARR is annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services.

Reconciliations of historical non-GAAP measures can be found in the Appendix.

Fiscal year ending on July 31.

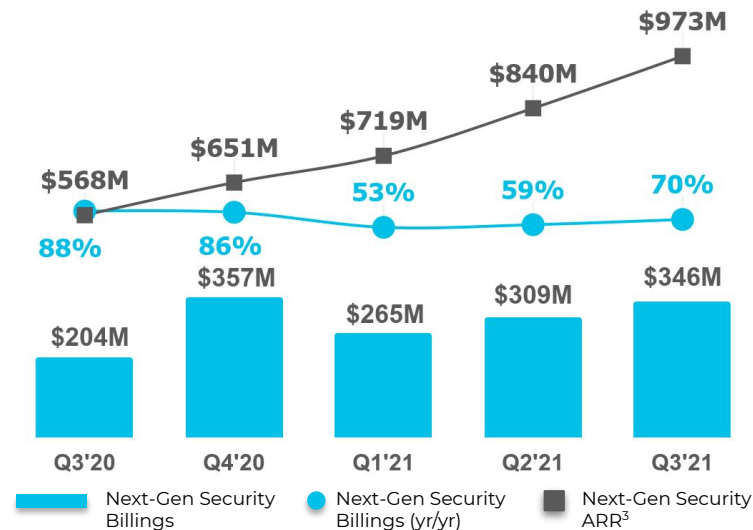
Both FwaaP and NGS momentum strong in Q3

Firewall as a Platform¹ Billings Growth



- Highlights transition from HW to SW form factors
- SW is of higher quality & increases revenue visibility

Next-Gen Security Billings²



- Durable and fast growing SaaS business
- NGS now represents 27% of total billings

¹ Firewall as a Platform billings is a key financial and operating metric defined as publicly reported product billings, together with total amount invoiced and billed for Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated.

² Next-Gen Security (NGS) billings is a key financial and operating metric. Prior to Q2'21, NGS billings was defined as the total amount invoiced and billed during the period stated for Prisma and Cortex offerings inclusive of the VM-Series and related services; for Q2'21 and afterwards, NGS billings is defined as total revenue plus change in total deferred revenue, net of total acquired deferred revenue for Prisma and Cortex offerings inclusive of the VM-Series and related services and for Q2'21, NGS billings under the former definition was \$306M.

³ ARR = Annualized Recurring Revenue. Next-Gen Security ARR is 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. Fiscal year ending on July 31.

Guidance

Q4 Fiscal 2021 Guidance

	Q4'21
Total Billings	\$1.695B - \$1.715B <i>22%-23% yr/yr</i>
Total Revenue	\$1.165B - \$1.175B <i>23%-24% yr/yr</i>
EPS (Non-GAAP) ¹	\$1.42 - \$1.44 <i>using 101 to 103 million shares</i>

Modeling Points

- Q4'21 non-GAAP¹ effective tax rate: 22%
- Q4'21 capital expenditures of \$30M – \$35M

¹A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measure has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Raising Fiscal Year 2021 guidance

	FY 2021 Guidance as of 2/22/21	FY 2021 Guidance as of 5/20/21
Total Billings ¹	\$5.13B - \$5.18B <i>19%-20% yr/yr</i>	\$5.28B - \$5.30B <i>23% yr/yr</i>
Next-Gen Security ARR ²	~\$1.15B <i>77% yr/yr</i>	~\$1.15B <i>77% yr/yr</i>
Total Revenue	\$4.15B - \$4.20B <i>22%-23% yr/yr</i>	\$4.20B - \$4.21B <i>23%-24% yr/yr</i>
Product Revenue	<i>Flat yr/yr</i>	<i>+100-200 bps yr/yr</i>
Op Margin (Non-GAAP)	<i>+50 bps yr/yr</i>	<i>+50 bps yr/yr</i>
EPS (Non-GAAP)	\$5.80 - \$5.90	\$5.97 - \$5.99
Adj. FCF Margin (Non-GAAP)	~29%	~30%

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²ARR = Annualized Recurring Revenue. Next-Gen Security ARR is 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.

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Raising outlook for NetSec

	FwaaS + Services & Support = NetSec Network Security			NGS - software firewalls = ClaiSec Cloud & AI		Palo Alto Networks		
	FY'20	FY'21 (as of 2/22/21)	FY'21 (as of 5/20/21)	FY'20	FY'21	FY'20	FY'21 (as of 2/22/21)	FY'21 (midpoint of guide as of 5/20/21)
Billings¹		16% yr/yr	19% yr/yr			\$4,302M 23% yr/yr	\$5,155M 20% yr/yr	\$5,290M 23% yr/yr
ARR²				\$388M	\$735M 89% yr/yr			
Revenue³	\$3,090M	\$3,570M 16% yr/yr	\$3,600M 17% yr/yr	\$318M	\$605M 90% yr/yr	\$3,408M 18% yr/yr	\$4,175M 22% yr/yr	\$4,205M 23% yr/yr
Gross Margin (Non-GAAP)⁴	77%		77% +50 bps yr/yr	63%	61% -270 bps yr/yr	76%		75% -70 bps yr/yr
Op Margin (Non-GAAP)⁴	28%		29% +130 bps yr/yr	-80%	-45% +3520 bps yr/yr	18%		18% +50 bps yr/yr
Adj. FCF Margin (Non-GAAP)⁴	38%	41% +310 bps yr/yr	42% +410 bps yr/yr	-59%	-43% +1630 bps yr/yr	28%	29% +60 bps yr/yr	30% +160 bps yr/yr
Lifetime Customers⁵	>73,000		>80,000 (as of Q3'21)	>8,000	>9,000 (as of Q3'21)	>75,000		>82,000 (as of Q3'21)

¹ Billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

² ARR = Annualized Recurring Revenue. Annualized allocated revenue of all active contracts as of the final day of the reporting period.

³ Cloud & AI revenue includes professional services revenue of approximately \$3M and \$70M and product revenue of approximately \$2M and \$13M in FY'20 and FY'21, respectively.

⁴ For a reconciliation of FY'20 non-GAAP financial measures, see Appendix. A reconciliation of FY'21 non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.

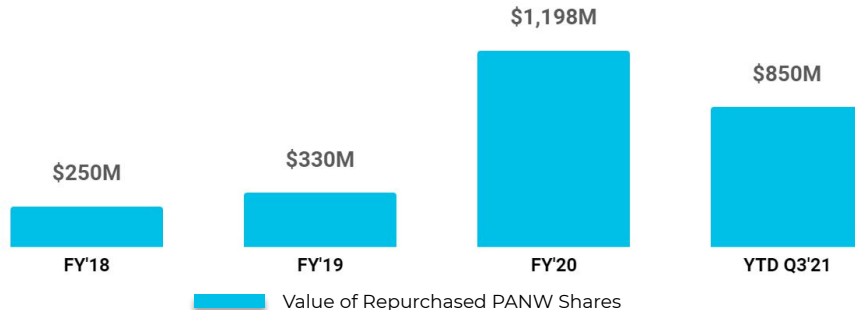
⁵ Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

Fiscal year ending on July 31.

Capital allocation principles in action in Q3 with share repurchase

Invest in Organic Growth	Acquisitions to accelerate strategy	Optimize capital base
Highest return R&D priorities	Acquire leading technology, expand TAM	Appropriate financing based on market conditions
International and specialized go to market	Fully integrate to realize benefits, invest behind acquired technologies	Flexibility in use of cash and stock for acquisition consideration
New delivery and consumption models	Retain acquired teams to maximize success	Targeted repurchases

PANW Share Repurchase History



\$2.6B

Returned to shareholders since FY18

\$652M

Remaining repurchase authorization through 12/31/21

Q&A

Appendix

Calculation of Billings

\$ In millions

Billings:	Q320	Q420	Q121	Q221	Q321	FY'20
Total revenue	\$869.4	\$950.4	\$946.0	\$1,016.9	\$1,073.9	\$3,408.4
Add: change in total deferred revenue, net of acquired deferred revenue	146.0	439.6	136.8	197.8	212.5	893.3
Total billings	<u>\$1,015.4</u>	<u>\$1,390.0</u>	<u>\$1,082.8</u>	<u>\$1,214.7</u>	<u>\$1,286.4</u>	<u>\$4,301.7</u>

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Gross Margin

\$ In millions

Non-GAAP total gross profit and gross margin:	Q320		Q321	
	\$	%	\$	%
GAAP total gross profit and gross margin	\$611.1	70.3%	\$743.3	69.2%
Share-based compensation-related charges	23.4	2.7%	29.8	2.8%
Amortization expense of acquired intangible assets	17.4	2.0%	26.6	2.5%
Litigation-related charges ⁽¹⁾	1.8	0.2%	1.8	0.1%
Non-GAAP total gross profit and gross margin	<u>\$653.7</u>	<u>75.2%</u>	<u>\$801.5</u>	<u>74.6%</u>

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue. Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Operating Margin

\$ In millions

Non-GAAP Operating Income and Operating Margin:	Q320		Q321	
	\$	%	\$	%
GAAP operating loss and operating margin	(\$56.5)	-6.5%	(\$110.4)	-10.3%
Share-based compensation-related charges	173.5	20.0%	247.2	23.0%
Acquisition-related costs ⁽¹⁾	4.9	0.6%	11.7	1.1%
Amortization expense of acquired intangible assets	19.2	2.2%	32.0	3.0%
Litigation-related charges ⁽²⁾	1.8	0.1%	1.8	0.2%
Non-GAAP operating income and operating margin	\$142.9	16.4%	\$182.3	17.0%

⁽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.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – EPS

Non-GAAP net income per share, diluted:	Q320	Q321
GAAP net loss per share, diluted	(\$0.77)	(\$1.50)
Share-based compensation-related charges	1.78	2.49
Acquisition-related cost ⁽¹⁾	0.05	0.12
Amortization expense of acquired intangibles assets	0.20	0.33
Litigation-related charges ⁽²⁾	0.02	0.02
Non-cash charges related to convertible notes ⁽³⁾	0.16	0.37
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.01)	0.01
Income tax and other tax adjustments related to the above	(0.26)	(0.46)
Non-GAAP net income per share, diluted	<u>\$1.17</u>	<u>\$1.38</u>

⁽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.

⁽³⁾ Consists primarily of non-cash interest expense related to our convertible senior notes.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation – Adjusted Free Cash Flow

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	Q3'20	Q3'21
Net cash provided by operating activities	\$169.9	\$277.8
Less: purchases of property, equipment, and other assets	86.3	26.9
Free cash flow (non-GAAP)	\$83.6	\$250.9
Add: capital expenditures for new headquarters ⁽¹⁾	53.8	-
Add: litigation-related payment ⁽²⁾	50.0	-
Adjusted free cash flow (non-GAAP)	\$187.4	\$250.9
Free cash flow margin (non-GAAP)	9.6 %	23.4 %
Adjusted free cash flow margin (non-GAAP)	21.6 %	23.4 %

⁽¹⁾ Consists of capital expenditures for new headquarters including a land purchase of \$51.7 million in Q3'20.

⁽²⁾ Consists of a one-time payment in Q3'20 related to covenant not to sue.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Gross Margin FY'20

\$ In millions

Non-GAAP total gross profit and gross margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20	
	\$	%	\$	%	\$	%
GAAP total gross profit and gross margin	\$2,285.3	73.9%	\$123.6	38.9%	\$2,408.9	70.7%
Share-based compensation-related charges	76.6	2.5%	17.3	5.4%	93.9	2.8%
Amortization expense of acquired intangible assets	8.0	0.3%	60.7	19.1%	68.7	2.0%
Litigation-related charges ⁽¹⁾	3.6	0.1%	-	0.0%	3.6	0.1%
Non-GAAP total gross profit and gross margin	<u>\$2,373.5</u>	<u>76.8%</u>	<u>\$201.6</u>	<u>63.4%</u>	<u>\$2,575.1</u>	<u>75.6%</u>

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue. Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Operating Margin FY'20

\$ In millions

Non-GAAP operating income (loss) and operating margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20	
	\$	%	\$	%	\$	%
GAAP operating income (loss) and operating margin	\$331.6	10.7%	(\$510.6)	-160.6%	(\$179.0)	-5.3%
Share-based compensation-related charges	504.7	16.4%	180.8	56.9%	685.5	20.2%
Acquisition-related costs ⁽¹⁾	6.4	0.2%	9.3	2.9%	15.7	0.5%
Amortization expense of acquired intangible assets	9.3	0.3%	67.1	21.1%	76.4	2.2%
Litigation-related charges ⁽²⁾	3.6	0.1%	-	0.0%	3.6	0.1%
Gain related to facility exit ⁽³⁾	(2.8)	-0.1%	(0.3)	-0.1%	(3.1)	-0.1%
Non-GAAP operating income (loss) and operating margin	<u>\$852.8</u>	<u>27.6%</u>	<u>(\$253.7)</u>	<u>-79.8%</u>	<u>\$599.1</u>	<u>17.6%</u>

⁽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.

⁽³⁾ Consists of a gain of \$3.1 million related to the early termination of our previous headquarters leases in Q2'20.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation – Adjusted Free Cash Flow FY'20

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	Network Security FY'20	Cloud & AI FY'20	Corporate FY'20	Total FY'20
Net cash provided by operating activities	\$1,201.5	(\$150.1)	(\$15.7)	\$1,035.7
Less: purchases of property, equipment, and other assets	116.5	46.2	51.7	214.4
Free cash flow (non-GAAP)	\$1,085.0	(\$196.3)	(\$67.4)	\$821.3
Add: capital expenditures for new headquarters ⁽¹⁾	35.1	7.5	51.7	94.3
Add: litigation related payment ⁽²⁾	50.0	-	-	50.0
Less: cash reimbursement (payments), net related to landlord lease amendment ⁽³⁾	(1.6)	(0.4)	-	(2.0)
Adjusted free cash flow (non-GAAP)	\$1,171.7	(\$188.4)	(\$15.7)	\$967.6
Free cash flow margin (non-GAAP)	35.1 %	-61.7 %	-	24.1 %
Adjusted free cash flow margin (non-GAAP)	37.9 %	-59.3 %	-	28.4 %

⁽¹⁾ Consists of capital expenditures for new headquarters.

⁽²⁾ Consists of a one-time payment in Q3'20 related to covenant not to sue.

⁽³⁾ During Q1'18, we received an upfront cash reimbursement of \$38.2 million from our landlords 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 was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for the periods presented reflects adjustments for these increased rental payments made during the respective periods.

Fiscal year ends on July 31.

Thank you

