



Q1 Fiscal Year 2021 Earnings Call



November 16, 2020

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 the introduction of new offerings, our intention to continue investing in Cloud & AI and to transition customers to software models, our financial guidance for the second quarter of fiscal 2021 and our expectations for the remainder of 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, our expectations on the impact, financial contribution and successful integration of our pending acquisition of Expanse, Inc., expectations for fiscal 2021 Network Security billings, revenue, non-GAAP gross margin and non-GAAP operating margin, our expectations for fiscal 2021 Cloud & AI ARR, revenue, non-GAAP gross margin, non-GAAP operating margin, 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 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 Annual Report on Form 10-K filed for the fiscal year ended July 31, 2020, 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 November 16, 2020. 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 November 16, 2020.

Welcome

Another consecutive strong quarter

| | Q1'21 Guidance (as of 8/24/20) | Q1'21 Actual | |
|-----------------------------|------------------------------------|-------------------------|---|
| Total Billings ¹ | \$1,030M-\$1,050M 15%-17% yr/yr | \$1,083M 21% yr/yr |  |
| Total Revenue | \$915M-\$925M 19%-20% yr/yr | \$946M 23% yr/yr |  |
| Gross Margin (Non-GAAP) | | 75.8% -80 bps yr/yr | |
| Op Margin (Non-GAAP) | | 21.7% +590 bps yr/yr | |
| EPS (Non-GAAP) | \$1.32-\$1.35 | \$1.62 +\$0.57 yr/yr |  |
| Adj. FCF Margin (Non-GAAP) | | 53.4% | |

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

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 guidance for Fiscal Year 2021

| | FY 2021 Guidance as of 8/24/20 | FY 2021 Guidance including EXPANSE** as of 11/16/20 |
|------------------------------------|-----------------------------------|---|
| Total Billings ¹ | Mid teens yr/yr | \$5.08B - \$5.13B 18%-19% yr/yr |
| Next-Gen Security ARR ² | | ~\$1.15B 77% yr/yr |
| Total Revenue | High teens yr/yr | \$4.09B - \$4.14B 20%+ yr/yr |
| Product Revenue | Flat to slightly down yr/yr | Flat yr/yr |
| Op Margin (Non-GAAP) | Organic OM flat yr/yr | +50 bps yr/yr |
| EPS (Non-GAAP) | Low to mid teens yr/yr | \$5.70 - \$5.80 |
| Adj. FCF Margin (Non-GAAP) | Consistent with FY'20 | ~29% |

Guidance includes EXPANSE³ contribution of approximately **+100 bps in growth to total billings, **+50 bps** in growth to revenue, and **+\$73M** in ARR² for fiscal year 2021, which considers estimated timing of close and purchase accounting

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

²ARR = Annual Recurring Revenue; Next-Gen Security ARR is annualized 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; Expanse ARR reflects estimated annualized revenue of active contracts as of the final day of the reporting period based on the current renewal rates; Expanse ARR does not reflect a deferred revenue haircut.

³We have entered into a definitive agreement to acquire Expanse; we expect the acquisition to close in the second quarter of fiscal 2021.

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Firewall as a Platform

Better than expected product billings and strength in VM-Series

Continued Innovation

Industry's first **cloud-delivered enterprise DLP** protecting sensitive data loss everywhere

Delivered greater scale and simplicity via new **VM-series integration with AWS**

Coming soon: the industry's first **5G-Native security offering**

Industry Recognition

A **9-Time Gartner Magic Quadrant Leader** for Network Firewalls¹

A **Leader** in the **The Forrester Wave™: Zero Trust eXtended Ecosystem Platform Providers**²

Market Success

16% FwaaP³ billings growth, up 500 basis pts year over year and growing faster than the market

~71,000 Next-Gen Firewall customers⁴, up ~8,000 customers⁴ year over year

Over **10,000** software firewall (VM-Series and CN-Series) customers⁴, up ~2,500 customers⁴ year over year

¹ Gartner Magic Quadrant for Network Firewalls, Rajpreet Kaur, Adam Hils, Jeremy D'Hoinne, 9 November 2020.

² The Forrester Wave: Zero Trust eXtended Ecosystem Platform Providers, Q3 2020, Chase Cunningham, 24 September 2020.

³ Firewall as a Platform (FwaaP) billings is a key financial 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.

⁴ Total 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.

Prisma Access + CloudGenix = SASE

Customer interest in SASE is high. This is a new secular trend

Continued Innovation

First **CloudGenix and Prisma Access integration**, which enables a secure, cloud-delivered branch in just a few clicks

New additions to Next-Gen SD-WAN solution, including **improved AI-Ops** and **2 new SD-WAN appliances**

Industry Recognition

A **Leader** in the **Gartner Magic Quadrant** for WAN Edge Infrastructure¹

Market Success

>1,000 Prisma SASE customers², up by >100% year over year

Continue to convert Prisma Access free trials

Growing number of customers using both Prisma Access and CloudGenix

¹ Gartner Magic Quadrant for WAN Edge Infrastructure, Jonathan Forest, Andrew Lerner, Naresh Singh, 23 September, 2020.

² Total 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.

Prisma Cloud

Industry's only comprehensive best of breed - Cloud Native Security Platform

Continued Innovation

Prisma Cloud 2.0: Launched 4 New Integrated Cloud Security Modules

- **Data Security:** Data classification and malware scanning
- **Web Application and API Security:** Protect web applications from Layer 7 and OWASP Top 10 threats
- **Identity-Based Microsegmentation:** Integration of Aporeto technology for end-to-end visibility of network communications and comprehensive security policy controls
- **IAM Security:** Address Cloud Infrastructure Entitlement Management security challenges and gain visibility into effective permissions and user activity

Market Success

We now have **70% of the Fortune 100** as Prisma Cloud customers¹, up from 43% from Q3'20

45% of Prisma Cloud customers¹ are using **Compute**, up from 33% in Q4'20

Prisma Cloud is securing **1.8B cloud resources**²

¹ Total 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.

² Cloud resources include primarily hosts, containers, S3 buckets, security groups, and virtual private clouds. Fiscal year ending on July 31.

Cortex

XDR making progress with customers, and XSOAR is the automation platform for the SOC

Continued Innovation

Launched **Cortex XSOAR Marketplace** in August with support from 10 launch partners

Launched **Cortex XDR 2.5**, including new Host Insights module

In Q2'21, announced **XQL**, the ultimate query capability, to explore and enrich all security data sources

Completed the acquisition of **The Crypsis Group**, adding Incident Response and Proactive Security Assurance services to Cortex

Industry Recognition

No Other Vendor Surpassed Cortex XDR's **MITRE Attack Technique Coverage**¹

Cortex XDR awarded an **"AA" rating from NSS Labs**²

Gartner has released an innovation insight report on the XDR category

Market Success

Cortex XSOAR Marketplace surpassed **500 unique content packs** within 3 months of launch

400M+ actions automated in the last 12 months and **480** playbooks

34% of Global 2000 and **65% of Fortune 100** are Cortex customers³

¹ The Ultimate Guide to the MITRE ATT&CK Round 2 EDR Evaluation | White Paper.

² NSS Labs Endpoint Protection - Palo Alto Networks TRAPS/Cortex XDR V6.2 Product Rating, Q1 2020, Rabin Bhattarai, Thomas Skybakmoen, Vikram Phatak.

³ Total 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.

EXPANSE

EXPANSE* provides unique “outside-in” view: The same view that an attacker sees as they probe for weakness

Every asset on the Internet

is analyzed and attributed to
an owner

Detects **security exposures**
realtime

Constantly analyzing and
expanding context

Every cloud resource

Every remote worker

Every on-premise asset

The attack surface is constantly changing - on average, EXPANSE customers add over 20 new cloud applications every week

* We have entered into a definitive agreement to acquire Expanse; we expect the acquisition to close in the second quarter of fiscal 2021.

Delivering vulnerability maps to CIOs/CISOs at Ignite

EXPANSE Exec Report:

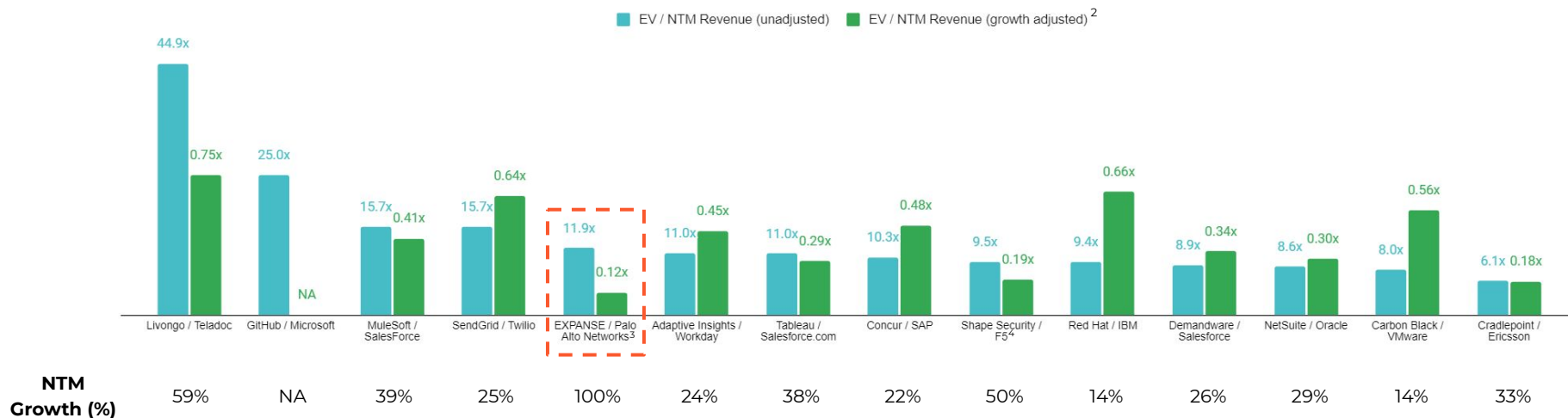
Provides immediate insight to complete attack surface, risks, and suspicious activity

Quickly highlights critical and high priority issues to action

Benchmarks the customer to industry peers



EXPANSE is a very attractive investment, even more so on a growth adjusted basis



¹ Source: Public Information.

² The Growth Adjusted multiple is EV/NTM multiple divided by NTM growth rate

³ Palo Alto Networks estimates. NTM figures assumes \$67M of FY'21E ARR (all EXPANSE / Palo Alto Networks calculations off of EXPANSE ARR). \$800M purchase price (\$670M cash and stock + \$130M replacement equity awards).

⁴ Assuming ~50% growth of disclosed \$70M ARR

EXPANSE* Financials

EXPANSE Financials

- Expected FY'21E (Jul-21):
 - \$67M ARR
 - 100%+ y/y growth
- Has maintained 100%+ ARR growth each year since '16¹

| | | H2 FY'21E | | |
|----------|-------|--------------------|--------------------|---|
| | | EXPANSE Standalone | EXPANSE @ PANW | |
| Billings | | | \$37M ² | ~+100 bps to FY21E Billings growth |
| ARR | \$67M | | \$73M ³ | +9% increase from standalone, +1,100 bps to FY21E NGS ARR growth |
| Revenue | | | \$20M | ~+50 bps to FY21E Revenue growth; includes impact of deferred revenue haircut |

Contribution to PANW

* We have entered into a definitive agreement to acquire Expance; we expect the acquisition to close in the second quarter of fiscal 2021.

¹ ARR growth per EXPANSE.

²Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue.

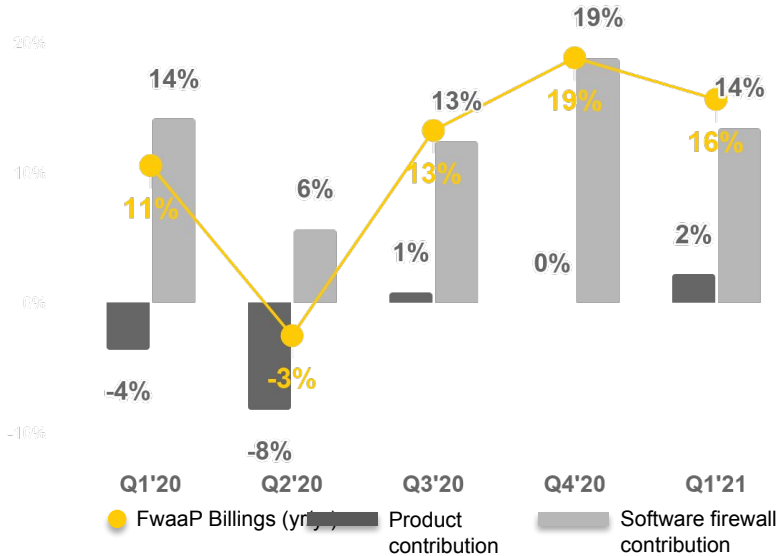
³ ARR = Annual Recurring Revenue; Expance ARR reflects estimated annualized revenue of active contracts as of the final day of the reporting period based on the current renewal rates; Expance ARR does not reflect a deferred revenue haircut.

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Increasing Transparency

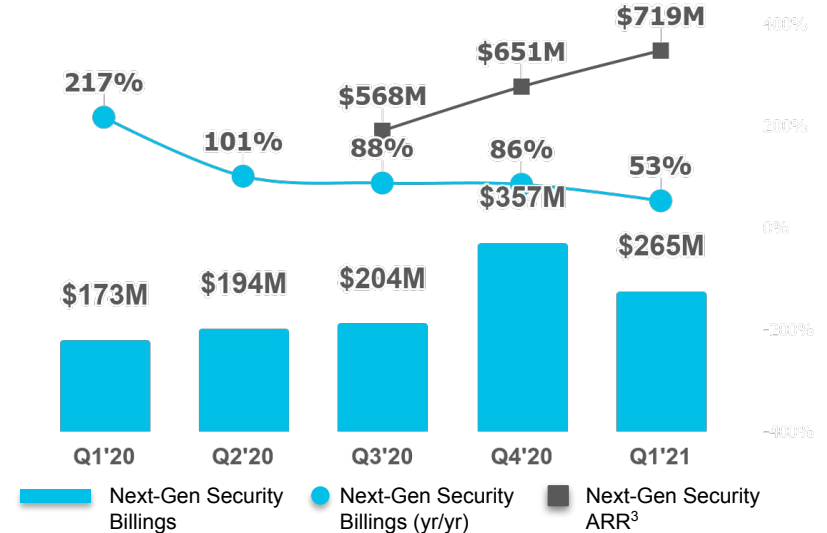
FwaaP and NGS Billings highlight our transition to software and SaaS

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 24% of total billings

¹ Firewall as a Platform billings is a key financial 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 billings is a key financial metric and operating metric 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.

³ ARR = Annual Recurring Revenue; Next-Gen Security ARR is annualized 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.

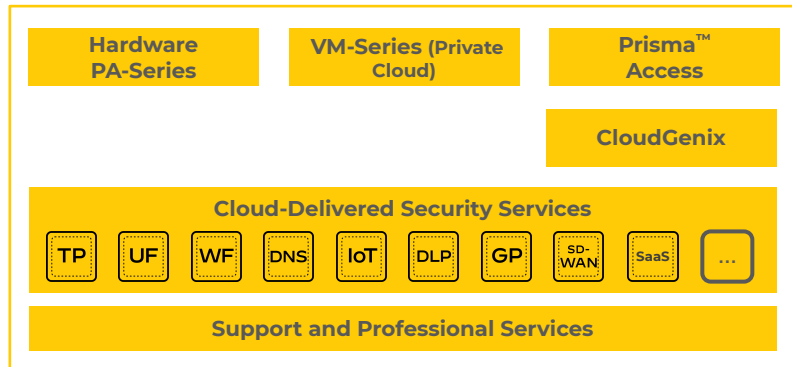
Note: Firewall as a Platform and Next-Gen Security both include VM-Series and Prisma Access. Fiscal year ending on July 31.

We juggled a few things to give you a better understanding

- We created a comprehensive P&L for the Firewall as a Platform (FwaaS) business and added the related subscriptions, support and professional services - We call it **Network Security**
- We took out the software firewalls from Next-Gen Security - while we still believe they are part of our next generation capabilities, we wanted to share a financial picture where the two areas could be added to make the whole - We call it **Cloud & AI**

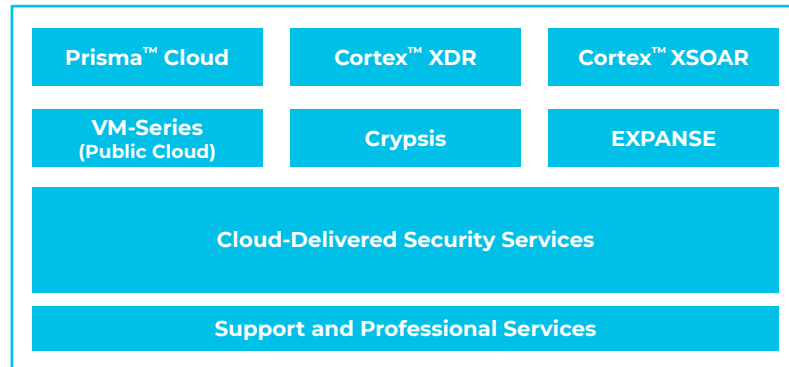
Network Security

Firewalls, subscriptions and support across form factors



Cloud & AI

Security in the cloud and automation & analytics through AI



Network Security - Industry's largest firewall business¹

| | FwaaP + Services & Support = Network Security | | |
|--------------------------------|---|--------------------------------|---|
| | FY'20 | FY'21 | |
| Billings² | | 15% yr/yr | Durable growth driven by transition to software form factors |
| Revenue | \$3,090M | \$3,510M 14% yr/yr | Shift to software form factors will drive greater revenue visibility |
| Gross Margin (Non-GAAP) | 76.8% | 77.3% +50 bps yr/yr | Strong NGFW & related sub/support and VM gross margins of ~80%, with margins from fast growing SASE business expected to improve as business scales |
| Op Margin (Non-GAAP) | 27.6% | 28.9% +130 bps yr/yr | Operating margins consistent with Firewall businesses that invest |

¹Gartner Market Statistics: Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 2Q20, Christain Canales, Naresh Singh and Joe Skorupa.

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Key takeaways for Network Security

- Our firewall business is the largest in the industry¹ and going through a transformation
- We have industry leading financials while continuing to invest in a transformation
- Palo Alto Networks has already transformed into a highly ratable business, where ratable revenue as a % of total revenue is up from 59% two years ago to 71% in Q1'21

¹Gartner Market Statistics: Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 2Q20, Christain Canales, Naresh Singh and Joe Skorupa. Fiscal year ending on July 31.

Cloud & AI in its own right: One of the fastest growing ARR businesses

| | NGS - software firewalls = Cloud & AI | | |
|--------------------------------|---|---|--|
| | FY'20 | FY'21 | |
| ARR¹ | \$388M | \$735M <i>89% yr/yr</i> | Excluding EXPANSE, ARR growth of 71%; one of the fastest growing cloud and AI security businesses |
| Revenue² | \$318M | \$605M <i>90% yr/yr</i> | SaaS businesses is of high quality and drive greater revenue visibility |
| Gross Margin (Non-GAAP) | 63.4% | 60.7% <i>-270 bps yr/yr</i> | Lower year over year partially due to integration of Crypsis; expect significant improvement over time |
| Op Margin (Non-GAAP) | -79.8% | -44.6% <i>+3520 bps yr/yr</i> | Expect significant improvement over the next few years as revenue is recognized and business scales |

¹ARR = Annual Recurring Revenue; ARR is annualized revenue of all active contracts as of the final day of the reporting period.

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

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Key takeaways for Cloud & AI

- Over the next few years, gross margins will continue to grow as our customer base gets deployed and gets larger
- Operating margins will continue to advance as ratable revenue makes its way from our balance sheet to the P&L
- We will continue to invest aggressively to grow this business because we believe the next \$100B TAM in security is in this business

Putting them together

| | FwaaP + Services & Support = Network Security | | NGS - software firewalls = Cloud & AI | | Palo Alto Networks | |
|------------------------------------|---|-------------------------|---|---------------------------|---------------------------|------------------------------|
| | FY'20 | FY'21 | FY'20 | FY'21 | FY'20 | FY'21 (midpoint of guide) |
| Billings¹ | | 15% yr/yr | | | \$4,302M 23% yr/yr | \$5,105M 19% yr/yr |
| ARR² | | | \$388M | \$735M 89% yr/yr | | |
| Revenue³ | \$3,090M | \$3,510M 14% yr/yr | \$318M | \$605M 90% yr/yr | \$3,408M 18% yr/yr | \$4,115M 21% yr/yr |
| Gross Margin (Non-GAAP) | 76.8% | 77.3% +50 bps yr/yr | 63.4% | 60.7% -270 bps yr/yr | 75.6% | 74.9% -70 bps yr/yr |
| Op Margin (Non-GAAP) | 27.6% | 28.9% +130 bps yr/yr | -79.8% | -44.6% +3520 bps yr/yr | 17.6% | 18.1% +50 bps yr/yr |

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Fiscal year ending on July 31.

In Conclusion

1. We had a great fiscal Q1 2021 across the board
2. Raising our fiscal 2021 guidance before factoring in EXPANSE and adding ~100 bps to billings growth when including EXPANSE
3. Our Network Security business is the largest firewall business¹ with sustained gross margins and operating margins - which is successfully undergoing a transformation
4. We have a fast growing Cloud & AI business, with expected FY'21 ARR growth of 89%

¹Gartner Market Statistics: Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 2Q20, Christain Canales, Naresh Singh and Joe Skorupa. Fiscal year ending on July 31.

The **FLEXWORK** journey

We're living through something that has never happened before. This is an opportunity to recenter and refocus on what's most important - each one of us.

WE TRANSITIONED

Almost overnight we were flung into working in a different way.

MARCH

WE LISTENED

We took the time to really listen to what our employees wanted. You gave us insight into what FLEXWORK can become once we are no longer sheltering-in-place.

WE REIMAGINE

We will reimagine and redefine the employee experience to enable greater employee choice and flexibility.

TODAY

WE REALIZED

We dug deep with renewed passion and vigor and surprised ourselves. We rose to the challenge, and in doing so, put to rest many of the biases that had surrounded remote working.

WE LEARNED

We learned what's possible, we learned what we had taken for granted...and we learned what we miss. We learned more about, and from, each other.

WE COMMIT

This is an iterative process. We know we don't have all the answers. We'll create the answers together.

Financial Overview

Q1 Fiscal 2021 Financial Summary

| | Q1'21 Guidance (as of 8/24/20) | Q1'21 Actual | |
|-----------------------------|------------------------------------|-------------------------|---|
| Total Billings ¹ | \$1,030M-\$1,050M 15%-17% yr/yr | \$1,083M 21% yr/yr |  |
| Deferred Revenue | | \$3,947M 31% yr/yr | |
| Total Revenue | \$915M-\$925M 19%-20% yr/yr | \$946M 23% yr/yr |  |
| Gross Margin (Non-GAAP) | | 75.8% -80 bps yr/yr | |
| Op Margin (Non-GAAP) | | 21.7% +590 bps yr/yr | |
| EPS (Non-GAAP) | \$1.32-\$1.35 | \$1.62 +\$0.57 yr/yr |  |
| Adj. FCF Margin (Non-GAAP) | | 53.4% | |

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Guidance

Q2 Fiscal 2021 Guidance

| | Q2'21 |
|-----------------------------|---|
| Total Billings | \$1.17B - \$1.19B <i>17%-19% yr/yr</i> |
| Total Revenue | \$975M - \$990M <i>19%-21% yr/yr</i> |
| EPS (Non-GAAP) ¹ | \$1.42 - \$1.44 <i>using 98 to 100 million shares</i> |

Modeling Points

- Q2'21 non-GAAP¹ effective tax rate: 22%
- Q2'21 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.

Fiscal Year 2021 Guidance

| | FY 2021 Guidance as of 8/24/20 | FY 2021 Guidance including EXPANSE** as of 11/16/20 |
|------------------------------------|------------------------------------|---|
| Total Billings ¹ | <i>Mid teens yr/yr</i> | \$5.08B - \$5.13B <i>18%-19% yr/yr</i> |
| Next-Gen Security ARR ² | | ~\$1.15B <i>77% yr/yr</i> |
| Total Revenue | <i>High teens yr/yr</i> | \$4.09B - \$4.14B <i>20%+ yr/yr</i> |
| Product Revenue | <i>Flat to slightly down yr/yr</i> | <i>Flat yr/yr</i> |
| Op Margin (Non-GAAP) | <i>Organic OM flat yr/yr</i> | <i>+50 bps yr/yr</i> |
| EPS (Non-GAAP) | <i>Low to mid teens yr/yr</i> | \$5.70 - \$5.80 |
| Adj. FCF Margin (Non-GAAP) | <i>Consistent with FY'20</i> | ~29% |

Guidance includes EXPANSE³ contribution of approximately **+100 bps in growth to total billings, **+50 bps** in growth to revenue, and **+\$73M** in ARR² for fiscal year 2021, which considers estimated timing of close and purchase accounting

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Q&A

Appendix

Calculation of Billings

\$ In millions

| Billings: | Q1'20 | Q2'20 | Q3'20 | Q4'20 | Q1'21 |
|---|----------------|----------------|------------------|------------------|------------------|
| Total revenue | \$771.9 | \$816.7 | \$869.4 | \$950.4 | \$946.0 |
| Add: change in total deferred revenue, net of acquired deferred revenue | 125.5 | 182.2 | 146.0 | 439.6 | 136.8 |
| Total billings | \$897.4 | \$998.9 | \$1,015.4 | \$1,390.0 | \$1,082.8 |

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Gross Margin

\$ In millions

| Non-GAAP total gross profit and gross margin: | Q1'20 | | Q1'21 | |
|--|---------|-------|---------|-------|
| | \$ | % | \$ | % |
| GAAP total gross profit and gross margin | \$554.2 | 71.8% | \$668.2 | 70.6% |
| Amortization expense of acquired intangible assets | 21.8 | 2.8% | 26.6 | 2.9% |
| Amortization expense of acquired intangible assets | 15.2 | 2.0% | 20.2 | 2.1% |
| Litigation-related charges ⁽¹⁾ | - | 0.0% | 1.8 | 0.2% |
| Non-GAAP total gross profit and gross margin | \$591.2 | 76.6% | \$716.8 | 75.8% |

⁽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: | Q1'20 | | Q1'21 | |
|--|----------------|--------------|----------------|--------------|
| | \$ | % | \$ | % |
| GAAP operating loss and operating margin | (\$51.8) | -6.7% | (\$44.5) | -4.7% |
| Share-based compensation-related charges | 153.7 | 19.9% | 211.5 | 22.4% |
| Acquisition-related costs ⁽¹⁾ | 3.4 | 0.4% | 13.1 | 1.3% |
| Amortization expense of acquired intangible assets | 16.7 | 2.2% | 23.5 | 2.5% |
| Litigation-related charges ⁽²⁾ | - | 0.0% | 1.8 | 0.2% |
| Non-GAAP operating income and operating margin | <u>\$122.0</u> | <u>15.8%</u> | <u>\$205.4</u> | <u>21.7%</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.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – EPS

| Non-GAAP net income per share, diluted: | Q1'20 | Q1'21 |
|---|---------------|---------------|
| GAAP net loss per share, diluted | (\$0.62) | (\$0.97) |
| Share-based compensation-related charges | 1.56 | 2.17 |
| Acquisition-related cost ⁽¹⁾ | 0.04 | 0.14 |
| Amortization expense of acquired intangibles assets | 0.17 | 0.25 |
| Litigation-related charges ⁽²⁾ | 0.00 | 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) | 0.00 |
| Income tax and other tax adjustments related to the above | (0.25) | (0.36) |
| Non-GAAP net income per share, diluted | <u>\$1.05</u> | <u>\$1.62</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): | Q1'20 | Q1'21 |
|--|---------|---------|
| Net cash provided by operating activities | \$225.2 | \$534.9 |
| Less: purchases of property, equipment, and other assets | 47.2 | 29.6 |
| Free cash flow (non-GAAP) | \$178.0 | \$505.3 |
| Add: capital expenditures for new headquarters ⁽¹⁾ | 22.7 | - |
| Less: cash reimbursement (payments), net related to landlord lease amendment | (2.0) | - |
| Adjusted free cash flow (non-GAAP) | \$202.7 | \$505.3 |
| <i>Free cash flow margin (non-GAAP)</i> | 23.1 % | 53.4 % |
| <i>Adjusted free cash flow margin (non-GAAP)</i> | 26.3 % | 53.4 % |

⁽¹⁾ Consists of capital expenditures for new headquarters.
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 | \$2,282.1 | 73.8% | \$ 126.8 | 39.9% | \$2,408.9 | 70.7% |
| Share-based compensation-related charges | 79.8 | 2.6% | 14.1 | 4.4% | 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 | \$2,373.5 | 76.8% | \$ 201.6 | 63.4% | \$2,575.1 | 75.6% |

⁽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 | \$336.8 | 10.9% | \$ (515.8) | -162.2% | (\$179.0) | -5.25% |
| Share-based compensation-related charges | 499.5 | 16.2% | 186.0 | 58.5% | 685.5 | 20.11% |
| Acquisition-related costs ⁽¹⁾ | 6.4 | 0.2% | 9.3 | 2.9% | 15.7 | 0.46% |
| Amortization expense of acquired intangible assets | 9.3 | 0.3% | 67.1 | 21.1% | 76.4 | 2.24% |
| Litigation-related charges ⁽²⁾ | 3.6 | 0.1% | - | 0.0% | 3.6 | 0.11% |
| Gain related to facility exit ⁽³⁾ | (2.8) | -0.1% | (0.3) | -0.1% | (3.1) | -0.09% |
| Non-GAAP operating income (loss) and operating margin | \$852.8 | 27.6% | \$ (253.7) | -79.8% | \$599.1 | 17.6% |

⁽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.

Thank you

