Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2026

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-35594

PALO ALTO NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-2530195**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3000 Tannery Way
Santa Clara, California 95054
(Address of principal executive offices) (Zip Code)

(408) 753-4000
(Registrant's telephone number, including area code)
NA

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.0001 par value per share	PANW	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of November 11, 2026 was 821 million.

Table of Contents

		Page
	PART I - FINANCIAL INFORMATION	
Item 1.	Financial Statements	2
	Condensed Consolidated Balance Sheets as of October 31, 2026 and July 31, 2026	2
	Condensed Consolidated Statements of Operations for the Three Months Ended October 31, 2026 and October 31, 2025	3
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended October 31, 2026 and October 31, 2025	4
	Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended October 31, 2026 and October 31, 2025	5
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended October 31, 2026 and October 31, 2025	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	39
	PART II - OTHER INFORMATION	
Item 1.	Legal Proceedings	40
Item 1A.	Risk Factors	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	63
Item 5.	Other Information	63
Item 6.	Exhibits	64
	Signatures	65

Part I

Item 1. Financial Statements

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	October 31, 2026 (unaudited)	July 31, 2026
Assets		
Current assets:		
Cash and cash equivalents	$ 2,594	$ 2,514
Short-term investments	461	557
Accounts receivable, net of allowance for credit losses of $6 and $4 as of October 31, 2026 and July 31, 2026, respectively	2,045	3,629
Short-term financing receivables, net	606	592
Short-term deferred contract costs	544	544
Prepaid expenses and other current assets	1,200	807
Total current assets	7,450	8,643
Property and equipment, net	602	523
Operating lease right-of-use assets	688	700
Long-term investments	6,080	4,835
Long-term financing receivables, net	791	944
Long-term deferred contract costs	617	667
Goodwill	22,559	22,010
Intangible assets, net	6,869	7,017
Deferred tax assets	2,728	2,443
Other assets	726	678
Total assets	$ 49,110	$ 48,460
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 306	$ 290
Accrued compensation	590	1,048
Accrued and other liabilities	800	838
Deferred revenue	7,730	7,747
Short-term convertible senior notes	1,930	—
Total current liabilities	11,356	9,923
Long-term convertible senior notes	—	1,774
Long-term deferred revenue	6,859	7,009
Deferred tax liabilities	219	251
Long-term operating lease liabilities	711	726
Other long-term liabilities	1,300	1,285
Total liabilities	20,445	20,968
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock; $0.0001 par value; 100 shares authorized; none issued and outstanding as of October 31, 2026 and July 31, 2026	—	—
Common stock and additional paid-in capital; $0.0001 par value; 2,000 shares authorized; 819 and 815 shares issued and outstanding as of October 31, 2026 and July 31, 2026, respectively	25,505	24,772
Accumulated other comprehensive loss	(113)	(71)
Retained earnings	3,273	2,791
Total stockholders' equity	28,665	27,492
Total liabilities and stockholders' equity	$ 49,110	$ 48,460

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share data)

	Three Months Ended October 31,	
	2026	**2025**
Revenue:		
Product	$ 595	$ 434
Subscription and support	2,850	2,040
Total revenue	3,445	2,474
Cost of revenue:		
Product	206	89
Subscription and support	897	549
Total cost of revenue	1,103	638
Total gross profit	2,342	1,836
Operating expenses:		
Research and development	798	528
Sales and marketing	1,167	820
General and administrative	281	179
Total operating expenses	2,246	1,527
Operating income	96	309
Other income (expense), net	(71)	103
Income before income taxes	25	412
Provision for (benefit from) income taxes	(457)	78
Net income	$ 482	$ 334
Net income per share, basic	$ 0.59	$ 0.49
Net income per share, diluted	$ 0.57	$ 0.47
Weighted-average shares used to compute net income per share, basic	819	679
Weighted-average shares used to compute net income per share, diluted	838	709

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three Months Ended October 31,	
	2026	**2025**
Net income	$ 482	$ 334
Other comprehensive income, net of tax:		
Change in unrealized gains (losses) on investments	(30)	25
Cash flow hedges:		
Change in unrealized gains (losses)	(16)	7
Net realized (gains) losses reclassified into earnings	3	(13)
Net change on cash flow hedges	(13)	(6)
Change in fair value of convertible senior notes attributable to instrument-specific credit risk	1	—
Other comprehensive income (loss)	(42)	19
Comprehensive income	$ 440	$ 353

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, in millions)

	Three Months Ended October 31, 2026				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2026	815	$ 24,772	$ (71)	$ 2,791	$ 27,492
Net income	—	—	—	482	482
Other comprehensive loss	—	—	(42)	—	(42)
Issuance of common stock in connection with employee equity incentive plans	4	116	—	—	116
Taxes paid related to net share settlement of equity awards	—	(3)	—	—	(3)
Share-based compensation for equity-based awards	—	593	—	—	593
Reclassification of deferred compensation liability to (from) equity	—	(2)	—	—	(2)
Replacement awards related to business acquisitions	—	29	—	—	29
Balance as of October 31, 2026	819	$ 25,505	$ (113)	$ 3,273	$ 28,665

	Three Months Ended October 31, 2025				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2025	668	$ 5,292	$ 48	$ 2,484	$ 7,824
Net income	—	—	—	334	334
Other comprehensive income	—	—	19	—	19
Issuance of common stock in connection with employee equity incentive plans	4	129	—	—	129
Taxes paid related to net share settlement of equity awards	—	(1)	—	—	(1)
Share-based compensation for equity-based awards	—	370	—	—	370
Reclassification of deferred compensation liability to (from) equity	—	(10)	—	—	(10)
Settlement of warrants	20	—	—	—	—
Balance as of October 31, 2025	692	$ 5,780	$ 67	$ 2,818	$ 8,665

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended October 31,	
	2026	2025
Cash flows from operating activities		
Net income	$ 482	$ 334
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation for equity-based awards	596	370
Deferred income taxes	(306)	9
Depreciation and amortization	347	89
Amortization of deferred contract costs	185	126
Change in fair value of convertible senior notes and capped calls	141	—
Change in fair value of contingent consideration liability	2	(13)
Reduction of operating lease right-of-use assets	22	18
Amortization of investment premiums, net of accretion of purchase discounts	—	(7)
Unrealized foreign currency exchange (gains) losses, net	(9)	—
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	1,586	1,622
Financing receivables, net	139	125
Deferred contract costs	(135)	(82)
Prepaid expenses and other assets	(470)	(33)
Accounts payable	16	(2)
Accrued compensation	(455)	(210)
Accrued and other liabilities	(39)	(53)
Deferred revenue	(173)	(522)
Net cash provided by operating activities	1,929	1,771
Cash flows from investing activities		
Purchases of investments	(1,537)	(1,401)
Proceeds from sales of investments	69	30
Proceeds from maturities of investments	279	474
Business acquisitions, net of cash and restricted cash acquired	(624)	(2)
Purchases of property, equipment, and other assets	(87)	(84)
Net cash used in investing activities	(1,900)	(983)
Cash flows from financing activities		
Proceeds from sales of shares through employee equity incentive plans	117	130
Payments for taxes related to net share settlement of equity awards	(3)	(1)
Payments of contingent consideration liability	(64)	(121)
Net cash provided by financing activities	50	8
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1	—
Net increase in cash, cash equivalents, and restricted cash	80	796
Cash, cash equivalents, and restricted cash—beginning of period	2,523	2,279
Cash, cash equivalents, and restricted cash—end of period	$ 2,603	$ 3,075
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	$ 2,594	$ 3,066
Restricted cash included in prepaid expenses and other current assets	5	9
Restricted cash included in other assets	4	—
Total cash, cash equivalents, and restricted cash	$ 2,603	$ 3,075

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Palo Alto Networks, Inc. (the "Company," "we," "us," or "our"), headquartered in Santa Clara, California, was incorporated in March 2005 under the laws of the State of Delaware and commenced operations in April 2005. Our platforms and services help secure enterprise users, networks, clouds, endpoints, artificial intelligence ("AI") apps and agents, and identities by delivering comprehensive cybersecurity backed by AI and automation, and provide real-time visibility and monitoring across cloud infrastructure, applications, and AI workloads.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended July 31, 2026, filed with the Securities and Exchange Commission ("SEC") on September 10, 2026. The condensed consolidated financial statements include our accounts and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements are unaudited but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. Our condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended July 31, 2026.

Reclassification

Certain prior period amounts in the condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current presentation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the condensed consolidated financial statements and the accompanying notes. We evaluate our estimates on an ongoing basis. Management estimates include, but are not limited to, the standalone selling price for our products and services, share-based compensation, fair value of assets acquired and liabilities assumed in business combinations, fair value of contingent consideration liability, fair value of our capped call transactions ("Capped Calls"), fair value of our reporting units, the assessment of recoverability of our intangibles and goodwill, valuation allowance against deferred tax assets, valuation of inventory and manufacturing partner and supplier liabilities, deferred contract cost benefit period, loss contingencies, and government grants. We base our estimates on assumptions, both historical and forward looking, that we believe are reasonable. Actual results could differ materially from those estimates due to risks and uncertainties.

Summary of Significant Accounting Policies

There have been no material changes to our significant accounting policies as of and for the three months ended October 31, 2026, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2026, except for the updates to the disclosure of our accounting policies as described below. Refer to Note 8. Goodwill and Intangible Assets, Note 15. Government Grants, and Note 18. Segment Information for additional information.

Impairment of Goodwill

We allocate goodwill to our reporting units according to the anticipated benefits resulting from business combinations. We assess the composition of our reporting units, which are the same as our operating segments, annually, and when there are changes in our operating segments. For changes in reporting units, we reassign goodwill to each reporting unit based on their relative fair values. Goodwill is evaluated for impairment annually at the reporting unit level in the fourth quarter of our fiscal year and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If we determine that it is more likely than not that the fair value is less than its carrying amount, then the quantitative impairment test will be performed. Under the quantitative impairment test, if the reporting unit's carrying amount exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess but limited to the total amount of goodwill for that reporting unit.

Government Grants

Government grants are recognized in the period when it is probable that we will comply with the conditions attached to the grant and will receive the grant, which can be when corresponding qualifying expenses are incurred or when uncertainty is resolved. We have elected to present grants as a reduction to the related expenses on our condensed consolidated statements of operations.

Recently Adopted Accounting Pronouncements

Measurement of Credit Losses for Accounts Receivable and Contract Assets

In July 2025, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that provides a practical expedient for estimating expected credit losses on accounts receivable and contract assets. We adopted this standard in the first quarter of fiscal 2027 on a prospective basis. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

Expense Disaggregation Disclosures

In November 2024, the FASB issued authoritative guidance that expands annual and interim disclosure of specified information about certain costs and expenses in the notes to financial statements. The standard is effective for our annual periods beginning in fiscal 2028 and interim periods beginning in the first quarter of fiscal 2029, and can be applied either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact of this standard on our disclosures in the consolidated financial statements.

Accounting for Internal-Use Software

In September 2025, the FASB issued authoritative guidance that modernizes the accounting for internal-use software by eliminating project stage-based capitalization and clarifying the requirements, including probable-to-complete threshold, to commence the capitalization of software development costs. The standard is effective for our annual and interim periods beginning in the first quarter of fiscal 2029 and can be applied either prospectively or retrospectively. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

Hedge Accounting Improvements

In November 2025, the FASB issued authoritative guidance that clarifies and improves the existing hedge accounting guidance to better reflect the economics of an entity's risk management activities. The standard is effective for our annual and interim periods beginning in the first quarter of fiscal 2028 and will be applied on a prospective basis. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial statements.

2. Revenue

Disaggregation of Revenue

The following table presents revenue by geographic theater (in millions):

	Three Months Ended October 31,	
	2026	**2025**
Revenue:		
Americas		
United States	$ 2,148	$ 1,526
Other Americas	177	115
Total Americas	2,325	1,641
Europe, the Middle East, and Africa ("EMEA")	728	521
Asia Pacific and Japan ("APAC")	392	312
Total revenue	$ 3,445	$ 2,474

Deferred Revenue

During the three months ended October 31, 2026 and 2025, we recognized approximately $2.4 billion and $1.9 billion of revenue pertaining to amounts that were deferred as of July 31, 2026 and 2025, respectively.

Remaining Performance Obligations

Remaining performance obligations were $21.0 billion as of October 31, 2026, of which we expect to recognize as revenue approximately $9.4 billion over the next 12 months and the remainder thereafter.

3. Fair Value Measurements

The following table presents our financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2026 and July 31, 2026 (in millions):

	October 31, 2026				July 31, 2026			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$ 1,039	$ —	$ —	$ 1,039	$ 1,514	$ —	$ —	$ 1,514
Commercial paper	—	492	—	492	—	123	—	123
Total cash equivalents	1,039	492	—	1,531	1,514	123	—	1,637
Short-term investments:								
Commercial paper	—	—	—	—	—	10	—	10
Corporate debt securities	—	314	—	314	—	374	—	374
U.S. government and agency securities	—	75	—	75	—	2	—	2
Asset-backed securities	—	—	—	—	—	6	—	6
Total short-term investments	—	389	—	389	—	392	—	392
Long-term investments:								
Corporate debt securities	—	4,749	—	4,749	—	3,843	—	3,843
U.S. government and agency securities	—	110	—	110	—	68	—	68
Non-U.S. government and agency securities	—	27	—	27	—	21	—	21
Asset-backed securities	—	1,194	—	1,194	—	903	—	903
Total long-term investments	—	6,080	—	6,080	—	4,835	—	4,835
Prepaid expenses and other current assets:								
Capped calls related to convertible senior notes	—	169	—	169	—	—	—	—
Foreign currency forward contracts	—	2	—	2	—	18	—	18
Total prepaid expenses and other current assets	—	171	—	171	—	18	—	18
Other assets:								
Capped calls related to convertible senior notes	—	—	—	—	—	153	—	153
Total other assets	—	—	—	—	—	153	—	153
Total assets measured at fair value	$ 1,039	$ 7,132	$ —	$ 8,171	$ 1,514	$ 5,521	$ —	$ 7,035

	October 31, 2026				July 31, 2026			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Short-term convertible senior notes	$ —	$ 1,930	$ —	$ 1,930	$ —	$ —	$ —	$ —
Accrued and other liabilities:								
Foreign currency forward contracts	—	41	—	41	—	24	—	24
Deferred compensation liability	6	—	—	6	5	—	—	5
Contingent consideration	—	—	92	92	—	—	116	116
Total accrued and other liabilities	6	41	92	139	5	24	116	145
Long-term convertible senior notes	—	—	—	—	—	1,774	—	1,774
Other long-term liabilities:								
Deferred compensation liability	405	—	—	405	400	—	—	400
Contingent consideration	—	—	52	52	—	—	90	90
Total other long-term liabilities	405	—	52	457	400	—	90	490
Total liabilities measured at fair value	$ 411	$ 1,971	$ 144	$ 2,526	$ 405	$ 1,798	$ 206	$ 2,409

As part of our acquisition of certain QRadar assets from International Business Machines Corporation (“IBM”) on August 31, 2024, we agreed to make post-closing payments to IBM contingent upon customers entering into qualified new transactions through June 30, 2028. Payments related to the contingent consideration liability commenced in the fiscal quarter ended October 31, 2025 and are expected to continue through the fiscal quarter ending October 31, 2028. The estimated range of undiscounted contingent consideration is between $0.3 billion and $0.5 billion.

The fair value of our contingent consideration liability is estimated using a discounted cash flow valuation technique. We consider the fair value of our contingent consideration liability to be a Level 3 measurement as we use unobservable inputs in determining discounted cash flows to estimate the fair value. The significant unobservable inputs include an estimate of future cash payments related to customers entering into qualified new transactions, as well as a risk-adjusted discount rate used to present value the expected cash flows. A significant change in any of these assumptions could have a material impact to the fair value of our contingent consideration liability.

The following table presents a reconciliation of our contingent consideration liability (in millions):

	Three Months Ended October 31,	
	2026	2025
Contingent consideration liability at the beginning of the period	$ 206	$ 514
Change in fair value	2	(13)
Payments	(64)	(121)
Contingent consideration liability at the end of the period	$ 144	$ 380

The total estimated fair value of our financing receivables approximates their carrying amounts as of October 31, 2026 and July 31, 2026. We consider the fair value of our financing receivables to be a Level 3 measurement as we use unobservable inputs in determining discounted cash flows to estimate the fair value.

4. Cash Equivalents and Investments

Available-for-sale Debt Securities

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities as of October 31, 2026 and July 31, 2026 (in millions):

	October 31, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	$ 491	$ 1	$ —	$ 492
Total available-for-sale cash equivalents	$ 491	$ 1	$ —	$ 492
Investments:				
Corporate debt securities	$ 5,121	$ 5	$ (63)	$ 5,063
U.S. government and agency securities	187	—	(2)	185
Non-U.S. government and agency securities	27	—	—	27
Asset-backed securities	1,200	2	(8)	1,194
Total available-for-sale investments	$ 6,535	$ 7	$ (73)	$ 6,469

	July 31, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	$ 123	$ —	$ —	$ 123
Total available-for-sale cash equivalents	$ 123	$ —	$ —	$ 123
Investments:				
Commercial paper	$ 10	$ —	$ —	$ 10
Corporate debt securities	4,241	8	(32)	4,217
U.S. government and agency securities	70	—	—	70
Non-U.S. government and agency securities	21	—	—	21
Asset-backed securities	910	2	(3)	909
Total available-for-sale investments	$ 5,252	$ 10	$ (35)	$ 5,227

Unrealized losses related to our available-for-sale debt securities are primarily due to interest rate fluctuations as opposed to credit quality. We do not intend to sell any of the securities in an unrealized loss position and it is not likely that we would be required to sell these securities before recovery of their amortized cost basis, which may be at maturity. We did not recognize any credit losses related to our available-for-sale debt securities during the three months ended October 31, 2026 and 2025.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of October 31, 2026, by contractual years-to-maturity (in millions):

	Amortized Cost	Fair Value
Due within one year	$ 881	$ 881
Due between one and three years	2,527	2,518
Due between three and five years	3,098	3,045
Due between five and ten years	328	328
Due after ten years	192	189
Total	$ 7,026	$ 6,961

Marketable Equity Securities

Marketable equity securities consist of money market funds and are included in cash and cash equivalents on our condensed consolidated balance sheets. As of October 31, 2026 and July 31, 2026, the carrying values of our marketable equity securities were $1.0 billion and $1.5 billion, respectively. There were no unrealized gains or losses recognized for these securities during the three months ended October 31, 2026 and 2025.

5. Financing Receivables

The following table summarizes our short-term and long-term financing receivables as of October 31, 2026 and July 31, 2026 (in millions):

	October 31, 2026	July 31, 2026
Short-term financing receivables, gross	$ 680	$ 671
Unearned income	(69)	(74)
Allowance for credit losses	(5)	(5)
Short-term financing receivables, net	$ 606	$ 592
Long-term financing receivables, gross	$ 852	$ 1,013
Unearned income	(54)	(61)
Allowance for credit losses	(7)	(8)
Long-term financing receivables, net	$ 791	$ 944

The following table presents amortized cost basis of our financing receivables categorized by internal risk rating and year of origination (in millions):

	October 31, 2026						July 31, 2026					
	Fiscal Year of Origination						Fiscal Year of Origination					
Internal Risk Rating[1]	2027	2026	2025	2024	2023	Total	2026	2025	2024	2023	2022	Total
1 to 4	$ 5	$ 410	$ 180	$ 318	$ 84	$ 997	$ 411	$ 208	$ 438	$ 102	$ 5	$ 1,164
5 to 6	—	177	81	112	7	377	156	92	85	9	—	342
7 to 10	—	—	31	4	—	35	—	32	10	1	—	43
Amortized cost basis of financing receivables	$ 5	$ 587	$ 292	$ 434	$ 91	$ 1,409	$ 567	$ 332	$ 533	$ 112	$ 5	$ 1,549

[1] Internal risk ratings are categorized as 1 through 10, with the lowest rating representing the highest quality.

There was no significant activity in allowance for credit losses during the three months ended October 31, 2026 and 2025. Past due amounts on financing receivables were not material as of October 31, 2026 and July 31, 2026.

6. Derivative Instruments

We are exposed to foreign currency exchange risk. Our sales contracts are primarily denominated in U.S. dollars. A portion of our operating expenditures are denominated in foreign currencies, making them subject to fluctuations in foreign currency exchange rates. We enter into foreign currency derivative contracts with maturities of 24 months or less, which we designate as cash flow hedges, to manage the foreign currency exchange risk associated with our revenue and operating expenditures.

As of October 31, 2026 and July 31, 2026, the total notional amount of our outstanding foreign currency forward contracts designated as cash flow hedges was $1.3 billion and $1.7 billion, respectively. Refer to Note 3. Fair Value Measurements for the fair value of our derivative instruments as reported on our condensed consolidated balance sheets as of October 31, 2026 and July 31, 2026.

As of October 31, 2026, unrealized gains and losses in accumulated other comprehensive income (loss) (“AOCI”) related to our cash flow hedges were a net loss of $32 million, substantially all of which is expected to be recognized into earnings within the next 12 months. As of July 31, 2026, unrealized gains and losses in AOCI related to our cash flow hedges were a net loss of $15 million.

As of October 31, 2026 and July 31, 2026, the notional amount of our outstanding foreign currency forward contracts not designated as hedging instruments was $515 million and $522 million, respectively.

7. Acquisitions

Embrace Mobile, Inc.

On August 27, 2026, we completed our acquisition of Embrace Mobile, Inc. (“Embrace”), a privately-held user-focused observability company that will add high-fidelity Real User Monitoring capabilities to our next-generation observability platform.

The total purchase consideration for the acquisition of Embrace was $292 million, which consisted of the following (in millions):

		Amount
Cash	$	287
Fair value of replacement awards		3
Consideration payable		2
Total	$	292

As part of the acquisition, we issued $38 million of replacement equity awards, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

We have accounted for this transaction as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on preliminary estimated fair values, as presented in the following table (in millions):

		Amount
Goodwill	$	190
Identified intangible assets		104
Cash and cash equivalents		2
Net liabilities assumed		(4)
Total	$	292

Goodwill was assigned to our Cortex segment. Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Embrace’s technology into our platforms. The goodwill is not deductible for U.S. income tax purposes.

The following table presents details of the identified intangible assets acquired (in millions, except years):

		Fair Value	Estimated Useful Life
Platform renewals	$	84	16 years
Developed technology		20	5 years
Total	$	104	

Console Systems, Inc.

On September 1, 2026, we completed our acquisition of Console Systems, Inc. (“Console”), a privately-held company providing an AI-native platform that enables agentic workflows across enterprise operations. The acquisition will deepen our agentic capabilities in Cortex.

The total purchase consideration for the acquisition of Console was $393 million, which consisted of the following (in millions):

		Amount
Cash	$	347
Fair value of replacement awards		26
Consideration payable		20
Total	$	393

As part of the acquisition, we issued $124 million of replacement equity awards, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

We have accounted for this transaction as a business combination and allocated the purchase consideration to assets acquired and liabilities assumed based on preliminary estimated fair values, as presented in the following table (in millions):

	Amount
Goodwill	$ 354
Identified intangible asset	31
Cash and cash equivalents	8
Total	$ 393

Goodwill was assigned to our Cortex segment. Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Console's technology into our platforms. The goodwill is not deductible for U.S. income tax purposes.

The following table presents details of the identified intangible asset acquired (in millions, except years):

	Fair Value	Estimated Useful Life
Developed technology	$ 31	3 years

Pro forma results of operations have not been presented because the effects of the acquisitions were not material to our condensed consolidated statements of operations.

Additional information related to the acquisitions existing as of the acquisition dates may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition dates, which may result in changes to the amounts and allocations recorded.

8. Goodwill and Intangible Assets

Due to the change in our operating segments in the first quarter of fiscal 2027, we reevaluated our reporting units and reassigned goodwill to each reporting unit based on their relative fair value. Refer to Note 18. Segment Information, for more information on our reportable segments.

The following table presents details of our goodwill during the three months ended October 31, 2026 (in millions):

	Network & AI Security	Cortex	Idira	Total
Balance as of July 31, 2026				$ 22,010
Measurement period adjustment				5
Goodwill allocation due to change in reporting units	$ 11,304	$ 7,471	$ 3,240	22,015
Goodwill acquired	—	544	—	544
Balance as of October 31, 2026	$ 11,304	$ 8,015	$ 3,240	$ 22,559

We completed a goodwill impairment assessment for the reporting units immediately before and after the reallocation and determined that goodwill was not impaired.

Purchased Intangible Assets

The following table presents details of our purchased intangible assets as of October 31, 2026 and July 31, 2026 (in millions):

	October 31, 2026			July 31, 2026		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Developed technology	$ 3,401	$ (719)	$ 2,682	$ 3,402	$ (614)	$ 2,788
Customer relationships and platform renewals	4,440	(410)	4,030	4,356	(320)	4,036
Customer contracts	219	(82)	137	219	(55)	164
Acquired intellectual property	24	(12)	12	24	(12)	12
Trade name and trademarks	33	(25)	8	33	(16)	17
Total purchased intangible assets	$ 8,117	$ (1,248)	$ 6,869	$ 8,034	$ (1,017)	$ 7,017

The following table summarizes amortization expense of our intangible assets included in costs and expenses (in millions):

	Three Months Ended October 31,	
	2026	2025
Cost of product revenue	$ 37	$ —
Cost of subscription and support revenue	148	26
Sales and marketing	98	14
Total intangible assets amortization	$ 283	$ 40

The following table summarizes estimated future amortization expense of our intangible assets subject to amortization as of October 31, 2026 (in millions):

		Fiscal years ending July 31,					
	Total	Remaining 2027	2028	2029	2030	2031	2032 and Thereafter
Future amortization expense	$ 6,869	$ 817	$ 1,009	$ 928	$ 902	$ 676	$ 2,537

9. Debt

Convertible Senior Notes and Warrants

In June 2020, we issued $2.0 billion aggregate principal amount of 0.375% Convertible Senior Notes due 2025 (the “2025 Notes”). The 2025 Notes were converted prior to or settled on the maturity date of June 1, 2025 in accordance with their terms.

Separately, but concurrently with the issuance of our 2025 Notes, we entered into transactions whereby we sold warrants (the “2025 Warrants”) to acquire 40 million shares of our common stock with a strike price of $68.08 per share, subject to anti-dilution adjustments, for aggregate proceeds of $203 million. The 2025 Warrants were exercisable over 60 scheduled trading days beginning September 2025. The shares that were issuable under the 2025 Warrants were included in the calculation of diluted earnings per share when the average market value per share of our common stock for the reporting period exceeded the strike price of the 2025 Warrants.

During the three months ended October 31, 2025, we net settled a portion of the 2025 Warrants with the issuance of 20 million shares of our common stock with a fair value of $4.1 billion. The number of net shares issued was determined based on the number of 2025 Warrants exercised multiplied by the difference between the strike price of the 2025 Warrants and their daily volume-weighted-average stock price.

2030 Convertible Senior Notes and Capped Calls

2030 Convertible Senior Notes

In February 2026, in connection with the acquisition of CyberArk Software Ltd. ("CyberArk"), we entered into a supplemental indenture (the "Supplemental Indenture") to the Indenture, dated as of June 10, 2025 (together with the Supplemental Indenture, the "Indenture"), between CyberArk, as issuer, and U.S. Bank Trust Company, National Association, as trustee, governing CyberArk's $1.25 billion aggregate principal amount of 0.0% Convertible Senior Notes due 2030 (the "2030 Notes"). As a result of our acquisition of CyberArk and pursuant to the Supplemental Indenture, the 2030 Notes are no longer convertible into ordinary shares of CyberArk. The conversion feature has been modified such that each $1,000 principal amount of the 2030 Notes is exchangeable for a combination of (i) approximately 4.3161 shares of our common stock, which is the effective initial conversion rate, and (ii) cash of $88.2630, subject to adjustment under the Indenture. These modifications result in the 2030 Notes being exchangeable initially for 5.4 million shares of our common stock with an effective initial conversion price of approximately $211.24 per share of common stock, subject to adjustments, and an initial cash amount of $110 million. The 2030 Notes are unsecured, unsubordinated obligations, and the Indenture does not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by us or any of our subsidiaries. The 2030 Notes mature on June 15, 2030.

On or after June 20, 2028, and on or prior to the 31st scheduled trading day immediately preceding the maturity date, we may redeem for cash all or, subject to certain limitations, any portion of the 2030 Notes if the last reported sale price of our common stock has been at least $280.75 per share for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day preceding the date on which we provide notice of redemption. Any redemption of the 2030 Notes will be at a price equal to 100% of the principal amount of the 2030 Notes, plus accrued and unpaid special interest, if any, up to, but excluding, the redemption date. If we call any or all of the 2030 Notes for redemption, holders may convert such 2030 Notes called for redemption at an increased conversion rate at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date.

Holders of the 2030 Notes may surrender their 2030 Notes for conversion at their option at any time prior to the close of business on the business day immediately preceding February 15, 2030 under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ended on September 30, 2025 (and only during such calendar quarter), if the last reported sale price of our common stock is greater than or equal to $280.75 per share of our common stock on each applicable trading day for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter (the "sale price condition");
- during the five business day period immediately after any ten consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of the 2030 Notes for each trading day of the measurement period was less than 98% of the aggregate of (i) the product of the last reported sale price of our common stock on each such trading day and the conversion rate for the 2030 Notes on each such trading day and (ii) $88.2630; or
- upon the occurrence of specified corporate events as described in the Indenture.

On or after February 15, 2030, holders may surrender all or, subject to certain limitations, any portion of their 2030 Notes for conversion at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, and such conversions will be settled upon the maturity date.

Upon any conversion of the 2030 Notes, holders of the 2030 Notes will receive cash equal to the aggregate principal amount of the 2030 Notes to be converted, and, at our election, cash or a combination of cash and shares of our common stock for any amounts in excess of the aggregate principal amount of the 2030 Notes converted. The conversion rate will be subject to adjustment in connection with certain events. Holders of the 2030 Notes who convert their 2030 Notes in connection with certain corporate events that constitute a "make-whole fundamental change" under the Indenture are, under certain circumstances, entitled to an increase in the conversion rate for a certain period of time. Additionally, following the occurrence of a corporate event that constitutes a "fundamental change" under the Indenture, holders of the 2030 Notes may require us to repurchase for cash all or a portion of the 2030 Notes at a repurchase price equal to 100% of the principal amount of the 2030 Notes plus accrued and unpaid special interest, if any, up to, but excluding, the fundamental change repurchase date.

Our acquisition of CyberArk constituted both a “make-whole fundamental change” and a “fundamental change” under the Indenture. In connection with the make-whole fundamental change, holders had the option to convert all or a portion of their 2030 Notes at an increased conversion rate equal to a combination of approximately 5.5690 shares of our common stock and $113.8860 in cash per $1,000 principal amount (the “make-whole conversion right”). We elected cash settlement as the settlement method for any 2030 Notes surrendered during the make-whole fundamental change period. Certain holders of the 2030 Notes surrendered $153 million in aggregate principal amount of the 2030 Notes during the make-whole fundamental change period for conversion, which were settled for $160 million in cash on May 7, 2026. In connection with the fundamental change, holders had the right to tender all or a portion of their 2030 Notes for cash (the “repurchase right”) pursuant to our offer to purchase in accordance with the obligations under the 2030 Notes. No holders exercised the repurchase right to tender their 2030 Notes. The make-whole conversion right and repurchase right resulting from our acquisition of CyberArk expired on March 20, 2026.

As of October 31, 2026, the remaining outstanding principal balance of the 2030 Notes was $1.1 billion. The sale price condition for the 2030 Notes was met during the calendar quarter ended September 30, 2026, and as a result, holders may convert their 2030 Notes during the calendar quarter ending December 31, 2026. As of October 31, 2026, the 2030 Notes were classified as a current liability on our condensed consolidated balance sheet.

The related fair value of $1.9 billion as of October 31, 2026 was determined based on the closing trading price per $100 of the 2030 Notes as of the last day of trading for the period. The fair value of the 2030 Notes is primarily affected by the trading price of our common stock and market interest rates.

For the three months ended October 31, 2026, change in fair value of 2030 Notes included in earnings was a loss of $157 million, and change in fair value attributable to instrument-specific credit risk included in AOCI was a gain of $1 million.

Capped Calls

In connection with our acquisition of CyberArk, on February 11, 2026, we entered into amendments to the Capped Calls that CyberArk purchased from certain financial institutions in connection with the issuance of the 2030 Notes. Under the amendments, we assumed the rights and obligations of CyberArk with respect to the Capped Calls and modified the Capped Calls to require the delivery of shares of our common stock in lieu of ordinary shares of CyberArk. The Capped Calls have a strike price of approximately $211.24 per share, subject to certain adjustments, which corresponds to the effective initial conversion price of our 2030 Notes. The Capped Calls have cap prices ranging from approximately $287.21 to $291.44 per share, subject to certain adjustments. In connection with exercising the Capped Calls, we may elect that the Capped Calls be settled either entirely in cash or a combination of our common stock and cash. The Capped Calls are separate transactions from the 2030 Notes, and holders of the 2030 Notes do not have any rights with respect to the Capped Calls.

The Capped Calls cover shares of our common stock underlying the 2030 Notes, subject to anti-dilution adjustments substantially similar to those applicable to the 2030 Notes. In April 2026, we elected to terminate portions of the Capped Calls in exchange for $10 million in cash in connection with the $153 million in aggregate principal amount of the 2030 Notes surrendered by certain holders during the make-whole fundamental change period.

As of October 31, 2026, the fair value of the outstanding Capped Calls was $169 million, determined using the Black-Scholes option pricing model and observable inputs, including the price of our common stock, volatility, remaining contractual term, and risk-free interest rate. For the three months ended October 31, 2026, change in fair value of Capped Calls included in earnings was a gain of $16 million. As of October 31, 2026, the Capped Calls were presented in prepaid expenses and other current assets on our condensed consolidated balance sheet.

Revolving Credit Facility

On April 13, 2023, we entered into a credit agreement (the “Credit Agreement”) with certain institutional lenders that provides for a $400 million unsecured revolving credit facility (the “Credit Facility”), with an option to increase the amount of the Credit Facility by up to an additional $350 million, subject to certain conditions. The Credit Facility matures on April 13, 2028.

The borrowings under the Credit Facility bear interest, at our option, at a base rate plus a spread of 0.000% to 0.375%, or an adjusted term Secured Overnight Financing Rate plus a spread of 1.000% to 1.375%, in each case with such spread being determined based on our leverage ratio. We are obligated to pay an ongoing commitment fee on undrawn amounts at a rate of 0.090% to 0.150%, depending on our leverage ratio. The interest rates and commitment fees are also subject to upward and downward adjustments based on our progress towards the achievement of certain sustainability goals.

As of October 31, 2026, there were no amounts outstanding and no default or event of default has occurred under the Credit Agreement.

10. Commitments and Contingencies

Purchase Commitments

We have entered into various non-cancelable agreements with cloud hosting service providers, under which we are committed to minimum or fixed purchases of certain cloud hosting services. In addition, in order to reduce manufacturing lead times and plan for adequate supply, we have entered into agreements with manufacturing partners and component suppliers to procure inventory based on our demand forecasts. Other purchase obligations include non-cancelable subscription agreements and other commitments in the normal course of business. The following table presents details of the aggregate future non-cancelable purchase commitments under these agreements as of October 31, 2026 (in millions):

		Fiscal years ending July 31,					
	Total	Remaining 2027	2028	2029	2030	2031	2032 and Thereafter
Cloud	$ 7,424	$ 1	$ 1,221	$ 1,260	$ 1,411	$ 1,738	$ 1,793
Manufacturing	402	398	4	—	—	—	—
Other	167	105	35	17	10	—	—
Total	$ 7,993	$ 504	$ 1,260	$ 1,277	$ 1,421	$ 1,738	$ 1,793

Additionally, we have a $67 million minimum purchase commitment with a cloud hosting service provider through September 2027 with no specified annual commitments.

Litigation

We are subject to legal proceedings, claims, tax matters, and litigation arising in the ordinary course of business, including, for instance, intellectual property and patent litigation. We accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss.

Legal matters could include speculative, substantial, or indeterminate monetary amounts. Significant judgment is required to determine both the likelihood of there being a loss and the estimated amount of a loss related to such matters, and we may be unable to estimate the reasonably possible loss or range of loss. The outcomes of outstanding legal matters are inherently unpredictable, and could, either individually or in aggregate, have a material adverse effect on us and our results of operations. To the extent there is a reasonable possibility that a loss exceeding any amounts already recognized may be incurred, we will either disclose the estimated additional loss or state that such an estimate cannot be made.

The following matters arose in the ordinary course of business.

Centripetal Networks, Inc. v. Palo Alto Networks

On March 12, 2021, Centripetal Networks, Inc. (“Centripetal”), filed a lawsuit against us in the United States District Court for the Eastern District of Virginia. The lawsuit alleges that our products infringe multiple Centripetal patents. We successfully challenged certain of these patents, which were found unpatentable by the U.S. Patent and Trademark Office (“PTO”). The case went to jury trial on January 22, 2024, on four patents. On January 31, 2024, the jury returned a verdict of non-willful infringement with a lump sum amount of $152 million, plus statutory interest. After post-trial motions, a judgment was issued on October 3, 2024 affirming infringement on three patents, reversing infringement on the fourth patent, and subsequently, reducing the damages amount to $114 million. We posted a surety bond that was agreed upon by the parties and approved by the court. This bond prevents execution of the judgment while appeals are pending. In addition, Centripetal filed infringement contentions on certain of their patents in the European Patent Office and Unified Patent Court in Germany, to which we filed appropriate legal challenges. Those matters are still pending.

As of October 31, 2026 and July 31, 2026, we accrued $153 million and $151 million, respectively, based on the judgment and estimated interest, which were recorded in other long-term liabilities on our condensed consolidated balance sheets. The corresponding interest charges were $2 million and $1 million for the three months ended October 31, 2026 and 2025, respectively. These amounts were included in general and administrative expense on our condensed consolidated statements of operations.

Finjan, Inc. v. Palo Alto Networks

On November 4, 2014, Finjan, Inc. (“Finjan”), filed a lawsuit against us in the United States District Court for the Northern District of California. The lawsuit alleges that our products infringe multiple Finjan patents. The complaint requests injunctive relief, monetary damages, and attorneys’ fees. On March 21, 2025, the judge issued an order granting summary judgment of non-infringement on all remaining patents at issue. The matter is currently pending appeal. We are unable, at this time, to reasonably estimate a possible loss or potential range of loss, if any.

11. Stockholders' Equity

Share Repurchase Program

In February 2019, our board of directors authorized a $1.0 billion share repurchase program, which is funded from available working capital. Our board of directors subsequently authorized additional increases to this share repurchase program, bringing the total authorization to $5.1 billion (our "current authorization"). As of October 31, 2026, the expiration date of our current authorization was December 31, 2026. The expiration date of the authorization was subsequently extended to December 31, 2027. Refer to Note 19. Subsequent Events for additional information. Our repurchase program may be suspended or discontinued at any time. Repurchases may be made at management's discretion from time to time on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing.

We did not repurchase shares of our common stock during the three months ended October 31, 2026 and 2025.

As of October 31, 2026, $1.0 billion remained available for future share repurchases under our current repurchase authorization.

12. Equity Award Plans

Restricted Stock Unit ("RSU") and Performance-Based Stock Unit ("PSU") Activities

The following table summarizes the RSU and PSU activity under our stock plans during the three months ended October 31, 2026 (in millions, except per share amounts):

	Unvested RSUs		Unvested PSUs	
	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
Balance as of July 31, 2026	17	$ 177.41	8	$ 155.85
Granted[1]	1	$ 367.02	3	$ 461.19
Vested[2]	(2)	$ 158.60	(1)	$ 70.36
Balance as of October 31, 2026	16	$ 195.13	10	$ 235.87

[1] For PSUs, shares granted represent the aggregate maximum number of shares that may be earned and issued with respect to these awards over their full terms.

[2] Includes time-based vesting for PSUs.

During the three months ended October 31, 2026, we granted 2 million shares of PSUs that contain service, performance, and market conditions. The service conditions are satisfied after a period of one to three years. The performance conditions are based on an average of next-generation security annualized recurring revenue and non-GAAP net income per diluted share. The market condition is measured based on our total shareholder return ("TSR") relative to the TSR of the companies listed in the Standard & Poor's 500 index. As of October 31, 2026, we have approved an additional 2 million shares of PSUs, which will be granted upon the performance condition being established during the next two fiscal years.

Share-Based Compensation

The following table summarizes share-based compensation included in costs and expenses (in millions):

	Three Months Ended October 31,	
	2026	2025
Cost of product revenue	$ 2	$ 1
Cost of subscription and support revenue	49	32
Research and development	261	155
Sales and marketing	168	102
General and administrative	126	80
Total share-based compensation	$ 606	$ 370

As of October 31, 2026, total compensation cost related to unvested share-based awards not yet recognized was $4.5 billion. This cost is expected to be amortized over a weighted-average period of approximately 2.4 years.

13. Restructuring

In connection with our acquisition of CyberArk in fiscal 2026 and our integration strategy, we initiated a plan to optimize the combined entity's workforce for a total estimated cost of $60 million. The activities associated with this plan are expected to be substantially completed by the end of fiscal 2027. Employee severance costs are recognized upon notification. If service beyond the minimum retention period is required, expense is recognized ratably over the future service period. During the three months ended October 31, 2026, we made cash payments of $6 million under the plan. As of October 31, 2026 and July 31, 2026, we accrued $12 million and $14 million, respectively, related to employee severance, which were included in accrued compensation on our condensed consolidated balance sheets.

The following table summarizes the employee severance charges related to the CyberArk acquisition (in millions):

	Three Months Ended October 31, 2026
	Cash Compensation
Sales and marketing	$ 1
General and administrative	3
Total	$ 4

14. Income Taxes

Our income taxes primarily consist of U.S. and foreign income taxes and our effective tax rates differ from the U.S. statutory tax rate primarily due to the change in our tax position on a historical transaction and excess tax benefits from share-based compensation.

For the three months ended October 31, 2026, our benefit from income taxes reflected an effective tax rate of negative 1828.0% and for the three months ended October 31, 2025, our provision for income taxes reflected an effective tax rate of 18.9%. Our effective tax rates for the three months ended October 31, 2026 as compared to the same period in 2025 varied primarily due to the change in our tax position on a historical transaction and excess tax benefits from share-based compensation.

During the three months ended October 31, 2026, we recorded a discrete U.S. federal income tax benefit of $369 million, which favorably impacted our effective tax rate for the period. Based on recent judicial developments interpreting provisions of the Tax Cuts and Jobs Act, our tax position on a historical transaction from our fiscal 2018 transition year now satisfies the more-likely-than-not recognition threshold under ASC 740, which resulted in the recognition of the tax benefit. As of October 31, 2026, the resulting income tax receivable of $73 million and deferred tax asset of $296 million are primarily included within other assets and deferred tax assets, respectively, on our condensed consolidated balance sheets.

15. Government Grants

In March 2026, the Knesset Finance Committee approved the Law for the Encouragement and Incentivization of Research and Development (the "R&D Law") that provides incentives for qualifying research and development expenses incurred on or after January 1, 2026. The R&D Law introduces a qualified refundable tax credit, at varying rates based on specified thresholds, for qualifying research and development expenses incurred in Israel, subject to meeting defined eligibility criteria. The tax credit may be applied against Israeli income tax payable or Israeli qualified domestic minimum top-up taxes, at the company's election, subject to applicable statutory requirements and other conditions, with unutilized credits payable as government cash grants upon the lapse of a period stipulated by the R&D Law.

As of October 31, 2026, we recognized an asset of $81 million for incurring qualifying research and development expenses, which is recorded in other assets on our condensed consolidated balance sheets. The corresponding credit of $71 million for the three months ended October 31, 2026 was presented as a reduction to research and development expense in our condensed consolidated statements of operations.

The amount of credit ultimately realized, if any, may differ from our current estimates due to, among other things, changes in the interpretive guidance, eligibility determinations, or additional regulations that the Israeli government could issue regarding the implementation of the R&D Law.

16. Net Income Per Share

Basic net income per share is computed by dividing net income by basic weighted-average shares outstanding during the period. Diluted net income per share is computed by dividing net income by diluted weighted-average shares outstanding during the period giving effect to all potentially dilutive securities to the extent they are dilutive. We compute the dilutive effect of shares issuable upon conversion of our convertible senior notes using the if-converted method, and the dilutive effect of warrants related to the issuance of convertible senior notes and equity awards under our employee equity incentive plans using the treasury stock method.

The following table presents the computation of basic and diluted net income per share of common stock (in millions, except per share data):

	Three Months Ended October 31,	
	2026	**2025**
Net income	$ 482	$ 334
Weighted-average shares used to compute net income per share, basic	819	679
Weighted-average effect of potentially dilutive securities:		
Convertible senior notes	2	—
Warrants related to the issuance of convertible senior notes	—	20
Employee equity incentive plans	17	10
Weighted-average shares used to compute net income per share, diluted	838	709
Net income per share, basic	$ 0.59	$ 0.49
Net income per share, diluted	$ 0.57	$ 0.47

The following securities were excluded from the computation of diluted net income per share of common stock as their effect would have been antidilutive or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the applicable period (in millions):

	Three Months Ended October 31,	
	2026	**2025**
Employee equity incentive plans	2	3

17. Other Income (Expense), Net

The following table sets forth the components of other income (expense), net (in millions):

	Three Months Ended October 31,	
	2026	**2025**
Interest income	$ 87	$ 105
Foreign currency exchange gains (losses), net	2	(11)
Change in fair value of convertible senior notes	(157)	—
Change in fair value of Capped Calls	16	—
Other, net	(19)	9
Total other income (expense), net	$ (71)	$ 103

18. Segment Information

Beginning in fiscal 2027, our chief operating decision maker ("CODM")—who is our Chairman and Chief Executive Officer—began allocating resources and evaluating our financial performance based on the reportable segments: Network & AI Security, Cortex, and Idira.

- Network & AI Security is our network security business and includes our firewall offerings that are sold as hardware and software, our Cloud-Delivered Security Services ("CDSS") subscriptions that enhance security outcomes delivered by those firewalls, our cloud-delivered network security offerings, including Secure Access Service Edge ("SASE"), that protect users and offices wherever they are located, and our AI security offerings, such as Prisma AIRS, that protect AI agents, applications, and models our customers build and deploy. Additionally, this segment includes our Next-Generation Trust Security.
- Cortex is our security operations and observability business. Our security operations offerings encompass XSIAM, XDR, XSOAR, Xpanse, cloud security, and other solutions, which collect data from across a customer's environment and use analytics and AI to detect, investigate, and stop threats. Our observability offerings, including XCOR, apply the same approach to finding and fixing operational and performance problems within a customer's infrastructure.
- Idira is our identity security business. Our identity security offerings provide comprehensive governance over customers' system access and user permissions, with an emphasis on protecting the accounts with the highest levels of access.

We also provide additional services that are not managed through our operating segments, which are presented as Corporate & Other. Corporate & Other revenue primarily includes professional services revenue and financing income. Corporate & Other cost of revenue primarily includes cost attributable to professional services, share-based compensation charges, amortization expense of acquired intangible assets, and amortization of capitalized software development costs.

Segment cost of revenue primarily include costs attributable to the respective segments, such as costs paid to our manufacturing partners for procuring components and manufacturing our products, data center and cloud hosting costs, personnel costs, as well as other shared costs managed centrally at a consolidated level and allocated to the segments generally based on headcount.

Our CODM utilizes adjusted gross profit by segment as the measure of segment profitability to allocate resources and evaluate segment performance. Adjusted gross profit by segment is used in our forecasting process to establish goals and monitor budget versus actual results by segment. Our CODM does not review asset information by reportable segment, and consequently, segment asset information is not disclosed.

The following table presents our revenue and profitability information by segment (in millions):

	Three Months Ended October 31, 2026				
	Network & AI Security	Cortex	Idira	Corporate & Other	Total
Revenue	$ 2,282	$ 647	$ 353	$ 163	$ 3,445
Cost of revenue	(464)	(210)	(35)	(394)	(1,103)
Gross profit	$ 1,818	$ 437	$ 318	$ (231)	2,342
Operating expense					(2,246)
Other income (expense), net					(71)
Income before income taxes					$ 25

	Three Months Ended October 31, 2025				
	Network & AI Security	Cortex	Idira	Corporate & Other	Total
Revenue	$ 1,904	$ 422	$ —	$ 148	$ 2,474
Cost of revenue	(344)	(120)	—	(174)	(638)
Gross profit	1,560	302	—	(26)	1,836
Operating expense					(1,527)
Other income (expense), net					103
Income before income taxes					$ 412

19. Subsequent Events

Share Repurchase

On November 17, 2026, our board of directors authorized the extension of the expiration date of our current share repurchase authorization to December 31, 2027. Our repurchase program may be suspended or discontinued at any time without prior notice. Repurchases may be made at management's discretion from time to time on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing.

Applied Compute, Inc.

On November 18, 2026, we entered into a definitive agreement to acquire Applied Compute, Inc., a privately-held AI technology company ("Applied Compute"). The total consideration is $4.5 billion, subject to adjustments, to be paid in shares of our common stock. We expect the acquisition to enable us to provide secure open-weight AI post-training and inference. The acquisition of Applied Compute is expected to close during our third quarter of fiscal 2027, subject to the satisfaction of closing conditions, including regulatory clearance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q, including, without limitation, the following discussion and analysis, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally can be identified by words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potentially," "projects," "will," "will be," "will continue," "will likely result," "would," and similar expressions that convey uncertainty of future events or outcomes. These forward-looking statements include, but are not limited to, statements concerning the following: expectations regarding the cybersecurity landscape and demand; expectations regarding our platformization strategy and related progress and opportunities, our product development strategy, and drivers of and factors affecting growth in our business; expectations regarding annual recurring revenue and remaining performance obligations; expectations regarding artificial intelligence ("AI"); expectations regarding our strategic partnerships; statements regarding expected profitability, new revenues, trends in annual recurring revenue, trends in remaining performance obligations, our mix of product and subscription and support revenue, cost of revenue, gross margin, cash flows, operating expenses, including future share-based compensation expense, income taxes, investment plans, and liquidity; expected recurring revenues resulting from growth in our end-customers and increased adoption of our products, subscriptions, and services; the performance advantages of our products and subscription and support offerings and the potential benefits to our customers; expectations regarding future investments in research and development and product development, customer support, in our employees, and in our sales force, including expectations regarding growth in our sales headcount; expectations that we will continue to expand our global presence; expectations regarding our revenues, including the seasonality and cyclicality from quarter to quarter; expectations relating to our customer financing activities; the sufficiency of our cash flow from operations with existing cash, cash equivalents, and investments to meet our cash needs for the foreseeable future; our ability to successfully acquire and integrate companies and assets and expectations and intentions with respect to the assets, products, and technologies that we acquire; expectations regarding the benefits and synergies from our acquisition and integration of companies, assets, and technologies; expectations regarding contingent consideration obligations; expectations regarding the changes in fair value of our convertible senior notes and capped call transactions ("Capped Calls") and their impact on us and our financial results; statements regarding our competition, including the expanded scope of our competitors as a result of entering into new product and service categories; the timing and amount of capital expenditures and share repurchases; the effects of worldwide economic and geopolitical conditions, including but not limited to hostilities in Israel, Iran, and the surrounding regions, inflation, tariff rates, interest rate levels, public or administration policies, trade regulations, trade policy, growth rates, and other conditions, on our operating and financial results and performance; expectations regarding the manufacture, delivery, and cost of certain of our products, including the cost of components for our products; the effects of litigation or regulatory developments involving us or affecting our industry; our debt repayment obligations; and other statements regarding our future operations, financial condition and prospects, and business strategies. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those anticipated or implied by any forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q and, in particular, the risks discussed under the caption "Risk Factors" in Part II, Item 1A of this report and those discussed in other documents we file with the Securities and Exchange Commission ("SEC") from time to time. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is organized as follows:

- ***Overview.*** A discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.
- ***Key Financial Metrics.*** A summary of our U.S. generally accepted accounting principles ("U.S. GAAP") and non-GAAP key financial metrics, which management monitors to evaluate our performance.
- ***Results of Operations.*** A discussion of the nature and trends in our financial results and an analysis of our financial results comparing the three months ended October 31, 2026 to the three months ended October 31, 2025.
- ***Liquidity and Capital Resources.*** An analysis of changes on our balance sheets and cash flows, and a discussion of our financial condition and our ability to meet cash needs.
- ***Critical Accounting Estimates.*** A discussion of our accounting policies that require critical estimates, assumptions, and judgments.
- ***Recent Accounting Pronouncements.*** A discussion of expected impacts of impending accounting changes on financial information to be reported in the future.

Overview

Our mission is to be the cybersecurity partner of choice, protecting our digital way of life. Our platforms and services help secure enterprise users, networks, clouds, endpoints, AI apps and agents, and identities by delivering comprehensive cybersecurity backed by AI and automation, and provide real-time visibility and monitoring across cloud infrastructure, applications, and AI workloads. A key element of our strategy is to help our customers simplify their security architectures through consolidating disparate point products. We execute on this strategy by developing our capabilities and packaging our offerings into platforms, which are able to cover many of our customers' needs in the markets in which we operate. Our platformization strategy combines various products and services into a tightly integrated architecture for more secure, faster, and cost-effective outcomes.

Network & AI Security

Our Network & AI Security platform is designed to deliver complete zero trust solutions to our customers. The platform includes:

- *Secure Access Service Edge ("SASE").* Prisma® Access, when combined with Prisma SD-WAN, provides a comprehensive AI-powered SASE solution that secures users, branches, data, AI apps and agents from the most evasive threats in the new AI landscape. Our Prisma Browser™ further extends zero-trust security and data protection to the browser, where the majority of work is done today, providing users with the freedom to work securely using our secure browser from any device.
- *Next-Generation Firewalls.* Our ML-Powered Next-Generation Firewalls ("NGFWs") help customers prevent threats, control access, and enforce zero trust policies across distributed enterprise networks. They provide visibility and control over applications, users, and devices; inspect encrypted traffic; and apply granular security policies. Our hardware NGFWs secure branches, campuses, industrial environments, and data centers, including those supporting AI workloads, while our software NGFWs extend protection to virtual, cloud, and containerized networks. Natively integrated with our Cloud-Delivered Security Services ("CDSS"), our NGFWs deliver consistent, inline threat prevention across these environments.
- *Cloud-Delivered Security Services.* Our integrated suite of CDSS helps block AI-accelerated threats and reduce reliance on fragmented point products. Complementing our NGFW and SASE solutions, the suite helps protect users, applications, sensitive data, and critical IT and OT infrastructure across enterprise environments, including AI data centers, hybrid clouds, branch and remote locations, and browser-based workspaces. These services include Advanced Threat Prevention with Frontier Virtual Patching, Advanced IP Defense, Advanced WildFire®, Advanced URL Filtering, Advanced DNS Security, Device Security, Quantum-Safe Security, Next-Generation Trust Security, GlobalProtect®, Prisma Access Agent, Enterprise Data Loss Prevention ("DLP"), SaaS Security, and AI Access Security™.
- *Prisma AIRS.* Prisma AIRS™ is our unified AI security platform, providing the governance foundation for enterprise AI adoption at scale. It brings together AI Gateway, AI Supply Chain Security, AI Security Posture Management, AI Red Teaming, Agent Identity Security, AI Runtime Security, and Agentic Endpoint Security into a unified architecture. Through continuous discovery and risk assessment, real-time protection, and governance of autonomous agents, Prisma AIRS helps enterprises secure every AI ambition while maintaining control over sensitive data, access, and autonomous actions.
- *Strata Cloud Manager ("SCM").* SCM is our AI-powered unified network security management and operations solution across NGFW and SASE environments. Through a single interface, customers can centrally manage configurations and security policies, assess security posture and network health, and streamline troubleshooting and remediation. SCM includes Strata Copilot, which provides a natural language interface for actionable insights and guided remediation. It also integrates Autonomous Digital Experience Management ("ADEM") to help customers monitor and improve end-user digital experiences across the enterprise.

Cortex

Our AI-powered Cortex® platform transforms end-to-end security operations and observability with unified data, AI, and automation for more secure, faster, and cost effective outcomes.

- *Security Operations.* We deliver the next generation of security operations capabilities that unify standalone SIEM tools, endpoint security, security automation, CDR, as well as ASM capabilities on our Cortex® platform. These include Cortex XSIAM® for AI-powered security operations, replacing traditional SIEM tools; Cortex XDR® for the prevention, detection, and response to complex cybersecurity attacks; Cortex XSOAR® for SOAR; Cortex Xpanse® for ASM; and Cortex Agentic Endpoint Security for securing AI agents and artifacts.
- *Cloud Security.* We deliver comprehensive security across the cloud application development lifecycle through Cortex Cloud, delivered as a scalable SaaS offering. As a comprehensive CNAPP combined with CDR, Cortex Cloud secures multi- and hybrid-cloud environments for applications, data, GenAI ecosystem, and the cloud native technology stack across the full development lifecycle, from code to cloud to security operations. As part of the Cortex Cloud platform, customers can expand from Cortex Cloud to our security operations offerings available on a single user experience and unified agent. We also offer our VM-Series and CN-Series virtual firewalls for inline network security on multi- and hybrid-cloud environments.

- *Observability.* Cortex XCOR™, our next-generation AI-driven observability platform, is disrupting legacy static dashboards and manual workflows with a modern chat interface that drives autonomous remediation. Purpose-built to handle the massive data volumes of the AI era, XCOR enables organizations to maintain system resilience and uptime with high cost-efficiency and reliability. Our observability platform provides comprehensive visibility into complex digital environments and autonomous remediation of issues. Our telemetry pipeline acts as an intelligent control layer that filters, transforms, and routes data. This helps reduce data volumes, enabling customers to cost-effectively scale their security and observability posture.

Idira

Idira™, our next-generation identity security platform, is designed to secure human, agentic, and machine identities across the enterprise with intelligent privilege controls and continuous threat prevention. By unifying identity access management, privilege access management, and identity governance and administration, organizations can continuously discover and protect against identity risk throughout the end-to-end identity lifecycle. The platform includes:

- *Workforce Identity Security.* Our solutions apply identity assurance and modern access controls for the entire workforce, including through adaptive MFA, SSO, secure browsing, web session protection, workforce password management, and automated identity lifecycle management. Our approach enforces least privilege by elevating access only when required.
- *IT and Developer Identity Security (Modern Privileged Access Management).* Our solutions secure high-risk access for IT administrators, third-party vendors, developers, and cloud operations teams across hybrid and multi-cloud environments, delivering just-in-time privileged access, session isolation, credential protection, and zero standing privileges while providing native, secure access to cloud services, workloads, and development and operations pipelines. Organizations can eliminate excessive permissions, automate access to dynamic cloud resources, and maintain developer velocity while strengthening identity controls across infrastructure and application environments.
- *Machine Identity Security.* Our solutions secure the growing volume of non-human identities—such as workloads, applications, containers, service accounts, certificates, and keys, including through centralized discovery and management of secrets, workload identity issuance, public key infrastructure-as-a-service, Kubernetes certificate management, and secure code signing.
- *Identity Governance and Administration ("IGA").* IGA enables visibility into entitlements, automated joiner–mover–leaver processes, access certification, and ongoing identity compliance. AI-supported policy automation helps organizations govern access at scale and enforce a zero-trust model across all identities.
- *AI Agents Security.* Our solution discovers AI agents, assigns identity attributes, and restricts their access to task-specific resources. It helps monitor and record agent activity for audit purposes, allows organizations to suspend or revoke access if behavior deviates from expected norms, and governs the lifecycle of the agent and the actions taken to support compliance.

For the first quarter of fiscal 2027 and 2026, total revenue was $3.4 billion and $2.5 billion, respectively, representing year-over-year growth of 39%. Our growth reflects the increased adoption of our portfolio, which consists of product, subscriptions, and support, and the contributions from our recent acquisitions. We believe our portfolio will enable us to benefit from recurring revenues and new revenues as we continue to grow our end-customer base. As of October 31, 2026, we had end-customers in over 180 countries. Our end-customers represent a broad range of industries, including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications, and include almost all of the Fortune 100 companies and a majority of the Global 2000 companies. We maintain a field sales force that works closely with our channel partners in developing sales opportunities. We primarily use a two-tiered, indirect fulfillment model whereby we sell our products, subscriptions, and support to our distributors, which, in turn, sell to our resellers, which then sell to our end-customers.

We continue to invest in innovation as we evolve and further extend the capabilities of our portfolio, as we believe that innovation and timely development of, and investment in, new features and products are essential to meeting the needs of our end-customers and improving our competitive position. For example, in September 2026, we introduced Unit 42 Continuous Frontier AI Defense, an agentic offensive security service that enables enterprises to continuously find and fix exposures before attackers can weaponize them. Additionally, we evaluate opportunities to acquire complementary businesses, technologies, services, and intellectual property to complement our organic innovation and research and development efforts, advance the development of our platforms, and enable further investment in our key priority areas. For example, on August 27, 2026, we completed the acquisition of Embrace Mobile, Inc., which will add Real User Monitoring capabilities to our observability platform; and on September 1, 2026, we completed the acquisition of Console Systems, Inc., which will deepen our agentic capabilities in Cortex.

We believe that the growth of our business and our short-term and long-term success are dependent upon many factors, including our ability to extend our technology leadership, grow our base of end-customers, expand deployment of our portfolio and support offerings within existing end-customers, focus on end-customer satisfaction, and address any product vulnerabilities. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner. While these areas present significant opportunities for us, they also pose challenges and risks that we must successfully address in order to sustain the growth of our business and improve our operating results. For additional information regarding the challenges and risks we face, see the “Risk Factors” section in Part II, Item 1A of this Quarterly Report on Form 10-Q.

IMPACT OF MACROECONOMIC DEVELOPMENTS AND OTHER FACTORS ON OUR BUSINESS

Our overall performance depends in part on worldwide economic and geopolitical conditions and their impact on customer behavior. Changes in legislation or regulations and actions by regulators, including changes in enforcement and administration policies, may have an impact on our financial condition and operating results. Significant changes in U.S. or global trade policy, including further expansion of U.S. export/import controls and tariffs, as well as retaliatory actions by other countries, may materially and adversely affect our business. Further, economic conditions, including inflation, high interest rates, slow growth, fluctuations in foreign exchange rates, supply chain disruptions, including increased memory, storage or other component shortages and costs, impacts of trade regulations or international trade disputes, and other conditions, may materially and adversely affect our financial condition and operating results.

The hostilities in Israel, Iran, and the surrounding region have continued to result in economic and political uncertainty. While we have business operations in Israel, and intend to continue growing our presence in Israel, we currently do not expect significant business disruption. We are actively monitoring, evaluating, and responding to the situation.

We are also monitoring the impact of inflationary pressures and the tensions between China and Taiwan, and between the U.S. and China, which have increased our costs and could have an adverse impact on our business or results of operations in future periods.

Key Financial Metrics

We monitor the key financial metrics set forth in the tables below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We discuss revenue, gross margin, and the components of operating income and margin below under “Results of Operations.”

	October 31, 2026	July 31, 2026
	(in billions)	
Next-Generation Security Annualized Recurring Revenue	$ 9.7	$ 9.1
Remaining performance obligations	$ 21.0	$ 21.2

	Three Months Ended October 31,	
	2026	2025
	(dollars in millions)	
Total revenue	$ 3,445	$ 2,474
Total revenue year-over-year percentage increase	39 %	16 %
Gross margin	68.0 %	74.2 %
Operating income	$ 96	$ 309
Operating margin	2.8 %	12.5 %
Net cash provided by operating activities	$ 1,929	$ 1,771
Free cash flow (non-GAAP)	$ 1,842	$ 1,687

- ***Next-Generation Security Annualized Recurring Revenue ("NGS ARR").*** Our NGS ARR represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription, and support offerings, excluding revenue from hardware products, and legacy-attached subscriptions, support offerings, and professional services. NGS ARR is an operating metric that we use to assess the strength and trajectory of our business. NGS ARR should be viewed independently of revenue, deferred revenue, and remaining performance obligations and does not represent our revenue under U.S. GAAP on an annualized basis as it is an operating metric that can be impacted by contract start and end dates and renewal rates. NGS ARR is not intended to be a replacement for forecasts of revenue. The scope of products, subscriptions, and support offerings that contribute to NGS ARR will generally increase over time as we introduce or acquire new next-generation products, subscriptions, and support offerings.
- ***Net Cash Provided by Operating Activities.*** We monitor net cash provided by operating activities as a measure of our overall business performance. Our net cash provided by operating activities is driven in large part by sales of our products and from up-front payments for subscription and support offerings. Monitoring net cash provided by operating activities enables us to analyze our financial performance without the non-cash effects of certain items, such as share-based compensation costs, depreciation, and amortization, thereby allowing us to better understand and manage the cash needs of our business.
- ***Free Cash Flow (non-GAAP).*** We define free cash flow, a non-GAAP financial measure, as net cash provided by operating activities less purchases of property, equipment, and other assets. We consider free cash flow to be an operating metric, as well as a liquidity measure, that provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures. A limitation of the utility of free cash flow as a measure of our liquidity is that it does not represent the total increase or decrease in our cash balance for the period. In addition, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow in a different manner than we do, or may use other financial measures to evaluate their liquidity, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to net cash provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, is provided below:

	Three Months Ended October 31,	
	2026	2025
	(in millions)	
Free cash flow (non-GAAP):		
Net cash provided by operating activities	$ 1,929	$ 1,771
Less: purchases of property, equipment, and other assets	87	84
Free cash flow (non-GAAP)	$ 1,842	$ 1,687
Net cash used in investing activities	$ (1,900)	$ (983)
Net cash provided by financing activities	$ 50	$ 8

Results of Operations

The following table summarizes our results of operations for the periods presented and as a percentage of our total revenue for those periods based on our condensed consolidated statements of operations data. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended October 31,			
	2026		2025	
	Amount	% of Revenue	Amount	% of Revenue
	(dollars in millions)			
Revenue:				
Product	$ 595	17.3 %	$ 434	17.5 %
Subscription and support	2,850	82.7 %	2,040	82.5 %
Total revenue	3,445	100.0 %	2,474	100.0 %
Cost of revenue:				
Product	206	6.0 %	89	3.6 %
Subscription and support	897	26.0 %	549	22.2 %
Total cost of revenue[1]	1,103	32.0 %	638	25.8 %
Total gross profit	2,342	68.0 %	1,836	74.2 %
Operating expenses:				
Research and development	798	23.2 %	528	21.3 %
Sales and marketing	1,167	33.8 %	820	33.2 %
General and administrative	281	8.2 %	179	7.2 %
Total operating expenses[1]	2,246	65.2 %	1,527	61.7 %
Operating income	96	2.8 %	309	12.5 %
Other income (expense), net	(71)	(2.1)%	103	4.2 %
Income before income taxes	25	0.7 %	412	16.7 %
Provision for (benefit from) income taxes	(457)	(13.3)%	78	3.2 %
Net income	$ 482	14.0 %	$ 334	13.5 %

[1] Includes share-based compensation as follows:

	Three Months Ended October 31,	
	2026	2025
	(in millions)	
Cost of product revenue	$ 2	$ 1
Cost of subscription and support revenue	49	32
Research and development	261	155
Sales and marketing	168	102
General and administrative	126	80
Total share-based compensation	$ 606	$ 370

IMPACT OF ACQUISITIONS

Our operating results were impacted by our acquisitions. In discussions of our results of operations, we may qualitatively or quantitatively disclose the impact of our acquisitions on revenue, costs, and expenses for the one year period subsequent to the acquisition date where such discussions would be meaningful.

REVENUE

Our revenue consists of product revenue and subscription and support revenue. Revenue is recognized upon transfer of control of the corresponding promised products and subscriptions and support to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those products and subscriptions and support. We expect our revenue to vary from quarter to quarter based on seasonal and cyclical factors and business acquisitions.

PRODUCT REVENUE

Product revenue is derived from sales of hardware products, primarily our ML-Powered NGFW, software licenses, including SD-WAN, VM-Series, Panorama, and certain identity security offerings. Our hardware products and software licenses include a broad set of built-in networking and security features and functionalities. We recognize product revenue at the time of hardware shipment or delivery of software license. As a percentage of product revenue, we expect our revenue from software licenses to vary from quarter to quarter and increase over the long term as we improve features and capabilities of our on-premise software, renew our software license contracts, and expand our installed end-customer base.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Product	$ 595	$ 434	$ 161	37 %

Product revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 driven by higher revenue from our hardware products and software licenses from the CyberArk Software Ltd. (“CyberArk”) acquisition.

SUBSCRIPTION AND SUPPORT REVENUE

Subscription and support revenue is derived primarily from sales of our subscription and support offerings. Our subscription and support contracts are typically one to five years. We recognize revenue from subscriptions and support over time as the services are performed. As a percentage of total revenue, we expect our subscription and support revenue to vary from quarter to quarter and increase over the long term as we introduce new subscriptions, renew existing subscription and support contracts, and expand our installed end-customer base.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Total subscription and support	$ 2,850	$ 2,040	$ 810	40 %

Subscription and support revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 due to increased demand for our subscription and support offerings from our end-customers, including from our acquisitions.

REVENUE BY SEGMENT

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Network & AI Security	$ 2,282	$ 1,904	$ 378	20 %
Cortex	647	422	225	53 %
Idira	353	—	353	*
Corporate & Other	163	148	15	10 %
Total revenue	$ 3,445	$ 2,474	$ 971	39 %

* Not meaningful

Network & AI Security revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily driven by growth in Cloud-Delivered Security Services, Next-Generation Firewalls, and Secure Access Service Edge.

Cortex revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily driven by observability revenue from the Chronosphere, Inc acquisition.

Idira revenue represents identity security revenue from the CyberArk acquisition.

REVENUE BY GEOGRAPHIC THEATER

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Americas	$ 2,325	$ 1,641	$ 684	42 %
Europe, the Middle East, and Africa (“EMEA”)	728	521	207	40 %
Asia Pacific and Japan (“APAC”)	392	312	80	26 %
Total revenue	$ 3,445	$ 2,474	$ 971	39 %

Revenue from the Americas, EMEA, and APAC increased for the three months ended October 31, 2026 compared to the same period in 2025 as we continued to increase investment in our global sales force in order to support our growth and innovation, with the Americas contributing the highest increase in revenue due to its larger scale.

COST OF REVENUE

Our cost of revenue consists of cost of product revenue and cost of subscription and support revenue.

COST OF PRODUCT REVENUE

Cost of product revenue primarily includes costs paid to our manufacturing partners for procuring components and manufacturing our products. Our cost of product revenue also includes personnel costs, which consist of salaries, benefits, bonuses, share-based compensation, and travel associated with our operations organization, inventory excess and obsolete charges, shipping and tariff costs, amortization of intangible assets, product testing costs, and shared costs. Shared costs consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount. We expect our cost of product revenue to fluctuate with our revenue from hardware products.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Cost of product revenue	$ 206	$ 89	$ 117	131 %

Cost of product revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to higher costs largely driven by supply chain challenges and higher amortization of intangible assets as a result of the CyberArk acquisition.

COST OF SUBSCRIPTION AND SUPPORT REVENUE

Cost of subscription and support revenue includes personnel costs for our global customer support and technical operations organizations, data center and cloud hosting costs, third-party professional services costs, amortization of acquired intangible assets and capitalized software development costs, customer support and repair costs, and shared costs. We expect our cost of subscription and support revenue to increase as our installed end-customer base grows and adoption of our cloud-based subscription offerings increases.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Cost of subscription and support revenue	$ 897	$ 549	$ 348	63 %

Cost of subscription and support revenue increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to higher cloud hosting costs to support our cloud-based offerings, amortization of intangible assets from our acquisitions, and personnel costs driven by headcount growth, including from our acquisitions.

GROSS MARGIN

Gross margin has been and will continue to be affected by a variety of factors, including the introduction of new products, manufacturing costs, the average sales price of our products, cloud hosting costs, personnel costs, the mix of products sold, and the mix of revenue between product and subscription and support offerings. Our higher-end firewall products generally have higher gross margins than our lower-end firewall products within each product series. We expect our gross margins to vary over time depending on the factors described above.

	Three Months Ended October 31,			
	2026		2025	
	Amount	Gross Margin	Amount	Gross Margin
	(dollars in millions)			
Product	$ 389	65.4 %	$ 345	79.5 %
Subscription and support	1,953	68.5 %	1,491	73.1 %
Total gross profit	$ 2,342	68.0 %	$ 1,836	74.2 %

Product gross margin decreased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to a decrease in gross margin on our hardware products, including the impact from supply chain challenges, unfavorable product revenue mix, and higher amortization of intangible assets, partially offset by increased software licenses revenue from the CyberArk acquisition.

Subscription and support gross margin decreased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to higher amortization of purchased intangible assets and increase in costs related to our cloud-based offerings.

OPERATING EXPENSES

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, share-based compensation, travel and entertainment, and with regard to sales and marketing expense, sales commissions. Our operating expenses also include shared costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount to each department. We expect operating expenses generally to increase in absolute dollars and to decrease over the long term as a percentage of revenue as we continue to scale our business. As of October 31, 2026, we expect to recognize approximately $4.5 billion of share-based compensation expense over a weighted-average period of approximately 2.4 years, excluding additional share-based compensation expense related to any future grants of share-based awards. Share-based compensation expense is generally recognized on a straight-line basis over the requisite service periods of the awards.

RESEARCH AND DEVELOPMENT

Research and development expense consists primarily of personnel costs, cloud hosting costs, and shared costs. Government grants are also included as a reduction to research and development expense. We expect research and development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Research and development	$ 798	$ 528	$ 270	51 %

Research and development expense increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to increased personnel costs, which grew $234 million for the three months ended October 31, 2026 compared to the same period in 2025, largely due to headcount growth, including from our acquisitions. The increase was further driven by increased shared costs and cloud hosting costs, partially offset by government grants for qualifying research and development expenses.

SALES AND MARKETING

Sales and marketing expense consists primarily of personnel costs, including commission expense. Sales and marketing expense also includes costs for market development programs, promotional and other marketing costs, professional services, amortization of intangible assets, and shared costs. We continue to strategically invest in headcount and have grown our sales presence. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our sales and marketing organizations to grow our customer base, increase touch points with end-customers, and expand our global presence, although our sales and marketing expense may fluctuate as a percentage of total revenue.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Sales and marketing	$ 1,167	$ 820	$ 347	42 %

Sales and marketing expense increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to increased personnel costs, which grew $206 million for the three months ended October 31, 2026 compared to the same period in 2025, largely due to headcount growth, including from our acquisitions. The increase was further driven by higher amortization of intangible assets as a result of our acquisitions.

GENERAL AND ADMINISTRATIVE

General and administrative expense consists primarily of personnel costs and shared costs for our executive, finance, human resources, information technology, and legal organizations, and professional services costs, which consist primarily of legal, auditing, accounting, and other consulting costs. General and administrative expense also includes change in fair value of contingent consideration liability. Excluding the near-term impact of our acquisitions, we expect general and administrative expense to increase in absolute dollars over time as we increase the size of our general and administrative organizations and incur additional costs to support our business growth, although our general and administrative expense may fluctuate as a percentage of total revenue.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
General and administrative	$ 281	$ 179	$ 102	57 %

General and administrative expense increased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to increased personnel costs, which grew $60 million for the three months ended October 31, 2026 compared to the same period in 2025, primarily due to increased share-based compensation and headcount growth from our acquisitions, and acquisition-related costs. In addition, the gain in fair value of contingent consideration liability during the three months ended October 31, 2025 did not recur in the current period.

OTHER INCOME (EXPENSE), NET

Other income (expense), net includes interest income earned on our cash, cash equivalents, and investments, gains and losses from foreign currency remeasurement and foreign currency transactions, and changes in fair value of our 0.0% Convertible Senior Notes due 2030 (the “2030 Notes”) and Capped Calls.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Other income (expense), net	$ (71)	$ 103	$ (174)	(169)%

Other income (expense), net decreased for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to a loss from the change in fair value of our 0.0% Convertible Senior Notes due 2030 (the “2030 Notes”).

PROVISION FOR (BENEFIT FROM) INCOME TAXES

Our income taxes primarily consist of U.S. and foreign income taxes.

	Three Months Ended October 31,			
	2026	2025	Change	
	Amount	Amount	Amount	%
	(dollars in millions)			
Provision for (benefit from) income taxes	$ (457)	$ 78	$ (535)	(686)%
Effective tax rate	(1,828)%	18.9 %		

Our effective tax rate varied for the three months ended October 31, 2026 compared to the same period in 2025 primarily due to benefits from judicial developments and increased excess tax benefits from share-based compensation. Based on recent judicial developments interpreting provisions of the Tax Cuts and Jobs Act, our tax position on a historical transaction from our fiscal 2018 transition year now satisfies the more-likely-than-not recognition threshold under ASC 740, resulting in a recognition of a discrete U.S. federal income tax benefit of $369 million, which favorably impacted our effective tax rate for the period. Refer to Note 14. Income Taxes in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

Liquidity and Capital Resources

	October 31, 2026	July 31, 2026
	(in millions)	
Working capital (deficit)	$ (3,906)	$ (1,280)
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$ 2,594	$ 2,514
Investments	6,541	5,392
Total cash, cash equivalents, and investments	$ 9,135	$ 7,906

As of October 31, 2026, our total cash, cash equivalents, and investments of $9.1 billion were held for general corporate purposes and our unremitted earnings are indefinitely reinvested.

DEBT

In February 2026, in connection with the acquisition of CyberArk, we entered into a supplemental indenture (the “Supplemental Indenture”) to the Indenture, dated as of June 10, 2025 (together with the Supplemental Indenture, the “Indenture”), between CyberArk, as issuer, and U.S. Bank Trust Company, National Association, as trustee, governing CyberArk’s $1.25 billion aggregate principal amount of 2030 Notes. As a result of our acquisition of CyberArk and pursuant to the Supplemental Indenture, the 2030 Notes are now exchangeable into shares of our common stock and cash. The 2030 Notes mature on June 15, 2030; however, under certain circumstances, holders may surrender their 2030 Notes for conversion prior to the maturity date. Upon conversion of the 2030 Notes, we will pay cash equal to the aggregate principal amount of the 2030 Notes to be converted, and, at our election, we will pay or deliver cash or a combination of cash and shares of our common stock for the amount of our conversion obligation in excess of the aggregate principal amount of the 2030 Notes converted.

The sale price condition for the 2030 Notes was met during the calendar quarter ended September 30, 2026, and as a result, holders may convert their 2030 Notes during the calendar quarter ending December 31, 2026. If all of the holders elect to convert their 2030 Notes during this period, we would be obligated to settle the $1.1 billion principal amount of the 2030 Notes and a portion of our conversion obligation in excess of the aggregate principal amount of the 2030 Notes, if any, in cash. We believe that our cash provided by operating activities, our existing cash, cash equivalents, and investments, and existing sources of and access to financing, including any proceeds that may be received from the settlement or termination of the outstanding Capped Calls, will be sufficient to meet our anticipated cash needs should the holders choose to convert their 2030 Notes during the calendar quarter ending December 31, 2026 or hold the 2030 Notes until maturity on June 15, 2030. Refer to Note 9. Debt in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the 2030 Notes.

In April 2023, we entered into a credit agreement (the “Credit Agreement”) that provides for a $400 million unsecured revolving credit facility (the “Credit Facility”), with an option to increase the amount of the Credit Facility by up to an additional $350 million, subject to certain conditions. The interest rates and commitment fees are also subject to upward and downward adjustments based on our progress towards the achievement of certain sustainability goals. As of October 31, 2026, there were no amounts outstanding and no default or event of default has occurred under the Credit Agreement. Refer to Note 9. Debt in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the Credit Agreement.

CAPITAL RETURN

In February 2019, our board of directors authorized a $1.0 billion share repurchase program. Our board of directors subsequently authorized additional increases to this share repurchase program, bringing the total authorization to $5.1 billion. Repurchases will be funded from available working capital and may be made at management’s discretion from time to time. As of October 31, 2026, $1.0 billion remained available for future share repurchases under this repurchase program. The repurchase authorization will expire on December 31, 2027, and may be suspended or discontinued at any time without prior notice. Refer to Note 11. Stockholders’ Equity and Note 19. Subsequent Events in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on this repurchase program.

CONTRACTUAL OBLIGATIONS AND OTHER MATERIAL CASH REQUIREMENTS

We have entered into various non-cancelable operating leases, primarily for our offices, with lease terms expiring through fiscal 2040, with the most significant leases relating to our corporate headquarters in Santa Clara, California. As of October 31, 2026, we have total operating lease obligations of $782 million recorded on our condensed consolidated balance sheet.

As of October 31, 2026, our commitments to purchase products, components, cloud hosting and other services totaled $8.1 billion. Refer to Note 10. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on these commitments.

Our acquisition of certain QRadar assets from International Business Machines Corporation on August 31, 2024 included contingent consideration that requires potential future payments through the fiscal quarter ending October 31, 2028. As of October 31, 2026, we have a contingent consideration obligation of $144 million recorded on our condensed consolidated balance sheet. Refer to Note 3. Fair Value Measurements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on our contingent consideration obligation.

CASH FLOWS

The following table summarizes our cash flows for the three months ended October 31, 2026 and 2025:

	Three Months Ended October 31,	
	2026	2025
	(in millions)	
Net cash provided by operating activities	$ 1,929	$ 1,771
Net cash used in investing activities	(1,900)	(983)
Net cash provided by financing activities	50	8
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1	—
Net increase in cash, cash equivalents, and restricted cash	$ 80	$ 796

Cash flows from operations could be affected by various risks and uncertainties detailed in Part II, Item 1A “Risk Factors” in this Quarterly Report on Form 10-Q. We believe that our cash flow from operations with existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next 12 months and thereafter for the foreseeable future. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and subscription and support offerings, the costs to acquire or invest in complementary businesses and technologies, the costs to ensure access to adequate manufacturing capacity, the investments in our infrastructure to support the adoption of our cloud-based subscription offerings, the continuing market acceptance of our products and subscription and support offerings and macroeconomic events. In addition, from time to time, we may incur additional tax liability in connection with certain corporate structuring decisions.

We may also choose to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and operating results may be adversely affected.

OPERATING ACTIVITIES

Our operating activities have consisted of net income adjusted for certain non-cash items and changes in assets and liabilities. Our largest source of cash provided by our operations is receipts from our customers. Net cash provided by operating activities can be impacted by factors such as timing of payments and collections, vendor payment terms, and timing and amount of tax payments.

Net cash provided by operating activities during the three months ended October 31, 2026 was $1.9 billion, an increase of $158 million compared to the same period in 2025. The increase was primarily due to growth of our business as reflected by increases in collections during the three months ended October 31, 2026, partially offset by higher cash expenditure to support our business growth.

INVESTING ACTIVITIES

Our investing activities have consisted of capital expenditures, net investment purchases, sales, and maturities, and business acquisitions. We expect to continue such activities as our business grows.

Net cash used in investing activities during the three months ended October 31, 2026 was $1.9 billion, an increase of $917 million compared to the same period in 2025. The increase was primarily due to an increase in net cash payments for business acquisitions and lower proceeds from sales and maturities of investments during the three months ended October 31, 2026.

FINANCING ACTIVITIES

Our financing activities have consisted of proceeds from sales of shares through employee equity incentive plans, payments for tax withholding obligations of certain employees related to the net share settlement of equity awards, and payments of contingent consideration.

Net cash provided by financing activities during the three months ended October 31, 2026 was $50 million, an increase of $42 million compared to the same period in 2025. The increase was primarily due to lower payments of our contingent consideration liability during the three months ended October 31, 2026, partially offset by lower proceeds from the sales of shares through employee equity incentive plans.

Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results could differ materially from those estimates due to risks and uncertainties, including uncertainty in the current economic environment. To the extent that there are material differences between these estimates and our actual results, our future consolidated financial statements will be affected.

We believe the critical accounting estimates discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended July 31, 2026 reflect our more significant estimates, assumptions, and judgments that have the most significant impact on our condensed consolidated financial statements. There have been no significant changes to our critical accounting estimates as filed in such report.

Recent Accounting Pronouncements

Refer to “Recently Adopted Accounting Pronouncements” and “Recently Issued Accounting Pronouncements” in Note 1. Description of Business and Summary of Significant Accounting Policies in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements and our expectation of their impact, if any, on our results of operations and financial condition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for the item below, our assessment of our exposures to market risk has not changed materially from the disclosure set forth in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2026.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Most of the securities we invest in are subject to interest rate risk. To minimize this risk, we maintain a diversified portfolio of cash, cash equivalents, and investments, consisting only of investment-grade securities. To assess the interest rate risk, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio. Based on investment positions as of October 31, 2026, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $153 million decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity. Conversely, a hypothetical 100 basis point decrease in interest rates would lead to a $157 million increase in the fair market value of the portfolio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the quarterly period covered by this report. Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of October 31, 2026, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the fiscal quarter ended October 31, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Part II

Item 1. Legal Proceedings

The information set forth under the "Litigation" subheading in Note 10. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition, and operating results could be materially adversely affected, and the market price of our common stock could decline. In addition, the impacts of any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties. These risks include, but are not limited to, the following:

- Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment.
- Our business and operations have experienced growth in recent periods, and if we do not effectively manage our future growth or are unable to improve our systems, processes, and controls, our business and operating results could be adversely affected.
- Our revenue growth rate in recent periods may not be indicative of our future performance, and we may not be able to maintain profitability, which could cause our business, financial condition, and operating results to suffer.
- Our operating results may vary significantly from period to period, including due to seasonality, which makes our results difficult to predict and could cause our results to fall short of expectations.
- If we are unable to sell new and additional products, subscriptions, and support offerings to existing end-customers or attract new customers, especially large enterprise customers, our future revenue and operating results will be harmed.
- We rely on revenue from subscription and support offerings, and because we recognize revenue from subscription and support over the term of the relevant service period, downturns or upturns in sales or renewals of these subscription and support offerings are not immediately reflected in full in our operating results.
- Our consumption- or usage-based offerings may expose us to customer usage optimization behavior that could create revenue volatility.
- The sales prices of our products, subscriptions, and support offerings may decrease, which may reduce our revenue and gross profits and adversely impact our financial results.
- We rely on our channel partners to sell a substantial portion of our products, including subscriptions and support, and if these channel partners fail to perform, our ability to sell and distribute our products and subscriptions will be limited and our operating results will be harmed.
- We are exposed to the credit and liquidity risk of our customers, and to credit exposure in weakened markets, which could result in material losses.
- A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.
- We face intense competition and we may lack sufficient financial or other resources to maintain or improve our competitive position.
- The "identity security" market lacks a universally accepted definition, which could lead to mischaracterization of our offerings and adverse evaluations by industry stakeholders.
- Customer trends toward vendor consolidation in cybersecurity may favor competitors offering broader platforms.
- Cloud infrastructure providers and advanced AI companies increasingly offer native security and observability capabilities that compete directly with our offerings.

- We have acquired and may in the future acquire other businesses, which could subject us to adverse claims or liabilities, require significant management attention, disrupt our business, adversely affect our operating results, may not result in the expected benefits of such acquisitions, and may dilute stockholder value.
- As a result of the CyberArk acquisition, the scope and size of our business have substantially changed, which resulted in certain incremental risks, including increased competition.
- If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments and successfully manage product and subscription introductions and transitions to meet changing end-customer needs in the enterprise security industry, our competitive position and prospects will be harmed.
- The success of our strategy depends on maintaining a broad ecosystem of integrations with third-party technologies, which requires significant ongoing investment.
- Issues in the development, deployment, or use of AI may result in reputational harm, legal liability, and could adversely affect our business and operating results.
- The emergence of AI agents as a new class of identity presents both opportunities and risks that could impact our identity security offerings.
- A significant network or data security incident may materially impact our reputation, financial condition, and operating results.
- Defects, errors, or vulnerabilities in our products, subscriptions, or support offerings, the failure of our products or subscriptions to block a virus or prevent a security breach or incident, misuse of our products, or risks of product liability claims could harm our reputation and adversely impact our operating results.
- Our shared responsibility security model relies on customers to configure and use our products securely, and customer errors could harm our reputation even when we are not at fault.
- Our ability to sell our products and subscriptions is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and subscriptions, our sales, and our operating results.
- Our subscription agreements typically contain service-level commitments, and failure to meet these commitments could reduce our revenue and harm our business.
- We rely on data center facilities operated by third-party cloud service providers, and any limitations on capacity, or interference with our use could adversely affect our business, financial condition, and results of operations.
- Claims by others that we infringe their intellectual property rights could harm our business.
- Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products or subscriptions without compensating us.
- Our use of open source software in our products and subscriptions could negatively affect our ability to sell our products and subscriptions and subject us to possible litigation.
- We license technology from third parties, and our inability to maintain those licenses could harm our business.
- We depend on manufacturing partners and limited sources of supply for our hardware products, making us susceptible to manufacturing delays, supply shortages, pricing fluctuations, and international trade risks that could prevent timely shipment of customer orders and result in the loss of sales and end-customers.
- If we are unable to attract, retain, and motivate our key technical, sales, and management personnel, our business could suffer.
- We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations, including export and import controls that could subject us to liability or impair our ability to compete in international markets.
- Our products and subscriptions are subject to certification, testing, and regulatory approval requirements in foreign jurisdictions, and our failure to obtain or maintain such approvals could limit our ability to sell in those markets.
- We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results.
- We face risks associated with having operations and employees located in Israel.
- We may incur significant costs to comply with privacy and data protection laws and other requirements, and, if we fail to comply, we could be subject to government enforcement actions, private litigation, and adverse publicity, which could materially adversely affect our business, financial condition, and operating results.
- We may have exposure to tax liabilities that are greater than anticipated.
- Our estimates or judgments, including those relating to our critical accounting policies, are based on assumptions that may change or prove to be incorrect and, as a result, our operating results may differ from our publicly announced guidance or the expectations of securities analysts and investors, which may result in a decline in the market price of our common stock.

- We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.
- The issuance of additional common stock in connection with financings, acquisitions, investments, our stock incentive plans, convertible notes, or otherwise will dilute the stock held by all other stockholders.
- We may not have the ability to raise the funds necessary to settle conversions of the 2030 Notes, repurchase the 2030 Notes upon a fundamental change, or repay the 2030 Notes in cash at their maturity, and our other debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2030 Notes.
- The Capped Calls may affect the value of the 2030 Notes and our common stock.

Risks Related to Global Economic and Geopolitical Conditions

Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment.

We operate globally, and our business and revenues are impacted by global economic and geopolitical conditions. Instability in global credit markets, inflation, changes in public policies, changes in domestic and international regulations, changes in interest rates, foreign currency exchange rate fluctuations, trade regulations and tariffs, international trade disputes and agreements, changes in tax laws, geopolitical turmoil, and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions. Military actions or armed conflict, including the hostilities in Israel and the surrounding region, the Russia-Ukraine war and related political or economic responses, and uncertainty about, or changes in, government and trade relationships, could further worsen economic and market conditions and the geopolitical environment. For example, in response to Russia's invasion of Ukraine, the United States, along with the European Union (the "E.U."), has imposed restrictive sanctions on Russia, Russian entities, and Russian citizens. We are subject to these governmental sanctions and export controls, which may subject us to liability if we are not in full compliance with applicable laws. In addition, government-mandated restrictions on technology access, including export controls, import restrictions, or requirements that certain technologies not be made available in particular countries or regions, could limit our ability to sell or support our products and subscriptions in affected markets, require us to modify or discontinue certain products or features, or require us to exit certain markets. Any continued or further uncertainty or deterioration in economic and market conditions or the geopolitical environment, or any expansion or imposition of government-mandated technology restrictions, could have a material and adverse impact on our business, financial condition, and operating results, including reductions in sales, longer sales cycles, reductions in subscription or contract duration and value, slower adoption of new technologies, changes in spending patterns or priorities of current and prospective customers, increased component, memory or compute costs, and increased price competition.

Risks Related to Our Business

RISKS RELATED TO OUR GROWTH

Our business and operations have experienced growth in recent periods, and if we do not effectively manage our future growth or are unable to improve our systems, processes, and controls, our business and operating results could be adversely affected.

We have experienced growth and increased demand for our products and subscriptions over recent years. As a result, our employee headcount has increased, and we expect it to continue to grow over the next year. For example, from the end of fiscal 2026 to the end of the first quarter of fiscal 2027, our headcount increased from 21,921 to 22,339 employees. In addition, as we have grown, the number of end-customers has also increased, and we have managed more complex deployments of our products and subscriptions with larger end-customers. The growth and expansion of our business and products, subscriptions, and support offerings places a significant strain on our management, operational, and financial resources. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner.

We may not be able to successfully implement, scale, or manage improvements to our systems, processes, and controls in an efficient or timely manner, and our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. Any future growth would add complexity to our organization and require effective coordination. Failure to manage any future growth effectively could result in increased costs, disruption to end-customer relationships, reduced demand for our products, or material harm to our business and operating results.

Our revenue growth rate in recent periods may not be indicative of our future performance, and we may not be able to maintain profitability, which could cause our business, financial condition, and operating results to suffer.

We have experienced revenue growth rates of 39% and 16% for the three months ended October 31, 2026 and 2025, respectively. Our revenue for any quarterly or annual period should not be relied upon as an indication of our future revenue or revenue growth for any future period. If we are unable to maintain consistent or increasing revenue or revenue growth, the market price of our common stock could be volatile, and it may be difficult for us to maintain profitability or maintain or increase cash flow on a consistent basis.

In addition, we anticipate that our operating expenses will continue to increase as our business grows. Our growth efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset increasing expenses. Revenue growth may slow or decline, including due to slowing or declining demand, increasing competition, market shifts, or a failure to capitalize on growth opportunities. We have also entered into substantial capital commitments for operating lease obligations and other purchase commitments. If we are unable to increase our revenue sufficiently to offset these costs and commitments, our profitability, cash flow, financial condition, and operating results may suffer.

Our operating results may vary significantly from period to period, including due to seasonality, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results have fluctuated in the past, and will likely continue to fluctuate in the future, as a result of a number of factors, many of which are outside of our control, including those described in this Risk Factors section. For example, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each fiscal quarter. If expected revenue at the end of any fiscal quarter is delayed for any reason, including failed purchase orders, logistics delays, inventory management issues, trade compliance requirements (and changes to such requirements), or failure of systems related to order review and processing, our revenue could fall below our expectations and the estimates of analysts for that quarter. In addition, seasonal factors may cause our second and fourth fiscal quarters to record greater revenue sequentially than our first and third fiscal quarters, driven primarily by end-customer budget cycles, our annual sales compensation structure, and the timing of calendar-year budget planning. As we grow, these seasonal and cyclical variations may become more pronounced. Due to these fluctuations, comparing our results on a period-to-period basis may not be meaningful, and our past results should not be relied on as an indication of our future performance.

This variability and unpredictability could also result in our failure to meet our revenue, margin, or other operating result expectations contained in any forward-looking statements (including financial or business expectations we have provided) or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these, or any other, reasons, the market price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

RISKS RELATED TO OUR PRODUCTS AND TECHNOLOGY

If we are unable to sell new and additional products, subscriptions, and support offerings to existing end-customers or attract new customers, especially large enterprise customers, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our portfolio and new offerings with existing end-customers, especially large enterprise customers, including through our platformization and go-to-market strategies, and to attract new customers. The rate at which existing end-customers purchase additional products, subscriptions, and support offerings, and our ability to win new customers, depend on a number of factors, including the perceived need for security products, including related subscription and support offerings, general economic conditions, switching costs from incumbent vendors, and the time and resources required to deploy our solutions. We are engaging in costly marketing and sales efforts to accelerate our strategies, including platformization, which may not be as successful as intended. Any deterioration in general economic conditions, including as a result of the geopolitical or economic environment, may cause current and prospective customers to delay or cut their overall security and IT spending. If our efforts to sell additional products and subscriptions to existing end-customers or attract new customers are not successful, our revenues may grow more slowly than expected or decline.

Sales to large enterprise end-customers involve risks not typically present with smaller entities, including longer sales cycles, the risk that substantial resources may be spent on a potential end-customer that does not ultimately purchase our products, subscriptions, and support offerings, and increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements. Deployments for large enterprise end-customers are also more complex, require greater product functionality and scalability, and are resource intensive. Failure to realize sales from large enterprise end-customers could materially and adversely affect our business, financial condition, and operating results.

We rely on revenue from subscription and support offerings, and because we recognize revenue from subscription and support over the term of the relevant service period, downturns or upturns in sales or renewals of these subscription and support offerings are not immediately reflected in full in our operating results.

Subscription and support revenue accounts for a significant portion of our revenue, comprising 82.7% of total revenue in the three months ended October 31, 2026 and 82.5% of total revenue in the three months ended October 31, 2025. Sales and renewals of subscription and support contracts may decline and fluctuate as a result of a number of factors, including end-customer satisfaction levels with our products and subscriptions, subscription outages, product uptime or latency, pricing, and reductions in our end-customers' spending levels. Existing end-customers have no contractual obligation to renew their subscription and support contracts after their initial contract period and may renew for shorter contract terms or terms that are less economically beneficial to us, or not at all. If our sales of new or renewal subscription and support contracts decline, our total revenue and revenue growth rate may decline. Because we recognize subscription and support revenue over the term of the service period, typically one to five years, a decline in subscription or support contracts in any one fiscal quarter will not be fully or immediately reflected in that quarter's revenue but will negatively affect future fiscal quarters.

Our consumption- or usage-based offerings may expose us to customer usage optimization behavior that could create revenue volatility.

A growing portion of our revenue is generated from offerings priced on a consumption or usage basis, including certain of our observability and AI-related offerings. Pricing on this basis may result in significant near-term revenue growth as customers scale their usage but also creates exposure to customer optimization behavior, where customers who have rapidly increased usage subsequently seek to reduce, optimize, or reconfigure their consumption or usage to lower costs. This dynamic has been observed in the industry with cloud-native customers and, more recently, with AI-native customers, whose data volumes and usage patterns can fluctuate significantly. Certain customer cohorts, including large enterprises and AI-native customers, may represent a meaningful portion of our consumption- or usage-based revenue growth, and any material optimization or reduction in usage by these cohorts, or their failure to renew subscriptions on comparable terms, could result in revenue volatility. If we are unable to accurately forecast or manage consumption or usage dynamics, our business, financial condition, and operating results may be adversely affected.

The sales prices of our products, subscriptions, and support offerings may decrease, which may reduce our revenue and gross profits and adversely impact our financial results.

The sales prices for our products, subscriptions, and support offerings may decline for a variety of reasons, including competitive pricing pressures, discounts, changes in our product mix, anticipation of new offerings, or promotional programs. We also anticipate that sales prices and gross profits for our products, subscriptions, and support offerings could decrease over product life cycles. Declining sales prices could reduce our revenue, gross profits, and profitability and adversely impact our financial and operational results.

We rely on our channel partners to sell a substantial portion of our products, including subscriptions and support, and if these channel partners fail to perform, our ability to sell and distribute our products and subscriptions will be limited and our operating results will be harmed.

A substantial portion of our revenue is generated by sales through our channel partners, including distributors and resellers. For the three months ended October 31, 2026, two distributors individually represented 10% or more of our total revenue and in the aggregate represented 25% of our total revenue. As of October 31, 2026, one distributor individually represented 10% or more of our gross accounts receivable and in the aggregate represented 15% of our gross accounts receivable.

Training and programs provided to our channel partners to assist them in selling our products, subscriptions, and support offerings may not be effective or utilized. Our channel partners may be unsuccessful in marketing, selling, and supporting our products and subscriptions, and we may not be able to incentivize our channel partners to sell our products and subscriptions, or our channel partners may have incentives to promote our competitors' products and subscriptions. Our agreements with channel partners may generally be terminated for any reason by either party with advance notice prior to each annual renewal date, and we cannot be certain that we will retain them or secure additional or replacement channel partners. Any new channel partner requires extensive training and may take months to achieve productivity. Our channel partner structure could also subject us to lawsuits, liability, and reputational harm if, for example, channel partners misrepresent the functionality of our products or subscriptions or violate laws or our policies. If we fail to effectively manage our channel partners, our ability to sell our products and subscriptions and our operating results will be harmed.

We are exposed to the credit and liquidity risk of our customers, and to credit exposure in weakened markets, which could result in material losses.

Most of our sales are made on an open credit basis, and we have also experienced demands for customer financing and deferred payments due to, among other things, macro-economic conditions. Increases in deferred payments negatively impact our short-term cash flows and subject us to risk of non-payment, including as a result of insolvency. Our efforts to monitor customer payment capability and maintain reserves adequate to cover exposure for doubtful accounts may not be effective. Our exposure to these credit risks may increase if our customers are adversely affected by an economic downturn. In the past, we have experienced non-material losses due to customer bankruptcies or insolvency. If credit market turmoil makes it more difficult for customers to obtain financing or affects their ability to pay, or if these losses increase, our business, financial condition, and operating results could be materially adversely affected.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront investment of resources without any assurance of generating a sale and involving longer sales cycles. The substantial majority of our government sales to date have been made indirectly through our channel partners. Government certification and technical requirements may change, and if our products and subscriptions fail to achieve or are late in achieving compliance with these certifications and standards or technical requirements, we may be disqualified or restricted from selling to such entities or be at a competitive disadvantage. Government demand and payment for our products, subscriptions, and support offerings may be impacted by government shutdowns, changes in administrations, budgetary cycles, contracting policies, fiscal policies, and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products, subscriptions, and support offerings. Government entities may also have rights to terminate contracts for convenience or due to a default, and government audits of their contractors, suppliers, or vendors could result in the government refusing to continue purchasing our products, subscriptions, and support offerings, revenue reductions, or fines and civil or criminal liability, all of which may adversely impact our operating results. Additionally, the U.S. government may require certain products to be manufactured domestically or in other relatively high-cost manufacturing locations, and we may not manufacture all products in locations that meet such requirements, affecting our ability to sell our offerings to the U.S. government.

We face intense competition and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The industry for enterprise security products and the other spaces in which we have offerings is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our main competitors fall into four categories:

- large companies that incorporate security or observability features in their products, such as Alphabet Inc., Cisco Systems, Inc., and Microsoft Corporation, or those that have acquired, or may acquire, security vendors and have the technical and financial resources to bring competitive solutions to the market;
- independent vendors that may offer a mix of security products, such as Check Point Software Technologies Ltd., CrowdStrike Holdings, Inc., Delinea, Inc., Fortinet, Inc., Okta, Inc., SailPoint Technologies, Inc., and Zscaler, Inc., vendors that may offer a mix of observability products, such as DataDog, Inc., Dynatrace, Inc., and elasticsearch B.V., or vendors that may offer a mix of security and observability products;
- startups and point-product vendors that offer independent or emerging solutions across various areas of security; and
- public cloud vendors and startups that offer solutions for cloud security (private, public, and hybrid cloud).

Some of our competitors have or may attain greater financial, technical, marketing, sales, and other resources, greater name recognition, longer operating histories, and a larger base of customers than we do. Our competitors may devote greater resources to the research and development, promotion, and sale of products and services, offer lower pricing, and have broader product and service offerings and more mature intellectual property portfolios to gain business in a manner that discourages users from purchasing our products and subscriptions, including incorporating cybersecurity features into their existing products or services, product bundling, selling at zero or negative margins, and offering concessions. We also face competition from companies with entrenched legacy offerings. End-user customers who have invested substantial resources in their existing infrastructure may prefer to continue purchasing from their existing suppliers rather than switch to our products and subscriptions. As our customers refresh security products, achieve efficiencies, or face budget constraints or economic downturns, they may seek to consolidate vendors or add solutions to their existing infrastructure rather than replacing it with our products and subscriptions.

The maturity and expansion of the enterprise cybersecurity space may attract new players, including cloud hyperscalers, advanced AI companies and enterprise software companies in adjacent industries, which may meaningfully enter or further expand into additional cybersecurity categories, including the identity security category. Conditions in our market could change rapidly as a result of technological advancements, including with respect to AI, acquisitions or strategic investments by our competitors, or continuing market consolidation. Our competitors may develop new or disruptive technologies, products, or services that are equal or superior to ours, more successfully incorporate AI into their products and achieve higher market acceptance of their AI solutions, or deliver products to market more quickly than we can. To compete successfully, we must accurately anticipate technology developments and deliver innovative, relevant, and useful products and technologies in a timely manner. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources or offerings.

These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, and loss of market share. If we are unable to compete successfully, or if competing successfully requires us to take aggressive pricing or other actions, our business, financial condition, and operating results would be adversely affected.

The "identity security" market lacks a universally accepted definition, which could lead to mischaracterization of our offerings and adverse evaluations by industry stakeholders.

We have significantly expanded our participation in what is commonly referred to as the "identity security" market. However, this market lacks a standardized definition and is subject to varying interpretations by industry analysts, customers, and competitors. This ambiguity could lead to mischaracterization of our identity security products or market positioning by industry stakeholders, resulting in unfavorable evaluations, reviews, or accreditations. Industry analyst reports and rankings can materially influence customer purchasing decisions in the security industry, and unfavorable reviews, downgrades in accreditation, or evolving definitions of the identity security category could negatively affect our reputation, competitive standing, and ability to attract and retain customers.

Customer trends toward vendor consolidation in cybersecurity may favor competitors offering broader platforms.

Enterprise cybersecurity buyers are increasingly seeking to consolidate their vendors to reduce costs, complexity, and integration challenges. While our platformization strategy is designed to benefit from this trend, consolidation may also create opportunities for competitors, including large cybersecurity platform vendors, cloud hyperscalers, and enterprise software companies, to offer broader bundled solutions that include capabilities in categories where we compete, such as identity security and observability. If customers choose to consolidate with vendors offering more comprehensive suites, or if competitors more successfully utilize acquisitions or partnerships to combine capabilities, we may be at a competitive disadvantage. Furthermore, organizations continuously evaluate their information security priorities and may allocate budgets to solutions offered by our competitors, or may not adopt or expand the use of our solutions, which could adversely affect our business, financial condition, and operating results.

Cloud infrastructure providers and advanced AI companies increasingly offer native security and observability capabilities that compete directly with our offerings.

The major public cloud infrastructure providers increasingly offer native security, identity, and observability capabilities that compete with our products and subscriptions. These providers have significant resources and may bundle native capabilities with their cloud infrastructure services at low or no incremental cost to customers, may leverage privileged access to their platforms and telemetry, and may design their native offerings to integrate more seamlessly with their infrastructure than third-party solutions can. As customers increasingly deploy workloads across multiple cloud environments, or as cloud providers expand the scope and depth of their native security and observability capabilities, demand for our offerings could be adversely affected. We may also face pricing pressure as competitors utilize cloud provider economics or offer bundled solutions at reduced total cost of ownership.

In addition, frontier or foundational AI model providers, or similar companies with advanced large language model capabilities, have entered or may enter the cybersecurity and observability markets, whether directly, through partnerships, or by enabling third parties to build competing security applications on top of their models. These companies possess substantial capital, technical talent, and have developed, or have proprietary access to, foundational or frontier AI models. Their ability to rapidly iterate on model capabilities, attract AI research talent, and leverage significant compute infrastructure may allow them to introduce competing security capabilities more quickly or at lower cost than we can. If these or other AI companies develop and commercialize security products or embed security functionality into their broader AI platforms, customers may choose to consolidate their security spend with such providers rather than purchase our solutions, which could adversely affect our revenue, market share, and competitive position.

We have acquired and may in the future acquire other businesses, which could subject us to adverse claims or liabilities, require significant management attention, disrupt our business, adversely affect our operating results, may not result in the expected benefits of such acquisitions, and may dilute stockholder value.

As part of our business strategy, we acquire and make investments in complementary companies, products, or technologies. We continue to evaluate such opportunities and expect to continue to make such acquisitions and investments in the future. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. In addition, we may be subject to claims or liabilities assumed from an acquired company, product, or technology; acquisitions we complete could be viewed negatively by our end-customers, investors, and securities analysts; and we may incur costs and expenses necessary to address an acquired company's failure to comply with laws and governmental rules and regulations. Additionally, we may be subject to litigation or other claims in connection with the acquired company, product, or technology, including claims from terminated employees, customers, former stockholders, or other third parties, which may differ from or be more significant than the risks our business faces.

If we are unsuccessful at integrating past or future acquisitions in a timely manner, or at all, our revenue and operating results could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management's attention. We may have difficulty retaining key personnel or customers of the acquired business, or may not successfully evaluate or utilize acquired technology, products, or personnel, realize anticipated synergies, or accurately forecast the financial impact of an acquisition or its integration, including accounting charges and any potential impairment of goodwill and intangible assets. In particular, we believe there are significant benefits and synergies that may be realized from our recent acquisitions, including through leveraging our combined products, scale, and enterprise customer bases. However, integrating these businesses is a complex process that may disrupt our existing operations if not implemented efficiently. The full benefits of these acquisitions, including the anticipated sales or growth opportunities, may not be realized as expected or within the anticipated time frame, or at all.

We have recorded, and may in the future record, liability for contingent consideration obligations from acquisitions that are to be settled in cash, the fair value of which is assessed on a quarterly basis. If changes are made in our assumptions used to determine the liability's fair value or our assumptions are incorrect, adjustments could be made that may have a material impact, favorable or unfavorable, on our operating results. We may also be required to make cash payments of contingent consideration in excess of its initial fair value, or in excess of our expectations for a particular period, which could adversely impact cash flows.

We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our common stock and result in dilution to our stockholders.

In addition, any acquisitions may be viewed negatively by our customers, financial markets, or investors and may not ultimately strengthen our competitive position or achieve our goals and business strategy. The occurrence of any of these risks could harm our business, financial condition, and operating results.

As a result of the CyberArk acquisition, the scope and size of our business have substantially changed, which resulted in certain incremental risks, including increased competition.

Our recent CyberArk acquisition has expanded the scope and size of our business by adding substantial assets and operations to our existing business. The integration process for CyberArk could create uncertainty for our and CyberArk's employees, partners, and customers, divert senior management's attention, and result in disruption to existing business relationships and the development of new business relationships.

Our success, including with respect to realizing the anticipated benefits and synergies from the CyberArk acquisition, will depend, in part, on our ability to manage our expansion, which poses numerous risks and uncertainties, including the need to integrate the operations and business of CyberArk into our existing business in a timely and efficient manner, to combine systems and management controls, and to integrate relationships with industry contacts and business partners. In addition, we will be required to devote significant attention and resources to successfully align our and CyberArk's business practices and operations. This process may disrupt our business and, if ineffective, would limit the anticipated benefits and synergies of the acquisition.

In addition, we expect that the CyberArk acquisition will result in increased competition, including as a result of our entry into a new product category. The identity security industry is characterized by constant innovation, evolving customer requirements, and rapid adoption of different technologies and services. These added competitive pressures could result in decreased sales, price reductions, increased operating costs, and lower revenues, margins, and net income for the combined company. These impacts could also result in a delay in realizing, or our failure to realize, expected synergies or cost savings from the CyberArk acquisition.

The occurrence of any of these risks could harm our business, financial condition, and operating results.

If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments and successfully manage product and subscription introductions and transitions to meet changing end-customer needs in the enterprise security industry, our competitive position and prospects will be harmed.

The enterprise security industry has grown quickly and continues to evolve rapidly. Moreover, many of our end-customers operate in markets characterized by rapidly changing technologies and business plans, which require them to add numerous network access points and adapt increasingly complex enterprise networks, incorporating a variety of hardware, software applications, operating systems, and networking protocols. If we fail to effectively anticipate, identify, and respond to rapidly evolving technological and market developments in a timely manner, our business will be harmed.

In order to anticipate and respond effectively to rapid technological changes and market developments, as well as evolving security threats, we must invest effectively in research and development to increase the reliability, availability, and scalability of our existing products and subscriptions and introduce new products and subscriptions. Our investments in research and development, including investments in AI, may not result in design or performance improvements, marketable products, subscriptions, or features, or may not achieve the cost savings or additional revenue that we expect. In addition, new and evolving products and services, including those that use AI, require significant investment and raise ethical, technological, legal, regulatory, and other challenges, which may negatively affect our brands and demand for our products and services. Because all of these investment areas are inherently risky, no assurance can be given that such strategies and offerings will be successful or will not harm our reputation, financial condition, and operating results.

We must also continually adapt our products and strategy in response to changes in network infrastructure requirements, including the expanding use of cloud computing and third-party service providers. While we have historically been successful in developing or acquiring and marketing new products and product enhancements that respond to technological and industry changes, we cannot assure that our new or future offerings will achieve widespread market acceptance or be successful. If we fail to accurately predict and address end-customers' changing needs and emerging technological trends, including in the areas of AI, mobility, virtualization, cloud computing, and software-defined networks, our business could be harmed. The technology in our portfolio is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack while minimizing the impact on network performance. Some of our new features and enhancements may require us to develop new hardware architectures involving complex, expensive, and time-consuming research and development processes, and the timetable for commercial availability is uncertain. The success of new products depends on several factors, including appropriate product definition, differentiation from competitors, market acceptance, management of production ramp-up issues, availability of application software, effective management of purchase commitments and inventory, and the risk that new products may have quality defects in the early stages of introduction. If we fail to identify opportunities for new products and subscriptions, experience unanticipated delays in the availability of new products and subscriptions, or fail to meet customer expectations, our competitive position and business prospects will be harmed.

Furthermore, we may require additional funds to respond to business challenges, including the need to develop new features to enhance our portfolio, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds, which may contain terms that, among other things, restrict our ability to incur additional indebtedness. In addition, we may be required to take other actions that would otherwise be in the interests of the debt holders and would require us to maintain specified liquidity or other ratios, any of which could harm our business, financial condition, and operating results. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

The success of our strategy depends on maintaining a broad ecosystem of integrations with third-party technologies, which requires significant ongoing investment.

The success of our strategy depends in part on the breadth and depth of our integrations with third-party technologies, including cloud infrastructure providers, identity providers, security tools, and business applications. Maintaining and expanding these integrations requires continuous engineering, sales, and marketing investment, and we may not always be able to develop, maintain, or update integrations as quickly as customers or channel partners expect. Third-party technology vendors may modify their APIs, deprecate integrations, or introduce competing capabilities that reduce the need for our platform integrations. If we are unable to maintain a broad and current integration ecosystem, or if certain third-party vendors limit or terminate their integrations with our platform, the utility of our offerings could be reduced, adversely affecting our business, financial condition, and operating results.

Issues in the development, deployment, or use of AI may result in reputational harm, legal liability, and could adversely affect our business and operating results.

We have incorporated, and are continuing to develop and deploy, AI into many of our products, solutions, and business operations. AI presents challenges, risks, and potentially unintended consequences. For example, AI algorithms may have flaws, and training datasets may be insufficient or contain biased information. The AI incorporated into our products and operations may not be successful or beneficial, and instead may cause technical, legal, or ethical problems or result in increased costs. Our investments in AI ultimately may not be commercially viable or result in an adequate return of capital, and this could depress the market price of our stock or lead to us incurring unanticipated liabilities.

Vulnerabilities within our AI systems may be identified by researchers or malicious actors before we detect or remediate them, which could result in security incidents, data privacy issues, reputational damage, or loss of customer confidence. Advances in AI have also increased the speed, scale, and sophistication of cybersecurity threat activity, including reducing the time between vulnerability discovery and exploitation. To the extent customers, investors, or other market participants perceive that AI can automate or commoditize aspects of cybersecurity functions, the perceived value of certain cybersecurity solutions could diminish, and customer buying patterns, competitive dynamics, and demand for our products, subscriptions, and support offerings could be adversely affected. Investor and market perceptions regarding AI-related disruption to the cybersecurity industry could adversely affect our business, and operating results, or the trading price of our common stock, even if these perceptions do not reflect actual changes in our business, customer demand, competitive positions, or financial performance.

The rapid evolution of AI, including current and future government regulation of AI, requires us to invest significant resources to develop, test, and maintain AI in our products and services in a manner that meets evolving requirements and expectations. The laws, rules, and regulations that have and continue to be adopted by policymakers, and the manner in which such requirements are interpreted or enforced, may require us to incur additional costs to comply with such requirements or make changes to our business practices, including our products and services that incorporate AI. Our efforts and investments regarding AI, and our failure or perceived failure to comply with applicable legal requirements, could damage our customer relationships, cause brand or reputational harm, or subject us to regulatory risk and legal liability, including under laws, rules, and regulations in jurisdictions such as the E.U. and U.S. and laws and regulations in other jurisdictions in which we and our customers operate. Developing, testing, and deploying AI systems may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems.

The intellectual property ownership and license rights surrounding AI technologies, as well as data protection laws related to the use and development of AI, are currently not fully addressed by courts or regulators. The use or adoption of AI technologies in our products may result in exposure to claims by third parties, including alleging copyright infringement or other intellectual property misappropriation, which may require us to pay compensation or license fees to third parties, as well as regulatory action and enforcement. The evolving legal, regulatory, and compliance framework for AI technologies may also impact our ability to protect our own data and intellectual property against infringement.

The cybersecurity industry is undergoing a transformation as customers increasingly expect AI-native solutions that are designed from the ground up to leverage AI capabilities. If we fail to anticipate, invest in, or execute on the transition to AI-native platforms, or if our competitors develop AI-native offerings that achieve greater market acceptance, we may miss critical opportunities for growth and market leadership, and our business, including our gross margin, and competitive position could be materially harmed.

The emergence of AI agents as a new class of identity presents both opportunities and risks that could impact our identity security offerings.

The rapid deployment of generative AI systems and AI agents is creating a new class of identity that requires authenticated, secure access to sensitive resources at a scale and speed exceeding traditional identity models designed for human users. As AI agents gain capabilities and access within organizations, managing their identities and permissions is emerging as a significant operational and security challenge. The ability of our identity security solutions to evolve to effectively secure this new identity class will depend on continued investment in research and development, the availability of appropriate AI technologies, and market acceptance of our approach and products. If we fail to adequately address the security requirements associated with AI agents, or if our competitors more effectively secure AI identities, demand for our offerings could decline. Additionally, evolving standards, customer expectations, or regulatory requirements could require us to make significant changes to our offerings.

A significant network or data security incident may materially impact our reputation, financial condition, and operating results.

Like all companies, our systems, data, and products are subject to an increasingly wide variety of attacks on an ongoing basis from a variety of sources, including from traditional hackers, malicious code, phishing and ransomware attacks, employee theft or misuse, and sophisticated nation-state actors engaging in intrusions and attacks, including advanced persistent threat intrusions and supply chain attacks. Despite our efforts to prevent breaches, our data, products, corporate systems, and security measures, as well as those of our third-party service providers, remain vulnerable. Malicious actors are using AI to develop advanced cyberattacks and to exploit system vulnerabilities that are not known or remediated. We cannot guarantee that our security measures will provide adequate protection. As a well-known provider of security solutions, we and others in our industry are attractive targets for cyberattacks. The geopolitical environment, including the Russia-Ukraine war and other global events as described in “Risks Related to Global Economic and Geopolitical Conditions” above, increases the risk of cyberattacks on our infrastructure and operations. Because certain third-party service providers are critical to our business, such as cloud services that support various customer-facing operations, cyberattacks that compromise third-party systems could materially impact us.

A significant security breach or incident suffered by us or our third-party service providers could materially impact the confidentiality, integrity, or availability of our networks and products, or networks secured by our products and subscriptions, creating system disruptions and compromise of information. Information stored or otherwise processed on our networks or those of our third-party service providers has previously been, and could in the future be, accessed, disclosed, altered, lost, or stolen, or otherwise used or processed without authorization. Any actual or perceived vulnerability, breach, or data security incident we or our third-party service providers suffer could result in significant reputational damage, loss of channel partners and end-customers, regulatory investigations or enforcement actions, costly litigation, and other liability. We may also incur significant costs and expend significant resources to investigate, remediate, and prevent future incidents, as well as costs to comply with notification obligations resulting from any security incidents. Any of these outcomes could adversely impact the market perception of our products and subscriptions and end-customer and investor confidence in our company, and could materially harm our business, financial condition, and operating results. We cannot guarantee that costs and liabilities incurred in relation to a breach or other incident will be covered by existing insurance policies or that applicable cybersecurity insurance will be available to us in the future on economically reasonable terms or at all.

Defects, errors, or vulnerabilities in our products, subscriptions, or support offerings, the failure of our products or subscriptions to block a virus or prevent a security breach or incident, misuse of our products, or risks of product liability claims could harm our reputation and adversely impact our operating results.

Because our products and subscriptions are complex, they have contained and may contain design or manufacturing defects, vulnerabilities, or errors that are not detected until after deployment. For example, end-customers have reported defects in our products related to performance, scalability, and compatibility. Defects or vulnerabilities may cause our products or subscriptions to become unavailable, to be vulnerable to security attacks, fail to secure networks, or interrupt end-customers’ networking traffic. For example, in May 2026, we became aware of an authentication bypass vulnerability in certain versions of our PAN-OS software and published a security advisory, provided software updates, and engaged in customer outreach, support, and remediation efforts. Because attack techniques change frequently and are generally not recognized until launched, we are unable to comprehensively anticipate, detect, or provide responsive solutions or remediation in all instances. As described in "Risks Related to Global Economic and Geopolitical Conditions" above, the geopolitical environment increases the risk of cyberattacks against us and our customers.

Defects or errors in our products or software, or migrations or updates, could result in a failure to effectively update end-customers’ hardware, software, and products or otherwise cause problems in our customers’ hardware, networks, software, or IT infrastructure. Defects, errors, or a technical failure of our products may temporarily or permanently disable our end-customers’ networks, IT infrastructure, or other systems. Our products must interoperate with end-customers’ existing infrastructure, which often has varied specifications, multiple protocol standards, and products from multiple vendors. When problems occur, it may be difficult to identify the source. The data centers, networks, and cloud infrastructure we use to deliver our products, subscriptions, and support offerings may experience technical failures or downtime that could expose end-customers’ networks to security threats or attacks.

The occurrence of any such problem in our products and subscriptions, or migrations or updates to those products or software, whether real or perceived, could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- loss of existing or potential end-customers or channel partners;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- an increase in warranty claims compared with our historical experience, or an increased cost of servicing warranty claims, either of which would adversely affect our gross margins; and
- litigation, regulatory inquiries, investigations, or other proceedings, each of which may be costly and harm our reputation.

Our products and subscriptions may be misused by end-customers or third parties. For example, our products and subscriptions could be used to censor private access to information on the Internet. Such misuse could result in negative press coverage and harm our reputation.

The limitation of liability provisions in our standard terms and conditions may not fully or effectively protect us from claims as a result of applicable laws or unfavorable judicial decisions. The sale and support of our products and subscriptions also entails the risk of product liability claims. Indemnification by third-party manufacturers may not cover claims arising from design or manufacturing defects. Additionally, our insurance coverage may not adequately cover claims asserted against us, and even unsuccessful claims could result in litigation expenses, diversion of management's attention, and reputational harm.

In addition, our classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories may falsely detect and act on threats that do not actually exist. This risk is heightened by the inclusion of heuristics features in our products and subscriptions that identify threats based on characteristics or anomalies rather than known signatures. These false positives may impair the perceived reliability of our products and adversely impact market acceptance of our products and subscriptions, our reputation, and our sales, and result in loss of channel partners or end-customers.

Our shared responsibility security model relies on customers to configure and use our products securely, and customer errors could harm our reputation even when we are not at fault.

We deliver certain of our products under a model in which we are responsible for the security of the underlying platform and infrastructure and our customers are responsible for configuring, deploying, patching, and using our products and configuring and implementing the security controls and posture within their environments. Customers may fail to implement, or may misconfigure, security features made available in our products and subscriptions, or may fail to follow best practices, resulting in security incidents affecting their environments or data. Even if we are not the cause of a customer security incident, our reputation, brand, and customer relationships may nonetheless be adversely impacted. Enterprise customers, regulators, and the market generally may not consistently distinguish between security incidents caused by our products and those caused by a customer failing to implement or misconfiguring security features of our products, and we may face claims, negative publicity, or regulatory scrutiny in either case. Any such incidents could adversely affect market perception of our offerings and, correspondingly, our business, financial condition, and operating results.

Our ability to sell our products and subscriptions is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and subscriptions, our sales, and our operating results.

After our products and subscriptions are deployed, our end-customers depend on our technical support services and those of our channel partners. Larger enterprise, service provider, and government entity end-customers have more complex networks and require higher levels of support. If our channel partners do not effectively provide support, we may need to provide direct support, requiring additional personnel and resources. If we cannot hire and deploy resources fast enough to meet demand, end-customer satisfaction will be adversely affected, and reliance on sales engineers for post-sales support would negatively impact our sales productivity. Failure by our company and our channel partners to provide high-quality support services could have a material adverse effect on our business, financial condition, and operating results.

Our subscription agreements typically contain service-level commitments, and failure to meet these commitments could reduce our revenue and harm our business.

Our subscription agreements for certain of our product offerings typically contain service-level commitments, including uptime and response time requirements. If we are unable to meet these commitments, we may be contractually obligated to provide service credits, refunds, or, in certain cases, permit customers to terminate their subscriptions. Any such credits or refunds could significantly affect our revenue in the periods in which they are applied. Service-level failures could also damage our reputation, reduce renewals, and expose us to litigation. As our SaaS-based revenues grow and our offerings expand to serve more mission-critical use cases, our exposure to service-level commitment obligations will continue to increase. Any material failure to meet these commitments could adversely affect our business, financial condition, and operating results.

We rely on data center facilities operated by third-party cloud service providers, and any limitations on capacity, or interference with our use could adversely affect our business, financial condition, and results of operations.

We rely on data center facilities operated by third-party cloud service providers to host and operate our cloud-based products and services. Any limitation on the capacity of these third-party providers, or tightening availability of cloud computing resources and machine compute capacity due to increased demand from other customers, supply chain constraints, or allocation decisions by providers, could impede our ability to onboard new customers, expand usage by existing customers, or deliver our products and services with the performance and reliability our customers expect. Demand for cloud computing infrastructure and specialized computing resources, including for AI and machine learning workloads, has increased significantly across industries, and our third-party providers may prioritize other customers or uses, limit our access to capacity, or be unable to meet our requirements. In addition, decisions by the owners and operators of these data center facilities to terminate our contracts, discontinue services, shut down operations, increase prices, change service levels, limit bandwidth, or prioritize the traffic of other parties could have a material adverse effect on our operations.

RISKS RELATED TO INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSING

Claims by others that we infringe their intellectual property rights could harm our business.

Companies in the enterprise security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Non-practicing entities also frequently bring such claims against companies in the enterprise security industry. Third parties have asserted, and may in the future assert, claims of infringement against us. For example, on January 31, 2024, in the Centripetal Networks, Inc. lawsuit against us, the jury returned a verdict of non-willful infringement, and a judgment was issued on October 3, 2024 assessing damages of $114 million, plus statutory interest, which is currently on appeal. Additional patent infringement cases are disclosed in Note 10. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Third parties may also assert such claims against our end-customers or channel partners, whom our standard license and other agreements obligate us to indemnify against claims that our products and subscriptions infringe the intellectual property rights of third parties. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product. Furthermore, we may be unaware of the intellectual property rights of others that may cover some or all of our technology, products, subscriptions, and services. As we expand our footprint, both in our platforms, products, subscriptions, and services and geographically, more overlaps occur and we may face more infringement claims both in the United States and abroad.

Our competitors and others may have significantly larger and more mature patent portfolios than we have, and litigation has involved and will likely continue to involve patent-holding companies or owners who have no relevant product revenue and against whom our own patents provide little or no deterrence. We have not registered our trademarks in all geographic markets, which could adversely affect our ability to enforce and defend our trademark rights. Any infringement claim, even without merit, could cause us to incur substantial defense costs, distract management, and could require us to cease use of such intellectual property. Furthermore, because of the substantial discovery required in IP litigation, there is a risk that our confidential information could be compromised. A successful claimant could secure a judgment or settlement that prevents us from distributing certain products, performing certain services, or that requires us to pay substantial damages, royalties, or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products or subscriptions without compensating us.

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, and trade secret protection laws, to protect our proprietary rights. We have filed various applications for certain aspects of our intellectual property. Valid patents may not issue from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to comprehensively protect our technology or products and subscriptions. We cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection, which could prevent our patent applications from issuing as patents or invalidate our patents following issuance. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Additional uncertainty may result from changes to patent-related laws and court rulings in the United States and other jurisdictions. As a result, we may not be able to obtain adequate patent protection or effectively enforce any issued patents.

Unauthorized parties may attempt to copy aspects of our products or subscriptions or obtain and use information that we regard as proprietary. We enter into confidentiality or license agreements with employees, consultants, vendors, and end-customers and limit access to our proprietary information; however, these agreements may not be honored or our measures may not prevent misappropriation. As a well-known security provider, we may face a greater risk of unauthorized access to our proprietary information. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as U.S. laws. We may need to take legal action to enforce our intellectual property rights, which could result in substantial costs and diversion of resources, and could provoke counterclaims. If we are unable to protect our proprietary rights, we may find ourselves at a competitive disadvantage, which would have a material adverse effect on our business, financial condition, and operating results.

Our use of open source software in our products and subscriptions could negatively affect our ability to sell our products and subscriptions and subject us to possible litigation.

Our products and subscriptions contain software modules licensed to us by third-party authors under “open source” licenses. Some open source licenses contain requirements that we make available applicable source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with, or otherwise distribute or use open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products or subscriptions with lower development effort and time and ultimately could result in a loss of product sales for us.

The terms of many open source licenses have not been interpreted by United States courts, and these licenses could be construed in a way that imposes unanticipated conditions or restrictions on our ability to commercialize our products and subscriptions. From time to time, there have been claims against companies that distribute or use open source software in their products and subscriptions, asserting that open source software infringes the claimants’ intellectual property rights. We could be subject to suits by parties claiming infringement of intellectual property rights in what we believe to be licensed open source software. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products and subscriptions on terms that are not economically feasible, to reengineer our products and subscriptions, to discontinue the sale of our products and subscriptions if reengineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition, and operating results.

In addition, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title. Our processes to help alleviate these risks, including a review process for screening open source usage requests, may not be effective.

We license technology from third parties, and our inability to maintain those licenses could harm our business.

We incorporate technology that we license from third parties, including software, into our products and subscriptions. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products and subscriptions. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Some of our agreements with our licensors may be terminated for convenience by them. We may also be subject to additional fees or be required to obtain new licenses if any of our licensors allege that we have not properly paid for such licenses or that we have improperly used the technologies under such licenses, and such licenses may not be available on terms acceptable to us or at all. If we are unable to continue to license any of this technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or claims against us by our licensors, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products and subscriptions containing such technology would be severely limited and our business could be harmed. Additionally, if we are unable to license necessary technology from third parties, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and we may be required to use alternative technology of lower quality or performance standards. This would limit and delay our ability to offer new or competitive products and subscriptions and increase our costs of production. As a result, our margins, market share, and operating results could be significantly harmed.

RISKS RELATED TO OPERATIONS

We depend on manufacturing partners and limited sources of supply for our hardware products, making us susceptible to manufacturing delays, supply shortages, pricing fluctuations, and international trade risks that could prevent timely shipment of customer orders and result in the loss of sales and end-customers.

We depend on manufacturing partners, primarily our EMS provider, Flex, to manufacture our hardware product lines. Our substantial reliance on Flex or other manufacturing partners subjects us to concentration risks, such as reduced control over the manufacturing process, quality assurance, product costs and supply, and timing. Our hardware products are manufactured primarily in the United States, but some components are sourced outside the United States, subjecting us to geopolitical risks, trade regulations, tariffs, logistical risks, and foreign compliance requirements.

Changes to international trade agreements, tariffs, or trade regulations could lead to sourcing or logistics disruptions and increased costs. For example, U.S. and Chinese import tariffs have impacted some of our components, increasing our costs and potentially requiring us to further raise prices on our hardware products.

In the past, we experienced supply chain disruption and have incurred increased costs resulting from inflationary pressures and changes in U.S. trade policy. For example, we recently experienced supply chain disruption and inflationary pressures, resulting in increased costs for memory and other components, which have negatively affected our gross margin and could continue to affect our gross margin. Our manufacturing partners typically fulfill supply requirements on individual purchase orders without long-term capacity or pricing guarantees. Our contract with Flex permits termination for convenience, subject to prior notice requirements. Our manufacturing partners procure components and build products based on our forecasts, and from time to time, we issue non-cancelable, non-returnable forecasts. If we are required to change manufacturing partners, or if our forecasting and inventory management systems prove inadequate, our ability to meet scheduled deliveries could be adversely affected. If our forecasts overestimate demand, we may be obligated to purchase excess inventory that we cannot sell, resulting in write-downs, increased carrying costs, and lower gross margins. Conversely, if our forecasts underestimate demand, we may experience insufficient supply, leading to product shortages, delayed deliveries, lost sales opportunities, and potential damage to customer relationships. Any production interruptions, whether from natural disasters, epidemics or pandemics, capacity shortages, or quality problems, would negatively affect sales and our business and operating results.

Our hardware products rely on key components, including integrated circuit components, purchased from a limited number of suppliers, including sole source providers. The manufacturing operations of some suppliers are geographically concentrated in Asia, making our supply chain vulnerable to regional disruptions and international regulations, including tariffs, sanctions, and export controls. We are also monitoring the tensions between China and Taiwan, and between the U.S. and China, which have increased our costs and could have an adverse impact on our business or results of operations in future periods. We do not have volume purchase contracts with our component suppliers, and they could cease selling to us or change prices at any time. For example, there is currently a global shortage of memory-related components, and certain of our hardware appliances require higher memory content, which has led to and may continue to lead to increased production costs. If we are unable to obtain sufficient components on commercially reasonable terms, we could be forced to redesign our products and qualify new suppliers, resulting in lost sales opportunities and damage to customer relationships.

If we are unable to attract, retain, and motivate our key technical, sales, and management personnel, our business could suffer.

Our future success depends, in part, on our ability to continue to attract, retain, and motivate the members of our management team and other key employees. For example, we are substantially dependent on the continued service of our engineering personnel because of the complexity of our offerings. Competition for highly skilled personnel, particularly in engineering, including in the areas of AI and machine learning, is intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for such personnel. In addition, the industry in which we operate generally experiences high employee attrition. Our future performance depends on the continuing services and contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. If we are unable to hire, integrate, train, or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business, financial condition, and operating results could be harmed. Moreover, our hybrid work environment may also create operational, security, and workplace culture challenges that could hinder execution of our business objectives and our ability to attract and retain qualified and highly skilled personnel.

Further, we believe that a critical contributor to our success and our ability to retain highly skilled personnel has been our corporate culture, which we believe fosters innovation, inclusion, teamwork, passion for end-customers, focus on execution, and the facilitation of critical knowledge transfer and knowledge sharing. As we grow and change, and as we acquire and integrate other businesses, we may find it difficult to maintain these important aspects of our corporate culture. While we are taking steps to develop a more inclusive workforce, there is no guarantee that we will be able to do so. Any failure to preserve our culture as we grow could limit our ability to innovate and could negatively affect our ability to retain and recruit personnel, continue to perform at current levels, or execute on our business strategy.

We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations, including export and import controls that could subject us to liability or impair our ability to compete in international markets.

Our ability to successfully grow our business will depend to a significant extent on our ability to expand our operations and customer base worldwide. Operating in a global marketplace, we are subject to risks associated with international reach, compliance, and regulatory requirements. We may experience difficulties in attracting and retaining international personnel or strategic distributor relationships, and business practices in international markets may require non-standard end-customer contract terms related to payment, warranties, or performance obligations.

Additionally, our international sales and operations are subject to a number of risks, including the following:

- political, economic, and social uncertainty around the world, health risks such as epidemics and pandemics, macroeconomic challenges, terrorist activities, the Russia-Ukraine war, tensions between China and Taiwan, the hostilities in Israel and the surrounding region, and continued hostilities in the Middle East;
- unexpected changes in, or the application of, foreign and domestic laws and regulations (including intellectual property rights protections), regulatory practices or enforcement policies, trade restrictions, international trade agreements, and foreign legal requirements, including those applicable to the importation, certification, localization and regulatory approval of our products, tariffs, and tax laws and treaties, including regulatory and trade policy changes adopted by the current administration, such as sanctions, or foreign countries' response to regulatory changes adopted by the current administration; and
- non-compliance with U.S. and foreign laws, including antitrust regulations, anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom ("U.K.") Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices.

These and other factors could harm our future international revenues and, consequently, materially impact our business, financial condition, and operating results. In addition, because we incorporate encryption technology into our products, certain of our products are subject to U.S. export controls and may be exported outside the United States only with the required export license or license exception. U.S. export control laws and economic sanctions prohibit shipment of certain products to embargoed or sanctioned countries, governments, and persons. Various countries also regulate the import of encryption technology. Changes in export or import regulations, economic sanctions, or the countries and technologies targeted by such regulations could decrease use of our products internationally. Any failure by us or our channel partners to comply with trade regulations could subject us to substantial civil and criminal penalties. International trade laws continuously evolve, and monitoring and responding to these developments may require significant resources. Our failure to successfully manage our international operations and the associated risks could limit the future growth of our business.

Our products and subscriptions are subject to certification, testing, and regulatory approval requirements in foreign jurisdictions, and our failure to obtain or maintain such approvals could limit our ability to sell in those markets.

Our products and subscriptions are subject to regulatory requirements in a number of foreign jurisdictions, and the scope and complexity of these requirements continue to expand. For example, in China, our products may be required to comply with cybersecurity and data security laws, including the Cybersecurity Law, the Data Security Law, and related regulations, and may be subject to network security review, critical information infrastructure protection requirements, and mandatory product certifications. Other jurisdictions impose similar requirements, including local testing and certification requirements, in-country data storage or processing mandates, source code review or escrow obligations, and restrictions on the use of foreign-developed encryption or security technologies. Compliance with these requirements is costly and time-consuming, and the regulatory landscape in many jurisdictions is evolving and subject to change with limited or no notice. If we are unable to obtain or maintain required certifications, approvals, or authorizations in a timely manner, or if new or revised requirements render our products or subscriptions non-compliant, we may be unable to sell, deploy, or support our products in affected markets, which could result in lost revenue opportunities, reputational harm, and a material adverse effect on our business, financial condition, and operating results.

We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore, a predominant amount of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the cost of our products to end-customers outside the United States. Increased international sales in the future may result in greater foreign currency denominated sales, increasing our foreign currency risk.

Our operating expenses incurred outside the United States and denominated in foreign currencies are generally increasing and are subject to fluctuations due to changes in exchange rates.

We have entered into forward contracts to reduce our foreign currency exchange exposure. As of October 31, 2026, the total notional amount of our outstanding foreign currency forward contracts was $1.8 billion. For more information, refer to Note 6. Derivative Instruments in Part I, Item 1 of this Quarterly Report on Form 10-Q. The effectiveness of our hedging transactions may be limited, and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results.

We face risks associated with having operations and employees located in Israel.

We have business operations in Israel, which meaningfully expanded as a result of the acquisition of CyberArk, and we intend to continue growing our presence in Israel. Our operations in Israel could be disrupted by political instability, civil unrest, terrorist attacks, acts of violence or war, or other military actions, including ongoing hostilities in the region. The effects of such hostilities on the Israeli economy and our operations in Israel are unclear, and current or future tensions and conflicts in the Middle East, including any escalation involving Iran, could adversely affect our business, financial condition, operating results, and cash flows.

Many of our employees in Israel are obligated to perform annual reserve duty in the Israeli military and are subject to being called for active duty under emergency circumstances, which has occurred as a result of regional hostilities. If many of our employees in Israel are called for active duty for a significant period of time, our operations could be disrupted and may not function at full capacity, which could adversely affect our business.

RISKS RELATED TO PRIVACY AND DATA PROTECTION

We may incur significant costs to comply with privacy and data protection laws and other requirements, and, if we fail to comply, we could be subject to government enforcement actions, private litigation, and adverse publicity, which could materially adversely affect our business, financial condition, and operating results.

A wide variety of laws, regulations, industry standards, contractual requirements, and other obligations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data in jurisdictions where we and our customers operate. Compliance with these laws and other obligations is difficult and costly, and they are subject to frequent and unexpected changes. For example, we are subject to the E.U. General Data Protection Regulation (“E.U. GDPR”) and the U.K. General Data Protection Regulation (“U.K. GDPR,” and collectively the “GDPR”), each of which imposes stringent data protection requirements and provides for costly penalties for noncompliance (up to the greater of (a) €20 million under the E.U. GDPR or £17.5 million under the U.K. GDPR, and (b) 4% of annual worldwide turnover), and confers the right upon data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations.

The GDPR restricts transfers of personal data outside of the European Economic Area ("EEA") (or, in the case of the U.K. GDPR, the U.K.) to non-EEA countries, such as the United States, unless adequate safeguards are implemented or a derogation applies. We rely on standard contractual clauses approved under the GDPR to carry out such transfers and to receive personal data subject to the GDPR (directly or indirectly) in the United States. In addition, with respect to the personal data that we process on behalf of our customers, we self-certified to the E.U.-U.S. Data Privacy Framework ("E.U.-U.S. DPF"), the UK Extension to the E.U.-U.S. DPF, and the Swiss-U.S. Data Privacy Framework (collectively, the "DPF"), as set forth by the U.S. Department of Commerce for such transfers. However, the DPF may be subject to legal challenges that could invalidate its use. In addition, the U.K. Data (Use and Access) Act 2025 includes changes to the U.K.'s data protection regime that deviate from the GDPR, creating new compliance challenges. We anticipate future legal challenges and developments to approved data transfer mechanisms, including to the E.U.-U.S. DPF, which could result in additional compliance costs and harm our business. Among other effects of these developments, we may also experience reduced demand for our products and subscriptions from current or prospective customers in the EEA, Switzerland, and the U.K. (collectively, "Europe") on account of the risks identified in the *Schrems II* decision or other developments relating to cross-border data transfers, and we may find it necessary or desirable to make further changes to our processing of personal data of European residents. The regulatory environment applicable to the handling of European residents' personal data and cross-border data transfers, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs.

We are also subject to U.S. privacy and data protection laws, including the California Consumer Privacy Act (the "CCPA"), which, among other requirements, requires enhanced disclosures, affords California residents with certain rights regarding their personal data, and creates a private right of action for data breaches caused by a lack of reasonable security. Over twenty other U.S. states have enacted similar privacy laws. Additionally, the U.S. Department of Justice has issued rules regarding access to or transfer of certain bulk sensitive personal data by countries of concern or covered persons, and we are subject to the Health Insurance Portability and Accountability Act ("HIPAA"), both of which carry significant enforcement penalties for non-compliance. These and other increasingly complex federal and state privacy laws and their enforcement may also require us to modify our data practices and incur additional substantial compliance costs. We are also subject to obligations relating to personal data and data protection by contract and self-regulatory and industry standards. Additionally, the Federal Trade Commission and state attorneys general are more regularly bringing enforcement actions for deceptive practices related to the collection and security of personal data.

We and our customers could face risk of regulatory investigations, enforcement actions, private litigation (including class action litigation), and adverse publicity, including reputational damage and loss of customer confidence, for actual or perceived violations of any of the foregoing data protection obligations. Any such claims could result in substantial costs, remedial and reporting obligations, distraction of management, and diversion of resources. Our insurance may not cover all types of claims that may arise, and we cannot guarantee that applicable insurance will be available to us in the future on economically reasonable terms or at all. If any of the foregoing were to occur, our business, results of operations, and financial condition could be materially adversely affected.

Moreover, new legislation affecting the scope of personal data and information, especially relating to IP addresses, machine identification, AI and machine learning, location data, health information, and other information, may limit or inhibit our ability to operate or expand our business and may require significant additional expenditures to comply. Data localization laws may mandate that personal data collected in a foreign country be processed and stored within that country, potentially requiring costly restructuring of our cloud infrastructure. Public perception of privacy or information security concerns, whether or not valid, may harm our reputation and inhibit adoption of our products and subscriptions. Additionally, existing laws and regulations, and any changes to them, or new laws and regulations, could impose significant limitations or require changes to our business model, which may increase our compliance costs.

We are also subject to federal, state, provincial, and foreign laws regarding cybersecurity and the protection of our systems and confidential information. Many jurisdictions have enacted laws, such as the GDPR and the E.U. Network and Information Systems Directive II, requiring companies to adopt cybersecurity risk management measures and notify regulators (and individuals) of data breaches or cybersecurity incidents. If our data security measures fail to adequately protect our systems or confidential information, we could be liable to both our customers and their users for any related losses. Additionally, we could face regulatory action or face litigation, and our customers could terminate or materially change their relationships with us, any of which could harm our business, financial condition, or operating results.

Tax, Accounting, Compliance, and Regulatory Risks

We may have exposure to tax liabilities that are greater than anticipated.

Our income tax obligations are based in part on our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the United States and various other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws, regulations, and policies, including in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed or acquired technology or determining the proper charges for intercompany arrangements, which could increase our worldwide effective tax rate, harm our financial position and operating results, and have a negative effect on our cash flow. Some tax authorities of jurisdictions other than the United States may seek to assert extraterritorial taxing rights on our transactions or operations. It is possible that domestic or international tax authorities may subject us to tax examinations or audits, and such tax authorities may disagree with certain positions we have taken, and any adverse outcome of such an examination, review, or audit could result in additional tax liabilities and penalties and otherwise have a negative effect on our financial condition, operating results, and cash flow. Further, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded on our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, our future income tax obligations and effective tax rates could be adversely affected by changes in, or interpretations of, tax laws, regulations, policies, or decisions in the United States or in the other jurisdictions in which we operate including as a result of the U.S. federal tax legislation commonly referred to as the One Big Beautiful Bill Act, which was signed into law on July 4, 2025. In addition, our effective tax rates could be affected by fluctuations in the market price of our common stock and changes in the fair value of CyberArk's $1.25 billion aggregate principal amount of the 2030 Notes and the fair value of the Capped Calls we acquired in connection with the CyberArk acquisition. If our future tax obligations or effective tax rates increase as a result of these or other factors, it could have an adverse effect on our financial condition and operating results.

Moreover, in October 2021, the Organization for Economic Co-operation and Development ("OECD") issued model rules for a new global minimum tax framework, commonly referred to as "Pillar Two," which included the introduction of a 15% global minimum tax effective beginning January 1, 2024. To date, approximately 140 countries have tentatively signed a framework agreeing in principle to this initiative. A number of countries in which we do business have implemented or may implement Pillar Two proposals into local tax legislation. On January 5, 2026, the OECD released a "side-by-side" package (the "SbS Package") that generally establishes an exemption for U.S. multinationals from the 15% global minimum tax. However, the implementation of the SbS Package depends on domestic legislation and regulation in OECD member countries and is subject to subsequent review. Details around the proposals are still uncertain as the OECD and local jurisdictions continue to issue the technical guidance. Our effective tax rate and cash tax payments could increase in future years as a result of these changes.

Our estimates or judgments, including those relating to our critical accounting policies, are based on assumptions that may change or prove to be incorrect and, as a result, our operating results may differ from our publicly announced guidance or the expectations of securities analysts and investors, which may result in a decline in the market price of our common stock.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on our condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. For more information relating to critical accounting policies, refer to the section entitled "Critical Accounting Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2 of this Quarterly Report on Form 10-Q. In general, if our estimates, judgments or assumptions relating to our critical accounting policies change or if actual circumstances differ from our estimates, judgments, or assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, which may result in a decline in the market price of our common stock.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

If we are unable to assert that our internal controls are effective, our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal control over financial reporting. If, in the future, our chief executive officer, chief financial officer, or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits, or other adverse actions requiring us to incur defense costs and pay fines, settlements, or judgments, causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our common stock.

Our reputation and business could be negatively impacted by corporate responsibility matters, including our reporting of such matters.

Governmental authorities, certain investors, and other stakeholders continue to focus on, set and revise, expectations relating to corporate responsibility matters, both in the United States and internationally. Such expectations are evolving and may be contradictory. We communicate corporate responsibility initiatives, goals, and commitments regarding sustainability, inclusion, responsible sourcing, and community impact in our annual Corporate Responsibility Report, on our website, in our SEC filings, and elsewhere. These initiatives may be difficult to achieve and costly to implement. We could be criticized for their scope, nature, timing, or any revisions to them, and for the accuracy or completeness of our disclosures. Our actual or perceived failure to undertake these initiatives and achieve these goals, or the fact that we are undertaking these initiatives, could negatively impact our reputation or otherwise materially harm our business.

In addition, we are or may become subject to various new, proposed, and evolving sustainability-related laws and regulations, including, for example, the E.U.'s Corporate Sustainability Reporting Directive. Additional regulation may require us to incur significant costs associated with increased compliance burdens, including the implementation of additional internal controls processes and procedures, and impose increased oversight obligations on our management and board of directors, as well as require us to retain third-party experts. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines, or litigation, which could negatively impact our business, financial condition, and operating results.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, privacy, data security, and data protection laws, anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act), import/export controls, securities laws, and tax laws and regulations. These laws and regulations may also impact our ability to develop new technologies, including emerging technologies such as AI. In certain jurisdictions, regulatory requirements may be more stringent than in the United States. Noncompliance could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, litigation, or injunctions. Responding to any action will likely result in significant diversion of management's attention and resources. If any governmental sanctions are imposed, our business, financial condition, and operating results could be materially adversely affected.

Risks Related to Our Common Stock and Convertible Notes

The market price of our common stock historically has been volatile, and the value of an investment in our common stock could decline.

The market price of our common stock has historically been, and is likely to continue to be, volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control and unrelated to our business, financial condition, or operating results. These fluctuations could cause a loss of all or part of an investment in our common stock. Factors that could cause fluctuations in the market price of our common stock include, but are not limited to:

- announcements by us or our competitors of new products, subscriptions, technologies, commercial relationships, strategic partnerships, acquisitions, or similar events;
- broader price and volume fluctuations in the stock market, and in particular the trading prices and volumes of technology companies and companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float, including sales or repurchases of large blocks of our common stock and future sales by our directors, executive officers, employees, or significant stockholders;
- issuances or sales of our common stock, or of debt or securities convertible into or exchangeable for our common stock, including in capital-raising transactions or as consideration in connection with acquisitions;

- actual or anticipated changes or fluctuations in our operating results, and whether our operating and/or financial results meet the expectations of securities analysts or investors;
- actual or anticipated changes in analyst or investor expectations, including as a result of our forward-looking statements or our failure to meet such expectations;
- inaccurate or unfavorable research reports about our business and industry, or reduced analyst coverage of our company;
- news or events affecting investor perception of our industry, including reports of significant cyberattacks;
- litigation involving us or our industry, and actions instituted by activist shareholders or others;
- regulatory developments in the United States or other jurisdictions;
- major catastrophic events and geopolitical or economic uncertainty around the world; or
- departures of key personnel.

Securities class action litigation has often been brought against companies that experience periods of volatility in the market price of such company's securities. Securities litigation could result in substantial costs, divert our management's attention and resources from our business, and have a material adverse effect on our business, financial condition, and operating results. Our insurance may not cover all types of claims that may arise, and we cannot guarantee that applicable insurance will be available to us in the future on economically reasonable terms or at all.

The issuance of additional common stock in connection with financings, acquisitions, investments, our stock incentive plans, convertible notes, or otherwise will dilute the stock held by all other stockholders.

Our restated certificate of incorporation authorizes us to issue up to 2.0 billion shares of common stock and up to 100 million shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue shares of common stock or securities convertible into or exchangeable for shares of our common stock from time to time in connection with a financing or other capital raising transaction, acquisitions, investments, our stock incentive plans, the settlement of our 2030 Notes, or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance shareholder value, and share repurchases could affect the price of our common stock.

As of October 31, 2026, we had $1.0 billion available under our share repurchase program which will expire on December 31, 2027 and may be suspended or discontinued at any time without prior notice. Although our board of directors authorized the program, we are not obligated to repurchase any specific dollar amount or number of shares under the program. The share repurchase program could affect the price of our common stock, increase volatility, and diminish our cash reserves.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, stockholders may only receive a return on their investments in our common stock if the market price of our common stock increases.

Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment, which could also reduce the market price of our common stock.

Provisions in our restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change in control of our company or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that, among other things:

- establish that our board of directors is divided into three classes, Class I, Class II, and Class III, with three-year staggered terms;
- authorize our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval;
- provide our board of directors with the exclusive right to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death, or removal of a director;
- prohibit our stockholders from taking action by written consent;
- specify that special meetings of our stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors;
- require the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws;
- authorize our board of directors to amend our bylaws by majority vote; and

- establish advance notice procedures with which our stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for our stockholders to replace members of our board of directors, which is responsible for appointing the members of management. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. Any of these provisions could, under certain circumstances, depress the market price of our common stock.

We may not have the ability to raise the funds necessary to settle conversions of the 2030 Notes, repurchase the 2030 Notes upon a fundamental change, or repay the 2030 Notes in cash at their maturity, and our other debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2030 Notes.

In connection with the consummation of the CyberArk acquisition, we entered into a supplemental indenture (the "Supplemental Indenture") to the Indenture, dated as of June 10, 2025 (as supplemented by the Supplemental Indenture, the "Indenture"), governing the 2030 Notes, and in the Supplemental Indenture we agreed to guarantee the 2030 Notes.

Accordingly, we will need to make cash payments (a) if holders of the 2030 Notes require us to repurchase all, or a portion of, the 2030 Notes upon the occurrence of a fundamental change before the maturity date, (b) upon conversion of the 2030 Notes, or (c) to repay the 2030 Notes in cash at their maturity, unless earlier converted or repurchased.

The sale price condition for the 2030 Notes was met during the calendar quarter ended September 30, 2026, and as a result, holders may convert their 2030 Notes during the calendar quarter ending December 31, 2026. If all of the holders elect to convert their 2030 Notes during this period, we would be obligated to settle the $1.1 billion principal amount of the 2030 Notes and a portion of our conversion obligation in excess of the aggregate principal amount of the 2030 Notes, if any, in cash.

If our cash provided by operating activities, together with our existing cash, cash equivalents, and investments, and existing sources of financing, are inadequate to satisfy these obligations, we will need to obtain third-party financing, which may not be available to us on commercially reasonable terms or at all, to meet these payment obligations.

In addition, our ability to repurchase or to pay cash upon conversion of the 2030 Notes may be limited by law, regulatory authority, or agreements governing our other indebtedness. Our failure to repurchase the 2030 Notes at a time when the repurchase is required by the Indenture, or to pay any cash amount due upon their maturity or conversion when required by the Indenture would constitute a default under the Indenture. A default under the Indenture could also lead to a default under agreements governing our other indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to satisfy all amounts due under our other indebtedness and the 2030 Notes.

The Capped Calls may affect the value of the 2030 Notes and our common stock.

In connection with the issuance of the 2030 Notes, CyberArk had previously entered into the Capped Calls, each with a financial institution (each, together with its affiliates, a "Dealer"). In connection with the CyberArk acquisition, we entered into substantially identical amended and restated letter agreements with respect to the Capped Calls, under which the Capped Calls were assigned to us and now reference our common stock. The Capped Calls are generally expected to reduce the potential dilution to our common stock upon conversion of the 2030 Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted 2030 Notes, with such reduction and/or offset subject to a cap.

Any Dealer may modify or unwind its hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2030 Notes (and is likely to do so following any conversion of the 2030 Notes, any repurchase of the 2030 Notes by us on any fundamental change repurchase date, any redemption date, or any other date on which the 2030 Notes are retired by us, in each case, if we exercise the relevant election under the Capped Calls and in connection with any negotiated unwind or modification of the Capped Calls). This activity could cause or prevent an increase or a decrease in the market price of our common stock or the 2030 Notes, which could affect a note holder's ability to convert its 2030 Notes and, to the extent the activity occurs during any observation period related to a conversion of the 2030 Notes, it could affect the amount and value of the consideration that the note holder would receive upon conversion of the 2030 Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the 2030 Notes or our common stock. In addition, we do not make any representation that any Dealer has engaged with or will engage in these transactions or that these transactions, if commenced, have not been or will not be discontinued without notice.

General Risk Factors

Our business is subject to the risks of earthquakes, fire, power outages, floods, health risks, climate change, and other catastrophic events, and to interruption by man-made problems, such as terrorism.

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. In addition, climate-related events, including drought, flooding, heat waves, wildfires, increased storm severity, and sea level rise, may increase in frequency and intensity and could disrupt our business operations and damage our facilities. In addition, the data centers and cloud infrastructure we and our third-party providers use to deliver our products, subscriptions, and support offerings are subject to risks from extreme weather events and power disruptions associated with climate change. Other natural disasters, a significant power outage, telecommunications failure, terrorism, an armed conflict, cyberattacks, epidemics and pandemics, or other geopolitical unrest could affect our supply chain, manufacturers, logistics providers, channel partners, end-customers, or the economy as a whole, and such disruption could impact our shipments and sales. We may be subject to increased regulations, reporting requirements, standards, or stakeholder expectations regarding climate change that may impact our business, increase compliance costs, and require additional investment in our operations and disclosures. These risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, the loss of customers, or the delay in the manufacture, deployment, or shipment of our products, our business, financial condition, and operating results would be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

During the three months ended October 31, 2026, we issued a total of 204,348 shares of our unregistered common stock in connection with various acquisitions (the “Transactions”). The Transactions did not involve any underwriters, any underwriting discounts or commissions, or any public offering. The issuances of the securities pursuant to the Transactions were exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In February 2019, we announced that our board of directors authorized a $1.0 billion share repurchase program, which is funded from available working capital. We subsequently announced additional increases to this share repurchase program, bringing the total authorization to $5.1 billion, with $1.0 billion remaining as of October 31, 2026. The expiration date of this repurchase authorization was December 31, 2026 as of October 31, 2026 and was subsequently extended to December 31, 2027, and our repurchase program may be suspended or discontinued at any time. Repurchases under our program are to be made at management’s discretion on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing. During the three months ended October 31, 2026, we did not repurchase any shares pursuant to our share repurchase program.

Item 5. Other Information

Trading Plans of Directors and Executive Officers

Set forth below is certain information regarding Rule 10b5-1 trading plans adopted, modified, or terminated by our directors and officers (as defined in Rule 16a-1(f)) during the first quarter of fiscal 2027. The Rule 10b5-1 trading plans listed below are each intended to satisfy the affirmative defense of Rule 10b5-1(c).

Name	Title	Action	Date of Action	Expiration Date	Total Amount of Common Stock to Be Sold Under the Plan
Lee Klarich	Chief Product and Technology Officer	Adopted	September 13, 2026	July 19, 2027	235,983

No other officers or directors, as defined in Rule 16a-1(f), adopted, modified, and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the first quarter of fiscal 2027.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	The following financial information from Palo Alto Networks, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2026 formatted in Inline XBRL includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

† The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Palo Alto Networks, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 18, 2026

PALO ALTO NETWORKS, INC.

By: /s/ DIPAK GOLECHHA

Dipak Golechha

Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Date: November 18, 2026

PALO ALTO NETWORKS, INC.

By: /s/ JOSH PAUL

Josh Paul

Chief Accounting Officer

(Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Nikesh Arora, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palo Alto Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ NIKESH ARORA
Nikesh Arora
Chief Executive Officer and Director

Date: November 18, 2026

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Dipak Golechha, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palo Alto Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DIPAK GOLECHHA

Dipak Golechha
Chief Financial Officer

Date: November 18, 2026

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Nikesh Arora, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended October 31, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ NIKESH ARORA
Nikesh Arora
Chief Executive Officer and Director

Date: November 18, 2026

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Dipak Golechha, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended October 31, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ DIPAK GOLECHHA

Dipak Golechha
Chief Financial Officer

Date: November 18, 2026