Q4 Fiscal Year 2023

Earnings Call & Medium Term Update
Q4 Fiscal Year 2023 Earnings Call
Safe Harbor

This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements related to our financial guidance for the first quarter of fiscal 2024 and fiscal year 2024, our financial estimates for fiscal years 2023 through 2026, our modeling points, our strategic plans, our achievements, our growth rates and growth prospects, our estimates of market sizes and opportunities, the performance and benefits of our products, our product development expectations, anticipated trends, business and economic conditions and challenges, and other financial, operational and business expectations. Many of these assumptions relate to matters that are beyond our control and changing rapidly.

There are a significant number of factors that could cause actual results to differ materially from forward-looking statements made in this presentation, including: developments and changes in general market, political, economic, and business conditions; risks associated with managing our growth; risks associated with new product, subscription and support offerings; shifts in priorities or delays in the development or release of new product or subscription offerings, or the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products, subscription and support offerings; rapidly evolving technological developments in the market for security products, subscription and support offerings; our customers’ purchasing decisions and the length of sales cycles; our competition; our ability to attract and retain new customers; our ability as an organization to acquire and integrate other companies, products, or technologies in a successful manner; our debt repayment obligations; and our share repurchase program, which may not be fully consummated or enhance shareholder value, and any share repurchases which could affect the price of our common stock. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks’ most recent Quarterly Report on Form 10-Q filed for the quarter ended April 30, 2023, which is available on our website at investors.paloaltonetworks.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based on our current beliefs and on information available to management as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

All information in this presentation is as of August 18, 2023. This presentation contains non-GAAP financial measures and key metrics relating to the company’s past and expected future performance. We have not reconciled diluted non-GAAP earnings per share guidance to GAAP earnings per diluted share, non-GAAP operating margin to GAAP operating margin or adjusted free cash flow margin guidance to GAAP net cash from operating activities because we do not provide guidance on GAAP net income (loss) or net cash from operating activities and would not be able to present the various reconciling cash and non-cash items between GAAP and non-GAAP financial measures, including share-based compensation expense, without unreasonable effort.
Q4 capped a strong year of execution

<table>
<thead>
<tr>
<th>TOTAL REVENUE</th>
<th>OPERATING MARGIN (NON-GAAP)</th>
<th>DELIVERED AT OR ABOVE ALL INITIAL FY’23 GUIDANCE TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$1.95B</strong></td>
<td><strong>28.4%</strong></td>
<td><strong>GUIDANCE AS OF 8/22/22</strong></td>
</tr>
<tr>
<td>+26% y/y</td>
<td>+760 bps y/y</td>
<td><strong>ACTUAL RESULTS</strong></td>
</tr>
<tr>
<td><strong>$3.16B</strong></td>
<td><strong>$388M</strong></td>
<td>Total Billings</td>
</tr>
<tr>
<td>+18% y/y</td>
<td>+46% y/y on trailing 12-month basis</td>
<td>$8.95B - $9.05B +20%-21% yr/yr</td>
</tr>
<tr>
<td><strong>$1.95B</strong></td>
<td><strong>$388M</strong></td>
<td>Total Revenue</td>
</tr>
<tr>
<td>+26% y/y</td>
<td>+46% y/y on trailing 12-month basis</td>
<td>$6.85B - $6.90B +25% yr/yr</td>
</tr>
<tr>
<td><strong>$1.44</strong></td>
<td></td>
<td>EPS (Non-GAAP)</td>
</tr>
<tr>
<td>+80% y/y</td>
<td></td>
<td>$3.13 - $3.17 +24%-26% yr/yr</td>
</tr>
<tr>
<td><strong>$10.6B</strong></td>
<td></td>
<td>Adj. FCF Margin (Non-GAAP)</td>
</tr>
<tr>
<td>+30% y/y</td>
<td></td>
<td>33.5-34.5%</td>
</tr>
</tbody>
</table>

1 Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.
2 Non-GAAP Earnings Per Share for period Q4’22 adjusted to reflect the effect of the stock split executed on September 13, 2022.
A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.
Fiscal year ending on July 31.
Continued strong demand for cybersecurity drove our NGS business

We achieved key milestones

**SASE**
>$1B in FY’23 bookings

**Cortex**
>$1B in FY’23 bookings

**Prisma Cloud**
>$500M in ARR in Q4

Q4’23 NGS ARR $2.95B
Q4’23 NGS ARR growth y/y +56%

Net New NGS ARR q/q +$381M

Largest Net New ARR in PANW history
Largest Net New ARR of any pure-play cybersecurity company

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

2 Prisma Cloud ARR represents Annual Recurring Revenue for Prisma Cloud, VM-Series for Public Cloud, and CN-Series.

3 Largest publicly disclosed Net New ARR of any pure-play cybersecurity company.

Fiscal year ending on July 31.
Platformization continues to drive large deal momentum

Six out of top-10 deals were Driven by NGS

Large deal growth

- Number of Deals \(^1\) \(> \$10M\)
- Number of Deals \(^1\) \(> \$20M\)

\(^1\) Deal represents the total bookings from a single customer, within the stated period.
\(^2\) Have made a purchase of SASE, Cortex, and Prisma Cloud, life to date.
XSIAM traction amplifying Cortex trajectory

XSIAM Transactions are Large and Strategic

<table>
<thead>
<tr>
<th>3-5 Year customer commitments</th>
<th>&gt;$1M Average ACV</th>
<th>Driving MTTR (^2) from days to hours / minutes</th>
</tr>
</thead>
</table>

Cortex Active Customers

| >5K |
| +28% y/y |

Q4’23 Average Cortex Deal Size

| +50% y/y |

Driven by XDR customer adds and market-leading XSOAR

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1 Average ACV = Average Annual Contract Value for deals signed in Q4’23.
2 MTTR = Median Time To Resolve (time from incident creation to incident resolution).
Fiscal year ending on July 31.
SASE continues to display strong performance

Q4'23 SASE ARR Growth

~60% y/y

FY'23 Bookings

>$1B

Two new SASE leadership position

- A Leader in Forrester Zero Trust Enterprise Wave
- A Leader in IDC ZTNA MarketScape

Total SASE & Zero Trust Category Leadership Positions

5

Increasing leadership recognition is contributing to our customer wins

Marquee deals in Q4

- $43M New win with a Business Consulting and Services Company
- $26M Expansion with a US Technology Company
- $21M Expansion with a European Food and Beverages company
- $11M Expansion with a US Financial Services Company

1 Prisma SASE includes Prisma Access and Prisma SD-WAN, PANOS SD-WAN and SaaS Security subscriptions.
SASE continues to display strong performance

Q4'23 SASE ARR Growth

~60% y/y

FY'23 Bookings

>$1B

Marquee deals in Q4

$43M
New win with a Business Consulting and Services Company

$26M
Expansion with a US Technology Company

$21M
Expansion with a European Food and Beverages company

$11M
Expansion with a US Financial Services Company

Two new SASE Leadership roles

A Leader in Forrester Zero Trust Enterprise Wave
Leader in IDC ZTNA MarketScape

Total SASE & Zero Trust Category Leadership Positions

Increasing leadership recognition is contributing to our customer wins

Forrester

Leader in Forrester Zero Trust Enterprise Wave

IDC

Leader in IDC ZTNA MarketScape

Gartner

Single Vendor SASE Magic Quadrant

Published: August 16th, 2023

Prisma Access and Prisma SD-WAN, PANOS SD-WAN and SaaS Security subscriptions.

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Sustained credit consumption propels Prisma Cloud through $500M in ARR

Growth in Q4’23
Prisma Cloud Credit Consumption +45% y/y

Growth in multi-module adoption customers
- 2+ modules +31% y/y
- 3+ modules +57% y/y
- 5+ modules +179% y/y

Extending Platform Lead in Q4

Enhancing Cloud Security capabilities
- API Change Detection
- Agentless CWP

Launched 11th module based on Cider acquisition
- CI/CD Security

1 Prisma Cloud ARR represents Annual Recurring Revenue for Prisma Cloud, VM-Series for Public Cloud, and CN-Series.
2 Multi-module adoption customers is based on customers with module adoption over the 90 day period ending 7/31/2023, and excludes any Prisma Cloud Compute only self-hosted customers.
FY23: Successful execution through a tough macro environment

- Platformization
- Go to market transformation
- Strong product innovation
- Driving efficiency and leverage
Dipak Golechha

Chief Financial Officer
Strong top-line growth at industry leading scale

**Total Revenue**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Revenue (y/y)</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4'22</td>
<td>$1,551M</td>
<td>27%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q1'23</td>
<td>$1,563M</td>
<td>25%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q2'23</td>
<td>$1,655M</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3'23</td>
<td>$1,721M</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4'23</td>
<td>$1,953M</td>
<td>26%</td>
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</tr>
</tbody>
</table>

**Next-Gen Security ARR**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Next-Gen Security ARR (y/y)</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4'22</td>
<td>$1,893M</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1'23</td>
<td>$2,111M</td>
<td>67%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Q2'23</td>
<td>$2,332M</td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3'23</td>
<td>$2,574M</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4'23</td>
<td>$2,955M</td>
<td>56%</td>
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</tr>
</tbody>
</table>

**Total Billings**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total Billings (y/y)</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4'22</td>
<td>$2,685M</td>
<td>44%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1'23</td>
<td>$1,749M</td>
<td>27%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2'23</td>
<td>$2,029M</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3'23</td>
<td>$2,256M</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4'23</td>
<td>$3,160M</td>
<td>18%</td>
<td></td>
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</tr>
</tbody>
</table>

**Remaining Performance Obligation**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Remaining Performance Obligation (y/y)</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4'22</td>
<td>$8.2B</td>
<td>40%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1'23</td>
<td>$8.3B</td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2'23</td>
<td>$8.8B</td>
<td>39%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3'23</td>
<td>$9.2B</td>
<td>35%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4'23</td>
<td>$10.6B</td>
<td>30%</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Fiscal year ending on July 31.
Managing through the impact of the rising cost of money

% of Bookings under Deferred Payment Plans

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Bookings under deferred payment plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Remaining Performance Obligation

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
<th>Q3'23</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining Performance Obligation</td>
<td>$8.2B</td>
<td>$8.3B</td>
<td>$8.8B</td>
<td>$9.2B</td>
<td>$10.6B</td>
</tr>
<tr>
<td>Remaining Performance Obligation (y/y)</td>
<td>40%</td>
<td>38%</td>
<td>39%</td>
<td>35%</td>
<td>30%</td>
</tr>
</tbody>
</table>

1 Deferred payment plans include any deals under Billings Plans & Palo Alto Networks Financial Service Fiscal year ending on July 31.
Industry hardware growth trend is returning to expected baseline level

Source: Appliance growth rates from Omdia, Dell'Oro and Palo Alto Networks internal estimates. All data based on calendar year.
Software transition and NGS growth is driving more recurring revenue

FWaaP Billings Growth & SW as a % of FWaaP

Q4’20 | Q4’21 | Q4’22 | Q4’23
--- | --- | --- | ---
28% | 46% | 49% | 66%

19% 26% 26% 45%

Recurring Revenue as a % of Total Revenue

Q4’20 | Q4’21 | Q4’22 | Q4’23
--- | --- | --- | ---
68% | 72% | 73% | 79%

1 Firewall as a Platform (FWaaP) billings is a key financial and operating metric defined as publicly reported product billings, together with the services billings for Prisma Access, VM-Series, and SD-WAN offerings, during the period stated.
2 SW % of Total FWaaP billings is the billings for the Prisma Access and VM-series offerings, and the non-hardware portion of SD-WAN offerings, as a percentage of total Firewall as a Platform billings, during the period stated.
3 Recurring Revenue represents Total Revenue less hardware and professional services revenue.

Fiscal year ending on July 31.
Profitability supporting a higher free cash flow baseline

Operating Income Growth & Margin (Non-GAAP)

Fiscal Year Adjusted Non-GAAP Free Cash Flow Margin

% of Bookings on Deferred Payment Plans

1 Deferred payment plans include any deals Billings Plans & Palo Alto Networks Financial Services. Fiscal year ending on July 31.
## Q4 Results Summary

<table>
<thead>
<tr>
<th></th>
<th>Q4’23 Guidance (as of 5/23/23)</th>
<th>Q4’23 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Billings</td>
<td>$3.15B-$3.20B 17%-19% yr/yr</td>
<td>$3.16B 18% yr/yr</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$1.937B-$1.967B 25%-27% yr/yr</td>
<td>$1.95B 26% yr/yr</td>
</tr>
<tr>
<td>Product Revenue</td>
<td></td>
<td>$507M 24% yr/yr</td>
</tr>
<tr>
<td>Remaining Performance Obligation</td>
<td></td>
<td>$10.6B 30% yr/yr</td>
</tr>
<tr>
<td>Next-Gen Security ARR</td>
<td></td>
<td>$2.95B 56% yr/yr</td>
</tr>
<tr>
<td>Gross Margin (Non-GAAP)</td>
<td></td>
<td>77.3% +410 bps yr/yr</td>
</tr>
<tr>
<td>Operating Income (Non-GAAP)</td>
<td></td>
<td>$554M 71% yr/yr</td>
</tr>
<tr>
<td>Operating Margin (Non-GAAP)</td>
<td></td>
<td>28.4% +760 bps yr/yr</td>
</tr>
<tr>
<td>EPS (Non-GAAP)</td>
<td>$1.26-$1.30</td>
<td>$1.44</td>
</tr>
<tr>
<td>EPS (GAAP)</td>
<td></td>
<td>$0.64</td>
</tr>
<tr>
<td>Adj. Free Cash Flow (Non-GAAP)</td>
<td></td>
<td>$388M</td>
</tr>
</tbody>
</table>

Reconciliations of historical non-GAAP measures can be found in the Appendix. Fiscal year ending on July 31.
## Fiscal Year 2024 Guidance

<table>
<thead>
<tr>
<th></th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actuals</td>
<td>Guidance as of 8/18/23</td>
</tr>
<tr>
<td>Total Billings</td>
<td>$9.19B +23% yr/yr</td>
<td>$10.9B - $11.0B +19%-20% yr/yr</td>
</tr>
<tr>
<td>Next-Gen Security ARR</td>
<td>$2.95B +56% yr/yr</td>
<td>$3.95B - $4.00B +34%-36% yr/yr</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$6.89B +25% yr/yr</td>
<td>$8.15B - $8.20B +18%-19% yr/yr</td>
</tr>
<tr>
<td>Op Margin (Non-GAAP)</td>
<td>24.1%</td>
<td>25.0-25.5%</td>
</tr>
<tr>
<td>EPS (Non-GAAP)</td>
<td>$4.44 +76% yr/yr</td>
<td>$5.27 - $5.40 +19%-22% yr/yr</td>
</tr>
<tr>
<td>Adj. FCF Margin (Non-GAAP)</td>
<td>38.8%</td>
<td>37-38%</td>
</tr>
</tbody>
</table>

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.
# Q1 Fiscal 2024 Guidance

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Billings</td>
<td>$2.05B - $2.08B</td>
<td>$1.82B - $1.85B</td>
<td>$2.05B - $2.08B</td>
</tr>
<tr>
<td>Total Revenue</td>
<td></td>
<td></td>
<td>$1.82B - $1.85B</td>
</tr>
<tr>
<td>EPS (Non-GAAP)</td>
<td>$1.15 - $1.17</td>
<td></td>
<td>$1.15 - $1.17</td>
</tr>
</tbody>
</table>

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

Q1'24 and FY24 non-GAAP effective tax rate: 22%

Cash taxes for FY24 of $230-280M

Q1'24 net interest and other income of $50M – $55M

Q1'24 diluted shares outstanding 336 – 339 million

FY24 diluted shares outstanding 338 – 343 million

Q1'24 capital expenditures of $40M – $45M

FY24 capital expenditures of $160M – $170M
Q&A
Over the last 5 years, the cybersecurity market has evolved significantly.

### Enterprise Cybersecurity Market

<table>
<thead>
<tr>
<th>TAM '23 (18-23 CAGR)</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$29B (35%)</td>
<td>New segments</td>
<td>SASE, Cloud Security, IoT Security</td>
</tr>
<tr>
<td>$72B (19%)</td>
<td>Segments undergoing transformation</td>
<td>Endpoint / XDR, SecOps (+SIEM), Network Security</td>
</tr>
<tr>
<td>$31B (13%)</td>
<td>Largely steady segments</td>
<td>Identity, App Security, Data Security, Email Security</td>
</tr>
<tr>
<td>$81B (7%)</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>$213B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Communication services include Unified Communications, Mobile Network Services, Fixed Data, Fixed Voice.
- Devices include Mobile Phones, Printers, Desktops, Laptops, and Tablets.
- Data Center includes Servers and external controller-based Storage.
- Application Software includes Enterprise Application Software and Vertical-Specific Software.
- Cybersecurity TAM excludes Integrated Risk Management.

All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
Looking back, we envisioned three transformations:

- The network would need to be reimagined ($19B, Network Security 2018 TAM).
- AI & ML would be THE way we ‘solve’ security ($17B, Security Ops 2018 TAM).

Note: The size of the bubbles in the chart is not adjusted to scale.
These transformations ended up driving rapid growth in cybersecurity

Network Security 2018 TAM

Cloud Security 2018 TAM

Security Ops 2018 TAM

Note: the size of the bubbles in the chart is not adjusted to scale
These transformations ended up driving rapid growth in cybersecurity.
What we have achieved in the last 5 years

1. Proved **Platforms** are the way to deliver security outcomes
2. Made **Innovation** the lifeblood of our multi-product business
3. Executed **“Build & Buy”** strategy to become the largest cyber player

- **20+** Industry Recognitions
- **180+** major releases since FY19
- ~**3.5x** Market Cap growth\(^1\)

\(^1\)Average market cap for the first 15 days in August 2018 to the first 15 days in August 2023; source: Bloomberg
Looking ahead

Shift to more real-time and autonomous security

The future will require ubiquitous platformization to deliver real-time security outcomes
Our addressable market continues to expand

**Zero Trust Platform**

~$80B by 2028

- Security for network traffic managed comprehensively via a single pane of glass

**Code to Cloud Platform**

~$40B by 2028

- Scalable and comprehensive security across the cloud app development lifecycle

**Autonomous Security Ops Platform**

~$90B by 2028

- Security reaching ‘real-time’ using the power of AI to contend with agile bad actors
Our strategy to win

- Be an evergreen innovation company
  Fortify our multi-category lead

- Make our platforms more comprehensive & ubiquitous
  Deliver near real-time security outcomes

- Leverage AI across our portfolio
  Supercharge our Products, Processes & People

- Amplify our go-to-market to deliver our ambition
  Drive ubiquity across customers

- Be the best place to work in cybersecurity
  Build the most capable and motivated team
Our strategy to win

- Innovation
- Platformization
- Leverage AI
- Go-To-Market
- Team
To stay ahead of relentless adversaries, we must be an innovation-led cybersecurity company

Our innovation pipeline drove our success...
Number of major product releases by year

...and we plan to accelerate the pace

Underpinning ML/AI across our portfolio
Expanding sensors into new parts of the estate like OT
Scouting externally for next-level capabilities & modules
Investing in leading edge R&D, from AI threats to quantum

Enhanced by Acquisitions

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We are enhancing our platforms to deliver real-time security outcomes

**ZERO TRUST PLATFORM**
- Radically more integration across form-factors...
- Comprehensiveness across form-factors enabling Zero Trust
  - ‘Single pane of glass’ offering instantaneous visibility & response

**CODE TO CLOUD PLATFORM**
- Security will be at the ‘speed of Cloud’...
- Traceability through integration across the app lifecycle
  - ‘Block in real-time’ and ‘fix at the source’

**AUTONOMOUS SECOPS PLATFORM**
- MTTR will need to go from Days to Minutes...
  - ‘Real-time remediation’ by stitching data across sources and using AI
  - All security products will either provide data or act as enforcement points
We will leverage AI across our entire portfolio

Unique Assets

- Sensors installed across ~48k customers\(^1\)
- 4.86 PBs of high quality data collected per day
- Out-of-the-box automation to take real-time action

Precision AI

Precision AI will allow us to deliver unparalleled detection and response to achieve near real-time security

Generative AI

Generative AI will redefine and simplify how customers engage with our products and services

\(^1\) Refers to active customers as of 08/07/2023
Continued evolution of our Go-To-Market model...

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional vendor</td>
<td><strong>Strategic partner</strong> helping customers on their transformation journey</td>
</tr>
<tr>
<td>Selling products</td>
<td><strong>Architecting outcomes</strong> jointly with ecosystem solution providers</td>
</tr>
<tr>
<td>Reactive help</td>
<td>“In it together” mindset - driving success for every customer</td>
</tr>
</tbody>
</table>
Delivering on our strategy is only possible with the best team

We will attract the best...

with opportunity to **make an impact**, **flexibility** to get the job done and challenging work to **grow and develop**

...and empower them

by radically **eliminating friction**, providing **information at their fingertips** and driving **autonomy with accountability**

Built on our Brand and Reputation

Supercharged by Generative AI

40+ Employer Awards in FY23
The continued business transformation of Palo Alto Networks...

Strong & sustained top-line growth

- Target markets undergoing inflection
- Relentless innovation across all 3 platforms
- Closer GTM partnerships to expand platform reach
- Software & Cloud increasingly fueling growth

Unique opportunity to deliver leverage beyond expectations

- Integrated salesforce with scale across platforms
- Platform and scale benefits within R&D
- GenAI-enabled employee & operational productivity
- AI-driven technical support transformation
Innovating our way to three leading platforms
Lee Klarich

Chief Product Officer
The threat landscape is intensifying

Elevated attacker motivation

$8T cost of cybercrime

Integral part of modern warfare

Nation-state economic gain

Tech is enabling attacks at scale

Automated attacks executed across regions within 1 hour of initial compromise

>10 million people and >1,700 organizations affected by supply chain attacks in 2022

Near-instant “trickle down” of attack techniques

Organizations are heavily impacted...

and it’s getting worse

20x increase to 1.3 billion new malicious programs since 2014

Sources:
2. Unit 42 research: https://unit42.paloaltonetworks.com/purpleurchin-steals-cloud-resources/;
Attacks are happening faster than organizations can respond

Average Days from “Compromise” to “Exfil”

<table>
<thead>
<tr>
<th>Year</th>
<th>Days</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Sources:
1 Unit 42 Cloud Threat Report - Volume 7, 2023, Unit 42 Engagement Experience;
2 Under the new SEC Rules, the occurrence of a cybersecurity incident must be reported within four business days of when the incident is determined to be material by the reporting company.
**AI will transform the threat landscape**

**WSJ**

**With AI, Hackers Can Simply Talk Computers Into Misbehaving**

Using a technique called 'prompt injections', hackers can break AI systems using plain English

Aug 10, 2023

---

And many, many more use cases

- AI-generated malware
- AI-enhanced social engineering attacks
- Malicious code injection into model repos
- AI-driven botnets

---

**The threat future, powered by AI**

**Increased speed to near real-time**

- Decreased time from compromise to exfiltration
- CVE exploitation in record time

**Increased scope**

- Any "vulnerable population" targeted

**Dark motivations**

- Attacks to disrupt essential services

**Huge “opportunity”**

- $10.5T¹ cybercrime “market” in 2025

---

Sources:

¹ [https://cybersecurityventures.com/cybercrime-damage-costs-10-trillion-by-2025/](https://cybersecurityventures.com/cybercrime-damage-costs-10-trillion-by-2025/)
Threat trends demand a high-powered innovation engine

4,400+ product team drives innovation
From single-product to 3 leading platforms in 5 years

While leveraging the broader market
Continuously identifying great tech to include in our journey

Embracing AI from the early days
AI used in all 3 platforms, across 30+ products and modules

~250
Private cybersecurity companies evaluated annually

Cumulative number of Palo Alto Networks products that use AI

*Some still in development

Major releases per fiscal year

2019 2020 2021 2022 2023
13 22 29 49 74

Accelerated pace of innovation
Proven playbook sets us up well
Evolution into an AI-first company

Accelerated pace of innovation

2019 2020 2021 2022 2023
8 15 22 28 35*

Cumulative number of Palo Alto Networks products that use AI

*Some still in development

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We will continue to be leading innovators

**4,400+ product team drives innovation**
From single-product to 3 leading platforms in 5 years

**Accelerated pace of innovation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Major releases per fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>13</td>
</tr>
<tr>
<td>2020</td>
<td>22</td>
</tr>
<tr>
<td>2021</td>
<td>29</td>
</tr>
<tr>
<td>2022</td>
<td>49</td>
</tr>
<tr>
<td>2023</td>
<td></td>
</tr>
</tbody>
</table>

**While leveraging the broader market**
Continuously identifying great tech to include in our journey

**Proven playbook sets us up well**

~250

Private cybersecurity companies evaluated annually

**Embracing AI from the early days**
AI used in all 3 platforms, across 30+ products and modules

**Evolution into an AI-first company**

Cumulative number of Palo Alto Networks products that use AI

*Some still in development*
Data, architecture, expertise key to being an AI-first company

The most security data per customer
Each day we analyze and detect 750M+ new and unique events
We secure 4.7B billion cloud resources
4.86PB/day ingested across XDR and XSIAM

The right architecture
All services running in the cloud
Enforcement points leveraged as data sensors
Designed for scale

Deep expertise
~150 AI experts across product organization
Proven tech leadership in the foundation of our next AI transformation
The industry approach leads to point product proliferation

~$210B

to “solve” the problem

Source: All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
The industry approach leads to point product proliferation

Source: All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
Only a platform approach will work

Zero Trust Platform
Network security that ensures every connection is secure

Code to Cloud Platform
Cloud security that ensures every cloud application is secure

AI-Driven Security Operations Platform
SecOps that is powered by a real-time security engine

Source: All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
Not all platforms are created equal

1. Innovation-Led
2. Comprehensive
3. Integrated
4. Real-Time
Zero Trust Platform
Network Security: Increased integration for real-time security

Network traffic will continue to increase; all traffic must be inspected

Users will remain hybrid, network needs to be protected everywhere

Point products will increase complexity & manual effort

Enterprises need a consolidated solution

Threat sophistication will necessitate faster response

AI enables self remediation

New use cases emerge — Passwordless, quantum (& PQC), BYOD

New trends will propel platformization and AI

Real-time in-line security for every connection

Great user experience across self-healing network

Single pane of glass for network and security

Our opportunity as TAM grows to ~$80B by 2028

Source: All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
Network security has become increasingly complex
What if we could take a radically new approach?

One Platform, One Security Stack, One User Experience, One Security Policy

Unified Security Stack

Enterprise-wide Zero Trust Platform

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Over the last 5 years, we have developed a Zero Trust Platform with best-in-class products.
Best-in-class form factors — Hardware, Software and SASE

Unified Management & Experience

Cloud-Delivered Security Services

Hardware
Firewalls

VM-series

CN-series

Software
Firewalls

SASE

NGFW
A Leader in Gartner Magic Quadrant Network Firewalls ¹
Gartner

Zero Trust
A Leader in Forrester Zero Trust Extended Ecosystem Platform Providers Wave ²
Forrester

SSE
A Leader in Gartner Magic Quadrant Security Service Edge ³
Gartner

SD-WAN
A Leader in Gartner Magic Quadrant WAN Edge Infrastructure ⁴
Gartner

Sources:
¹ Gartner® Magic Quadrant for Network Firewalls, 19 December 2022.
³ Gartner® Magic Quadrant for Security Service Edge, 10 April 2023, Gartner® Magic Quadrant for SD-WAN, 12 September 2022.
⁴ Gartner® Magic Quadrant for SD-WAN, 12 September 2022.
Best-in-class security services — Infused with AI for near real-time protection

Core Security
- Inline deep learning models detect 96% of web-based Cobalt Strike
- 76% of malicious URLs discovered 24 hours before other vendors
- 99% prevention of known and unknown malware and 60X faster signature delivery

IOT
- 90% of devices discovered in 48 hours, protect seen and unseen devices

Data Security
- 80% higher data classification with ML-based detection

Unified Management & Experience

Hardware Firewalls
- VM-Series
- CN-Series

Software Firewalls
- SASE
Best-in-class security services — Extended to AI-powered operations

Unified Management & Experience

<table>
<thead>
<tr>
<th>Hardware Firewalls</th>
<th>VM-Series</th>
<th>CN-Series</th>
<th>Software Firewalls</th>
<th>SASE</th>
</tr>
</thead>
</table>

GlobalProtect
- 86M users leverage GlobalProtect for securing remote access

AIOps
- Predict 51% of network disruptions before any customer impact

ADEM
- Quickly identify the problem segment and reduce IT escalations by 46%
The next transformation in network security — Unified management and experience

Zero Trust Network Security Platform

Unified Management & Experience

Cloud-Delivered Security Services

Hardware Firewalls

Software Firewalls

SASE
Is my environment impacted by CVE-2022-31706?
Guided remediation to secure against threats with “one click”
Network Security Copilot
Hello, Anand!

In the last 24 hours: Processed 32TB of data and blocked 54K threats to provide secure access to all 150K users.

- Critical Open Incidents: 4
- Users with Good Experience: 140K / 150K
- Malicious Files Blocked: 327
- Malicious URLs Blocked: 1100

Search "health and usage of my network"
Why are 10k users in my organization having degraded experience?
Why are 10k users in my organization having degraded experience?

Current Status

- **150k** Users
  - Good: 30k (20.0%)
  - Degraded: 120k (80.0%)

Historical Trend (Last 24 hours)

10k users connecting to PA location US East US Southeast are having degraded experience while accessing Jira application.

Prisma Access is healthy. Jira application is reachable from the Prisma Access location and the authentication server deployed in your datacenter is reachable. All the 10k users impacted are having auth failures. This is most likely due to AAA service, which requires further investigation.

Servicenow ticket is already opened for this issue and NOC analyst has scheduled AAA service restart which should restore Jira application access.
Are users in my organization accessing any risky applications?
Are users in my organization accessing any risky applications?

There are 3136 users working from campus, remote locations and branch offices accessing 6 risky applications in last 7 days with total data transfer of 44.4 GB.

How can I block access to above risky applications?
Are users in my organization accessing any risky applications?

There are 2136 users working from campus, remote locations, and branch offices accessing 6 risky applications in last 7 days with total data transfer of 44.4 GB.

How can I block access to above risky applications?

Type your question here
Are users in my organization accessing any risky applications?

<table>
<thead>
<tr>
<th>App Name</th>
<th>Risk Score</th>
<th>Usage</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoadWarrior</td>
<td>9</td>
<td>9.2 GB</td>
<td>900</td>
</tr>
<tr>
<td>NetHy</td>
<td>9</td>
<td>8.4 GB</td>
<td>852</td>
</tr>
<tr>
<td>PDFElement</td>
<td>9</td>
<td>8.3 GB</td>
<td>752</td>
</tr>
<tr>
<td>Eventable</td>
<td>9</td>
<td>7.2 GB</td>
<td>632</td>
</tr>
<tr>
<td>InfoInventory</td>
<td>9</td>
<td>6.1 GB</td>
<td>551</td>
</tr>
<tr>
<td>AfterCollege</td>
<td>9</td>
<td>5.2 GB</td>
<td>231</td>
</tr>
</tbody>
</table>

There are 3,135 users working from campus, remote locations and branch offices accessing 6 risky application in last 7 days with total data transfer of 48.9 GB.

How can I block access to above risky applications?

Following the best practice recommendations will block access to risky applications in your organization. Best practice security recommendation ready for commit.

How you want to proceed?
- [ ] Review Changes
- [X] Commit Changes
There are 3,133 users working from campus, remote locations, and branch offices accessing 6 risky applications in the last 7 days with total data transfer of 44.4 GB.

How can I block access to above risky applications?

Following the best practice recommendations will block access to risky applications in your organization. Best practices security recommendation ready for commit.

How you want to proceed?

[Review Changes] [Commit Changes]

Commit successful. All security profiles are following best practice recommendations.
The opportunity ahead

Uniquely positioned to deliver Enterprise wide Zero Trust

Opportunity compounded by the adoption of integrated security services

Deliver near real time security outcomes with Zero-trust platform

Consolidate additional security services

Deliver operational simplicity with AI

Customers with full network security platform

~800  
2021

~1,700
2023

10,000+ potential customers
2028

# of services attached

2021  
2.8

2023  
3.4

2028  
5+

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Code-to-Cloud Platform
Cloud Security: Only an integrated platform can secure from code to cloud

500M+ cloud-native applications globally

33M devs building apps, and growing

90% deploy applications in 2+ clouds

Applications are increasingly assembled - 75% of cloud code bases consist of open source

80% of open source contain at least 1 vulnerability

Applications must be protected when Running, but also Secure by Design

Today, securing code and cloud requires 15+ tools

Continued evolution of cloud technologies will increase this count

Preventing Breaches in Cloud and Fixing at the Source represents a ~$40B TAM in 2028

Organizations are building and using more applications

Securing Applications requires a Code to Cloud approach

Our opportunity: Deliver a AI-driven cloud security platform

Sources:
1 IDC FutureScape;
2 State of the Developer Nation report, SlashData;
3 ESG 2023 Technology Spending Intentions Survey of 742 enterprises; Worldwide IT Industry 2020 Predictions;
4 Forrester, The Software Composition Analysis Landscape, QI 2023.
Cloud applications are assembled in multiple stages

- Code
- Cloud Infrastructure
- Cloud Runtime

Cloud Application

- Custom
- Open Source
- IaC

Cloud Infrastructure

- VMs
- Serverless
- Containers
- DBaaS
- PaaS
- Identity

Cloud Runtime

- Payments
- Catalog
- Billing
- Shipping
- Analytics
Security risks multiply across the application lifecycle
Security risks go unaddressed as the industry delivers multiple point products.
Our Code-to-Cloud Platform approach prevents risks & breaches in near real-time

Integrated context helps prioritize actions to Fix at Source and Block in Runtime
Our strategy is resonating well

- **Code**: Secure the source
  - **GigaOM**
    - DevSecOps LEADER
      - Dev Security Tools 2021 Radar
    - Code Security LEADER
      - Policy as Code 2022 Report

- **Cloud Infrastructure**: Secure the infrastructure
  - **GigaOM**
    - CSPM LEADER
      - CSPM 2022 Radar
    - Vuln Mgmt LEADER
      - Vuln Mgmt 2021 Radar

- **Cloud Runtime**: Secure the runtime
  - **Forrester**
    - CWP LEADER
      - Cloud Workload Security 2022 Forrester Wave

- **GigaOM**
  - 20% use Code Modules
  - 68% use infrastructure modules
  - 54% use Cloud runtime modules

- **CNAPP LEADER**
  - Global CNAPP Radar 2022

- **Forrester**
  - 16% use the Full Platform

---

1. Customers using at least one module within Code / Infrastructure / Runtime categories
2. Customers using at least one module within each of Code, Infrastructure, and Runtime categories
The opportunity ahead

Customers expand rapidly into multiple modules as they adopt the full platform

Credit consumption grows with expansion across multiple modules

Credit consumption growth - evolution of current 8-module customers

We are in the early innings of customers using multiple modules

Number of customers using 5+ modules

Potential customers
AI-Driven Security Operations Platform
Security Operations: fundamental transformation needed for real-time outcomes

Fragmented stack leaves processing to a human analyst (93% of SOCs dependent on manual processes) ¹

Ever-faster threats (months → days → hours → minutes)

Not enough SOC analysts globally to keep pace with the threats

Today's human-driven SOC tools are far too slow

AI is the “only option” for near real-time attack detection and remediation

The SOC needs to be rebuilt from the ground up to enable AI

Order of magnitude more data, fully normalized, instantly accessible to precision AI models

Common platform needed to achieve the “self-driving SOC”

Large, previously independent categories driven to integrate

AI & automation to replace a portion of human-powered security services

Security Operations TAM will double to ~$90B by 2028

Source:
¹ IDC: In Cybersecurity Every Alert Matters, October 2021
The human-driven SOC architecture doesn’t work

Every tool was built to perform one function.

No holistic end-to-end management of detection, investigation, and response.

Teams try to solve for highest-priority issues

Impossible to have real-time responses for all incidents with current tool stack

Sources:
1 Forrester: The 2020 State of Security Operations
2 IDC: In Cybersecurity Every Alert Matters, October 2021
3 ESG: SOC Modernization and the Role of XDR, October 2022

~11K 1 ALERTS PER DAY
~93% 2 SOCS STILL DEPENDENT ON MANUAL PROCESSES
~23% 3 ALERTS GET IGNORED / NOT INVESTIGATED
Real-time Security Operations requires a single data platform powered by AI and Automation

- Massive data enhanced with stitching and correlation dramatically reduces the # of alerts
- Machines automate detection, investigation, and response and make recommendations
- Empowered analysts become more proactive

Real-time Security Operations requires a single data platform powered by AI and Automation.
We’ve built category-leading products to help the SOC for the past 5 years

Sources:
1 The Forrester New Wave™: Extended Detection And Response (XDR) Providers, Q4 2021;
2 GigaOm Radar for Security Orchestration, Automation, and Response v2.0 (Sept. 2022);
3 GigaOm Radar for Attack Surface Management v2.0 (Feb. 2023).
Cortex XSIAM

Security operations platform to enable near real-time outcomes
Detecting attacks with siloed tools and data is impossible

Events in isolation can be suspicious...

Unusual user login

Happens 50 times per day
Detecting attacks with siloed tools and data is impossible

…but they are common, and overwhelm the SOC.
Detecting attacks with siloed tools and data is impossible

This means attacks are missed...
Detecting attacks with siloed tools and data is impossible

...because of a low confidence to act on any one alert.
Cortex XSIAM collects complete context and uses the power of AI to detect attacks that siloed tools miss.
Cortex XSIAM collects complete context and uses the power of AI to detect attacks that siloed tools miss. Stitching and normalizing alerts, augmented with contextual data… enables us to automatically respond with high confidence.
XSIAM completely reimagines how the SOC works, built with AI on a common data platform.
XSIAM is driving incredible outcomes for the SOC at Palo Alto Networks

A day in the life of the Palo Alto Networks internal SOC

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ingested Data per day</td>
<td>75 TB</td>
</tr>
<tr>
<td>Incidents flagged per day*</td>
<td>133</td>
</tr>
<tr>
<td>Incidents resolved with automation*</td>
<td>100%</td>
</tr>
<tr>
<td>Incidents close out rate</td>
<td>100%</td>
</tr>
<tr>
<td>Mean Time to Respond*</td>
<td>1 MIN (HIGH SEVERITY ALERTS)</td>
</tr>
</tbody>
</table>

*Incidents flagged= potential security events flagged that requires automated or manual investigation. Incidents Resolved with automation: partially or fully addressed with automation. Mean Time to Respond (time from incident creation to incident assignment.)
And XSIAM is already driving amazing outcomes for our customers

<table>
<thead>
<tr>
<th>Analyzing more data ...</th>
<th>~230 GB per day</th>
<th>~1400 GB per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In prior SIEM)</td>
<td>(In XSIAM)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>with fewer false positives...</th>
<th>~290</th>
<th>~80</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incidents per day</td>
<td>Resolved using automation*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>and closing far more via automation...</th>
<th>Minimal</th>
<th>High Majority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~100%</td>
<td>~20% when not using XSIEM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>leading to all incidents getting addressed.</th>
<th>&lt;20%</th>
<th>~100%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incidents closed out</td>
<td>Incidents Resolved by automation*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most importantly, getting ahead of attackers</th>
<th>MTTR*</th>
<th>MTTR*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-3 Days, sometimes even &quot;months&quot;</td>
<td>16 mins-5 Hours</td>
</tr>
</tbody>
</table>

*Median Time To Resolve (time from incident creation to incident resolution).

Incidents Resolved by automation: partially or fully addressed with automation.

Source: XSIAM customer interviews and XSIAM product telemetry for customers

XSIAM is the best single pane of glass I’ve seen in cybersecurity. We went from looking at 10 data stores to just XSIAM in our investigations.

– SOC Leader, XSIAM Customer
The opportunity ahead

Over next 3-5 years (both from Palo Alto Networks and our partners)

- 10+ additional XSIAM modules
- ARR Expansion when existing Cortex customers move to XSIAM
- Customers booking >$20M on XSIAM in FY23

Customers booking >$20M on XSIAM in FY23

Continue taking share with our XDR, XSOAR, and Xpanse offerings…

…while building on our phenomenal XSIAM launch…

…and adding more modules to our AI-driven SecOps platform

Cortex customers, by fiscal year

FY21A FY23A FY28F

>2,600 >5,100 10,000+

XSIAM bookings in FY23

>3x

Customers booking >$20M on XSIAM in FY23

>200M

ARR Expansion when existing Cortex customers move to XSIAM

Today

XSIAM Modules

EDR NTA
ITDR TIP
ASM SOAR
SIEM
Go To Market
BJ Jenkins

President
Customers have tried to solve cybersecurity challenges by buying point solutions

Security in customers’ estates is fragmented...

~75

Average number of cybersecurity solutions at large companies

Complexity
Customers are burdened with stitching together disparate products and data

Duplication
Multiple vendors’ products overlap and “do not talk to each other”

Most are buying cybersecurity ineffectively

1 Microsoft Study: “Microsoft Security Reaches Another Milestone - Comprehensive Customer Centric Solutions Drive Results”
As an industry, we need to get better at helping our customers

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<td>Selling products</td>
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<tr>
<td>Reactive help</td>
<td><strong>“In it together”</strong> mindset - driving success for every customer</td>
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</tbody>
</table>
We are well on our journey to becoming a **strategic partner**

<table>
<thead>
<tr>
<th>Historical Motion</th>
<th>Evolving Motion across ~3,000 Sellers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaged by technical domain experts</td>
<td>Engaged by CxOs looking to transform</td>
</tr>
<tr>
<td>Pre-defined product requirements</td>
<td>Strategic discussions focused on security outcomes</td>
</tr>
<tr>
<td>Focus on price negotiation</td>
<td>‘Seat at the table’ for architectural choices</td>
</tr>
<tr>
<td>Ends with a transactional product sale</td>
<td>Trusted relationship and multi-year roadmap</td>
</tr>
</tbody>
</table>
We will accelerate **solution selling in partnership with the broader ecosystem**

**Five Years Ago**

Sold a single product as part of a larger partner-delivered motion

~70% of route-to-market business was transactional

**Today**

Co-lead sales motions with our partners and deliver joint solutions

~150 $10M+ strategic partners today

**Future**

Architect integrated offerings with partners to improve client outcomes

~$10B+ in business from top 30 partners

---

1 Based on deal registration status for ecosystem sales  
2 Refers to number of partners (Value Added Resellers, SIs, SPs, and CPs) achieving $10M+ in sales in the FY23 fiscal year  
3 From top 30 partners sales across Value Added Resellers (VAR), System Integrators (SI), Service Providers (SP), and Cloud Providers (CP)
We are ‘in it together’ with our customers

Our customers have 90%+ CSAT today...

...and we plan to make it better

Rapid AI-Driven Issue Resolution
In-product support, empowered by AI
Targeting 65%+ reduction in Mean Time to Resolution (MTTR)

Accelerated Deployment
Scale global network of fully-certified delivery partners
Starting from a base of 300+ today

Increased Adoption
Stick with the customer throughout their journey
600+ CS professionals with deep expertise

---

1 Includes CPSP (Certified Professional Services Partner) and PSDP (Professional Services Delivery Partner)
2 Includes PANW badged employees and contractors
The opportunity in front of us is extensive...

We have ample potential to expand the breadth & depth of our platforms...

Breadth
Land every platform across our installed base

Depth
Increase penetration by covering full estate of every customer

We serve ~80% of G2K but only ~54% have begun the journey across all 3 platforms

Note: Size of the bar is not to scale and for illustrative purposes only

1 G2K refers to Forbes Global 2000 companies
2 FY23 Sales per G2K customer who have purchased 1, 2, or all 3 platforms defined as Strata, Prisma, Cortex
Our model is ready to scale and deliver real-time security outcomes for every customer through the power of our platforms.
Finance
Bringing it all Together
Dipak Golechha

Chief Financial Officer
We have shown we can capitalize on an expanding TAM

Expanding Platform TAMs

<table>
<thead>
<tr>
<th>Year</th>
<th>TAM</th>
<th>Cortex TAM</th>
<th>PANW share of Cortex TAM</th>
<th>Prisma Cloud Security TAM</th>
<th>PANW share of Cloud TAM</th>
<th>Network Security TAM</th>
<th>PANW share of NetSec TAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 TAM</td>
<td>$38B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023 TAM</td>
<td>$104B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2026 TAM</td>
<td>$163B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market share leaders in other IT categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Market Share</th>
<th>PANW Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITOM</td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>Sales CRM</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Database Mgmt Systems</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>ERP SW</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>

Our ~7% share of TAM remains well below that of leaders in other markets

1 All estimates and figures in this presentation related to total addressable markets or market sizes are based on Palo Alto Network estimates using third-party data. See Appendix for more information.
Our platform leadership and innovation will fuel our growth and key metrics

**Zero Trust**
- FWaaP growth
- Market share gains

**Code-to-Cloud**
- Credit consumption
- New Module Adoption

**Autonomous SecOps**
- Growth in customers
- Growth in large deals
Our go-to-market evolution enables us to execute on the larger opportunity

Become our customers’ strategic partner

Deliver security outcomes

Integrate into the ecosystems

‘In it together’ with our customers

Large deal momentum over time (>10M+ deals)

FY19 FY20 FY21 FY22 FY23

15 32 42 67 110

Increasing core productivity and driving growth in new channels

>5% core sales productivity improvement annually, over the last 3 years

~75% growth in Cloud Service Provider (CSP) bookings in FY23
Growing revenue ahead of our markets through FY26 while increasing predictability

17-19% 3-yr revenue and billings CAGR FY23-26

25% Growth in RPO through FY26

$6.5B NGS ARR exiting FY26

FY26 Revenue Profile

- Growth in RPO through FY26
- Year end NGS ARR as % of total revenue >55%
- Proportion of revenue from prior year cRPO ~2/3rd

% of revenue from Hardware ~10%

Year end NGS ARR as % of total revenue

Proportion of revenue from prior year cRPO
We can deliver steady gross margin while investing in cloud

<table>
<thead>
<tr>
<th>Platform drivers</th>
<th>FY’23 Drivers</th>
<th>FY’24 - FY’26 Net new drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher software mix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public cloud scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-company and platform Global Customer Support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost / Efficiency initiatives</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain normalizing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad procurement efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasingly global support workforce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AI-based automation in Support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Steady gross margin as we drive core improvements and invest in new cloud-based offerings
Platform and efficiency opportunities driving operating leverage

<table>
<thead>
<tr>
<th>Platform drivers</th>
<th>FY’23 Drivers</th>
<th>FY’24 - FY’26 Net new drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core sellers always have more to sell and becoming more productive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared R&amp;D platform and innovation spend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing leverage in overhead functions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Efficiency initiatives</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad procurement efficiency</td>
<td></td>
</tr>
<tr>
<td>Consolidation of Sales Specialists</td>
<td></td>
</tr>
<tr>
<td>Leveraging global footprint</td>
<td></td>
</tr>
<tr>
<td>AI-based automation in S&amp;M and G&amp;A</td>
<td></td>
</tr>
</tbody>
</table>

Continued opportunity for leverage in our operating expense, led by sales and marketing
Significant operating margin expansion through FY26

Steady Gross Margin

28-29%
FY26 non-GAAP operating margin

LOW TO MID 30s
Long-term non-GAAP operating margin potential

20%+
non-GAAP EPS CAGR FY23-26

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.
Steady free cash flow margin with flexibility to navigate the environment

<table>
<thead>
<tr>
<th>FY'23 Drivers</th>
<th>FY'24 - FY'26 Net new drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage drivers</td>
<td></td>
</tr>
<tr>
<td>Strong top-line</td>
<td></td>
</tr>
<tr>
<td>Operating margin leverage</td>
<td></td>
</tr>
<tr>
<td>Driving to best in class working capital management</td>
<td></td>
</tr>
<tr>
<td>Low CAPEX requirements</td>
<td></td>
</tr>
<tr>
<td>Higher interest rates on cash</td>
<td></td>
</tr>
<tr>
<td>Accounting for business shifts</td>
<td></td>
</tr>
<tr>
<td>Increase in % of bookings with deferred payments vs. FY23 levels</td>
<td></td>
</tr>
<tr>
<td>Accounting for higher cash taxes</td>
<td></td>
</tr>
</tbody>
</table>
We have already delivered strong cash flow while managing through an increase in deferred payments.

Deferred payments will contribute ~$1B in FY24 free cash flow (2x vs. FY23)
Aspiring to the ‘rule of 60’

17%-19%
3-yr revenue and billings CAGR (FY23-26)

37%+
Adjusted non-GAAP FCF margin sustained FY24-26

Peer group-leading combination of growth and cash flow while having the flexibility to navigate the current environment
Driving optimal balance of capital allocation

$2.5B
In cash used for M&A over last 5 years

Continue focus on acquiring emerging leaders and boosting with our GTM

$1.7B
FY23 convertible note repaid

Maintain capital structure that allows flexibility & minimizes dilution

$3.9B
In cash used for share repurchase over last 5 years

Opportunistic buyback

$2.0B
FY25 convertible note with cash
Bringing it all together into an attractive financial profile

**Top Line**
- 17%-19% revenue CAGR, from FY23-FY26
- 17%-19% billings CAGR, from FY23-FY26
- $6.5B in NGS ARR, exiting FY26
- 25% RPO CAGR, from FY23-FY26
- ~10% of revenue from hardware, by FY26

**Non-GAAP operating income**
- 28%-29% FY26 Non-GAAP Operating Margin
- Low to mid-30%, Long-term Non-GAAP Operating Margin potential

**Non-GAAP EPS**
- 20%+ non-GAAP EPS CAGR, from FY23-FY26

**Adjusted Non-GAAP free cash flow**
- 37%+ adjusted non-GAAP FCF margin, sustained from FY24-26

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

$ In millions

<table>
<thead>
<tr>
<th>Billings:</th>
<th>Q422</th>
<th>Q123</th>
<th>Q223</th>
<th>Q323</th>
<th>Q423</th>
<th>FY'22</th>
<th>FY'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$1,550.5</td>
<td>$1,563.4</td>
<td>$1,655.1</td>
<td>$1,720.9</td>
<td>$1,953.3</td>
<td>$5,501.5</td>
<td>$6,892.7</td>
</tr>
<tr>
<td>Add: change in total deferred</td>
<td>1,134.6</td>
<td>185.6</td>
<td>374.0</td>
<td>535.3</td>
<td>1,206.8</td>
<td>1,970.0</td>
<td>2,301.7</td>
</tr>
<tr>
<td>revenue, net of acquired deferred</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total billings</td>
<td>$2,685.1</td>
<td>$1,749.0</td>
<td>$2,029.1</td>
<td>$2,256.2</td>
<td>$3,160.1</td>
<td>$7,471.5</td>
<td>$9,194.4</td>
</tr>
</tbody>
</table>

Fiscal year ends on July 31
# GAAP to Non-GAAP Reconciliations

## Gross Margin

$ in millions

<table>
<thead>
<tr>
<th>Non-GAAP gross profit and gross margin:</th>
<th>Q422</th>
<th></th>
<th>Q423</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>GAAP gross profit and gross margin</td>
<td>$1,058.2</td>
<td>68.2%</td>
<td>$1,446.5</td>
<td>74.1%</td>
</tr>
<tr>
<td>Share-based compensation-related charges</td>
<td>36.0</td>
<td>2.3%</td>
<td>41.8</td>
<td>2.1%</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>25.8</td>
<td>1.7%</td>
<td>19.3</td>
<td>1.0%</td>
</tr>
<tr>
<td>Litigation-related charges⁽¹⁾</td>
<td>1.7</td>
<td>0.1%</td>
<td>1.7</td>
<td>0.1%</td>
</tr>
<tr>
<td>Restructuring and other costs⁽²⁾</td>
<td>14.0</td>
<td>0.9%</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-GAAP total gross profit and gross margin</td>
<td>$1,135.7</td>
<td>73.2%</td>
<td>$1,509.3</td>
<td>77.3%</td>
</tr>
</tbody>
</table>

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue.

⁽²⁾ Consists of manufacturing-related charges and other costs.

Fiscal year ends on July 31.
# GAAP to Non-GAAP Reconciliations

## Operating Margin

$ In millions

<table>
<thead>
<tr>
<th>Non-GAAP operating income and operating margin:</th>
<th>Q422</th>
<th>Q423</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating income and operating margin</td>
<td>$15.4</td>
<td>$253.5</td>
</tr>
<tr>
<td>Share-based compensation-related charges</td>
<td>251.3</td>
<td>274.1</td>
</tr>
<tr>
<td>Acquisition-related costs ¹</td>
<td>2.4</td>
<td>-</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>31.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Litigation-related charges ²</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Restructuring and other costs ³</td>
<td>21.2</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP operating income and operating margin</td>
<td>$323.2</td>
<td>$554.0</td>
</tr>
</tbody>
</table>

1 Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate other contracts of the acquired companies.

2 Consists of the amortization of intellectual property licenses and covenant not to sue.

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

Fiscal year ends on July 31.

Non-GAAP to GAAP Reconciliations:

- Share-based compensation-related charges:
  - Q422: $251.3 (16.1%)
  - Q423: $274.1 (14.0%)

- Acquisition-related costs:
  - Q422: $2.4 (0.2%)
  - Q423: - (0.0%)

- Amortization expense of acquired intangible assets:
  - Q422: $31.2 (2.0%)
  - Q423: $24.7 (1.3%)

- Litigation-related charges:
  - Q422: $1.7 (0.1%)
  - Q423: $1.7 (0.1%)

- Restructuring and other costs:
  - Q422: $21.2 (1.4%)
  - Q423: - (0.0%)

Non-GAAP operating income and operating margin:

- Q422: $323.2 (20.8%)
- Q423: $554.0 (28.4%)
## GAAP to Non-GAAP Reconciliations

### Operating Margin

$ In millions

<table>
<thead>
<tr>
<th>Non-GAAP operating income and operating margin:</th>
<th>FY’20</th>
<th>%</th>
<th>FY’21</th>
<th>%</th>
<th>FY’22</th>
<th>%</th>
<th>FY’23</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP operating income (loss) and operating margin</td>
<td>($179.0)</td>
<td>-5.3%</td>
<td>($304.1)</td>
<td>-7.1%</td>
<td>($188.8)</td>
<td>-3.4%</td>
<td>$387.3</td>
<td>5.6%</td>
</tr>
<tr>
<td>Share-based compensation-related charges</td>
<td>685.5</td>
<td>20.2%</td>
<td>936.5</td>
<td>22.0%</td>
<td>1,072.0</td>
<td>19.5%</td>
<td>1,145.1</td>
<td>16.6%</td>
</tr>
<tr>
<td>Acquisition-related costs ¹</td>
<td>15.7</td>
<td>0.5%</td>
<td>46.1</td>
<td>1.1%</td>
<td>5.5</td>
<td>0.1%</td>
<td>19.5</td>
<td>0.3%</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>76.4</td>
<td>2.2%</td>
<td>116.7</td>
<td>2.7%</td>
<td>125.8</td>
<td>2.3%</td>
<td>103.1</td>
<td>1.5%</td>
</tr>
<tr>
<td>Litigation-related charges ²</td>
<td>3.6</td>
<td>0.1%</td>
<td>7.1</td>
<td>0.2%</td>
<td>7.1</td>
<td>0.1%</td>
<td>7.1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Restructuring and other costs ³</td>
<td>(3.1)</td>
<td>-0.1%</td>
<td>-</td>
<td>0.0%</td>
<td>21.2</td>
<td>0.4%</td>
<td>(2.2)</td>
<td>0.0%</td>
</tr>
<tr>
<td>Non-GAAP operating income and operating margin</td>
<td>$599.1</td>
<td>17.6%</td>
<td>$802.3</td>
<td>18.9%</td>
<td>$1,042.8</td>
<td>19.0%</td>
<td>$1,659.9</td>
<td>24.1%</td>
</tr>
</tbody>
</table>

¹ Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.

² Consists of the amortization of intellectual property licenses and covenant not to sue.

³ Consists of manufacturing related charges, (gain) loss on the closure of certain office facilities, other costs, and related adjustments.

Fiscal year ends on July 31.
## GAAP to Non-GAAP Reconciliations

### EPS

<table>
<thead>
<tr>
<th>Non-GAAP net income per share, diluted:</th>
<th>Q422</th>
<th>Q123</th>
<th>Q223</th>
<th>Q323</th>
<th>Q423</th>
<th>FY'22</th>
<th>FY'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP net income (loss) per share, diluted</td>
<td>$0.01</td>
<td>$0.06</td>
<td>$0.25</td>
<td>$0.31</td>
<td>$0.64</td>
<td>($0.90)</td>
<td>$1.28</td>
</tr>
<tr>
<td>Share-based compensation-related charges</td>
<td>0.78</td>
<td>0.87</td>
<td>0.94</td>
<td>0.91</td>
<td>0.86</td>
<td>3.42</td>
<td>3.59</td>
</tr>
<tr>
<td>Acquisition-related cost¹</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>0.02</td>
<td>0.00</td>
<td>0.02</td>
<td>0.06</td>
</tr>
<tr>
<td>Amortization expense of acquired intangibles assets</td>
<td>0.09</td>
<td>0.08</td>
<td>0.07</td>
<td>0.07</td>
<td>0.07</td>
<td>0.43</td>
<td>0.30</td>
</tr>
<tr>
<td>Litigation-related charges²</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Restructuring and other costs³</td>
<td>0.06</td>
<td>(0.01)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.08</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Non-cash charges related to convertible notes⁴</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Foreign currency gain (loss) associated with non-GAAP adjustments</td>
<td>0.00</td>
<td>(0.01)</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>(0.01)</td>
<td>0.00</td>
</tr>
<tr>
<td>Income tax and other tax adjustments⁵</td>
<td>(0.17)</td>
<td>(0.18)</td>
<td>(0.28)</td>
<td>(0.23)</td>
<td>(0.13)</td>
<td>(0.56)</td>
<td>(0.82)</td>
</tr>
<tr>
<td>Non-GAAP net income per share, diluted</td>
<td>$0.80</td>
<td>$0.83</td>
<td>$1.05</td>
<td>$1.10</td>
<td>$1.44</td>
<td>$2.52</td>
<td>$4.44</td>
</tr>
</tbody>
</table>

¹ Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.
² Consists of the amortization of intellectual property licenses and covenant not to sue.
³ Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.
⁴ Consists primarily of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.
⁵ Consist primarily of income tax adjustments related to our long-term non-GAAP effective tax rate. In Q2'23, it included a tax benefit from a release of tax reserves related to uncertain tax positions resulting from a tax settlement.

Fiscal year ends on July 31.
### GAAP to Non-GAAP Reconciliations

#### Adjusted Free Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Q423</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free cash flow and adjusted free cash flow (non-GAAP):</strong></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$414.1</td>
</tr>
<tr>
<td>Less: purchases of property, equipment, and other assets</td>
<td>37.2</td>
</tr>
<tr>
<td>Free cash flow (non-GAAP)</td>
<td>$376.9</td>
</tr>
<tr>
<td>Add: cash payment related to tax settlement</td>
<td>10.9</td>
</tr>
<tr>
<td>Adjusted free cash flow (non-GAAP)</td>
<td>$387.8</td>
</tr>
</tbody>
</table>

$ In millions

Fiscal year ends on July 31.
## GAAP to Non-GAAP Reconciliations

### Adjusted Free Cash Flow

$ In millions

<table>
<thead>
<tr>
<th>Free cash flow and adjusted free cash flow (non-GAAP):</th>
<th>FY'20</th>
<th>FY'21</th>
<th>FY'22</th>
<th>FY'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,035.7</td>
<td>$1,503.0</td>
<td>$1,984.7</td>
<td>$2,777.5</td>
</tr>
<tr>
<td>Less: purchases of property, equipment, and other assets</td>
<td>214.4</td>
<td>116.0</td>
<td>192.8</td>
<td>146.3</td>
</tr>
<tr>
<td>Free cash flow (non-GAAP)</td>
<td>$821.3</td>
<td>$1,387.0</td>
<td>$1,791.9</td>
<td>$2,631.2</td>
</tr>
<tr>
<td>Add: capital expenditures for headquarters (^1)</td>
<td>94.3</td>
<td>-</td>
<td>38.9</td>
<td>-</td>
</tr>
<tr>
<td>Add: cash payment related to tax settlement</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39.8</td>
</tr>
<tr>
<td>Add: repayments of convertible senior notes attributable to debt discount</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Add: litigation related payment (^2)</td>
<td>50.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: cash payment related to landlord lease amendment (^3)</td>
<td>(2.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted free cash flow (non-GAAP)</td>
<td>$967.6</td>
<td>$1,387.1</td>
<td>$1,830.8</td>
<td>$2,671.0</td>
</tr>
</tbody>
</table>

**Adjusted free cash flow margin (non-GAAP)**

<table>
<thead>
<tr>
<th>FY'20</th>
<th>FY'21</th>
<th>FY'22</th>
<th>FY'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.4 %</td>
<td>32.6 %</td>
<td>33.3 %</td>
<td>38.8 %</td>
</tr>
</tbody>
</table>

\(^1\) Consists of capital expenditures for our headquarters including a land purchase of $51.7 million in Q3'20 and $38.9 million in Q2'22. 
\(^2\) Consists of a one-time payment in Q3'20 related to covenant not to sue. 
\(^3\) During Q1'18, we received an upfront cash reimbursement of $38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling $38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for the periods presented reflects adjustments for these increased rental payments made during the respective periods.

Fiscal year ends on July 31.

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Third-party data from the reports listed below was used as a basis for the estimates and figures in this presentation related to total addressable markets, market or segment sizes or similar data ("TAM Data"). All TAM Data is for calendar years. For the purposes of this presentation, we sometimes refer to a “Network Security,” “Cloud Security,” or “Security Operations” segment. The “Network Security” segment includes the following segments described in this presentation: SASE, Network Security, Data Security and IoT Security. The “Cloud Security” segment includes the following segments described in this presentation: cloud security and a portion of the application security segment estimated to be attributable to security tools used for cloud applications. The “Security Operations” segment includes the following segments described in this presentation: SecOps [+SIEM] and Endpoint / XDR.

For estimates and figures related to calendar years 2018 and 2020:
- Omdia, Network Security Appliances and Software Market Tracker, 1Q23 Database (June 30, 2023)
- Omdia, Content Security Gateway Appliances, Software, and SaaS Market Tracker, 1Q23 Database (June 13, 2023)
- Dell’Oro Group, Network Security Forecast Tables, July 2023
- Gartner, Forecast: Public Cloud Services, Worldwide, 2018-2024, Q420 Update (December 21, 2020)
- Gartner, Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2021-2027, 2Q23 Update (June 29, 2023)
- Gartner, Market Databook, Q420 Update (Forecast for IT Worldwide, 2018-2024) (December 22, 2022)
- International Data Corporation, Worldwide Semiannual Security Product Tracker (June 2023)
- International Data Corporation, Worldwide Security Spending Guide (July 2023)
- Palo Alto Networks estimates

For estimates and figures related to calendar years 2023 and 2026:
- Omdia, Network Security Appliances and Software Market Tracker, 1Q23 Database (June 30, 2023)
- Omdia, Content Security Gateway Appliances, Software, and SaaS Market Tracker, 1Q23 Database (June 13, 2023)
- Dell’Oro Group, Network Security Forecast Tables, July 2023
- Gartner, Forecast: Information Security and Risk Management, Worldwide 2021-2027, 2Q23 Update (June 29, 2023)
- Gartner, Forecast: Public Cloud Services, Worldwide, 2021-2027, 2Q23 Update (July 10, 2023)
- Gartner, Forecast: Enterprise Network Equipment by Market Segment, Worldwide, 2021-2027, 2Q23 Update (June 29, 2023)
- Gartner, Market Databook, Q2Q23 Update, Worldwide, IT, 2021-2027 (June 30, 2023)
- Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2021-2027, 2Q23 Update (June 29, 2023)
- International Data Corporation, Worldwide and US Comprehensive Security Services Forecast, 2023-2027 (June 2023)
- International Data Corporation, Worldwide Semiannual Security Product Tracker (June 2023)
- International Data Corporation, Worldwide OT Security Forecast, 2022-2026 (July 2022)
- International Data Corporation, Worldwide Security Spending Guide (July 2023)
- Palo Alto Networks estimates

For estimates and figures related to calendar year 2028:
- Palo Alto Networks estimates