

## **Non-GAAP Financial Measures and Other Key Metrics**

This unaudited supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). We use these non-GAAP financial measures and key metrics internally in analyzing our financial results and believe that the disclosure of these non-GAAP financial measures and key metrics will be useful to investors as an additional tool to evaluate our ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures or key metrics.

Non-GAAP financial measures and key metrics are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our non-GAAP financial measures and key metrics to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations. We have not provided a reconciliation of forward-looking non-GAAP measures to the corresponding GAAP measures as they are not available without unreasonable effort.

**Palo Alto Networks, Inc.**  
**Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(In millions, except percentages)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
Revenue:								
Product	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0
Subscription and support	762.2	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4
Total revenue	1,016.9	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4
Cost of revenue:								
Product	75.6	81.9	88.8	88.9	97.8	126.0	142.8	120.1
Subscription and support	232.0	248.7	270.1	291.7	307.5	314.5	349.5	341.8
Total cost of revenue	307.6	330.6	358.9	380.6	405.3	440.5	492.3	461.9
Total gross profit	709.3	743.3	860.4	866.8	911.6	946.2	1,058.2	1,101.5
<i>Product gross margin</i>	70.3 %	71.7 %	73.8 %	69.9 %	68.2 %	64.2 %	65.0 %	63.6 %
<i>Subscription and support gross margin</i>	69.6 %	68.3 %	69.3 %	69.4 %	69.5 %	69.6 %	69.4 %	72.3 %
<i>Total gross margin</i>	69.8 %	69.2 %	70.6 %	69.5 %	69.2 %	68.2 %	68.2 %	70.5 %
Operating expenses:								
Research and development	266.7	311.0	325.3	339.5	359.0	355.4	363.8	371.8
Sales and marketing	427.4	448.0	489.8	505.9	528.8	543.6	570.6	615.0
General and administrative	104.0	94.7	105.7	104.1	97.7	94.8	108.4	99.5
Total operating expenses	798.1	853.7	920.8	949.5	985.5	993.8	1,042.8	1,086.3
Operating income (loss)	(88.8)	(110.4)	(60.4)	(82.7)	(73.9)	(47.6)	15.4	15.2
Interest expense	(40.7)	(41.0)	(41.4)	(6.9)	(6.8)	(6.8)	(6.9)	(6.8)
Other income (expense), net	(0.5)	1.0	(0.5)	(1.6)	(0.1)	1.9	8.8	26.0
Income (loss) before income taxes	(130.0)	(150.4)	(102.3)	(91.2)	(80.8)	(52.5)	17.3	34.4
Provision for (benefit from) income taxes	12.3	(5.3)	17.0	12.4	12.7	20.7	14.0	14.4
Net income (loss)	<u><u>\$(142.3)</u></u>	<u><u>\$(145.1)</u></u>	<u><u>\$(119.3)</u></u>	<u><u>\$(103.6)</u></u>	<u><u>\$ (93.5)</u></u>	<u><u>\$ (73.2)</u></u>	<u><u>\$ 3.3</u></u>	<u><u>\$ 20.0</u></u>

**Palo Alto Networks, Inc.**  
**Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters**  
(In millions, except percentages)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
Revenue:								
Product	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0
Subscription and support	762.2	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4
Total revenue	1,016.9	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4
Cost of revenue:								
Product	72.1	78.4	85.4	85.4	94.2	122.3	139.3	116.5
Subscription and support	179.5	194.0	216.1	234.0	247.7	254.1	275.5	285.2
Total cost of revenue	251.6	272.4	301.5	319.4	341.9	376.4	414.8	401.7
Total gross profit	765.3	801.5	917.8	928.0	975.0	1,010.3	1,135.7	1,161.7
<i>Product gross margin</i>	71.7 %	72.9 %	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %
<i>Subscription and support gross margin</i>	76.4 %	75.3 %	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %
<i>Total gross margin</i>	75.3 %	74.6 %	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %
Operating expenses:								
Research and development	159.5	189.0	211.6	211.2	228.7	236.4	250.0	251.4
Sales and marketing	348.3	368.8	416.1	423.9	438.8	456.8	486.4	518.8
General and administrative	55.7	61.4	77.3	68.9	64.8	64.2	76.1	69.1
Total operating expenses	563.5	619.2	705.0	704.0	732.3	757.4	812.5	839.3
Operating income	201.8	182.3	212.8	224.0	242.7	252.9	323.2	322.4
Interest expense	(5.2)	(5.1)	(5.0)	(5.1)	(5.0)	(5.0)	(5.1)	(5.0)
Other income (expense), net	1.2	1.6	(0.3)	(0.5)	(0.6)	(0.4)	7.8	24.2
Income before income taxes	197.8	178.8	207.5	218.4	237.1	247.5	325.9	341.6
Provision for income taxes	43.6	39.3	45.6	48.1	52.1	54.4	71.8	75.2
Net income	\$ 154.2	\$ 139.5	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters**

(In millions, except percentages and per share amounts)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 179.1	\$ 207.0	\$ 250.6	\$ 206.6	\$ 210.2	\$ 225.5	\$ 265.3	\$ 209.9
Share-based compensation-related charges	1.7	1.7	1.7	1.7	1.8	1.9	1.8	1.8
Litigation-related charges <sup>(1)</sup>	1.8	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Non-GAAP product gross profit	\$ 182.6	\$ 210.5	\$ 254.0	\$ 210.1	\$ 213.8	\$ 229.2	\$ 268.8	\$ 213.5
Non-GAAP product gross margin	71.7 %	72.9 %	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %
GAAP subscription and support gross profit	\$ 530.2	\$ 536.3	\$ 609.8	\$ 660.2	\$ 701.4	\$ 720.7	\$ 792.9	\$ 891.6
Share-based compensation-related charges	28.0	28.1	27.9	31.5	33.7	34.4	34.2	35.0
Amortization expense of acquired intangible assets	24.5	26.6	26.1	26.2	26.1	26.0	25.8	23.3
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	14.0	(1.7)
Non-GAAP subscription and support gross profit	\$ 582.7	\$ 591.0	\$ 663.8	\$ 717.9	\$ 761.2	\$ 781.1	\$ 866.9	\$ 948.2
Non-GAAP subscription and support gross margin	76.4 %	75.3 %	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %
GAAP total gross profit	\$ 709.3	\$ 743.3	\$ 860.4	\$ 866.8	\$ 911.6	\$ 946.2	\$1,058.2	\$1,101.5
Share-based compensation-related charges	29.7	29.8	29.6	33.2	35.5	36.3	36.0	36.8
Amortization expense of acquired intangible assets	24.5	26.6	26.1	26.2	26.1	26.0	25.8	23.3
Litigation-related charges <sup>(1)</sup>	1.8	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	14.0	(1.7)
Non-GAAP total gross profit	\$ 765.3	\$ 801.5	\$ 917.8	\$ 928.0	\$ 975.0	\$1,010.3	\$1,135.7	\$1,161.7
Non-GAAP gross margin	75.3 %	74.6 %	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %
GAAP research and development expense	\$ 266.7	\$ 311.0	\$ 325.3	\$ 339.5	\$ 359.0	\$ 355.4	\$ 363.8	\$ 371.8
Share-based compensation-related charges	107.2	122.0	113.7	128.3	130.3	119.0	111.5	120.9
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	2.3	(0.5)
Non-GAAP research and development expense	\$ 159.5	\$ 189.0	\$ 211.6	\$ 211.2	\$ 228.7	\$ 236.4	\$ 250.0	\$ 251.4
Non-GAAP research and development expense as a percentage of revenue	15.7 %	17.6 %	17.4 %	16.9 %	17.4 %	17.0 %	16.1 %	16.1 %
GAAP sales and marketing expense	\$ 427.4	\$ 448.0	\$ 489.8	\$ 505.9	\$ 528.8	\$ 543.6	\$ 570.6	\$ 615.0
Share-based compensation-related charges	74.0	73.8	68.2	76.6	84.6	81.3	78.8	90.8
Amortization expense of acquired intangible assets	5.1	5.4	5.5	5.4	5.4	5.5	5.4	5.4
Non-GAAP sales and marketing expense	\$ 348.3	\$ 368.8	\$ 416.1	\$ 423.9	\$ 438.8	\$ 456.8	\$ 486.4	\$ 518.8
Non-GAAP sales and marketing expense as a percentage of revenue	34.3 %	34.3 %	34.1 %	34.0 %	33.3 %	33.1 %	31.4 %	33.2 %
GAAP general and administrative expense	\$ 104.0	\$ 94.7	\$ 105.7	\$ 104.1	\$ 97.7	\$ 94.8	\$ 108.4	\$ 99.5
Share-based compensation-related charges	27.7	21.6	27.7	32.1	32.9	30.6	25.0	30.4
Acquisition-related costs <sup>(3)</sup>	20.6	11.7	0.7	3.1	—	—	2.4	—
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	4.9	—
Non-GAAP general and administrative expense	\$ 55.7	\$ 61.4	\$ 77.3	\$ 68.9	\$ 64.8	\$ 64.2	\$ 76.1	\$ 69.1
Non-GAAP general and administrative expense as a percentage of revenue	5.5 %	5.7 %	6.3 %	5.5 %	4.9 %	4.6 %	4.9 %	4.4 %

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

(2) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(3) 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.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
GAAP total operating expense	\$ 798.1	\$ 853.7	\$ 920.8	\$ 949.5	\$ 985.5	\$ 993.8	\$1,042.8	\$1,086.3
Share-based compensation-related charges	208.9	217.4	209.6	237.0	247.8	230.9	215.3	242.1
Acquisition-related costs <sup>(1)</sup>	20.6	11.7	0.7	3.1	—	—	2.4	—
Amortization expense of acquired intangible assets	5.1	5.4	5.5	5.4	5.4	5.5	5.4	5.4
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	7.2	(0.5)
Non-GAAP total operating expense	\$ 563.5	\$ 619.2	\$ 705.0	\$ 704.0	\$ 732.3	\$ 757.4	\$ 812.5	\$ 839.3
Non-GAAP total operating expense as a percentage of revenue	55.5 %	57.6 %	57.8 %	56.4 %	55.6 %	54.7 %	52.4 %	53.7 %
GAAP operating income (loss)	\$ (88.8)	\$ (110.4)	\$ (60.4)	\$ (82.7)	\$ (73.9)	\$ (47.6)	\$ 15.4	\$ 15.2
Share-based compensation-related charges	238.6	247.2	239.2	270.2	283.3	267.2	251.3	278.9
Acquisition-related costs <sup>(1)</sup>	20.6	11.7	0.7	3.1	—	—	2.4	—
Amortization expense of acquired intangible assets	29.6	32.0	31.6	31.6	31.5	31.5	31.2	28.7
Litigation-related charges <sup>(3)</sup>	1.8	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	21.2	(2.2)
Non-GAAP operating income	\$ 201.8	\$ 182.3	\$ 212.8	\$ 224.0	\$ 242.7	\$ 252.9	\$ 323.2	\$ 322.4
Non-GAAP operating margin	19.8 %	17.0 %	17.5 %	18.0 %	18.4 %	18.2 %	20.8 %	20.6 %
GAAP interest expense	\$ (40.7)	\$ (41.0)	\$ (41.4)	\$ (6.9)	\$ (6.8)	\$ (6.8)	\$ (6.9)	\$ (6.8)
Non-cash charges related to convertible notes <sup>(4)</sup>	35.5	35.9	36.4	1.8	1.8	1.8	1.8	1.8
Non-GAAP interest expense	\$ (5.2)	\$ (5.1)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.0)	\$ (5.1)	\$ (5.0)
Non-GAAP interest expense as a percentage of revenue	(0.5)%	(0.5)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.3)%	(0.3)%
GAAP other income (expense), net	\$ (0.5)	\$ 1.0	\$ (0.5)	\$ (1.6)	\$ (0.1)	\$ 1.9	\$ 8.8	\$ 26.0
Foreign currency (gain) loss associated with non-GAAP adjustments	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)
Non-GAAP other income (expense), net	\$ 1.2	\$ 1.6	\$ (0.3)	\$ (0.5)	\$ (0.6)	\$ (0.4)	\$ 7.8	\$ 24.2
Non-GAAP other income (expense), net as a percentage of revenue	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.5 %	1.5 %
GAAP income (loss) before income taxes	\$ (130.0)	\$ (150.4)	\$ (102.3)	\$ (91.2)	\$ (80.8)	\$ (52.5)	\$ 17.3	\$ 34.4
Share-based compensation-related charges	238.6	247.2	239.2	270.2	283.3	267.2	251.3	278.9
Acquisition-related costs <sup>(1)</sup>	20.6	11.7	0.7	3.1	—	—	2.4	—
Amortization expense of acquired intangible assets	29.6	32.0	31.6	31.6	31.5	31.5	31.2	28.7
Litigation-related charges <sup>(3)</sup>	1.8	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	21.2	(2.2)
Non-cash charges related to convertible notes <sup>(4)</sup>	35.5	35.9	36.4	1.8	1.8	1.8	1.8	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)
Non-GAAP income before income taxes	\$ 197.8	\$ 178.8	\$ 207.5	\$ 218.4	\$ 237.1	\$ 247.5	\$ 325.9	\$ 341.6

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

(2) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

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

(4) Consists primarily of non-cash interest expense for amortization of debt discount and issuance costs related to our convertible senior notes. Effective Q1'22, we no longer recognize interest expense for amortization of debt discount as a result of the adoption of new debt guidance.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
GAAP provision for (benefit from) income taxes	\$ 12.3	\$ (5.3)	\$ 17.0	\$ 12.4	\$ 12.7	\$ 20.7	\$ 14.0	\$ 14.4
Income tax and other tax adjustments related to the above	31.3	44.6	28.6	35.7	39.4	33.7	57.8	60.8
Non-GAAP provision for income taxes	<u>\$ 43.6</u>	<u>\$ 39.3</u>	<u>\$ 45.6</u>	<u>\$ 48.1</u>	<u>\$ 52.1</u>	<u>\$ 54.4</u>	<u>\$ 71.8</u>	<u>\$ 75.2</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net income (loss)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0
Share-based compensation-related charges	238.6	247.2	239.2	270.2	283.3	267.2	251.3	278.9
Acquisition-related costs <sup>(1)</sup>	20.6	11.7	0.7	3.1	—	—	2.4	—
Amortization expense of acquired intangible assets	29.6	32.0	31.6	31.6	31.5	31.5	31.2	28.7
Litigation-related charges <sup>(2)</sup>	1.8	1.8	1.7	1.8	1.8	1.8	1.7	1.8
Restructuring and other costs <sup>(3)</sup>	—	—	—	—	—	—	21.2	(2.2)
Non-cash charges related to convertible notes <sup>(4)</sup>	35.5	35.9	36.4	1.8	1.8	1.8	1.8	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)
Income tax and other tax adjustments related to the above	(31.3)	(44.6)	(28.6)	(35.7)	(39.4)	(33.7)	(57.8)	(60.8)
Non-GAAP net income	<u>\$ 154.2</u>	<u>\$ 139.5</u>	<u>\$ 161.9</u>	<u>\$ 170.3</u>	<u>\$ 185.0</u>	<u>\$ 193.1</u>	<u>\$ 254.1</u>	<u>\$ 266.4</u>
GAAP net income (loss) per share, diluted	\$ (0.49)	\$ (0.50)	\$ (0.41)	\$ (0.35)	\$ (0.32)	\$ (0.25)	\$ 0.01	\$ 0.06
Share-based compensation-related charges	0.81	0.83	0.80	0.88	0.90	0.84	0.78	0.87
Acquisition-related costs <sup>(1)</sup>	0.07	0.04	0.00	0.01	0.00	0.00	0.01	0.00
Amortization expense of acquired intangible assets	0.10	0.11	0.11	0.11	0.11	0.11	0.09	0.08
Litigation-related charges <sup>(2)</sup>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Restructuring and other costs <sup>(3)</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.06	(0.01)
Non-cash charges related to convertible notes <sup>(4)</sup>	0.12	0.12	0.12	0.01	0.01	0.01	0.01	0.01
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	0.00	0.00	0.00	0.00	(0.01)	0.00	(0.01)
Income tax and other tax adjustments related to the above	(0.11)	(0.15)	(0.10)	(0.12)	(0.13)	(0.11)	(0.17)	(0.18)
Non-GAAP net income per share, diluted	<u>\$ 0.52</u>	<u>\$ 0.46</u>	<u>\$ 0.53</u>	<u>\$ 0.55</u>	<u>\$ 0.58</u>	<u>\$ 0.60</u>	<u>\$ 0.80</u>	<u>\$ 0.83</u>
GAAP weighted-average shares used to compute net loss per share, diluted	287.6	290.8	291.7	292.9	294.5	296.7	336.2	338.4
Weighted-average dilutive effect of potentially dilutive securities <sup>(5)</sup>	19.3	19.1	22.9	33.8	42.4	46.4	—	—
Weighted-average anti-dilutive impact of note hedge agreements	(8.2)	(6.9)	(10.5)	(15.0)	(18.0)	(19.7)	(17.0)	(17.8)
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>298.7</u>	<u>303.0</u>	<u>304.1</u>	<u>311.7</u>	<u>318.9</u>	<u>323.4</u>	<u>319.2</u>	<u>320.6</u>

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

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

(3) Consists of 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 discount and issuance costs related to our convertible senior notes. Effective Q1'22, we no longer recognize interest expense for amortization of debt discount as a result of the adoption of new debt guidance.

(5) Includes the potentially dilutive effect of employee equity incentive plan awards and our convertible senior notes outstanding and related warrant agreements.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
Net cash provided by operating activities	\$ 364.5	\$ 277.8	\$ 325.8	\$ 588.9	\$ 482.6	\$ 389.5	\$ 523.7	\$ 1,236.7
Less: purchases of property, equipment, and other assets	32.1	26.9	27.4	34.6	80.7	38.3	39.2	39.6
Free cash flow (non-GAAP)	\$ 332.4	\$ 250.9	\$ 298.4	\$ 554.3	\$ 401.9	\$ 351.2	\$ 484.5	\$ 1,197.1
Add: capital expenditures for headquarters <sup>(1)</sup>	—	—	—	—	38.9	—	—	—
Add: repayments of convertible senior notes attributable to debt discount	—	—	0.1	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 332.4	\$ 250.9	\$ 298.5	\$ 554.3	\$ 440.8	\$ 351.2	\$ 484.5	\$ 1,197.1
Net cash provided by (used in) investing activities	\$ (384.4)	\$ (207.6)	\$ (2.4)	\$ (229.9)	\$ (274.3)	\$ 42.9	\$ (472.1)	\$ (1,319.8)
Net cash provided by (used in) financing activities	\$ (5.4)	\$ (298.5)	\$ (335.6)	\$ 38.7	\$ (558.5)	\$ 66.3	\$ (353.1)	\$ 31.1
Free cash flow margin (non-GAAP)	32.7 %	23.4 %	24.5 %	44.4 %	30.5 %	25.3 %	31.2 %	76.6 %
Adjusted free cash flow margin (non-GAAP)	32.7 %	23.4 %	24.5 %	44.4 %	33.5 %	25.3 %	31.2 %	76.6 %

**Other Key Metrics - Calculation of Billings**

Total revenue	\$1,016.9	\$1,073.9	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$ 1,563.4
Add: change in total deferred revenue, net of acquired deferred revenue	197.8	212.5	649.0	134.2	291.0	410.2	1,134.6	185.6
Total billings	\$1,214.7	\$1,286.4	\$1,868.3	\$1,381.6	\$1,607.9	\$1,796.9	\$2,685.1	\$ 1,749.0

(1) Consists of a land purchase of \$38.9 million.

**Palo Alto Networks, Inc.**  
**Condensed Consolidated Balance Sheets - Fiscal Quarters**  
(In millions)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 2,113.2	\$ 1,886.1	\$ 1,874.2	\$ 2,272.9	\$ 1,922.7	\$ 2,419.9	\$ 2,118.5	\$ 2,067.2
Short-term investments	1,058.0	1,059.3	1,026.9	1,188.5	1,417.6	1,454.7	1,516.0	1,736.5
Accounts receivable, net	669.2	766.8	1,240.4	812.1	952.2	1,240.6	2,142.5	1,238.1
Short-term deferred contract costs	224.4	235.0	276.5	272.9	278.1	286.8	317.7	310.6
Prepaid expenses and other current assets	211.0	193.7	229.3	292.7	298.0	295.6	320.2	381.1
<b>Total current assets</b>	<b>4,275.8</b>	<b>4,140.9</b>	<b>4,647.3</b>	<b>4,839.1</b>	<b>4,868.6</b>	<b>5,697.6</b>	<b>6,414.9</b>	<b>5,733.5</b>
Property and equipment, net	330.7	322.7	318.4	324.3	362.7	355.6	357.8	353.7
Operating lease right-of-use assets	252.1	258.7	262.9	251.8	238.8	239.9	242.0	260.4
Long-term investments	857.1	885.4	888.3	898.8	851.0	714.7	1,051.9	2,094.7
Long-term deferred contract costs	410.5	420.1	494.6	476.1	472.1	480.3	550.1	520.3
Goodwill	2,583.5	2,713.1	2,710.1	2,732.3	2,731.3	2,731.3	2,747.7	2,747.7
Intangible assets, net	541.1	530.3	498.6	471.3	443.9	412.1	384.5	355.4
Other assets	237.6	290.9	421.4	432.7	432.1	468.5	504.7	478.1
<b>Total assets</b>	<b>\$ 9,488.4</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>	<b>\$ 12,543.8</b>
<b>Liabilities, temporary equity, and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 44.7	\$ 71.8	\$ 56.9	\$ 95.3	\$ 120.4	\$ 108.0	\$ 128.0	\$ 125.9
Accrued compensation	261.0	252.8	430.6	250.8	329.9	365.2	461.1	268.9
Accrued and other liabilities	255.3	261.5	329.4	324.6	324.0	375.4	399.2	380.4
Deferred revenue	2,289.7	2,421.2	2,741.9	2,801.6	2,958.2	3,152.9	3,641.2	3,741.3
Convertible senior notes, net	1,525.6	—	1,557.9	3,672.1	3,673.9	3,675.7	3,676.8	3,678.6
<b>Total current liabilities</b>	<b>4,376.3</b>	<b>3,007.3</b>	<b>5,116.7</b>	<b>7,144.4</b>	<b>7,406.4</b>	<b>7,677.2</b>	<b>8,306.3</b>	<b>8,195.1</b>
Convertible senior notes, net	1,629.1	3,190.6	1,668.1	—	—	—	—	—
Long-term deferred revenue	1,872.7	1,953.8	2,282.1	2,356.6	2,491.0	2,706.5	3,352.8	3,438.3
Long-term operating lease liabilities	317.9	317.7	313.4	299.5	282.4	275.7	276.1	283.1
Other long-term liabilities	93.9	95.5	97.7	107.0	102.9	103.0	108.4	119.3
<b>Total liabilities</b>	<b>8,289.9</b>	<b>8,564.9</b>	<b>9,478.0</b>	<b>9,907.5</b>	<b>10,282.7</b>	<b>10,762.4</b>	<b>12,043.6</b>	<b>12,035.8</b>
Temporary equity	161.2	—	129.1	—	—	—	—	—
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,429.8	2,541.1	2,311.2	2,033.9	1,745.2	2,066.3	1,932.7	2,266.2
Accumulated other comprehensive income (loss)	9.9	3.6	(9.9)	(11.3)	(30.2)	(58.3)	(55.6)	(111.1)
Accumulated deficit	(1,402.4)	(1,547.5)	(1,666.8)	(1,503.7)	(1,597.2)	(1,670.4)	(1,667.1)	(1,647.1)
<b>Total stockholders' equity</b>	<b>1,037.3</b>	<b>997.2</b>	<b>634.5</b>	<b>518.9</b>	<b>117.8</b>	<b>337.6</b>	<b>210.0</b>	<b>508.0</b>
<b>Total liabilities, temporary equity, and stockholders' equity</b>	<b>\$ 9,488.4</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>	<b>\$ 12,543.8</b>



**Palo Alto Networks, Inc.**  
**Condensed Consolidated Statements of Cash Flows - Fiscal Quarters**  
(In millions)

	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	225.6	233.1	230.0	259.1	265.1	247.3	239.6	266.0
Depreciation and amortization	64.9	68.7	68.8	69.0	69.7	71.4	72.5	70.7
Amortization of deferred contract costs	68.6	73.9	89.7	85.9	86.1	89.1	101.0	97.0
Amortization of debt discount and debt issuance costs	35.5	35.9	36.4	1.8	1.8	1.8	1.8	1.8
Reduction of operating lease right-of-use assets	10.7	11.9	11.9	12.7	12.4	12.4	16.9	12.1
Amortization of investment premiums, net of accretion of purchase discounts	3.2	3.3	3.9	3.6	3.7	3.2	3.0	1.7
Repayments of convertible senior notes attributable to debt discount	—	—	(0.1)	—	—	—	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	16.4	(97.4)	(473.7)	428.4	(140.1)	(288.4)	(901.9)	904.4
Deferred contract costs	(81.7)	(94.1)	(205.7)	(63.8)	(87.4)	(105.9)	(201.7)	(60.1)
Prepaid expenses and other assets	(61.8)	(36.1)	(163.6)	(72.8)	(0.1)	(26.0)	(42.1)	(41.1)
Accounts payable	(5.9)	27.0	(15.2)	37.6	22.2	(8.2)	17.7	(1.0)
Accrued compensation	70.6	(8.5)	177.8	(179.8)	79.0	35.4	95.8	(192.3)
Accrued and other liabilities	(37.1)	(7.3)	35.9	(23.4)	(27.3)	20.4	(16.8)	(28.1)
Deferred revenue	197.8	212.5	649.0	134.2	291.0	410.2	1,134.6	185.6
Net cash provided by operating activities	364.5	277.8	325.8	588.9	482.6	389.5	523.7	1,236.7
<b>Cash flows from investing activities</b>								
Purchases of investments	(282.8)	(381.6)	(464.8)	(439.1)	(616.2)	(241.1)	(975.3)	(2,112.8)
Proceeds from sales of investments	—	36.7	94.4	36.1	246.1	7.0	160.0	485.0
Proceeds from maturities of investments	335.9	311.0	395.4	225.1	176.5	315.3	402.0	347.6
Business acquisitions, net of cash acquired	(405.4)	(146.8)	—	(17.4)	—	—	(19.6)	—
Purchases of property, equipment, and other assets	(32.1)	(26.9)	(27.4)	(34.6)	(80.7)	(38.3)	(39.2)	(39.6)
Net cash provided by (used in) investing activities	(384.4)	(207.6)	(2.4)	(229.9)	(274.3)	42.9	(472.1)	(1,319.8)
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes attributable to principal and equity component	—	—	(0.9)	—	—	—	(0.6)	—
Repurchases of common stock	—	(350.0)	(328.1)	—	(550.0)	—	(342.3)	(22.7)
Proceeds from sales of shares through employee equity incentive plans	0.3	58.0	0.3	58.7	0.1	77.5	0.3	67.7
Payments for taxes related to net share settlement of equity awards	(5.7)	(6.5)	(6.9)	(20.0)	(8.6)	(11.2)	(10.5)	(13.9)
Net cash provided by (used in) financing activities	(5.4)	(298.5)	(335.6)	38.7	(558.5)	66.3	(353.1)	31.1
Net increase (decrease) in cash, cash equivalents, and restricted cash	(25.3)	(228.3)	(12.2)	397.7	(350.2)	498.7	(301.5)	(52.0)
Cash, cash equivalents, and restricted cash - beginning of period	2,145.9	2,120.6	1,892.3	1,880.1	2,277.8	1,927.6	2,426.3	2,124.8
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,120.6</u>	<u>\$1,892.3</u>	<u>\$1,880.1</u>	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$2,113.2	\$1,886.1	\$1,874.2	\$2,272.9	\$1,922.7	\$2,419.9	\$2,118.5	\$2,067.2
Restricted cash included in prepaid expenses and other current assets	3.8	5.2	5.4	4.4	4.9	6.4	6.3	5.6
Restricted cash included in other assets	3.6	1.0	0.5	0.5	—	—	—	—
Total cash, cash equivalents, and restricted cash	<u>\$2,120.6</u>	<u>\$1,892.3</u>	<u>\$1,880.1</u>	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>