

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)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Revenue:								
Product	\$ 391	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434
Subscription and support	1,584	1,594	1,709	1,785	1,836	1,836	1,962	2,040
Total revenue	1,975	1,985	2,189	2,139	2,257	2,289	2,536	2,474
Cost of revenue:								
Product	88	77	105	75	101	101	136	89
Subscription and support	411	436	469	479	498	518	543	549
Total cost of revenue	499	513	574	554	599	619	679	638
Total gross profit	1,476	1,472	1,615	1,585	1,658	1,670	1,857	1,836
<i>Product gross margin</i>	77.4 %	80.1 %	78.2 %	78.8 %	76.0 %	77.8 %	76.3 %	79.5 %
<i>Subscription and support gross margin</i>	74.1 %	72.7 %	72.6 %	73.2 %	72.9 %	71.8 %	72.3 %	73.1 %
<i>Total gross margin</i>	74.7 %	74.1 %	73.8 %	74.1 %	73.5 %	72.9 %	73.2 %	74.2 %
Operating expenses:								
Research and development	448	458	495	481	505	494	504	528
Sales and marketing	673	718	742	720	758	793	829	820
General and administrative	301	119	140	98	154	164	27	179
Total operating expenses	1,422	1,295	1,377	1,299	1,417	1,451	1,360	1,527
Operating income	54	177	238	286	241	219	497	309
Interest expense	(3)	(2)	—	(1)	(1)	(1)	—	—
Other income, net	84	76	81	83	85	93	95	103
Income before income taxes	135	251	319	368	325	311	592	412
Provision for (benefit from) income taxes	(1,612)	(28)	(39)	17	58	49	338	78
Net income	\$ 1,747	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334

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

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Revenue:								
Product	\$ 391	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434
Subscription and support	1,584	1,594	1,709	1,785	1,836	1,836	1,962	2,040
Total revenue	1,975	1,985	2,189	2,139	2,257	2,289	2,536	2,474
Cost of revenue:								
Product	85	74	102	72	98	98	133	86
Subscription and support	349	370	405	413	430	451	481	486
Total cost of revenue	434	444	507	485	528	549	614	572
Total gross profit	1,541	1,541	1,682	1,654	1,729	1,740	1,922	1,902
<i>Product gross margin</i>	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %	80.2 %
<i>Subscription and support gross margin</i>	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %	76.2 %
<i>Total gross margin</i>	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %	76.9 %
Operating expenses:								
Research and development	302	320	351	338	356	353	359	370
Sales and marketing	586	632	660	626	649	679	709	699
General and administrative	88	81	83	74	83	81	86	87
Total operating expenses	976	1,033	1,094	1,038	1,088	1,113	1,154	1,156
Operating income	565	508	588	616	641	627	768	746
Interest expense	(2)	(1)	—	(1)	—	(1)	—	—
Other income, net	84	76	81	83	85	93	95	103
Income before income taxes	647	583	669	698	726	719	863	849
Provision for income taxes	142	128	147	153	160	158	190	187
Net income	\$ 505	\$ 455	\$ 522	\$ 545	\$ 566	\$ 561	\$ 673	\$ 662

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 303	\$ 314	\$ 375	\$ 279	\$ 320	\$ 352	\$ 438	\$ 345
Share-based compensation-related charges	1	2	1	1	1	2	1	1
Litigation-related charges ⁽¹⁾	2	1	2	2	2	1	2	2
Non-GAAP product gross profit	\$ 306	\$ 317	\$ 378	\$ 282	\$ 323	\$ 355	\$ 441	\$ 348
Non-GAAP product gross margin	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %	80.2 %
GAAP subscription and support gross profit	\$ 1,173	\$ 1,158	\$ 1,240	\$ 1,306	\$ 1,338	\$ 1,318	\$ 1,419	\$ 1,491
Share-based compensation-related charges	39	38	37	37	39	39	39	38
Amortization expense of acquired intangible assets	23	28	27	29	29	28	23	25
Non-GAAP subscription and support gross profit	\$ 1,235	\$ 1,224	\$ 1,304	\$ 1,372	\$ 1,406	\$ 1,385	\$ 1,481	\$ 1,554
Non-GAAP subscription and support gross margin	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %	76.2 %
GAAP total gross profit	\$ 1,476	\$ 1,472	\$ 1,615	\$ 1,585	\$ 1,658	\$ 1,670	\$ 1,857	\$ 1,836
Share-based compensation-related charges	40	40	38	38	40	41	40	39
Amortization expense of acquired intangible assets	23	28	27	29	29	28	23	25
Litigation-related charges ⁽¹⁾	2	1	2	2	2	1	2	2
Non-GAAP total gross profit	\$ 1,541	\$ 1,541	\$ 1,682	\$ 1,654	\$ 1,729	\$ 1,740	\$ 1,922	\$ 1,902
Non-GAAP gross margin	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %	76.9 %
GAAP research and development expense	\$ 448	\$ 458	\$ 495	\$ 481	\$ 505	\$ 494	\$ 504	\$ 528
Share-based compensation-related charges	146	138	144	143	149	141	145	158
Non-GAAP research and development expense	\$ 302	\$ 320	\$ 351	\$ 338	\$ 356	\$ 353	\$ 359	\$ 370
Non-GAAP research and development expense as a percentage of revenue	15.3 %	16.1 %	16.0 %	15.8 %	15.8 %	15.4 %	14.1 %	15.0 %
GAAP sales and marketing expense	\$ 673	\$ 718	\$ 742	\$ 720	\$ 758	\$ 793	\$ 829	\$ 820
Share-based compensation-related charges	82	81	76	82	95	99	106	107
Amortization expense of acquired intangible assets	5	5	6	12	14	15	14	14
Non-GAAP sales and marketing expense	\$ 586	\$ 632	\$ 660	\$ 626	\$ 649	\$ 679	\$ 709	\$ 699
Non-GAAP sales and marketing expense as a percentage of revenue	29.6 %	31.8 %	30.1 %	29.3 %	28.7 %	29.7 %	28.0 %	28.2 %
GAAP general and administrative expense	\$ 301	\$ 119	\$ 140	\$ 98	\$ 154	\$ 164	\$ 27	\$ 179
Share-based compensation-related charges	29	31	30	52	60	74	81	83
Acquisition-related costs ⁽²⁾	7	3	3	15	10	7	(142)	5
Litigation-related charges ⁽¹⁾	177	4	24	(43)	1	2	2	4
Non-GAAP general and administrative expense	\$ 88	\$ 81	\$ 83	\$ 74	\$ 83	\$ 81	\$ 86	\$ 87
Non-GAAP general and administrative expense as a percentage of revenue	4.5 %	4.1 %	3.8 %	3.4 %	3.7 %	3.5 %	3.4 %	3.5 %

(1) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes legal contingency charges (credit) in Q2'24 through Q1'26, and a litigation settlement charge in Q4'24.

(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, 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 Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
GAAP total operating expense	\$ 1,422	\$ 1,295	\$ 1,377	\$ 1,299	\$ 1,417	\$ 1,451	\$ 1,360	\$ 1,527
Share-based compensation-related charges	257	250	250	277	304	314	332	348
Acquisition-related costs ⁽¹⁾	7	3	3	15	10	7	(142)	5
Amortization expense of acquired intangible assets	5	5	6	12	14	15	14	14
Litigation-related charges ⁽²⁾	177	4	24	(43)	1	2	2	4
Non-GAAP total operating expense	<u>\$ 976</u>	<u>\$ 1,033</u>	<u>\$ 1,094</u>	<u>\$ 1,038</u>	<u>\$ 1,088</u>	<u>\$ 1,113</u>	<u>\$ 1,154</u>	<u>\$ 1,156</u>
Non-GAAP total operating expense as a percentage of revenue	<u>49.4 %</u>	<u>52.0 %</u>	<u>49.9 %</u>	<u>48.5 %</u>	<u>48.2 %</u>	<u>48.6 %</u>	<u>45.5 %</u>	<u>46.7 %</u>
GAAP operating income	\$ 54	\$ 177	\$ 238	\$ 286	\$ 241	\$ 219	\$ 497	\$ 309
Share-based compensation-related charges	297	290	288	315	344	355	372	387
Acquisition-related costs ⁽¹⁾	7	3	3	15	10	7	(142)	5
Amortization expense of acquired intangible assets	28	33	33	41	43	43	37	39
Litigation-related charges ⁽²⁾	179	5	26	(41)	3	3	4	6
Non-GAAP operating income	<u>\$ 565</u>	<u>\$ 508</u>	<u>\$ 588</u>	<u>\$ 616</u>	<u>\$ 641</u>	<u>\$ 627</u>	<u>\$ 768</u>	<u>\$ 746</u>
Non-GAAP operating margin	<u>28.6 %</u>	<u>25.6 %</u>	<u>26.9 %</u>	<u>28.8 %</u>	<u>28.4 %</u>	<u>27.4 %</u>	<u>30.3 %</u>	<u>30.2 %</u>
GAAP interest expense	\$ (3)	\$ (2)	\$ —	\$ (1)	\$ (1)	\$ (1)	\$ —	\$ —
Non-cash charges related to convertible notes ⁽³⁾	1	1	—	—	1	—	—	—
Non-GAAP interest expense	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>
Non-GAAP interest expense as a percentage of revenue	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>0.0 %</u>					
GAAP income before income taxes	\$ 135	\$ 251	\$ 319	\$ 368	\$ 325	\$ 311	\$ 592	\$ 412
Share-based compensation-related charges	297	290	288	315	344	355	372	387
Acquisition-related costs ⁽¹⁾	7	3	3	15	10	7	(142)	5
Amortization expense of acquired intangible assets	28	33	33	41	43	43	37	39
Litigation-related charges ⁽²⁾	179	5	26	(41)	3	3	4	6
Non-cash charges related to convertible notes ⁽³⁾	1	1	—	—	1	—	—	—
Non-GAAP income before income taxes	<u>\$ 647</u>	<u>\$ 583</u>	<u>\$ 669</u>	<u>\$ 698</u>	<u>\$ 726</u>	<u>\$ 719</u>	<u>\$ 863</u>	<u>\$ 849</u>
GAAP provision for (benefit from) income taxes	\$ (1,612)	\$ (28)	\$ (39)	\$ 17	\$ 58	\$ 49	\$ 338	\$ 78
Income tax and other tax adjustments ⁽⁴⁾	1,754	156	186	136	102	109	(148)	109
Non-GAAP provision for income taxes	<u>\$ 142</u>	<u>\$ 128</u>	<u>\$ 147</u>	<u>\$ 153</u>	<u>\$ 160</u>	<u>\$ 158</u>	<u>\$ 190</u>	<u>\$ 187</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>

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, 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. Also includes legal contingency charges (credit) in Q2'24 through Q1'26, and a litigation settlement charge in Q4'24.

(3) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'24 through Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
GAAP net income	\$ 1,747	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334
Share-based compensation-related charges	297	290	288	315	344	355	372	387
Acquisition-related costs ⁽¹⁾	7	3	3	15	10	7	(142)	5
Amortization expense of acquired intangible assets	28	33	33	41	43	43	37	39
Litigation-related charges ⁽²⁾	179	5	26	(41)	3	3	4	6
Non-cash charges related to convertible notes ⁽³⁾	1	1	—	—	1	—	—	—
Income tax and other tax adjustments ⁽⁴⁾	(1,754)	(156)	(186)	(136)	(102)	(109)	148	(109)
Non-GAAP net income	\$ 505	\$ 455	\$ 522	\$ 545	\$ 566	\$ 561	\$ 673	\$ 662
GAAP net income per share, diluted	\$ 2.44	\$ 0.39	\$ 0.51	\$ 0.49	\$ 0.38	\$ 0.37	\$ 0.36	\$ 0.47
Share-based compensation-related charges	0.44	0.43	0.41	0.46	0.50	0.52	0.53	0.53
Acquisition-related costs ⁽¹⁾	0.01	0.00	0.00	0.02	0.01	0.01	(0.20)	0.01
Amortization expense of acquired intangible assets	0.04	0.05	0.05	0.06	0.06	0.06	0.05	0.06
Litigation-related charges ⁽²⁾	0.25	0.01	0.04	(0.06)	0.00	0.00	0.00	0.01
Non-cash charges related to convertible notes ⁽³⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax and other tax adjustments ⁽⁴⁾	(2.45)	(0.22)	(0.26)	(0.19)	(0.14)	(0.16)	0.21	(0.15)
Non-GAAP net income per share, diluted	\$ 0.73	\$ 0.66	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.80	\$ 0.95	\$ 0.93
GAAP weighted-average shares used to compute net income per share, diluted	715	709	708	709	709	707	709	709
Weighted-average anti-dilutive impact of note hedge agreements	(26)	(19)	(15)	(12)	(9)	(6)	(2)	—
Non-GAAP weighted-average shares used to compute net income per share, diluted	689	690	693	697	700	701	707	709

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, 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. Also includes legal contingency charges (credit) in Q2'24 through Q1'26, and a litigation settlement charge in Q4'24.

(3) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'24 through Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Net cash provided by operating activities	\$ 690	\$ 529	\$ 513	\$ 1,510	\$ 557	\$ 628	\$ 1,021	\$ 1,771
Less: purchases of property, equipment, and other assets	35	37	48	44	48	68	87	84
Free cash flow (non-GAAP)	\$ 655	\$ 492	\$ 465	\$ 1,466	\$ 509	\$ 560	\$ 934	\$ 1,687
Add: capital expenditures for certain corporate assets ⁽¹⁾	—	—	—	—	—	18	20	15
Add: payments of acquisition-related costs ⁽²⁾	—	—	—	—	—	—	—	11
Add: litigation-related payment ⁽³⁾	—	—	20	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 655	\$ 492	\$ 485	\$ 1,466	\$ 509	\$ 578	\$ 954	\$ 1,713
Net cash provided by (used in) investing activities	\$ (1,325)	\$ 113	\$ (169)	\$ (544)	\$ (381)	\$ (517)	\$ (763)	\$ (983)
Net cash provided by (used in) financing activities	\$ (73)	\$ (1,049)	\$ (179)	\$ (220)	\$ (232)	\$ 47	\$ (374)	\$ 8
Free cash flow margin (non-GAAP)	33.2 %	24.8 %	21.3 %	68.5 %	22.6 %	24.5 %	36.8 %	68.2 %
Adjusted free cash flow margin (non-GAAP)	33.2 %	24.8 %	22.2 %	68.5 %	22.6 %	25.3 %	37.6 %	69.2 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 391	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434
Subscription and support								
Subscription	1,027	1,046	1,127	1,192	1,233	1,234	1,315	1,364
Support	557	548	582	593	603	602	647	676
Total subscription and support	1,584	1,594	1,709	1,785	1,836	1,836	1,962	2,040
Total revenue	\$ 1,975	\$ 1,985	\$ 2,189	\$ 2,139	\$ 2,257	\$ 2,289	\$ 2,536	\$ 2,474

(1) Consists of a one-time purchase of a corporate asset which is expected to be paid through September 2026.

(2) Consists of payments of acquisition transaction costs for the proposed acquisition of CyberArk Software Ltd.

(3) Consists of a one-time payment in Q4'24 to settle a litigation-related matter.

Palo Alto Networks, Inc.
Other Key Metrics - Fiscal Quarters
(In billions, except percentages)

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Next-Generation Security Annualized Recurring Revenue ⁽¹⁾	\$ 3.49	\$ 3.79	\$ 4.22	\$ 4.52	\$ 4.78	\$ 5.09	\$ 5.58	\$ 5.85
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	50 %	47 %	43 %	40 %	37 %	34 %	32 %	29 %
Remaining performance obligations	\$ 10.8	\$ 11.3	\$ 12.7	\$ 12.6	\$ 13.0	\$ 13.5	\$ 15.8	\$ 15.5
Remaining performance obligations year-over-year percentage increase	22 %	23 %	20 %	20 %	21 %	19 %	24 %	24 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription and support offerings, excluding revenue from hardware products, and legacy attached subscriptions, support offerings and professional services.

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

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,783	\$ 1,374	\$ 1,535	\$ 2,283	\$ 2,226	\$ 2,383	\$ 2,269	\$ 3,066
Short-term investments	1,588	1,517	1,044	1,108	1,007	917	635	1,144
Accounts receivable, net	1,896	1,715	2,619	1,133	1,496	1,950	2,965	1,343
Short-term financing receivables, net	446	572	726	805	755	737	715	737
Short-term deferred contract costs	328	337	369	368	376	387	419	415
Prepaid expenses and other current assets	406	404	557	546	480	525	520	605
Total current assets	6,447	5,919	6,850	6,243	6,340	6,899	7,523	7,310
Property and equipment, net	352	350	361	361	358	367	387	394
Operating lease right-of-use assets	356	370	386	389	373	357	347	353
Long-term investments	3,620	3,504	4,173	4,120	4,560	5,153	5,555	5,982
Long-term financing receivables, net	640	883	1,182	1,092	1,164	1,069	1,002	855
Long-term deferred contract costs	504	511	562	532	523	528	586	546
Goodwill	3,373	3,373	3,350	4,051	4,051	4,051	4,567	4,567
Intangible assets, net	440	408	375	810	771	730	763	723
Deferred tax assets	2,234	2,292	2,399	2,397	2,447	2,452	2,424	2,416
Other assets	326	321	353	380	365	397	422	390
Total assets	\$ 18,292	\$ 17,931	\$ 19,991	\$ 20,375	\$ 20,952	\$ 22,003	\$ 23,576	\$ 23,536
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 179	\$ 109	\$ 116	\$ 212	\$ 149	\$ 235	\$ 232	\$ 223
Accrued compensation	453	386	555	354	492	506	608	398
Accrued and other liabilities	394	413	507	683	777	825	846	665
Deferred revenue	4,918	5,015	5,541	5,508	5,600	5,757	6,302	6,132
Convertible senior notes, net	1,822	1,162	964	646	534	383	—	—
Total current liabilities	7,766	7,085	7,683	7,403	7,552	7,706	7,988	7,418
Long-term deferred revenue	4,900	5,153	5,939	5,586	5,663	5,817	6,450	6,098
Deferred tax liabilities	588	503	388	251	116	26	89	96
Long-term operating lease liabilities	363	370	381	380	363	346	338	346
Other long-term liabilities	318	352	431	843	883	878	887	913
Total liabilities	13,935	13,463	14,822	14,463	14,577	14,773	15,752	14,871
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	3,650	3,531	3,821	4,215	4,421	4,952	5,292	5,780
Accumulated other comprehensive income (loss)	(6)	(55)	(2)	(4)	(14)	48	48	67
Retained earnings	713	992	1,350	1,701	1,968	2,230	2,484	2,818
Total stockholders' equity	4,357	4,468	5,169	5,912	6,375	7,230	7,824	8,665
Total liabilities and stockholders' equity	\$ 18,292	\$ 17,931	\$ 19,991	\$ 20,375	\$ 20,952	\$ 22,003	\$ 23,576	\$ 23,536

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

	Q224	Q324	Q424	Q125	Q225	Q325	Q425	Q126
Cash flows from operating activities								
Net income	\$ 1,747	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	272	264	269	295	320	326	354	370
Deferred income taxes	(1,691)	(127)	(216)	(137)	(180)	(125)	92	9
Depreciation and amortization	69	74	77	84	87	88	84	89
Amortization of deferred contract costs	109	110	122	110	115	119	137	126
Amortization of debt issuance costs	1	1	—	—	1	—	—	—
Change in fair value of contingent consideration liability	—	—	—	6	10	4	(155)	(13)
Reduction of operating lease right-of-use assets	13	15	15	16	16	16	17	18
Amortization of investment premiums, net of accretion of purchase discounts	(16)	(16)	(13)	(15)	(11)	(9)	(6)	(7)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(482)	181	(904)	1,486	(363)	(454)	(1,014)	1,622
Financing receivables, net	—	(369)	(453)	11	(22)	113	89	125
Deferred contract costs	(96)	(126)	(205)	(79)	(114)	(135)	(227)	(82)
Prepaid expenses and other assets	(8)	1	(181)	(4)	93	(21)	20	(33)
Accounts payable	48	(68)	5	97	(64)	86	(12)	(2)
Accrued compensation	119	(67)	169	(201)	138	14	100	(210)
Accrued and other liabilities	233	27	158	(94)	95	33	113	(53)
Deferred revenue	372	350	1,312	(416)	169	311	1,175	(522)
Net cash provided by operating activities	690	529	513	1,510	557	628	1,021	1,771
Cash flows from investing activities								
Purchases of investments	(1,156)	(475)	(1,065)	(660)	(1,072)	(1,089)	(875)	(1,401)
Proceeds from sales of investments	127	69	455	291	354	185	367	30
Proceeds from maturities of investments	350	556	489	369	384	455	387	474
Business acquisitions, net of cash and restricted cash acquired	(611)	—	—	(500)	1	—	(555)	(2)
Purchases of property, equipment, and other assets	(35)	(37)	(48)	(44)	(48)	(68)	(87)	(84)
Net cash provided by (used in) investing activities	(1,325)	113	(169)	(544)	(381)	(517)	(763)	(983)
Cash flows from financing activities								
Repayments of convertible senior notes	(126)	(662)	(199)	(319)	(113)	(151)	(383)	—
Repurchases of common stock	—	(500)	—	—	—	—	—	—
Proceeds from sales of shares through employee equity incentive plans	57	116	24	121	37	203	10	130
Payments for taxes related to net share settlement of equity awards	(4)	(3)	(4)	(22)	(156)	(5)	(1)	(1)
Payments of contingent consideration liability	—	—	—	—	—	—	—	(121)
Net cash provided by (used in) financing activities	(73)	(1,049)	(179)	(220)	(232)	47	(374)	8
Net increase (decrease) in cash, cash equivalents, and restricted cash	(708)	(407)	165	746	(56)	158	(116)	796
Cash, cash equivalents, and restricted cash - beginning of period	2,497	1,789	1,382	1,547	2,293	2,237	2,395	2,279
Cash, cash equivalents, and restricted cash - end of period	\$ 1,789	\$ 1,382	\$ 1,547	\$ 2,293	\$ 2,237	\$ 2,395	\$ 2,279	\$ 3,075
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$ 1,783	\$ 1,374	\$ 1,535	\$ 2,283	\$ 2,226	\$ 2,383	\$ 2,269	\$ 3,066
Restricted cash included in prepaid expenses and other current assets	6	8	12	10	11	12	10	9
Total cash, cash equivalents, and restricted cash	\$ 1,789	\$ 1,382	\$ 1,547	\$ 2,293	\$ 2,237	\$ 2,395	\$ 2,279	\$ 3,075