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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2026

or

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

For the transition period from to

Commission File Number 001-35594

PALO ALTO NETWORKS, INC.
(Exact name of registrant as specified in its charter)

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

3000 Tannery Way
Santa Clara, California 95054
(Address of principal executive offices, including zip code)

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

NA

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

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of May 26, 2026 was 815 million.

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Part I

Item 1. Financial Statements

PALO ALTO NETWORKS, INC.

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

	April 30, 2026 (unaudited)	July 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 2,364	$ 2,269
Short-term investments	747	635
Accounts receivable, net of allowance for credit losses of $6 and $10 as of April 30, 2026 and July 31, 2025, respectively	2,852	2,965
Short-term financing receivables, net	591	715
Short-term deferred contract costs	454	419
Prepaid expenses and other current assets	705	520
Total current assets	7,713	7,523
Property and equipment, net	506	387
Operating lease right-of-use assets	678	347
Long-term investments	3,881	5,555
Long-term financing receivables, net	779	1,002
Long-term deferred contract costs	551	586
Goodwill	21,902	4,567
Intangible assets, net	7,283	763
Deferred tax assets	2,380	2,424
Other assets	593	422
Total assets	$ 46,266	$ 23,576
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 293	$ 232
Accrued compensation	680	608
Accrued and other liabilities	760	846
Deferred revenue	7,113	6,302
Short-term convertible senior notes	160	—
Total current liabilities	9,006	7,988
Long-term convertible senior notes	1,192	—
Long-term deferred revenue	6,492	6,450
Deferred tax liabilities	259	89
Long-term operating lease liabilities	719	338
Other long-term liabilities	930	887
Total liabilities	18,598	15,752
Commitments and contingencies (Note 11)		
Stockholders’ equity:		
Preferred stock; $0.0001 par value; 100 shares authorized; none issued and outstanding as of April 30, 2026 and July 31, 2025	—	—
Common stock and additional paid-in capital; $0.0001 par value; 2,000 shares authorized; 813 and 668 shares issued and outstanding as of April 30, 2026 and July 31, 2025, respectively	24,608	5,292
Accumulated other comprehensive income (loss)	(13)	48
Retained earnings	3,073	2,484
Total stockholders’ equity	27,668	7,824
Total liabilities and stockholders’ equity	$ 46,266	$ 23,576

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	**2025**	**2026**	**2025**
Revenue:				
Product	$ 594	$ 453	$ 1,542	$ 1,228
Subscription and support	2,408	1,836	6,528	5,457
Total revenue	3,002	2,289	8,070	6,685
Cost of revenue:				
Product	167	101	371	277
Subscription and support	807	518	1,926	1,495
Total cost of revenue	974	619	2,297	1,772
Total gross profit	2,028	1,670	5,773	4,913
Operating expenses:				
Research and development	734	494	1,773	1,480
Sales and marketing	1,161	793	2,804	2,271
General and administrative	316	164	673	416
Total operating expenses	2,211	1,451	5,250	4,167
Operating income (loss)	(183)	219	523	746
Interest expense	—	(1)	—	(3)
Other income, net	27	93	282	261
Income (loss) before income taxes	(156)	311	805	1,004
Provision for income taxes	21	49	216	124
Net income (loss)	$ (177)	$ 262	$ 589	$ 880
Net income (loss) per share, basic	$ (0.22)	$ 0.39	$ 0.81	$ 1.33
Net income (loss) per share, diluted	$ (0.22)	$ 0.37	$ 0.79	$ 1.24
Weighted-average shares used to compute net income (loss) per share, basic	801	665	729	659
Weighted-average shares used to compute net income (loss) per share, diluted	801	707	744	708

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Net income (loss)	$ (177)	$ 262	$ 589	$ 880
Other comprehensive income, net of tax:				
Change in unrealized gains (losses) on investments	(31)	32	(32)	24
Cash flow hedges:				
Change in unrealized gains (losses)	3	30	26	21
Net realized (gains) losses reclassified into earnings	(19)	—	(43)	5
Net change on cash flow hedges	(16)	30	(17)	26
Change in fair value of convertible senior notes attributable to instrument-specific credit risk	(12)	—	(12)	—
Other comprehensive income (loss)	(59)	62	(61)	50
Comprehensive income (loss)	$ (236)	$ 324	$ 528	$ 930

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Three Months Ended April 30, 2026				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 31, 2026	703	$ 6,097	$ 46	$ 3,250	$ 9,393
Net loss	—	—	—	(177)	(177)
Other comprehensive loss	—	—	(59)	—	(59)
Issuance of common stock in connection with employee equity incentive plans	5	126	—	—	126
Taxes paid related to net share settlement of equity awards	—	(16)	—	—	(16)
Share-based compensation for equity-based awards	—	648	—	—	648
Repurchase and retirement of common stock	(7)	(1,000)	—	—	(1,000)
Issuance of common stock in connection with a business acquisition	112	18,488	—	—	18,488
Replacement awards related to business acquisitions	—	265	—	—	265
Balance as of April 30, 2026	813	$ 24,608	$ (13)	$ 3,073	$ 27,668

	Three Months Ended April 30, 2025				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 31, 2025	660	$ 4,421	$ (14)	$ 1,968	$ 6,375
Net income	—	—	—	262	262
Other comprehensive income	—	—	62	—	62
Issuance of common stock in connection with employee equity incentive plans	6	202	—	—	202
Taxes paid related to net share settlement of equity awards	—	(5)	—	—	(5)
Share-based compensation for equity-based awards	—	334	—	—	334
Settlement of convertible notes	2	—	—	—	—
Settlement of note hedges	(2)	—	—	—	—
Balance as of April 30, 2025	666	$ 4,952	$ 48	$ 2,230	$ 7,230

	Nine Months Ended April 30, 2026				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2025	668	$ 5,292	$ 48	$ 2,484	$ 7,824
Net income	—	—	—	589	589
Other comprehensive loss	—	—	(61)	—	(61)
Issuance of common stock in connection with employee equity incentive plans	11	264	—	—	264
Taxes paid related to net share settlement of equity awards	—	(125)	—	—	(125)
Share-based compensation for equity-based awards	—	1,315	—	—	1,315
Repurchase and retirement of common stock	(7)	(1,000)	—	—	(1,000)
Issuance of common stock in connection with a business acquisition	112	18,488	—	—	18,488
Replacement awards related to business acquisitions	2	374	—	—	374
Settlement of warrants	27	—	—	—	—
Balance as of April 30, 2026	813	$ 24,608	$ (13)	$ 3,073	$ 27,668

	Nine Months Ended April 30, 2025				
	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of July 31, 2024	650	$ 3,821	$ (2)	$ 1,350	$ 5,169
Net income	—	—	—	880	880
Other comprehensive income	—	—	50	—	50
Issuance of common stock in connection with employee equity incentive plans	16	360	—	—	360
Taxes paid related to net share settlement of equity awards	—	(183)	—	—	(183)
Share-based compensation for equity-based awards	—	954	—	—	954
Settlement of convertible notes	8	—	—	—	—
Settlement of note hedges	(8)	—	—	—	—
Balance as of April 30, 2025	666	$ 4,952	$ 48	$ 2,230	$ 7,230

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Nine Months Ended April 30,	
	2026	**2025**
Cash flows from operating activities		
Net income	$ 589	$ 880
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation for equity-based awards	1,314	941
Deferred income taxes	38	(442)
Depreciation and amortization	514	259
Amortization of deferred contract costs	410	344
Amortization of debt issuance costs	—	1
Change in fair value of convertible senior notes and capped calls	38	—
Change in fair value of contingent consideration liability	(120)	20
Reduction of operating lease right-of-use assets	54	48
Amortization of investment premiums, net of accretion of purchase discounts	(53)	(35)
Unrealized foreign currency exchange (gains) losses, net	9	—
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	441	669
Financing receivables, net	347	102
Deferred contract costs	(410)	(328)
Prepaid expenses and other assets	(47)	68
Accounts payable	50	119
Accrued compensation	(42)	(49)
Accrued and other liabilities	11	34
Deferred revenue	53	64
Net cash provided by operating activities	3,196	2,695
Cash flows from investing activities		
Purchases of investments	(2,421)	(2,821)
Proceeds from sales of investments	3,399	830
Proceeds from maturities of investments	1,824	1,208
Business acquisitions, net of cash and restricted cash acquired	(4,563)	(499)
Purchases of property, equipment, and other assets	(337)	(160)
Net cash used in investing activities	(2,098)	(1,442)
Cash flows from financing activities		
Repayments of convertible senior notes	—	(583)
Proceeds from capped calls related to convertible senior notes	10	—
Repurchases of common stock	(1,000)	—
Proceeds from sales of shares through employee equity incentive plans	264	361
Payments for taxes related to net share settlement of equity awards	(125)	(183)
Payments of contingent consideration liability	(154)	—
Net cash used in financing activities	(1,005)	(405)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2	—
Net increase in cash, cash equivalents, and restricted cash	95	848
Cash, cash equivalents, and restricted cash—beginning of period	2,279	1,547
Cash, cash equivalents, and restricted cash—end of period	$ 2,374	$ 2,395
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	$ 2,364	$ 2,383
Restricted cash included in prepaid expenses and other current assets	6	12
Restricted cash included in other assets	4	—
Total cash, cash equivalents, and restricted cash	$ 2,374	$ 2,395
Non-cash investing and financing activities		
Equity consideration for business acquisitions	$ (18,862)	$ —
Contingent consideration for a business acquisition	$ —	$ (649)

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Palo Alto Networks, Inc. (the “Company,” “we,” “us,” or “our”), headquartered in Santa Clara, California, was incorporated in March 2005 under the laws of the State of Delaware and commenced operations in April 2005. Our cybersecurity platforms and services help enterprises, organizations, service providers, and government entities to secure their users, networks, clouds, endpoints, and identities by delivering comprehensive cybersecurity backed by artificial intelligence and automation.

On February 11, 2026, we acquired CyberArk Software Ltd. (“CyberArk”), an identity security company, forming our next-generation identity security platform. The condensed consolidated financial statements include the financial results of CyberArk prospectively from the date of acquisition. Refer to Note 7. Acquisitions for more information regarding our acquisition of CyberArk.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”), consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended July 31, 2025, filed with the Securities and Exchange Commission (“SEC”) on August 29, 2025. The condensed consolidated financial statements include our accounts and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements are unaudited but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. Our condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended July 31, 2025.

Use of Estimates

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

Summary of Significant Accounting Policies

There have been no material changes to our significant accounting policies as of and for the nine months ended April 30, 2026, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2025, except for the update to the disclosure of our accounting policies as described below resulting from our recent acquisition of CyberArk. Refer to Note 7. Acquisitions and Note 9. Debt for additional information.

Convertible Senior Notes and Capped Calls

In connection with the CyberArk acquisition, we acquired CyberArk’s convertible senior notes and assumed certain capped call transactions CyberArk had previously entered into relating to the issuance of these convertible senior notes. The capped calls are expected to reduce the potential dilution to our common stock upon conversion of the convertible senior notes and/or offset our cash payments in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap.

For convertible senior notes acquired from CyberArk, we have elected fair value option to simplify the accounting for embedded features that would otherwise require bifurcation from the debt-host and recognition as a separate derivative liability. These convertible senior notes are measured at fair value on a recurring basis through maturity or settlement. Changes in fair value included in earnings are recorded in other income, net on our condensed consolidated statements of operations, and changes in fair value attributable to instrument-specific credit risk are included in accumulated other comprehensive income (loss) (“AOCI”) in stockholders’ equity.

We account for capped calls as derivative assets, measured at fair value on a recurring basis through maturity or settlement. Capped calls are recorded in other assets on our condensed consolidated balance sheets. Changes in fair value are recorded in other income, net on our condensed consolidated statements of operations.

Recently Issued Accounting Pronouncements

Income Tax Disclosures

In December 2023, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that requires consistent categories and greater disaggregation of information in the effective tax rate reconciliation and additional disclosures of income taxes paid by jurisdiction. The standard is effective for our annual periods beginning in fiscal 2026 and could be applied either prospectively or retrospectively. We expect the adoption of this standard will result in disclosure of additional jurisdictional level tax information in our consolidated financial statements.

Expense Disaggregation Disclosures

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

Measurement of Credit Losses for Accounts Receivable and Contract Assets

In July 2025, the FASB issued authoritative guidance that provides a practical expedient for estimating expected credit losses on accounts receivable and contract assets. The standard is effective for our annual and interim periods beginning in the first quarter of fiscal 2027 and will be applied on a prospective basis. Early adoption is permitted. We do not expect the adoption of this standard will have a material impact on our consolidated financial statements.

Accounting for Internal-Use Software

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

Hedge Accounting Improvements

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

2. Revenue

Disaggregation of Revenue

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Revenue:				
Americas				
United States	$ 1,854	$ 1,425	$ 4,968	$ 4,169
Other Americas	164	105	403	305
Total Americas	2,018	1,530	5,371	4,474
Europe, the Middle East, and Africa ("EMEA")	633	480	1,714	1,402
Asia Pacific and Japan ("APAC")	351	279	985	809
Total revenue	$ 3,002	$ 2,289	$ 8,070	$ 6,685

The following table presents revenue for groups of similar products and services (in millions):

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Revenue:				
Product	$ 594	$ 453	$ 1,542	$ 1,228
Subscription and support				
Subscription	1,632	1,234	4,400	3,659
Support	776	602	2,128	1,798
Total subscription and support	2,408	1,836	6,528	5,457
Total revenue	$ 3,002	$ 2,289	$ 8,070	$ 6,685

Deferred Revenue

During the nine months ended April 30, 2026 and 2025, we recognized approximately $4.9 billion and $4.4 billion of revenue pertaining to amounts that were deferred as of July 31, 2025 and 2024, respectively.

Remaining Performance Obligations

Remaining performance obligations were $18.4 billion as of April 30, 2026, of which we expect to recognize as revenue approximately $8.3 billion over the next 12 months and the remainder thereafter.

3. Fair Value Measurements

The following table presents our financial assets and liabilities measured at fair value on a recurring basis as of April 30, 2026 and July 31, 2025 (in millions):

	April 30, 2026				July 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$ 944	$ —	$ —	$ 944	$ 1,206	$ —	$ —	$ 1,206
Commercial paper	—	535	—	535	—	169	—	169
Corporate debt securities	—	2	—	2	—	—	—	—
U.S. government and agency securities	—	75	—	75	—	—	—	—
Total cash equivalents	944	612	—	1,556	1,206	169	—	1,375
Short-term investments:								
Certificates of deposit	—	—	—	—	—	—	—	—
Commercial paper	—	10	—	10	—	15	—	15
Corporate debt securities	—	413	—	413	—	584	—	584
U.S. government and agency securities	—	27	—	27	—	6	—	6
Non-U.S. government and agency securities	—	—	—	—	—	3	—	3
Asset-backed securities	—	13	—	13	—	22	—	22
Total short-term investments	—	463	—	463	—	630	—	630

	April 30, 2026				July 31, 2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term investments:								
Corporate debt securities	—	3,118	—	3,118	—	4,050	—	4,050
U.S. government and agency securities	—	39	—	39	—	164	—	164
Non-U.S. government and agency securities	—	—	—	—	—	26	—	26
Asset-backed securities	—	724	—	724	—	1,315	—	1,315
Total long-term investments	—	3,881	—	3,881	—	5,555	—	5,555
Prepaid expenses and other current assets:								
Foreign currency forward contracts	—	64	—	64	—	58	—	58
Total prepaid expenses and other current assets	—	64	—	64	—	58	—	58
Other assets:								
Foreign currency forward contracts	—	1	—	1	—	3	—	3
Capped calls related to convertible senior notes	—	94	—	94	—	—	—	—
Total other assets	—	95	—	95	—	3	—	3
Total assets measured at fair value	$ 944	$ 5,115	$ —	$ 6,059	$ 1,206	$ 6,415	$ —	$ 7,621
Short-term convertible senior notes	$ —	$ 160	$ —	$ 160	$ —	$ —	$ —	$ —
Accrued and other liabilities:								
Foreign currency forward contracts	—	5	—	5	—	4	—	4
Contingent consideration	—	—	124	124	—	—	276	276
Total accrued and other liabilities	—	5	124	129	—	4	276	280
Long-term convertible senior notes	—	1,192	—	1,192	—	—	—	—
Other long-term liabilities:								
Foreign currency forward contracts	—	1	—	1	—	—	—	—
Contingent consideration	—	—	116	116	—	—	238	238
Total other long-term liabilities	—	1	116	117	—	—	238	238
Total liabilities measured at fair value	$ —	$ 1,358	$ 240	$ 1,598	$ —	$ 4	$ 514	$ 518

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

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

During the three months ended April 30, 2026, we reduced our estimate of future cash payments based on our quarterly assessment of assumptions, including the magnitude and likelihood of customers entering into qualified new transactions, the competitive industry environment, and current market conditions.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Contingent consideration liability at the beginning of the period	$ 369	$ 665	$ 514	$ —
Initial valuation on the acquisition date	—	—	—	649
Change in fair value	(110)	4	(120)	20
Payments	(19)	—	(154)	—
Contingent consideration liability at the end of the period	$ 240	$ 669	$ 240	$ 669

The total estimated fair value of our financing receivables approximates their carrying amounts as of April 30, 2026 and July 31, 2025. We consider the fair value of our financing receivables to be a Level 3 measurement as we use unobservable inputs in determining discounted cash flows to estimate the fair value.

4. Cash Equivalents and Investments

Available-for-sale Debt Securities

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of our available-for-sale debt securities as of April 30, 2026 and July 31, 2025 (in millions):

	April 30, 2026			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	$ 535	$ —	$ —	$ 535
Corporate debt securities	2	—	—	2
U.S. government and agency securities	75	—	—	75
Total available-for-sale cash equivalents	$ 612	$ —	$ —	$ 612
Investments:				
Commercial paper	$ 10	$ —	$ —	$ 10
Corporate debt securities	3,521	20	(10)	3,531
U.S. government and agency securities	66	—	—	66
Asset-backed securities	734	4	(1)	737
Total available-for-sale investments	$ 4,331	$ 24	$ (11)	$ 4,344

	July 31, 2025			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash equivalents:				
Commercial paper	$ 169	$ —	$ —	$ 169
Total available-for-sale cash equivalents	$ 169	$ —	$ —	$ 169
Investments:				
Commercial paper	$ 15	$ —	$ —	$ 15
Corporate debt securities	4,588	47	(1)	4,634
U.S. government and agency securities	170	—	—	170
Non-U.S. government and agency securities	29	—	—	29
Asset-backed securities	1,328	9	—	1,337
Total available-for-sale investments	$ 6,130	$ 56	$ (1)	$ 6,185

Unrealized losses related to our available-for-sale debt securities are primarily due to interest rate fluctuations as opposed to credit quality. We do not intend to sell any of the securities in an unrealized loss position and it is not likely that we would be required to sell these securities before recovery of their amortized cost basis, which may be at maturity. We did not recognize any credit losses related to our available-for-sale debt securities during the three and nine months ended April 30, 2026 and 2025.

The following table summarizes the amortized cost and fair value of our available-for-sale debt securities as of April 30, 2026, by contractual years-to-maturity (in millions):

	Amortized Cost	Fair Value
Due within one year	$ 1,073	$ 1,075
Due between one and three years	1,559	1,570
Due between three and five years	2,064	2,064
Due between five and ten years	102	102
Due after ten years	145	145
Total	$ 4,943	$ 4,956

Marketable Equity Securities

Marketable equity securities consist of money market funds and are included in cash and cash equivalents on our condensed consolidated balance sheets. As of April 30, 2026 and July 31, 2025, the carrying values of our marketable equity securities were $944 million and $1.2 billion, respectively. There were no unrealized gains or losses recognized for these securities during the three and nine months ended April 30, 2026 and 2025.

5. Financing Receivables

The following table summarizes our short-term and long-term financing receivables as of April 30, 2026 and July 31, 2025 (in millions):

	April 30, 2026	July 31, 2025
Short-term financing receivables, gross	$ 661	$ 806
Unearned income	(65)	(86)
Allowance for credit losses	(5)	(5)
Short-term financing receivables, net	$ 591	$ 715
Long-term financing receivables, gross	$ 834	$ 1,079
Unearned income	(47)	(69)
Allowance for credit losses	(8)	(8)
Long-term financing receivables, net	$ 779	$ 1,002

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

	April 30, 2026						July 31, 2025					
	Fiscal Year of Origination						Fiscal Year of Origination					
Internal Risk Rating[1]	**2026**	**2025**	**2024**	**2023**	**2022**	**Total**	**2025**	**2024**	**2023**	**2022**	**2021**	**Total**
1 to 4	$ 95	$ 223	$ 553	$ 126	$ 5	$ 1,002	$ 261	$ 732	$ 242	$ 9	$ 18	$ 1,262
5 to 6	109	104	120	10	—	343	174	226	50	—	—	450
7 to 10	—	25	9	4	—	38	—	4	14	—	—	18
Amortized cost basis of financing receivables	$ 204	$ 352	$ 682	$ 140	$ 5	$ 1,383	$ 435	$ 962	$ 306	$ 9	$ 18	$ 1,730

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

There was no significant activity in allowance for credit losses during the three and nine months ended April 30, 2026 and 2025. Past due amounts on financing receivables were not material as of April 30, 2026 and July 31, 2025.

We sold financing receivables of $49 million and $54 million for the three and nine months ended April 30, 2026, respectively, and $28 million and $30 million for the three and nine months ended April 30, 2025, respectively. The associated gains and losses were not material.

6. Derivative Instruments

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

As of April 30, 2026 and July 31, 2025, the total notional amount of our outstanding foreign currency forward contracts designated as cash flow hedges was $821 million and $964 million, respectively. Refer to Note 3. Fair Value Measurements for the fair value of our derivative instruments as reported on our condensed consolidated balance sheets as of April 30, 2026 and July 31, 2025.

As of April 30, 2026, unrealized gains and losses in AOCI related to our cash flow hedges were a net gain of $19 million, substantially all of which is expected to be recognized into earnings within the next 12 months. As of July 31, 2025, unrealized gains and losses in AOCI related to our cash flow hedges were a net gain of $40 million.

As of April 30, 2026 and July 31, 2025, the notional amount of our outstanding foreign currency forward contracts not designated as hedging instruments was $412 million and $504 million, respectively.

7. Acquisitions

Chronosphere, Inc.

On January 29, 2026, we completed our acquisition of Chronosphere, Inc. ("Chronosphere"), a privately-held observability technology company. The acquisition resulted in forming our observability platform. The total purchase consideration for the acquisition of Chronosphere was $3.0 billion, which consisted of the following (in millions):

	Amount
Cash	$ 2,842
Fair value of replacement awards	109
Total	$ 2,951

As part of the acquisition, we issued $525 million of replacement equity awards, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation. The replacement equity awards included 2 million shares of our restricted common stock. These restricted common stock vest over a period of two to three years from the date of issuance.

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

		Amount
Goodwill	$	2,364
Identified intangible assets		565
Cash		57
Net liabilities assumed		(35)
Total	$	2,951

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating the Chronosphere observability platform into our business. The goodwill is not deductible for U.S. income tax purposes.

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

		Fair Value	Estimated Useful Life
Developed technology	$	300	5 years
Customer relationships		255	6 years - 10 years
Trade name and trademarks		10	1 year
Total	$	565	

CyberArk Software Ltd.

On February 11, 2026, we completed our acquisition of CyberArk, an identity security company, forming our next-generation identity security platform. CyberArk shareholders received $45.00 in cash and 2.2005 shares of our common stock for each CyberArk share. The total purchase consideration for the acquisition of CyberArk was $21.1 billion, which consisted of the following (in millions):

		Amount
Cash	$	2,308
Common stock (112 million shares)		18,488
Fair value of replacement awards		265
Total	$	21,061

As part of the acquisition, we issued $945 million of replacement equity awards, of which the portion attributable to services performed prior to the acquisition date was allocated to purchase consideration. The remaining fair value was allocated to future services and will be expensed over the remaining service periods as share-based compensation.

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

		Amount
Goodwill	$	14,802
Identified intangible assets		6,279
Cash and cash equivalents		743
Accounts receivable, net of allowance for credit losses		312
Short-term and long-term investments		1,217
Net assets acquired		61
Convertible senior notes		(1,303)
Deferred revenue		(776)
Deferred tax liabilities		(274)
Total	$	21,061

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from incorporating the CyberArk next-generation identity security platform into our business. Substantially all of goodwill is deductible for U.S. income tax purposes.

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

		Fair Value	Estimated Useful Life
Developed technology	$	2,537	5 years - 7 years
Platform renewals		3,500	12 years - 14 years
Customer contracts		219	2 years
Trade name		23	1 year
Total	$	6,279	

For the three and nine months ended April 30, 2026, transaction costs related to CyberArk acquisition were $41 million and $56 million, respectively, which were primarily included in general and administrative expense on our condensed consolidated statements of operations.

In connection with our acquisition integration strategy, we initiated a plan to optimize the combined entity’s workforce for a total estimated cost of $59 million. The activities associated with this plan are expected to be substantially completed by the end of fiscal 2027. Employee severance costs are recognized upon notification. If service beyond the minimum retention period is required, expense is recognized ratably over the future service period. During the three and nine months ended April 30, 2026, we made cash payments of $12 million under the plan. As of April 30, 2026, a liability of $12 million related to the employee severance was included in accrued compensation on our condensed consolidated balance sheets.

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

	Three and Nine Months Ended April 30, 2026					
	Cash Compensation		Share-based Compensation		Total	
Cost of subscription and support revenue	$	2	$	—	$	2
Research and development		1		—		1
Sales and marketing		13		16		29
General and administrative		8		1		9
Total	$	24	$	17	$	41

Koi Security Ltd.

On April 14, 2026, we completed our acquisition of Koi Security Ltd. (“Koi”), a privately-held endpoint posture management company. We expect the acquisition to add agentic endpoint security capabilities to our security operations platform and enhance Prisma® AIRS™. The total purchase consideration for the acquisition of Koi was $231 million, substantially all of which is comprised of cash.

As part of the acquisition, we issued $61 million of replacement equity awards, which was allocated to future services and will be expensed over the remaining service periods as share-based compensation. The replacement equity awards included 0.3 million shares of our restricted common stock. These restricted common stock vest over a period of three years from the date of issuance.

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

		Amount
Goodwill	$	169
Identified intangible assets		35
Cash and restricted cash		20
Net assets acquired		7
Total	$	231

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Koi’s technology into our platforms. The goodwill is deductible for U.S. income tax purposes.

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

		Fair Value	Estimated Useful Life
Developed technology	$	35	5 years

Portkey, Inc.

On April 30, 2026, we entered into a definitive agreement to acquire Portkey, Inc., a privately-held AI Gateway company (“Portkey”), in exchange for total consideration of $140 million in cash and replacement awards, subject to adjustments. We expect the acquisition will enhance the capabilities of Prisma AIRS. Refer to Note 17. Subsequent Events for additional information.

Additional Acquisition-Related Information

Since the date of acquisitions, the combined net impact of the Chronosphere and CyberArk acquisitions on our condensed consolidated statements of operations was revenue of $388 million and $391 million and operating loss of $523 million and $524 million for the three and nine months ended April 30, 2026, respectively.

The following unaudited pro forma financial information summarizes the combined results of operations for Palo Alto Networks, Chronosphere, and CyberArk, as though the companies were combined as of the beginning of our fiscal 2025 (in millions):

	Three Months Ended April 30,				Nine Months Ended April 30,			
		2026		2025		2026		2025
Total revenue	$	3,043	$	2,621	$	8,917	$	7,598
Net income (loss)	$	8	$	(2)	$	134	$	(178)

The unaudited pro forma financial information for the three and nine months ended April 30, 2026 and 2025 combines the historical results of Palo Alto Networks and Chronosphere for these periods with the historical results of CyberArk for the three and nine months ended March 31, 2026 and 2025, respectively. The unaudited pro forma financial information include adjustments attributable to our acquisition of Chronosphere and CyberArk, including amortization of acquired intangible assets, stock-based compensation expense from assumed replacement equity awards, acquisition-related transaction costs, employee severance costs under the workforce optimization plan, and income tax impact. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of our fiscal 2025 or of the results of our future operations of the combined business.

Additional information related to our acquisitions, such as that related to income tax and other contingencies, existing as of the acquisition date may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

8. Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill

The following table presents details of our goodwill during the nine months ended April 30, 2026 (in millions):

	Amount
Balance as of July 31, 2025	$ 4,567
Goodwill acquired	17,335
Balance as of April 30, 2026	$ 21,902

Purchased Intangible Assets

The following table presents details of our purchased intangible assets as of April 30, 2026 and July 31, 2025 (in millions):

	April 30, 2026			July 31, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Developed technology	$ 3,387	$ (458)	$ 2,929	$ 536	$ (274)	$ 262
Customer relationships and platform renewals	4,364	(240)	4,124	609	(123)	486
Customer contracts	219	(27)	192	—	—	—
Acquired intellectual property	24	(11)	13	24	(9)	15
Trade name and trademarks	33	(8)	25	—	—	—
Other	—	—	—	1	(1)	—
Total purchased intangible assets	$ 8,027	$ (744)	$ 7,283	$ 1,170	$ (407)	$ 763

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Cost of product revenue	$ 37	$ —	$ 37	$ —
Cost of subscription and support revenue	146	29	197	88
Sales and marketing	97	14	125	41
Total intangible assets amortization	$ 280	$ 43	$ 359	$ 129

The following table summarizes estimated future amortization expense of our intangible assets subject to amortization as of April 30, 2026 (in millions):

		Fiscal years ending July 31,					
	Total	Remaining 2026	2027	2028	2029	2030	2031 and Thereafter
Future amortization expense	$ 7,283	$ 281	$ 1,078	$ 986	$ 906	$ 889	$ 3,143

Other Long-lived assets

During the nine months ended April 30, 2026, we purchased 14.5 acres of land adjacent to our headquarters in Santa Clara, California, for $91 million to accommodate future expansion of our headquarters. This amount was recorded in property and equipment, net on our condensed consolidated balance sheet as of April 30, 2026.

9. Debt

Convertible Senior Notes, Note Hedges, and Warrants

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

Concurrent with the issuance of the 2025 Notes, we entered into separate convertible note hedge transactions (the “2025 Note Hedges”) with respect to our common stock for an aggregate payment of $371 million. The 2025 Note Hedges expired upon maturity of the 2025 Notes. Any shares of our common stock that were receivable by us under the 2025 Note Hedges are excluded from the calculation of diluted earnings per share as they are antidilutive.

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

During the nine months ended April 30, 2026, we net settled all of the 2025 Warrants with the issuance of 27 million shares of our common stock with a fair value of $5.6 billion. The number of net shares issued was determined based on the number of 2025 Warrants exercised multiplied by the difference between the strike price of the 2025 Warrants and their daily volume-weighted-average stock price.

2030 Convertible Senior Notes and Capped Calls

2030 Convertible Senior Notes

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

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

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

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

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

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

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

As of April 30, 2026, the 2030 Notes surrendered by the holders during the make-whole conversion period were classified as a current liability on our condensed consolidated balance sheets. The related fair value of $160 million was estimated based on the sum of the daily conversion values computed from our stock price during the 30 consecutive trading days between March 24, 2026 and May 5, 2026. The 2030 Notes surrendered for conversion during the make-whole conversion period were settled in cash for $160 million on May 7, 2026.

As of April 30, 2026, the remaining 2030 Notes with an aggregate principal amount of $1.1 billion were classified as a long-term liability on our condensed consolidated balance sheets since the sale price condition was not met during the calendar quarter ended March 31, 2026. The related fair value of $1.2 billion was determined based on the closing trading price per $100 of the 2030 Notes as of the last day of trading for the period. The fair value of the 2030 Notes is primarily affected by the trading price of our common stock and market interest rates.

For the three and nine months ended April 30, 2026, changes in fair value of 2030 Notes included in earnings were a loss of $37 million, and changes in fair value attributable to instrument-specific credit risk included in AOCI were a loss of $12 million.

Capped Calls

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

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

As of April 30, 2026, the fair value of the outstanding capped calls was $94 million, determined using the Black-Scholes option pricing model and observable inputs including price of our common stock, volatility, remaining contractual term, and risk-free interest rate. For the three and nine months ended April 30, 2026, change in fair value of capped calls was a loss of $1 million.

Revolving Credit Facility

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

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

As of April 30, 2026, there were no amounts outstanding and we were in compliance with all covenants under the Credit Agreement.

10. Leases

In April 2026, we entered into three lease amendments to extend the lease terms of our current corporate headquarters in Santa Clara, California for a period of twelve years through July 2040. The leases contain rent holiday periods, scheduled rent increases, lease incentives, and renewal options which allow the lease terms to be extended through July 2052. Lease payments under the three lease amendments, net of lease incentives such as rent holidays and tenant improvement allowances, are approximately $469 million over the extended lease term through July 2040. The amendments resulted in an increase of $262 million in our right-of-use assets in exchange for new operating lease liabilities.

11. Commitments and Contingencies

Purchase Commitments

We have entered into various non-cancelable agreements with cloud hosting service providers, under which we are committed to minimum or fixed purchases of certain cloud hosting services. In addition, in order to reduce manufacturing lead times and plan for adequate supply, we have entered into agreements with manufacturing partners and component suppliers to procure inventory based on our demand forecasts. Other purchase obligations include non-cancellable subscription agreements and other commitments in the normal course of business. The following table presents details of the aggregate future non-cancelable purchase commitments under these agreements as of April 30, 2026 (in millions):

		Fiscal years ending July 31,					
	Total	Remaining 2026	2027	2028	2029	2030	2031 and Thereafter
Cloud	$ 8,092	$ —	$ 449	$ 1,295	$ 1,352	$ 1,398	$ 3,598
Manufacturing	246	94	152	—	—	—	—
Other	191	42	109	21	10	9	—
Total	$ 8,529	$ 136	$ 710	$ 1,316	$ 1,362	$ 1,407	$ 3,598

Additionally, we have a $92 million minimum purchase commitment with a cloud hosting service provider through September 2027 with no specified annual commitments.

Litigation

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

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

The following matters arose in the ordinary course of business.

Centripetal Networks, Inc. v. Palo Alto Networks

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

As of April 30, 2026 and July 31, 2025, we accrued $150 million and $146 million based on the judgment and estimated interest, which is recorded in other long-term liabilities on our condensed consolidated balance sheets. The corresponding interest charge was $1 million and $4 million for the three and nine months ended April 30, 2026, respectively. We recorded a charge of $2 million and a release of $40 million for the three and nine months ended April 30, 2025, respectively. These amounts are included in general and administrative expense on our condensed consolidated statements of operations.

Finjan, Inc. v. Palo Alto Networks

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

Eire OG Innovations. v. Palo Alto Networks

On April 3, 2024, Eire OG Innovations filed a lawsuit against us in the United States District Court for the Eastern District of Texas asserting infringement of multiple patents, certain of which were subsequently dismissed. The parties have resolved all pending matters between them as of December 2025. The amount paid by us to resolve these matters was not material.

12. Stockholders' Equity

Share Repurchase Program

In February 2019, our board of directors authorized a $1.0 billion share repurchase program, which is funded from available working capital. Our board of directors subsequently authorized additional increases to this share repurchase program, bringing the total authorization to $4.1 billion. On March 10, 2026, our board of directors authorized an additional $1.0 billion increase to our share repurchase program, bringing the total authorization under this share repurchase program to $5.1 billion (our "current authorization"). The expiration date of our current authorization was extended to December 31, 2026, and our repurchase program may be suspended or discontinued at any time. Repurchases may be made at management's discretion from time to time on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing.

During the three and nine months ended April 30, 2026, we repurchased and retired 7 million shares of our common stock under our current repurchase authorization for an aggregate purchase price of $1.0 billion, including transaction costs, at an average price of $147.70 per share. The total price of the shares repurchased and related transaction costs are reflected as a reduction to common stock and additional paid-in capital on our condensed consolidated balance sheets. We did not repurchase shares of our common stock during the three and nine months ended April 30, 2025.

As of April 30, 2026, $1.0 billion remained available for future share repurchases under our current repurchase authorization.

13. Equity Award Plans

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

The following table summarizes the RSU and PSU activity under our stock plans during the nine months ended April 30, 2026 (in millions, except per share amounts):

	Unvested RSUs			Unvested PSUs		
	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share	Aggregate Intrinsic Value
Balance—July 31, 2025	13	$ 143.33	$ 2,285	9	$ 140.92	$ 1,635
Granted[(1)(2)]	14	$ 178.55		4	$ 186.49	
Vested[(3)]	(6)	$ 140.04		(3)	$ 150.47	
Forfeited	(2)	$ 153.49		(2)	$ 142.73	
Balance—April 30, 2026	19	$ 169.21	$ 3,450	8	$ 156.51	$ 1,461

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

(2) Includes 7 million RSUs assumed in connection with the acquisitions of Chronosphere, CyberArk, and Koi, with weighted-average grant-date fair value of $176.20, $165.30, and $161.59 per share, respectively, for the nine months ended April 30, 2026.

(3) Includes time-based vesting for PSUs.

Our RSUs generally vest over a period of four years from the date of grant. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

Our PSUs generally vest over a period of one to four years from the date of grant. The number of PSUs eligible to vest is determined based on the level of achievement against certain performance conditions, market conditions, and a combination thereof.

During the nine months ended April 30, 2026, we granted 3 million shares of PSUs that contain service, performance, and market conditions. The service conditions are satisfied after a period of one to three years. The performance conditions are based on an average of next-generation security annualized recurring revenue and non-GAAP net income per diluted share, subject to certain adjustments. The market condition is measured based on our total shareholder return ("TSR") relative to the TSR of the companies listed in the Standard & Poor's 500 index. As of April 30, 2026, we have approved 3 million shares of PSUs, which will be granted upon the performance condition being established during the next two fiscal years.

The fair value of the PSUs subject to market conditions is estimated on the grant date using a Monte Carlo simulation model. The following table summarizes the assumptions used and the resulting grant-date fair value of our PSUs subject to market conditions granted during the nine months ended April 30, 2026 and 2025:

	Nine Months Ended April 30,	
	2026	2025
Volatility	36.6% - 42.6%	43.5% - 47.6%
Expected term (in years)	1.0 - 3.0	1.0 - 2.9
Dividend yield	0.0%	0.0%
Risk-free interest rate	3.6% - 3.9%	3.7% - 4.5%
Grant-date fair value per share	$226.06 - $261.62	$264.51 - $305.83

Performance Stock Option ("PSO") Activities

We have granted PSOs with both service and market conditions. The market conditions were achieved when certain stock price targets were met. As of April 30, 2026 and July 31, 2025, all of our outstanding PSOs have been fully vested. The maximum contractual term of our outstanding PSOs is seven and a half years from the date of grant in fiscal year 2018 and 2019.

The following table summarizes the PSO activity under our stock plans during the nine months ended April 30, 2026 (in millions, except per share amounts):

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—July 31, 2025	1	$ 32.76	0.5	$ 197
Exercised	(1)	$ 32.76		
Balance—April 30, 2026	—	$ —	0.0	$ —
Exercisable—April 30, 2026	—	$ —	0.0	$ —

Share-Based Compensation

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Cost of product revenue	$ 2	$ 1	$ 4	$ 4
Cost of subscription and support revenue	50	32	114	95
Research and development	206	134	477	411
Sales and marketing	188	92	388	258
General and administrative	238	67	372	173
Total share-based compensation	$ 684	$ 326	$ 1,355	$ 941

During the three and nine months ended April 30, 2026, the vesting of certain equity awards was accelerated in connection with our acquisitions of CyberArk and Koi; as a result, we recorded share-based compensation of $177 million, including $1 million in cost of subscription and support revenue, $36 million in sales and marketing expense, and $140 million in general and administrative expense on our condensed consolidated statements of operations.

As of April 30, 2026, total compensation cost related to unvested share-based awards not yet recognized was $3.6 billion. This cost is expected to be amortized over a weighted-average period of approximately 2.6 years.

14. Income Taxes

Our income taxes primarily consist of U.S. and foreign income taxes and our effective tax rates differ from the U.S. statutory tax rate primarily due to our CyberArk acquisition and excess tax benefits from share-based compensation.

For the three months ended April 30, 2026, our provision for income taxes reflected an effective tax rate of negative 13.5% and for the nine months ended April 30, 2026, our provision for income taxes reflected an effective tax rate of 26.8%. For the three and nine months ended April 30, 2025, our provision for income taxes reflected effective tax rates of 15.6% and 12.3%, respectively. Our effective tax rates for the three and nine months ended April 30, 2026 were impacted by our CyberArk acquisition and decreased excess tax benefits from share-based compensation as compared to the same periods in 2025.

15. Net Income (Loss) Per Share

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

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Net income (loss)	$ (177)	$ 262	$ 589	$ 880
Weighted-average shares used to compute net income (loss) per share, basic	801	665	729	659
Weighted-average effect of potentially dilutive securities:				
Convertible senior notes	—	6	—	9
Warrants related to the issuance of convertible senior notes	—	25	8	25
Employee equity incentive plans	—	11	7	15
Weighted-average shares used to compute net income (loss) per share, diluted	801	707	744	708
Net income (loss) per share, basic	$ (0.22)	$ 0.39	$ 0.81	$ 1.33
Net income (loss) per share, diluted	$ (0.22)	$ 0.37	$ 0.79	$ 1.24

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Employee equity incentive plans	30	4	6	5

Our 2030 Notes and capped calls were also excluded from the calculation of diluted net income (loss) per share as the effect would have been antidilutive.

16. Other Income, Net

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
Interest income	$ 71	$ 93	$ 285	$ 266
Foreign currency exchange gains (losses), net	(14)	(8)	(41)	(14)
Change in fair value of convertible senior notes	(37)	—	(37)	—
Change in fair value of capped calls	(1)	—	(1)	—
Other, net	8	8	76	9
Total other income, net	$ 27	$ 93	$ 282	$ 261

17. Subsequent Events

Portkey, Inc.

On May 29, 2026, we completed the acquisition of Portkey. This acquisition will be accounted for as a business combination in the fourth quarter of fiscal 2026.

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

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

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

- ***Overview.*** A discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.
- ***Key Financial Metrics.*** A summary of our U.S. GAAP and non-GAAP key financial metrics, which management monitors to evaluate our performance.
- ***Results of Operations.*** A discussion of the nature and trends in our financial results and an analysis of our financial results comparing the three and nine months ended April 30, 2026 to the three and nine months ended April 30, 2025.
- ***Liquidity and Capital Resources.*** An analysis of changes on our balance sheets and cash flows, and a discussion of our financial condition and our ability to meet cash needs.
- ***Critical Accounting Estimates.*** A discussion of our accounting policies that require critical estimates, assumptions, and judgments.
- ***Recent Accounting Pronouncements.*** A discussion of expected impacts of impending accounting changes on financial information to be reported in the future.

Overview

Our mission is to be the cybersecurity partner of choice for enterprises, organizations, service providers, and government entities to protect our digital way of life. Our cybersecurity platforms and services help secure enterprise users, networks, clouds, endpoints, and identities by delivering comprehensive cybersecurity backed by artificial intelligence (“AI”) and automation. A key element of our strategy is to help our customers simplify their security architectures through consolidating disparate point products. We execute on this strategy by developing our capabilities and packaging our offerings into platforms which are able to cover many of our customers’ needs in the markets in which we operate. Our platformization strategy combines various products and services into a tightly integrated architecture for more secure, faster and cost-effective outcomes.

Network Security

Our network security platform is designed to deliver complete zero trust solutions to our customers. The platform includes:

- *Secure Access Service Edge (“SASE”)*. Prisma® Access, when combined with Prisma SD-WAN, provides a comprehensive SASE offering that secures users working from anywhere and on any device, and pioneers the modernization of branch offices. Prisma Browser further extends zero-trust security and data protection to the browser, where the majority of work is done today, providing users with the freedom to work securely using our secure browser from any device.
- *Next-Generation Firewalls.* Our hardware ML-Powered Next-Generation Firewalls (“NGFWs”) secure on-premises environments including campus locations and data centers. Our software NGFWs secure cloud networks.
- *Cloud-Delivered Security Services (“CDSS”).* Our network security platform integrates a suite of CDSS that complements our SASE and Firewall solutions. These include Advanced Threat Prevention, Advanced WildFire®, Advanced URL Filtering, Advanced DNS Security, Device Security, GlobalProtect®, Prisma Access Agent, Enterprise Data Loss Prevention (“Enterprise DLP”), AI for IT Operations (“AIOps”), Software as a Service (“SaaS”) Security, and AI Access Security. Through these add-on services, our customers are able to secure their content, applications, users, and devices across their entire organization.
- *Prisma AIRS.* Prisma AIRS™ is a comprehensive AI security platform designed to protect customers’ entire AI ecosystem by providing AI Model Security, AI Posture Management, AI Red Teaming, AI Runtime Security, and AI Agent Security.
- *Strata Cloud Manager (“SCM”).* SCM, our network security management solution, centrally manages network security across all remote workers, branches, headquarters, campuses, and cloud. This comprehensive solution includes Strata Copilot, which offers a natural language interface for enhanced insights and guided remediation, and integrates Autonomous Digital Experience Monitoring (“ADEM”) to proactively maintain infrastructure health, facilitate AI-driven one-click troubleshooting, and ensure seamless end-user performance across the enterprise.

Security Operations

Our AI-powered Cortex platform transforms end-to-end security operations with unified data, AI, and automation for more secure, faster, and cost effective outcomes. We have consolidated our industry-leading Security Operations and Cloud Security capabilities on a single comprehensive platform to provide centralized visibility, proactive protection, real-time prevention, AI-driven insights, and automated remediation across enterprise and cloud.

- *Security Operations.* We deliver the next generation of security operations capabilities that unifies standalone Security Information and Event Management (“SIEM”) tools, endpoint security, security automation, cloud detection and response (“CDR”), as well as attack surface management (“ASM”) capabilities on our Cortex® platform. These include Cortex XSIAM®, for AI-powered security operations replacing traditional SIEM tools; Cortex XDR®, for the prevention, detection, and response to complex cybersecurity attacks; Cortex XSOAR®, for security orchestration, automation, and response (“SOAR”); Cortex Xpanse®, for ASM; and our recent acquisition of Koi Security Ltd. (“Koi”) for agentic endpoint security. Additionally, Cortex XSIAM integrates with the Chronosphere Telemetry Pipeline to ingest and optimize massive data volumes, promoting cost-effective scaling of autonomous operations.
- *Cloud Security.* We deliver comprehensive security across the cloud application development lifecycle through Cortex Cloud, delivered as a scalable SaaS offering. As a comprehensive Cloud Native Application Protection Platform (“CNAPP”) combined with CDR, Cortex Cloud secures multi- and hybrid-cloud environments for applications, data, generative AI (“GenAI”) ecosystem, and the cloud native technology stack across the full development lifecycle, from code to cloud to security operations. As part of the Cortex Cloud platform, customers can expand from Cortex Cloud to our security operations offerings available on a single user experience and unified agent. We also offer our VM-Series and CN-Series virtual firewalls for inline network security on multi- and hybrid-cloud environments.

Observability

Chronosphere, our next-generation observability platform, delivers real-time visibility and monitoring across cloud-native infrastructure, applications, and AI workloads. Purpose-built to handle the massive data volumes of the AI era, Chronosphere enables organizations to maintain system resilience and uptime with high cost-efficiency and reliability.

- *Chronosphere Platform.* Our observability platform provides comprehensive visibility into complex digital environments and automated troubleshooting of issues. It allows customers to transition from passive monitoring to proactive management of their entire digital estate.
- *Chronosphere Telemetry Pipeline.* Our telemetry pipeline acts as an intelligent control layer that filters, transforms, and routes data. This helps reduce data volumes, enabling customers to cost-effectively scale their security and observability posture.

Identity Security

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

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

Threat Intelligence and Advisory Services

- Unit 42 brings together world-renowned expertise across threat research, incident response, and security consulting to deliver intelligence-driven, response-ready outcomes that help customers reduce cyber risk. Our elite consultants serve as trusted advisors to our customers by assessing and testing their security controls against sophisticated threats, transforming their security strategy with a threat-informed approach, and responding to security incidents on behalf of our clients. Additionally, Unit 42 offers managed detection and response ("MDR") and managed threat hunting services. In April 2026, we launched a new suite of Unit 42 Frontier AI Defense services to help customers proactively discover and neutralize threats introduced by next-generation AI models.

For the third quarter of fiscal 2026 and 2025, total revenue was $3.0 billion and $2.3 billion, respectively, representing year-over-year growth of 31%. Our growth reflects the increased adoption of our portfolio, which consists of product, subscriptions, and support, and our recent acquisitions. We believe our portfolio will enable us to benefit from recurring revenues and new revenues as we continue to grow our end-customer base. As of April 30, 2026, we had end-customers in over 180 countries. Our end-customers represent a broad range of industries, including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications, and include almost all of the Fortune 100 companies and a majority of the Global 2000 companies. We maintain a field sales force that works closely with our channel partners in developing sales opportunities. We primarily use a two-tiered, indirect fulfillment model whereby we sell our products, subscriptions, and support to our distributors, which, in turn, sell to our resellers, which then sell to our end-customers.

Our product revenue grew to $594 million, or 19.8% of total revenue, for the third quarter of fiscal 2026, representing year-over-year growth of 31%. Product revenue is derived from sales of hardware products, primarily our ML-Powered Next-Generation Firewall and software licenses, including SD-WAN, VM-Series, and Panorama®. In connection with the acquisition of CyberArk Software Ltd. (“CyberArk”) in February 2026, our product revenue also includes on-premise software licenses of certain identity security offerings. Our ML-Powered Next-Generation Firewall incorporates our PAN-OS operating system, which provides a consistent set of capabilities across our entire network security product line. Our hardware products and software licenses include a broad set of built-in networking and security features and functionalities. Our products are designed for different performance requirements throughout an organization, ranging from our PA-400, which is designed for small organizations and remote or branch offices, to our top-of-the-line PA-7500, which is designed for large-scale data centers and service provider use. The same firewall functionality that is delivered in our hardware products is also available in our VM-Series virtual firewalls, which secure virtualized and cloud-based computing environments, and in our CN-Series container firewalls, which secure container environments and traffic.

Our subscription and support revenue grew to $2.4 billion, or 80.2% of total revenue, for the third quarter of fiscal 2026, representing year-over-year growth of 31%. Our subscriptions provide our end-customers with near real-time access to the latest intrusion prevention, web security, modern malware prevention, data loss prevention, cloud security access broker and AI security capabilities across the network, endpoints, and the cloud. Our subscriptions also include security operations, which enable customers to leverage the AI-powered Cortex platform for advanced capabilities such as security information and event management, next-generation antivirus, endpoint detection and response, extended detection and response, identity threat detection and response, cloud detection and response, SOAR, ASM, and CNAPP for comprehensive cloud security. In connection with our acquisition of Chronosphere, Inc. (“Chronosphere”) in January 2026, our subscriptions also include a next-generation observability platform for cloud-native infrastructure and applications as well as telemetry pipeline management that is designed to handle vast cloud data volumes with cost-efficiency and reliability. With the acquisition of CyberArk, our subscriptions include a next-generation identity security platform designed to secure human, AI, and machine identity across the enterprise with intelligent privilege controls and continuous threat prevention. Additionally, we offer MDR for Cortex subscriptions, powered by Unit 42’s elite expertise. When customers purchase our physical, virtual, or container firewalls, or certain cloud offerings, they typically purchase support in order to receive ongoing security updates, upgrades, bug fixes, and repairs. In addition to the subscriptions purchased with these firewalls, customers may also purchase other subscriptions on a per-user, per-endpoint, or capacity-based basis. We also offer professional services, including incident response, risk management, digital forensic services, and technical account management.

We continue to invest in innovation as we evolve and further extend the capabilities of our portfolio, as we believe that innovation and timely development of and investment in new features and products are essential to meeting the needs of our end-customers and improving our competitive position. For example, we launched Next-Generation Trust Security that unifies certificate lifecycle management and Prisma AIRS 3.0 that discovers, assesses, and protects agentic AI. On February 11, 2026, we completed the acquisition of CyberArk, forming our next-generation identity security platform. Additionally, on April 14, 2026, we completed the acquisition of Koi, to add agentic endpoint security capabilities to our security operations platform and enhance Prisma AIRS. On May 29, 2026, we completed the acquisition of Portkey, Inc., a privately-held AI Gateway company, to enhance our Prisma AIRS capabilities.

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

IMPACT OF MACROECONOMIC DEVELOPMENTS AND OTHER FACTORS ON OUR BUSINESS

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

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

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

Key Financial Metrics

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

	April 30, 2026	July 31, 2025
	(in billions)	
Next-Generation Security Annualized Recurring Revenue	$ 8.1	$ 5.6
Remaining performance obligations	$ 18.4	$ 15.8

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
	(dollars in millions)			
Total revenue	$ 3,002	$ 2,289	$ 8,070	$ 6,685
Total revenue year-over-year percentage increase	31%	15%	21%	15%
Gross margin	67.6%	72.9%	71.5%	73.5%
Operating income (loss)	$ (183)	$ 219	$ 523	$ 746
Operating margin	(6.1)%	9.6%	6.5%	11.2%
Cash flow provided by operating activities			$ 3,196	$ 2,695
Free cash flow (non-GAAP)			$ 2,859	$ 2,535

- ***Next-Generation Security Annualized Recurring Revenue ("NGS ARR").*** Our NGS ARR represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription and support offerings, excluding revenue from hardware products, and legacy attached subscriptions, support offerings and professional services. NGS ARR is an operating metric that we use to assess the strength and trajectory of our business. NGS ARR should be viewed independently of revenue, deferred revenue and remaining performance obligations and does not represent our revenue under U.S. GAAP on an annualized basis, as it is an operating metric that can be impacted by contract start and end dates and renewal rates. NGS ARR is not intended to be a replacement for forecasts of revenue. The scope of products, subscriptions, and support offerings that contribute to NGS ARR will generally increase over time as we introduce or acquire new next-generation products, subscriptions, and support offerings.
- ***Cash Flow Provided by Operating Activities.*** We monitor cash flow provided by operating activities as a measure of our overall business performance. Our cash flow provided by operating activities is driven in large part by sales of our products and from up-front payments for subscription and support offerings. Monitoring cash flow provided by operating activities enables us to analyze our financial performance without the non-cash effects of certain items such as share-based compensation costs, depreciation, and amortization, thereby allowing us to better understand and manage the cash needs of our business.

- ***Free Cash Flow (non-GAAP).*** We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities less purchases of property, equipment, and other assets. We consider free cash flow to be an operating metric as well as a profitability and liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures. A limitation of the utility of free cash flow as a measure of our financial performance and liquidity is that it does not represent the total increase or decrease in our cash balance for the period. In addition, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow in a different manner than we do, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to cash flow provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, is provided below:

	Nine Months Ended April 30,	
	2026	**2025**
	(in millions)	
Free cash flow (non-GAAP):		
Net cash provided by operating activities	$ 3,196	$ 2,695
Less: purchases of property, equipment, and other assets	337	160
Free cash flow (non-GAAP)	$ 2,859	$ 2,535
Net cash used in investing activities	$ (2,098)	$ (1,442)
Net cash used in financing activities	$ (1,005)	$ (405)

Results of Operations

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026		2025		2026		2025	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(dollars in millions)							
Revenue:								
Product	$ 594	19.8 %	$ 453	19.8 %	$ 1,542	19.1 %	$ 1,228	18.4 %
Subscription and support	2,408	80.2 %	1,836	80.2 %	6,528	80.9 %	5,457	81.6 %
Total revenue	3,002	100.0 %	2,289	100.0 %	8,070	100.0 %	6,685	100.0 %
Cost of revenue:								
Product	167	5.6 %	101	4.4 %	371	4.6 %	277	4.1 %
Subscription and support	807	26.8 %	518	22.7 %	1,926	23.9 %	1,495	22.4 %
Total cost of revenue[1]	974	32.4 %	619	27.1 %	2,297	28.5 %	1,772	26.5 %
Total gross profit	2,028	67.6 %	1,670	72.9 %	5,773	71.5 %	4,913	73.5 %
Operating expenses:								
Research and development	734	24.5 %	494	21.6 %	1,773	22.0 %	1,480	22.1 %
Sales and marketing	1,161	38.7 %	793	34.5 %	2,804	34.7 %	2,271	34.0 %
General and administrative	316	10.5 %	164	7.2 %	673	8.3 %	416	6.2 %
Total operating expenses[1]	2,211	73.7 %	1,451	63.3 %	5,250	65.0 %	4,167	62.3 %
Operating income (loss)	(183)	(6.1)%	219	9.6 %	523	6.5 %	746	11.2 %
Interest expense	—	— %	(1)	— %	—	— %	(3)	— %
Other income, net	27	0.9 %	93	4.0 %	282	3.5 %	261	3.8 %
Income (loss) before income taxes	(156)	(5.2)%	311	13.6 %	805	10.0 %	1,004	15.0 %
Provision for income taxes	21	0.7 %	49	2.1 %	216	2.7 %	124	1.8 %
Net income (loss)	$ (177)	(5.9)%	$ 262	11.5 %	$ 589	7.3 %	$ 880	13.2 %

[1] Includes share-based compensation as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2026	2025	2026	2025
	(in millions)			
Cost of product revenue	$ 2	$ 1	$ 4	$ 4
Cost of subscription and support revenue	50	32	114	95
Research and development	206	134	477	411
Sales and marketing	188	92	388	258
General and administrative	238	67	372	173
Total share-based compensation	$ 684	$ 326	$ 1,355	$ 941

IMPACT OF ACQUISITIONS

On February 11, 2026, we completed our acquisition of CyberArk for a total purchase consideration of $21.1 billion. In connection with completing the acquisition, we paid approximately $2.3 billion in cash and issued 112 million shares of our common stock with a fair value of $18.5 billion. In addition, we issued $945 million of replacement equity awards, of which $265 million attributable to services performed prior to the acquisition date was allocated to purchase consideration.

The comparability of our operating results for the three and nine months ended April 30, 2026 compared to the same periods in 2025 was impacted by our recent acquisitions, including CyberArk. In discussions of our results of operations, we may qualitatively or quantitatively disclose the impact of our acquisitions on revenue, costs, and expenses for the one year period subsequent to the acquisition date where such discussions would be meaningful.

REVENUE

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

PRODUCT REVENUE

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Product	$ 594	$ 453	$ 141	31 %	$ 1,542	$ 1,228	$ 314	26 %

Product revenue increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025, driven by increased revenue from software licenses and increased demand for our new generation of hardware products. The increase in product revenue for the three and nine months ended April 30, 2026 was also driven by increased software licenses revenue from our CyberArk acquisition closed in February 2026.

SUBSCRIPTION AND SUPPORT REVENUE

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Subscription	$ 1,632	$ 1,234	$ 398	32 %	$ 4,400	$ 3,659	$ 741	20 %
Support	776	602	174	29 %	2,128	1,798	330	18 %
Total subscription and support	$ 2,408	$ 1,836	$ 572	31 %	$ 6,528	$ 5,457	$ 1,071	20 %

Subscription and support revenue increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 due to increased demand for our subscription and support offerings from our end-customers and our recent acquisitions. The mix between subscription revenue and support revenue will fluctuate over time, depending on the introduction of new subscription offerings, renewals of support services, and our ability to increase sales to new and existing end-customers.

REVENUE BY GEOGRAPHIC THEATER

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Americas	$ 2,018	$ 1,530	$ 488	32 %	$ 5,371	$ 4,474	$ 897	20 %
Europe, the Middle East, and Africa ("EMEA")	633	480	153	32 %	1,714	1,402	312	22 %
Asia Pacific and Japan ("APAC")	351	279	72	26 %	985	809	176	22 %
Total revenue	$ 3,002	$ 2,289	$ 713	31 %	$ 8,070	$ 6,685	$ 1,385	21 %

Revenue from the Americas, EMEA, and APAC increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 as we continued to increase investment in our global sales force in order to support our growth and innovation, with the Americas contributing the highest increase in revenue due to its larger scale.

COST OF REVENUE

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

COST OF PRODUCT REVENUE

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Cost of product revenue	$ 167	$ 101	$ 66	65 %	$ 371	$ 277	$ 94	34 %

Cost of product revenue increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to higher amortization of intangible assets as a result of our CyberArk acquisition, increased demand for our hardware products and higher tariff costs, partially offset by a decrease in inventory excess and obsolete charges.

COST OF SUBSCRIPTION AND SUPPORT REVENUE

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Cost of subscription and support revenue	$ 807	$ 518	$ 289	56 %	$ 1,926	$ 1,495	$ 431	29 %

Cost of subscription and support revenue increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to increased costs to support the growth of our subscription and support offerings. Cloud hosting service costs, which support our cloud-based subscription offerings, increased $75 million and $171 million for the three and nine months ended April 30, 2026, respectively, compared to the same periods in 2025. Amortization of intangible assets increased $117 million and $109 million for the three and nine months ended April 30, 2026, respectively, compared to the same periods in 2025 as a result of our recent acquisitions. Personnel costs grew $71 million and $97 million for the three and nine months ended April 30, 2026, respectively, compared to the same periods in 2025, primarily due to headcount growth, including headcount from our recent acquisitions.

GROSS MARGIN

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026		2025		2026		2025	
	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin
	(dollars in millions)							
Product	$ 427	71.9 %	$ 352	77.8 %	$ 1,171	75.9 %	$ 951	77.4 %
Subscription and support	1,601	66.5 %	1,318	71.8 %	4,602	70.5 %	3,962	72.6 %
Total gross profit	$ 2,028	67.6 %	$ 1,670	72.9 %	$ 5,773	71.5 %	$ 4,913	73.5 %

Product gross margin decreased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to a decrease in gross margin on our hardware products and higher amortization of intangible assets, partially offset by increased software licenses revenue from our CyberArk acquisition. The decrease in product gross margin for the nine months ended April 30, 2026 was further offset by continued shift in our product revenue mix toward software and a decrease in inventory excess and obsolete charges.

Subscription and support gross margin decreased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to higher amortization of intangible assets as a result of our recent acquisitions.

OPERATING EXPENSES

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, share-based compensation, travel and entertainment, and with regard to sales and marketing expense, sales commissions. Our operating expenses also include shared costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount to each department. We expect operating expenses generally to increase in absolute dollars and to decrease over the long term as a percentage of revenue as we continue to scale our business. As of April 30, 2026, we expect to recognize approximately $3.6 billion of share-based compensation expense over a weighted-average period of approximately 2.6 years, excluding additional share-based compensation expense related to any future grants of share-based awards. Share-based compensation expense is generally recognized on a straight-line basis over the requisite service periods of the awards.

RESEARCH AND DEVELOPMENT

Research and development expense consists primarily of personnel costs. Research and development expense also includes prototype-related expenses and shared costs. We expect research and development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
				(dollars in millions)				
Research and development	$ 734	$ 494	$ 240	49 %	$ 1,773	$ 1,480	$ 293	20 %

Research and development expense increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to increased personnel costs, which grew $192 million and $233 million for the three and nine months ended April 30, 2026 compared to the same periods in 2025, largely due to headcount growth, including headcount from our recent acquisitions.

SALES AND MARKETING

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
				(dollars in millions)				
Sales and marketing	$ 1,161	$ 793	$ 368	46 %	$ 2,804	$ 2,271	$ 533	23 %

Sales and marketing expense increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to increased personnel costs, which grew $254 million and $408 million for the three and nine months ended April 30, 2026, respectively, compared to the same periods in 2025, largely due to headcount growth, including headcount from our recent acquisitions. The increase in sales and marketing expense in both periods were further driven by higher amortization of intangible assets as a result of our recent acquisitions.

GENERAL AND ADMINISTRATIVE

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
General and administrative	$ 316	$ 164	$ 152	93 %	$ 673	$ 416	$ 257	62 %

General and administrative expense increased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to increased personnel costs, which grew $195 million and $237 million for the three and nine months ended April 30, 2026, respectively. The increase in personnel costs in both periods was primarily due to the accelerated vesting of certain equity awards in connection with our recent acquisitions, employee severance charges in connection with our CyberArk acquisition, and headcount growth, including headcount from our recent acquisitions. The increase in general and administrative expense in both periods were further driven by an increase in acquisition-related costs, partially offset by a gain of $110 million for the change in fair value of contingent consideration liability during the three months ended April 30, 2026. The increase in general and administrative expense for the nine months ended April 30, 2026 was also driven by a partial release of litigation-related accrual of $40 million during the nine months ended April 30, 2025.

INTEREST EXPENSE

Interest expense consists of interest expense related to our 0.375% Convertible Senior Notes due 2025 (the “2025 Notes”).

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Interest expense	$ —	$ 1	$ (1)	(100)%	$ —	$ 3	$ (3)	(100)%

Interest expense decreased for the three and nine months ended April 30, 2026 compared to the same periods in 2025 due to the maturity of our 2025 Notes in June 2025. Refer to Note 9. Debt in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the Notes.

OTHER INCOME, NET

Other income, net includes interest income earned on our cash, cash equivalents, and investments, gains and losses from foreign currency remeasurement and foreign currency transactions, and change in fair value of convertible senior notes and capped calls.

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Other income, net	$ 27	$ 93	$ (66)	(71)%	$ 282	$ 261	$ 21	8 %

Other income, net decreased for the three months ended April 30, 2026 compared to the same period in 2025 primarily due to a loss from change in fair value of our convertible senior notes and lower interest income as a result of lower average cash, cash equivalent and investment balances for the three months ended April 30, 2026 compared to the same period in 2025. Other income, net increased for the nine months ended April 30, 2026 compared to the same period in 2025 primarily due to increased gains on sales of our investments to fund acquisitions and higher interest income as a result of higher average cash, cash equivalent and investment balances for the nine months ended April 30, 2026 compared to the same period in 2025, partially offset by a loss from change in fair value of our convertible senior notes.

PROVISION FOR INCOME TAXES

Provision for income taxes consists primarily of U.S. and foreign income taxes. Our effective tax rate during the three and nine months ended April 30, 2026 differed from our statutory tax rate primarily due to our CyberArk acquisition and excess tax benefits from share-based compensation. We may continue to see fluctuations in our effective tax rate as we further integrate CyberArk into our corporate structure and intercompany relationships. We continue to maintain a valuation allowance for our California deferred tax assets due to the uncertainty regarding realizability of these deferred tax assets as they have not met the “more likely than not” realization criterion. We expect future research and development tax credit generation in California to exceed our ability to use the existing tax credits.

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2026	2025	Change		2026	2025	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in millions)							
Provision for income taxes	$ 21	$ 49	$ (28)	(57)%	$ 216	$ 124	$ 92	74 %
Effective tax rate	(13.5)%	15.6 %			26.8 %	12.3 %		

Our effective tax rate varied for the three and nine months ended April 30, 2026 compared to the same periods in 2025 primarily due to our CyberArk acquisition and decreased excess tax benefits from share-based compensation. Refer to Note 14. Income Taxes in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information.

In March 2026, the Knesset Finance Committee approved the Law for the Encouragement and Incentivization of Research and Development (the “R&D Law”) that provides incentives for qualifying research and development expenditures incurred after January 1, 2026. The R&D Law introduces a tax credit, at varying rates based on specified thresholds, for qualifying research and development expenditures incurred in Israel, subject to meeting defined eligibility criteria. It provides that all or a portion of the unutilized R&D tax credit will be paid in cash upon the lapse of a period stipulated by the R&D Law. The Israeli Knesset has indicated plans to issue additional regulations regarding the implementation of the R&D Law. For the three and nine months ended April 30, 2026, the impact of the R&D Law was not material to our condensed consolidated financial statements.

Liquidity and Capital Resources

	April 30, 2026	July 31, 2025
	(in millions)	
Working capital (deficit)	$ (1,293)	$ (465)
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$ 2,364	$ 2,269
Investments	4,628	6,190
Total cash, cash equivalents, and investments	$ 6,992	$ 8,459

As of April 30, 2026, our total cash, cash equivalents, and investments of $7.0 billion were held for general corporate purposes. As part of the acquisition of CyberArk, we executed an intercompany transaction to repatriate $3.5 billion of foreign earnings, resulting in immaterial income tax expense related to state and other taxes. Our remaining unremitted earnings are indefinitely reinvested.

DEBT

In February 2026, in connection with the acquisition of CyberArk, we entered into a supplemental indenture (the "Supplemental Indenture") to the Indenture, dated as of June 10, 2025 (together with the Supplemental Indenture, the "Indenture"), between CyberArk, as issuer, and U.S. Bank Trust Company, National Association, as trustee, governing CyberArk's $1.25 billion aggregate principal amount of 0.0% Convertible Senior Notes due 2030 (the "2030 Notes"). As a result of our acquisition of CyberArk and pursuant to the Supplemental Indenture, the 2030 Notes are now exchangeable into shares of our common stock and cash. The 2030 Notes mature on June 15, 2030; however, under certain circumstances, holders may surrender their 2030 Notes for conversion prior to the maturity date. Upon conversion of the 2030 Notes, we will pay cash equal to the aggregate principal amount of the 2030 Notes to be converted, and, at our election, we will pay or deliver cash and/or a combination of cash and shares of our common stock for the amount of our conversion obligation in excess of the aggregate principal amount of the 2030 Notes converted. During the three and nine months ended April 30, 2026, holders surrendered $153 million in aggregate principal amount of the 2030 Notes for conversion, which were settled for $160 million in cash on May 7, 2026. After giving effect to these conversions, the remaining outstanding principal balance of the 2030 Notes was $1.1 billion.

The sale price condition for the 2030 Notes was not met during the calendar quarter ended March 31, 2026, and as a result, our 2030 Notes are not convertible pursuant to that condition during the calendar quarter ending June 30, 2026. If the sale price condition for the 2030 Notes is met during the calendar quarter ending June 30, 2026 and all of the holders elect to convert their 2030 Notes during the calendar quarter ending September 30, 2026, we would be obligated to settle the $1.1 billion principal amount of the 2030 Notes and a portion of our conversion obligation in excess of the aggregate principal amount of the 2030 Notes, if any, in cash. We believe that our cash provided by operating activities, our existing cash, cash equivalents, and investments, and existing sources of and access to financing, including any proceeds that may be received from the settlement or termination of the outstanding capped call transactions we assumed in connection with our acquisition of CyberArk, will be sufficient to meet our anticipated cash needs should the holders choose to convert their 2030 Notes during the fiscal quarter ending July 31, 2026 or hold the 2030 Notes until maturity on June 15, 2030. Refer to Note 9. Debt in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the 2030 Notes.

In April 2023, we entered into a credit agreement (the "Credit Agreement") that provides for a $400 million unsecured revolving credit facility (the "Credit Facility"), with an option to increase the amount of the Credit Facility by up to an additional $350 million, subject to certain conditions. The interest rates and commitment fees are also subject to upward and downward adjustments based on our progress towards the achievement of certain sustainability goals. As of April 30, 2026, there were no amounts outstanding, and we were in compliance with all covenants under the Credit Agreement. Refer to Note 9. Debt in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the Credit Agreement.

CAPITAL RETURN

In February 2019, our board of directors authorized a $1.0 billion share repurchase program. Our board of directors subsequently authorized additional increases to this share repurchase program, bringing the total authorization to $5.1 billion. Repurchases will be funded from available working capital and may be made at management's discretion from time to time. As of April 30, 2026, $1.0 billion remained available for future share repurchases under this repurchase program. The repurchase authorization will expire on December 31, 2026, and may be suspended or discontinued at any time without prior notice. Refer to Note 12. Stockholders' Equity in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on this repurchase program.

CONTRACTUAL OBLIGATIONS AND OTHER MATERIAL CASH REQUIREMENTS

We have entered into various non-cancelable operating leases, primarily for our offices and data centers, with lease terms expiring through fiscal 2040, with the most significant leases relating to our corporate headquarters in Santa Clara, California. As of April 30, 2026, we have total operating lease obligations of $778 million recorded on our condensed consolidated balance sheet.

As of April 30, 2026, our commitments to purchase products, components, cloud hosting and other services totaled $8.6 billion. Refer to Note 11. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on these commitments.

Our acquisition of certain QRadar assets from International Business Machines Corporation ("IBM") on August 31, 2024 included contingent consideration that requires potential future payments through the fiscal quarter ending October 2028. As of April 30, 2026, we have total contingent consideration obligation of $240 million recorded on our condensed consolidated balance sheet. Refer to Note 3. Fair Value Measurements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on our contingent consideration obligation.

CASH FLOWS

The following table summarizes our cash flows for the nine months ended April 30, 2026 and 2025:

	Nine Months Ended April 30,	
	2026	2025
	(in millions)	
Net cash provided by operating activities	$ 3,196	$ 2,695
Net cash used in investing activities	(2,098)	(1,442)
Net cash used in financing activities	(1,005)	(405)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2	—
Net increase in cash, cash equivalents, and restricted cash	$ 95	$ 848

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

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

OPERATING ACTIVITIES

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

Cash provided by operating activities during the nine months ended April 30, 2026 was $3.2 billion, an increase of $501 million compared to the same period in 2025. The increase was primarily due to growth of our business as reflected by increases in collections during the nine months ended April 30, 2026, partially offset by higher cash expenditure to support our business growth.

INVESTING ACTIVITIES

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

Cash used in investing activities during the nine months ended April 30, 2026 was $2.1 billion, an increase of $656 million compared to the same period in 2025. The increase was primarily due to an increase in net cash payments for business acquisitions during the nine months ended April 30, 2026, partially offset by higher proceeds from sales and maturities of investments and lower purchases of investments.

FINANCING ACTIVITIES

Our financing activities have consisted of repayments of our convertible senior notes, cash used to repurchase shares of our common stock, proceeds from sales of shares through employee equity incentive plans, payments for tax withholding obligations of certain employees related to the net share settlement of equity awards, and payments of contingent consideration liability.

Cash used in financing activities during the nine months ended April 30, 2026 was $1.0 billion, an increase of $600 million compared to the same period in 2025. The increase was primarily due to repurchase of our common stock and payments of our contingent consideration liability during the nine months ended April 30, 2026, partially offset by a decrease in cash used for repayments of our 2025 Notes which did not recur during the nine months ended April 30, 2026 as a result of its maturity.

Critical Accounting Estimates

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

We believe the critical accounting estimates discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended July 31, 2025 reflect our more significant estimates, assumptions, and judgments that have the most significant impact on our condensed consolidated financial statements. There have been no significant changes to our critical accounting estimates as filed in such report.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for the item below, our assessment of our exposures to market risk has not changed materially from the disclosure set forth in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2025.

Interest Rate Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Most of the securities we invest in are subject to interest rate risk. To minimize this risk, we maintain a diversified portfolio of cash, cash equivalents, and investments, consisting only of investment-grade securities. To assess the interest rate risk, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio. Based on investment positions as of April 30, 2026, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $96 million decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity. Conversely, a hypothetical 100 basis point decrease in interest rates would lead to a $98 million increase in the fair market value of the portfolio.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2026, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended April 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

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

Part II

Item 1. Legal Proceedings

The information set forth under the “Litigation” subheading in Note 11. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

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

Risk Factor Summary

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

- Our operating results may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment.
- Our business and operations have experienced growth in recent periods, and if we do not effectively manage any future growth or are unable to improve our systems, processes, and controls, our operating results could be adversely affected.
- Our revenue growth rate in recent periods may not be indicative of our future performance, and we may not be able to maintain profitability, which could cause our business, financial condition, and operating results to suffer.
- Our operating results may vary significantly from period to period, which makes our results difficult to predict and could cause our results to fall short of expectations, and such results may not be indicative of future performance.
- Seasonality may cause fluctuations in our revenue.
- If we are unable to sell new and additional product, subscription, and support offerings to our end-customers, especially to large enterprise customers, our future revenue and operating results will be harmed.
- If we are unable to attract new customers, our future results of operations could be harmed.
- We rely on revenue from subscription and support offerings, and because we recognize revenue from subscription and support over the term of the relevant service period, downturns or upturns in sales or renewals of these subscription and support offerings are not immediately reflected in full in our operating results.
- The sales prices of our products, subscriptions, and support offerings may decrease, which may reduce our revenue and gross profits and adversely impact our financial results.
- We rely on our channel partners to sell substantially all of our products, including subscriptions and support, and if these channel partners fail to perform, our ability to sell and distribute our products and subscriptions will be limited and our operating results will be harmed.
- We are exposed to the credit and liquidity risk of our customers, and to credit exposure in weakened markets, which could result in material losses.
- A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.
- We face intense competition and we may lack sufficient financial or other resources to maintain or improve our competitive position.
- We have acquired and may in the future acquire other businesses, which could subject us to adverse claims or liabilities, require significant management attention, disrupt our business, adversely affect our operating results, may not result in the expected benefits of such acquisitions, and may dilute stockholder value.
- As a result of the CyberArk acquisition, the scope and size of our business has substantially changed, which resulted in certain incremental risks, including increased competition.

- If we do not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments and successfully manage product and subscription introductions and transitions to meet changing end-customer needs in the enterprise security industry, our competitive position and prospects will be harmed.
- Issues in the development, deployment or use of AI may result in reputational harm, legal liability and could adversely affect our business and results of operations.
- A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability, and adversely impact our financial results.
- Defects, errors, or vulnerabilities in our products, subscriptions, or support offerings, the failure of our products or subscriptions to block a virus or prevent a security breach or incident, misuse of our products, or risks of product liability claims could harm our reputation and adversely impact our operating results.
- Our ability to sell our products and subscriptions is dependent on the quality of our technical support services and those of our channel partners, and the failure to offer high-quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and subscriptions, our sales, and our operating results.
- Claims by others that we infringe their intellectual property rights could harm our business.
- Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products or subscriptions without compensating us.
- Our use of open source software in our products and subscriptions could negatively affect our ability to sell our products and subscriptions and subject us to possible litigation.
- We license technology from third parties, and our inability to maintain those licenses could harm our business.
- Because we depend on manufacturing partners to build and ship our hardware products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and end-customers.
- Managing the supply of our hardware products and product components is complex. Insufficient supply and inventory would result in lost sales opportunities or delayed revenue, while excess inventory would harm our gross margins.
- Our hardware products contain key components from limited sources of supply, including outside the United States, and we are susceptible to supply shortages, supply changes, and international regulations, which, in certain cases, have disrupted or delayed our scheduled product deliveries to our end-customers, increased our costs and may result in the loss of sales and end-customers.
- If we are unable to attract, retain, and motivate our key technical, sales, and management personnel, our business could suffer.
- We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.
- We are exposed to fluctuations in foreign currency exchange rates, which could negatively affect our financial condition and operating results.
- We face risks associated with having operations and employees located in Israel.
- We are subject to international trade regulations and governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.
- We may incur increased costs to comply with privacy and data protection laws and, if we fail to comply, we could be subject to government enforcement actions, private litigation and adverse publicity.
- We may have exposure to tax liabilities that are greater than anticipated.
- If our estimates or judgments, including those relating to our critical accounting policies, are based on assumptions that change or prove to be incorrect, our operating results differ from our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.
- We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or our internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.
- Failure to comply with governmental laws and regulations could harm our business.
- The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans, convertible notes, or otherwise will dilute stock held by all other stockholders.
- We may not have the ability to raise the funds necessary to settle conversions of the 2030 Notes, repurchase the 2030 Notes upon a fundamental change, or repay the 2030 Notes in cash at their maturity, and our other debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2030 Notes.
- The capped calls may affect the value of the 2030 Notes and our common stock.

Risks Related to Global Economic and Geopolitical Conditions

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

We operate globally, and as a result, our business and revenues are impacted by global economic and geopolitical conditions. The instability in the global credit markets, inflation, changes in public policies such as domestic and international legislation or regulations, changes in enforcement and administration policies, taxes, any increases in interest rates, fluctuations in foreign currency exchange rates, or international trade agreements, international trade disputes, trade regulations, tariffs and changes in tariffs, geopolitical turmoil, and other disruptions to global and regional economies and markets continue to add uncertainty to global economic conditions. Military actions or armed conflict, including the hostilities in Israel and the surrounding region, the Russia-Ukraine war and any related political or economic responses and counter-responses, and uncertainty about, or changes in, government and trade relationships, policies, and treaties could also lead to worsening economic and market conditions and geopolitical environment. In response to Russia's invasion of Ukraine, the United States, along with the European Union (the "E.U."), has imposed restrictive sanctions on Russia, Russian entities, and Russian citizens ("Sanctions on Russia"). We are subject to these governmental sanctions and export controls, which may subject us to liability if we are not in full compliance with applicable laws. Any continued or further uncertainty, weakness or deterioration in economic and market conditions or the geopolitical environment could have a material and adverse impact on our business, financial condition, and results of operations, including reductions in sales of our products and subscriptions, longer sales cycles, reductions in subscription or contract duration and value, slower adoption of new technologies, alterations in the spending patterns or priorities of current and prospective customers (including delaying purchasing decisions), increased costs for the chips and components to manufacture our products, and increased price competition.

Risks Related to Our Business

RISKS RELATED TO OUR GROWTH

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

We have experienced growth and increased demand for our products and subscriptions over recent years. As a result, our employee headcount has increased, and we expect it to continue to grow over the next year. For example, from the end of fiscal 2025 to the end of the third quarter of fiscal 2026, our headcount increased from 16,068 to 21,491 employees, including approximately 4,166 additional headcount as a result of the CyberArk acquisition. In addition, as we have grown, the number of end-customers has also increased, and we have managed more complex deployments of our products and subscriptions with larger end-customers. The growth and expansion of our business and product, subscription, and support offerings places a significant strain on our management, operational, and financial resources. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner.

We may not be able to successfully implement, scale, or manage improvements to our systems, processes, and controls in an efficient or timely manner, which could result in material disruptions of our operations and business. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We may also experience difficulties in managing improvements to our systems, processes, and controls, or in connection with third-party software licensed to help us with such improvements. Any future growth would add complexity to our organization and require effective coordination throughout our organization. Failure to manage any future growth effectively could result in increased costs, disrupt our existing end-customer relationships, reduce demand for or limit us to smaller deployments of our products, or materially harm our business performance and operating results.

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

We have experienced revenue growth rates of 21% and 15% for the nine months ended April 30, 2026 and 2025, respectively. Our revenue for any quarterly or annual period should not be relied upon as an indication of our future revenue or revenue growth for any future period. If we are unable to maintain consistent or increasing revenue or revenue growth, the market price of our common stock could be volatile, and it may be difficult for us to maintain profitability or maintain or increase cash flow on a consistent basis.

In addition, we have incurred losses in fiscal years prior to fiscal 2023. We anticipate that our operating expenses will continue to increase in the foreseeable future as we continue to grow our business. Our growth efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently, or at all, to offset increasing expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our products or subscriptions, increasing competition, a decrease in the growth of, or a demand shift in, our overall market, or a failure to capitalize on growth opportunities. We have also entered into a substantial amount of capital commitments for operating lease obligations and other purchase commitments. Any failure to increase our revenue as we grow our business could prevent us from maintaining profitability or maintaining or increasing cash flow on a consistent basis, or satisfying our capital commitments. If we are unable to navigate these challenges as we encounter them, our business, financial condition, and operating results may suffer.

Our operating results may vary significantly from period to period, which makes our results difficult to predict and could cause our results to fall short of expectations, and such results may not be indicative of future performance.

Our operating results have fluctuated in the past, and will likely continue to fluctuate in the future, as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including those factors described in this Risk Factor section. For example, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each fiscal quarter. If expected revenue at the end of any fiscal quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize (particularly for large enterprise end-customers with lengthy sales cycles), our logistics partners' inability to ship products prior to fiscal quarter-end to fulfill purchase orders received near the end of a fiscal quarter, our failure to manage inventory to meet demand, any failure of our systems related to order review and processing, or any delays in shipments based on trade compliance requirements (including new compliance requirements imposed by new or renegotiated trade agreements), our revenue could fall below our expectations and the estimates of analysts for that quarter. Due to these fluctuations, comparing our revenue, margins, or other operating results on a period-to-period basis may not be meaningful, and our past results should not be relied on as an indication of our future performance.

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

Seasonality may cause fluctuations in our revenue.

We believe there are seasonal factors that may cause our second and fourth fiscal quarters to record greater revenue sequentially than our first and third fiscal quarters. We believe that this seasonality results from a number of factors, including:

- end-customers with a December 31 fiscal year-end choosing to spend remaining unused portions of their discretionary budgets before their fiscal year-end, which potentially results in a positive impact on our revenue in our second fiscal quarter;
- our sales compensation plans, which are typically structured around annual quotas and commission rate accelerators, which potentially results in a positive impact on our revenue in our fourth fiscal quarter; and
- the timing of end-customer budget planning at the beginning of the calendar year, which can result in a delay in spending at the beginning of the calendar year, potentially resulting in a negative impact on our revenue in our third fiscal quarter.

As we continue to grow, seasonal or cyclical variations in our operations may become more pronounced, and our business, operating results, and financial position may be adversely affected.

RISKS RELATED TO OUR PRODUCTS AND TECHNOLOGY

If we are unable to sell new and additional product, subscription, and support offerings to our end-customers, especially to large enterprise customers, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our portfolio with existing end-customers, especially large enterprise customers, including through our platformization strategy, and create demand for our new offerings. The rate at which our end-customers purchase additional products, subscriptions, and support depends on a number of factors, including the perceived need for additional security products, including subscription and support offerings, as well as general economic conditions. If our efforts to sell additional products and subscriptions to our end-customers are not successful, our revenues may grow more slowly than expected or decline.

Sales to large enterprise end-customers, which is part of our growth strategy, involve risks that may not be present, or that are present to a lesser extent, with sales to smaller entities, such as (a) longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our products, subscriptions, and support, and (b) increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements. Deployments for large enterprise end-customers are also more complex, require greater product functionality, scalability, and a broader range of services, and are more time-consuming and resource-consuming. All of these factors add further risk to business conducted with these end-customers. Failure to realize sales from large enterprise end-customers could materially and adversely affect our business, operating results, and financial condition.

If we are unable to attract new customers, our future results of operations could be harmed.

To increase our revenue and maintain profitability, we must add new customers. To do so, we must successfully convince prospective customers of the value of adopting our solutions. We are engaging in costly marketing and sales efforts to accelerate our strategies, including platformization, and attract new customers, which may fail or may not be as successful as intended or at all. Additionally, prospective customers' decisions to purchase our solutions depend on a variety of factors, many of which are out of our control. These factors significantly impact our ability to add new customers and increase the time, resources and sophistication required to do so. For example, prospective customers may face real or perceived switching costs when switching to our solutions from legacy security vendors and products. Deployment of our solutions may require a significant commitment of resources from our customers. Any deterioration in general economic conditions, including as a result of the geopolitical environment or inflation (as well as government policies such as raising interest rates in response to inflation), have in the past caused, and may in the future cause, our current and prospective customers to delay or cut their overall security and IT operations spending. If our efforts to attract new customers are not successful, our sales may not grow as quickly as anticipated, or at all, and our business, operating results, and financial condition will be harmed.

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

Subscription and support revenue accounts for a significant portion of our revenue, comprising 80.9% of total revenue in the nine months ended April 30, 2026 and 81.6% of total revenue in the nine months ended April 30, 2025. Sales and renewals of subscription and support contracts may decline and fluctuate as a result of a number of factors, including end-customers' level of satisfaction with our products and subscriptions, the frequency and severity of subscription outages, our product uptime or latency, the prices of our products and subscriptions, and reductions in our end-customers' spending levels. Existing end-customers have no contractual obligation to, and may not, renew their subscription and support contracts after the completion of their initial contract period. Additionally, our end-customers may renew their subscription and support agreements for shorter contract lengths or on other terms that are less economically beneficial to us. If our sales of new or renewal subscription and support contracts decline, our total revenue and revenue growth rate may decline, and our business will suffer. In addition, because we recognize subscription and support revenue over the term of the relevant service period, which is typically one to five years, a decline in subscription or support contracts in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter but will negatively affect our revenue in future fiscal quarters.

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

The sales prices for our products, subscriptions, and support offerings may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products, subscriptions, and support offerings, anticipation of the introduction of new products, subscriptions, or support offerings, or promotional programs or pricing pressures. Furthermore, we anticipate that the sales prices and gross profits for our products could decrease over product life cycles. Declining sales prices could adversely affect our revenue, gross profits, and profitability.

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

Substantially all of our revenue is generated by sales through our channel partners, including distributors and resellers. For the nine months ended April 30, 2026, two distributors individually represented 10% or more of our total revenue and in the aggregate represented 31% of our total revenue. As of April 30, 2026, two distributors individually represented 10% or more of our gross accounts receivable and in the aggregate represented 29% of our gross accounts receivable.

We provide our channel partners with specific training and programs to assist them in selling our products, including subscriptions and support offerings, but there can be no assurance that these steps will be utilized or effective. In addition, our channel partners may be unsuccessful in marketing, selling, and supporting our products and subscriptions. We may not be able to incentivize these channel partners to sell our products and subscriptions to end-customers and, in particular, to large enterprises. These channel partners may also have incentives to promote our competitors' products and may devote more resources to the marketing, sales, and support of competitive products. Our agreements with our channel partners may generally be terminated for any reason by either party with advance notice prior to each annual renewal date. We cannot be certain that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. In addition, any new channel partner requires extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or subscriptions to end-customers or violate laws or our corporate policies. If we fail to effectively manage our sales channels or channel partners, our ability to sell our products and subscriptions and operating results will be harmed.

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

Most of our sales are made on an open credit basis. Beyond our open credit arrangements, we have also experienced demands for customer financing and deferred payments due to, among other things, macro-economic conditions. Increases in deferred payments result in payments being made over time, negatively impacting our short-term cash flows, and subject us to risk of non-payment by our customers, including as a result of insolvency. We monitor customer payment capability in granting such financing arrangements, seek to limit the amounts to what we believe customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts to mitigate credit risks of these customers. However, there can be no assurance that these programs will be effective in reducing our credit risks. To the degree that turmoil in the credit markets makes it more difficult for some customers to obtain financing, those customers' ability to pay could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

Our exposure to the credit risks relating to the financing activities described above may increase if our customers are adversely affected by a global economic downturn or periods of economic uncertainty. If we are unable to adequately control these risks, our business, operating results, and financial condition could be harmed. In addition, in the past, we have experienced non-material losses due to bankruptcies among customers. If these losses increase due to global economic conditions, they could harm our business and financial condition.

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

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. The substantial majority of our sales to date to government entities have been made indirectly through our channel partners. Government certification or technical requirements for products and subscriptions like ours may change, thereby restricting our ability to sell into the federal government sector until we have attained the revised certification or technical requirements. If our products and subscriptions are late in achieving or fail to achieve compliance with these certifications and standards or technical requirements, or our competitors achieve compliance with these certifications and standards or technical requirements, we may be disqualified from selling our products, subscriptions, and support offerings to such governmental entity, or be at a competitive disadvantage, which would harm our business, operating results, and financial condition. Government entity demand and payment for our products, subscriptions, and support offerings may be impacted by government shutdowns, changes in governmental administrations, public sector budgetary cycles, fiscal policies, contracting policies or requirements, funding authorizations, and efforts by a government to evaluate and reduce overall government spending and analyze and enhance its operational efficiency, with funding reductions or delays adversely affecting public sector demand for our products, subscriptions, and support offerings. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our products, subscriptions, and support offerings, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely impact our operating results in a material way. Additionally, the U.S. government may require certain of the products that it purchases to be manufactured in the United States or other relatively high-cost manufacturing locations, and we may not manufacture all products in locations that meet such requirements, affecting our ability to sell these products, subscriptions, and support offerings to the U.S. government.

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

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

- large companies that incorporate security or observability features in their products, such as Alphabet, Cisco, and Microsoft or those that have acquired, or may acquire, security vendors and have the technical and financial resources to bring competitive solutions to the market;
- independent vendors that may offer a mix of security products, such as CheckPoint, Crowdstrike, Delinea, Fortinet, Okta, SailPoint, and Zscaler, vendors that may offer a mix of observability products, such as DataDog, Dynatrace, and Elastic, or vendors that may offer a mix of security and observability products;
- startups and point-product vendors that offer independent or emerging solutions across various areas of security; and
- public cloud vendors and startups that offer solutions for cloud security (private, public, and hybrid cloud).

Some of our competitors have or may attain greater financial, technical, marketing, sales, and other resources, greater name recognition, longer operating histories, and a larger base of customers than we do. They may be able to devote greater resources to the promotion and sale of products and services than we can, and they may offer lower pricing than we do. Further, they may have greater resources for research and development of new technologies, the provision of customer support, and the pursuit of acquisitions or other strategic investments. They may also have larger and more mature intellectual property portfolios, and broader and more diverse product and service offerings, which allow them to leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products and subscriptions, including incorporating cybersecurity features into their existing products or services and product bundling, selling at zero or negative margins, and offering concessions or a closed technology offering. Some competitors may have broader distribution and established relationships with distribution partners and end-customers. Other competitors specialize in providing protection from a single type of security threat, which may allow them to deliver these specialized security products to the market more quickly than we can.

The maturity and expansion of the enterprise cybersecurity space may attract new players, such as enterprise software companies in related or adjacent industries. In addition, larger vendors, including the cloud hyperscalers and other cybersecurity companies with specialized or broad platforms, may meaningfully enter or further expand into additional cybersecurity categories, including the identity security category. This additional competition could adversely impact our business.

We also face competition from companies that have entrenched legacy offerings at end-user customers. End-user customers have also often invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking and security products. As a result, these organizations may prefer to purchase from their existing suppliers rather than add or switch to a new supplier such as us. In addition, as our customers refresh the security products bought in prior years, they may seek to consolidate vendors, which may result in current customers choosing to purchase products from our competitors. Due to budget constraints or economic downturns, organizations may add solutions to their existing network security infrastructure rather than replacing it with our products and subscriptions.

Conditions in our market could change rapidly and significantly as a result of technological advancements, including with respect to artificial intelligence ("AI"), partnering, acquisitions or strategic investments by our competitors, or continuing market consolidation. Our competitors and potential competitors may be able to develop new or disruptive technologies, products, or services, and leverage new business models that are equal or superior to ours, achieve greater market acceptance of their products and services, disrupt our markets, and increase sales by utilizing different distribution channels than we do. In addition, new and enhanced technologies, including AI and machine learning, continue to increase our competition, and our competitors may more successfully incorporate AI into their products, gain or leverage superior access to certain AI technologies, and achieve higher market acceptance of their AI solutions. To compete successfully, we must accurately anticipate technology developments and deliver innovative, relevant, and useful products, services, and technologies in a timely manner. Some of our competitors have made or could make acquisitions of businesses that may allow them to offer more directly competitive and comprehensive solutions than they had previously offered and adapt more quickly to new technologies and end-customer needs. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources or product or service offerings.

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

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

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

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

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

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

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

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

Our recent CyberArk acquisition has expanded the scope and size of our business by adding substantial assets and operations to our existing business. The anticipated future growth of our business may impose significant added responsibilities on our senior management, and our senior management's attention may be diverted from the management of our business and its day-to-day operations to the integration of the CyberArk acquisition. The integration process for CyberArk could create uncertainty for our and CyberArk's employees, partners, and customers and result in disruption to existing business relationships and the development of new business relationships.

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

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

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

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

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

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

In addition, we must continually change our products and expand our business strategy in response to changes in network infrastructure requirements, including the expanding use of cloud computing. For example, organizations are moving portions of their data to be managed by third parties, primarily infrastructure, platform, and application service providers, and may rely on such providers' internal security measures. While we have historically been successful in developing, acquiring, and marketing new products and product enhancements that respond to technological change and evolving industry standards, we may not be able to continue to do so, and there can be no assurance that our new or future offerings will be successful or will achieve widespread market acceptance. If we fail to accurately predict and address end-customers' changing needs and emerging technological trends in the enterprise security industry, including in the areas of AI, mobility, virtualization, cloud computing, and software-defined networks, our business could be harmed.

The technology in our portfolio is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack, while minimizing the impact on network performance. Additionally, some of our new features and related enhancements may require us to develop new hardware architectures that involve complex, expensive, and time-consuming research and development processes. The development of our portfolio is difficult and the timetable for commercial release and availability is uncertain as there can be long time periods between releases and availability of new features. If we experience unanticipated delays in the availability of new products, features, and subscriptions, and fail to meet customer expectations for such availability, our competitive position and business prospects will be harmed.

The success of new features depends on several factors, including appropriate new product definition, differentiation of new products, subscriptions, and features from those of our competitors, and market acceptance of these products, services, and features. Moreover, successful new product introduction and transition depends on a number of factors, including our ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies, especially in the early stages of introduction. There can be no assurance that we will successfully identify opportunities for new products and subscriptions, develop and bring new products and subscriptions to market in a timely manner, achieve market acceptance of our products and subscriptions, or that products, subscriptions, and technologies developed by others will not render our products, subscriptions, and technologies obsolete or noncompetitive.

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

We have incorporated, and are continuing to develop and deploy, AI into many of our products and solutions, including services that support our products and solutions. We are also incorporating AI into the operations of our business. AI presents challenges, risks, and potentially unintended consequences that could affect our products and solutions, and the operations of our business. For example, AI algorithms may have flaws, and datasets used to train AI models may be insufficient or contain biased information. The AI that is being incorporated into our products, solutions, and business operation tools may not be successful or beneficial, and instead may cause technical, legal or ethical problems or result in increased costs. The investments that we are making across our business in AI reflect our ongoing efforts to innovate and provide products and services that are useful to our customers, as well as provide efficiencies in our business. Such investments ultimately may not be commercially viable or may not result in an adequate return of capital and we may incur unanticipated liabilities.

In addition, vulnerabilities within our AI systems or solutions may be identified by researchers or malicious actors before we detect or remediate them, which could result in security incidents, reputational damage, or loss of customer confidence. Advances in AI may also increase the speed, scale, and sophistication of vulnerability discovery and related cybersecurity threat activity more broadly, including with respect to our products and services. AI capabilities may reduce the time between vulnerability discovery and attempted or actual exploitation, increase the number of potential attack paths that malicious actors can evaluate, and potentially make certain attack techniques more accessible, scalable, and difficult to detect. To the extent customers, investors, or other market participants perceive that AI tools can automate or commoditize aspects of vulnerability identification, automated patching and other cybersecurity functions, the perceived value of certain cybersecurity solutions could diminish, and customer buying patterns, competitive dynamics, and demand for certain of our product and service offerings could be adversely affected. In addition, investor and market perceptions regarding AI-related disruption to the cybersecurity industry, including speculation or doubt about whether AI will displace, commoditize, or diminish demand for certain cybersecurity solutions, or about the relative positioning of incumbents versus AI-native entrants, could adversely affect the our business, results of operations, or the trading price and volatility of our common stock, even if these perceptions do not reflect actual changes in our business, customer demand, competitive position, or financial performance.

The rapid evolution of AI, including potential government regulation of AI, requires us to invest significant resources to develop, test, and maintain AI in our products and services in a manner that meets evolving requirements and expectations. The rules and regulations adopted by policymakers over time may require us to make changes to our business practices, and our efforts and investments regarding AI could subject us to regulatory risk, legal liability, including under legislation regulating AI in jurisdictions such as the E.U. and laws and regulations being considered in other jurisdictions, or brand or reputational harm. Developing, testing, and deploying AI systems may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems.

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

A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability, and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on an ongoing basis. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), phishing attempts, employee theft or misuse, and denial of service attacks, sophisticated nation-state and nation-state supported actors engage in intrusions and attacks (including advanced persistent threat intrusions and supply chain attacks), and add to the risks to our internal networks, cloud-deployed enterprise and customer-facing environments and the information they store and process. Incidences of cyberattacks and other cybersecurity breaches and incidents have increased and are likely to continue to increase. We and our third-party service providers face security threats and attacks from a variety of sources. Despite our efforts and processes to prevent breaches of our internal networks, systems, and websites, our data, corporate systems, and security measures, as well as those of our third-party service providers, are still vulnerable to computer viruses, break-ins, phishing attacks, ransomware attacks, or other types of attacks from outside parties, or breaches due to employee error, malfeasance, or some combination of these. In addition, the adoption of AI poses risks. AI can be exploited by malicious actors to develop advanced cyberattacks, bypass security measures, and exploit system vulnerabilities, including potentially identifying weaknesses in our systems before we become aware of or can remediate them. We cannot guarantee that the measures we have taken to protect our networks, systems, and websites will provide adequate security. Furthermore, as a well-known provider of security solutions, we may be a more attractive target for such attacks. The Russia-Ukraine war and associated activities in Ukraine and Russia may increase the risk of cyberattacks on various types of infrastructure and operations, and the United States government has warned companies to be prepared for additional Russian cyberattacks in response to the Sanctions on Russia.

A security breach or incident, or an attack against our service availability suffered by us, or our third-party service providers, could impact our networks or networks secured by our products and subscriptions, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products. In addition, the information stored or otherwise processed on our networks, or those of our third-party service providers, has previously been, and could in the future be, accessed, publicly disclosed, altered, lost, stolen, rendered unavailable, or otherwise used or processed without authorization, which could subject us to liability and cause us financial harm. Any actual or perceived breach of security in our systems or networks, or any other actual or perceived data security incident we or our third-party service providers suffer, could result in significant damage to our reputation, negative publicity, loss of channel partners, end-customers, and sales, loss of competitive advantages over our competitors, increased costs to remedy any problems and otherwise respond to any incident, regulatory investigations and enforcement actions, demands, costly litigation, and other liability. In addition, we may incur significant costs and operational consequences of investigating, remediating, eliminating, and putting in place additional tools, devices, and other measures designed to prevent actual or perceived security breaches and other security incidents, as well as the costs to comply with any notification obligations resulting from any security incidents. Any of these negative outcomes could adversely impact the market perception of our products and subscriptions and end-customer and investor confidence in our company and could seriously harm our business or operating results.

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

Because our products and subscriptions are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by our end-customers. For example, from time to time, certain of our end-customers have reported defects in our products related to performance, scalability, and compatibility. Additionally, defects or vulnerabilities may cause our products or subscriptions to become partially or fully unavailable temporarily or permanently, to be vulnerable to security attacks, cause them to fail to help secure networks, or interrupt end-customers' networking traffic, or the availability of other information technology infrastructure or systems. For example, in November 2024, we became aware of an authentication bypass vulnerability through the management web interface of certain versions of our PAN-OS software. To remediate the matter, we published a security advisory to advise customers, provided software updates for affected PAN-OS versions, and engaged in customer outreach, support and remediation efforts for potentially impacted customers. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect our end-customers' networks. In addition, due to the Russia-Ukraine war, there could be a significant increase in Russian cyberattacks against our customers, resulting in an increased risk of a security breach of our end-customers' systems.

Furthermore, defects or errors in products or software, or migrations or updates to those products or software, could result in a failure to effectively update end-customers' hardware and cloud-based products or otherwise cause problems in our customers' hardware, networks or information technology infrastructure or systems. The data centers, networks, and cloud infrastructure that we use to deliver our products and services may experience technical failures and downtime or may fail to meet the increased requirements of a growing installed end-customer base, any of which could temporarily or permanently expose our end-customers' networks, leaving their networks unprotected against the latest security threats. Moreover, our products must interoperate with our end-customers' existing infrastructure, which often have varied specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. Any such technical failure, downtime or failures in general may temporarily or permanently disable our end-customers' networks, information technology infrastructure or other systems, or expose our end-customers' networks to attacks from security threats.

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

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

Further, our products and subscriptions may be misused by end-customers or third parties that obtain access to our products and subscriptions. For example, our products and subscriptions could be used to censor private access to certain information on the Internet. Such use of our products and subscriptions for censorship could result in negative press coverage and negatively affect our reputation.

The limitation of liability provisions in our standard terms and conditions of sale may not fully or effectively protect us from claims as a result of federal, state, or local laws or ordinances, or unfavorable judicial decisions in the United States or other countries. The sale and support of our products and subscriptions also entails the risk of product liability claims. Although we may be indemnified by our third-party manufacturers for product liability claims arising out of manufacturing defects, because we control the design of our products and subscriptions, we may not be indemnified for product liability claims arising out of design defects. While we maintain insurance coverage for certain types of losses, our insurance coverage may not adequately cover any claim asserted against us, if at all. In addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation, divert management’s time and other resources, and harm our reputation.

In addition, our classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories may falsely detect, report, and act on applications, content, or threats that do not actually exist. This risk is heightened by the inclusion of a “heuristics” feature in our products and subscriptions, which attempts to identify applications and other threats not based on any known signatures but based on characteristics or anomalies which indicate that a particular item may be a threat. These false positives may impair the perceived reliability of our products and subscriptions and may therefore adversely impact market acceptance of our products and subscriptions and could result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation.

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

After our products and subscriptions are deployed within our end-customers’ networks, our end-customers depend on our technical support services, as well as the support of our channel partners, to resolve any issues relating to our products. Many larger enterprise, service provider, and government entity end-customers have more complex networks and require higher levels of support than smaller end-customers. If our channel partners do not effectively provide support to the satisfaction of our end-customers, we may be required to provide direct support to such end-customers, which would require us to hire additional personnel and to invest in additional resources. If we are not able to hire such resources fast enough to keep up with unexpected demand, support to our end-customers will be negatively impacted, and our end-customers’ satisfaction with our products and subscriptions will be adversely affected. Additionally, to the extent that we may need to rely on our sales engineers to provide post-sales support while we are ramping up our support resources, our sales productivity will be negatively impacted, which would harm our revenues. Accordingly, our failure, or our channel partners’ failure, to provide and maintain high-quality support services could have a material adverse effect on our business, financial condition, and operating results.

RISKS RELATED TO INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSING

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

Companies in the enterprise security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. In addition, non-practicing entities also frequently bring claims of infringement of intellectual property rights. Third parties are asserting, have asserted, and may in the future assert claims of infringement of intellectual property rights against us. For example, on January 31, 2024, in the Centripetal Networks, Inc. lawsuit against us, a jury returned a verdict of non-willful infringement, and, after post-trial motions, a judgment was issued in the lawsuit on October 3, 2024 assessing a lump sum damages amount of $114 million, plus statutory interest, which is currently on appeal. Additional examples of patent infringement cases have been disclosed in Note 11. Commitments and Contingencies in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

While we have been increasing the size of our patent portfolio, our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, litigation has involved and will likely continue to involve patent-holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. In addition, we have not registered our trademarks in all of our geographic markets and failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business, and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. A successful claimant could secure a judgment, or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, royalties, or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

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

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

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or subscriptions or obtain and use information that we regard as proprietary. We generally enter into confidentiality or license agreements with our employees, consultants, vendors, and end-customers, and generally limit access to and distribution of our proprietary information. However, we cannot be certain that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached. We cannot guarantee that any of the measures we have taken will prevent misappropriation of our technology. Because we may be an attractive target for computer hackers, we may have a greater risk of unauthorized access to, and misappropriation of, our proprietary information. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. From time to time, we may need to take legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, and financial condition. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. If we are unable to protect our proprietary rights (including aspects of our software and products protected other than by patent rights), we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date. Any of these events would have a material adverse effect on our business, financial condition, and operating results.

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

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

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

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that our processes for controlling our use of open source software in our products and subscriptions will be effective.

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

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

RISKS RELATED TO OPERATIONS

Because we depend on manufacturing partners to build and ship our hardware products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and end-customers.

We depend on manufacturing partners, primarily our EMS provider, Flex, to manufacture our hardware product lines. Our substantial reliance on Flex, as well as other manufacturing partners subjects us to potential concentration risks, such as reduced control over the manufacturing process, quality assurance, product costs, product supply, and timing. Our hardware products are manufactured by our manufacturing partners at facilities located primarily in the United States. Some of the components in our products are sourced either through Flex or directly by us from component suppliers outside the United States. The portion of our hardware products that are sourced outside the United States may subject us to geopolitical risks, additional logistical risks, risks associated with international trade agreements, international trade disputes, trade regulations, tariffs, or risks associated with complying with local rules and regulations in foreign countries.

Significant changes to existing international trade agreements, tariffs, or trade regulations could lead to sourcing or logistics disruption resulting from import delays or the imposition of increased tariffs on our sourcing partners. For example, the United States and Chinese governments have each enacted, and discussed additional, import tariffs. Some components that we import for final manufacturing in the United States have been impacted by these tariffs. As a result, our costs have increased and we have raised, and may be required to further raise, prices on our hardware products in response to these and potential new trade regulations.

Our manufacturing partners typically fulfill our supply requirements on the basis of individual purchase orders. We do not have long-term contracts with these manufacturers that guarantee capacity, the continuation of particular pricing terms, or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements and the prices we pay for manufacturing services could be increased on short notice. Our contract with Flex permits them to terminate the agreement for their convenience, subject to prior notice requirements. If we are required to change manufacturing partners, our ability to meet our scheduled product deliveries to our end-customers could be adversely affected, which could cause the loss of sales to existing or potential end-customers, delayed revenue or an increase in our costs which could adversely affect our gross margins. Any production interruptions for any reason, such as a natural disaster, epidemic or pandemic, capacity shortages, or quality problems at one of our manufacturing partners would negatively affect sales of our product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

Managing the supply of our hardware products and product components is complex. Insufficient supply and inventory would result in lost sales opportunities or delayed revenue, while excess inventory would harm our gross margins.

Our manufacturing partners procure components and build our hardware products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. These forecasts are based on historical trends and analysis, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and non-returnable.

Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to forecast accurately and effectively manage supply of our hardware products and product components. If we ultimately determine that we have excess supply, we may have to reduce our prices and write-down inventory, which in turn could result in lower gross margins. If our actual component usage and product demand are lower than the forecast we provide to our manufacturing partners, we accrue for losses on manufacturing commitments in excess of forecasted demand. Alternatively, insufficient supply levels may lead to shortages that result in delayed hardware product revenue or loss of sales opportunities altogether as potential end-customers turn to competitors' products that are readily available. If we are unable to effectively manage our supply and inventory, our operating results could be adversely affected.

Our hardware products contain key components from limited sources of supply, including outside the United States, and we are susceptible to supply shortages, supply changes, and international regulations, which, in certain cases, have disrupted or delayed our scheduled product deliveries to our end-customers, increased our costs and may result in the loss of sales and end-customers.

Our hardware products rely on key components, including integrated circuit components, which our manufacturing partners purchase on our behalf from a limited number of component suppliers, including sole source providers. The manufacturing operations of some of our component suppliers are geographically concentrated in Asia and elsewhere, which makes our supply chain vulnerable to regional disruptions, such as natural disasters, fire, political instability, civil unrest, power outages, or health risks, and international regulations, such as tariffs, sanctions and import and export controls. In the past, we experienced supply chain disruption and have incurred increased costs resulting from inflationary pressures and changes in U.S. trade policy. We are also monitoring the tensions between China and Taiwan, and between the U.S. and China, which could have an adverse impact on our business or results of operations in future periods.

Further, we do not have volume purchase contracts with any of our component suppliers, and they could cease selling to us at any time. If we are unable to obtain a sufficient quantity of these components in a timely manner for any reason, sales of our hardware products could be delayed or halted, or we could be forced to expedite shipment of such components or our hardware products at dramatically increased costs. Our component suppliers also change their selling prices frequently in response to market trends, including industry-wide increases in demand, which changes could adversely impact our business or results of operations, including by resulting in lower gross margins. For example, there is currently a global shortage of memory-related components, which are a component in certain of our products. Accordingly, there are, and may continue to be, constraints on the availability of memory-related components, which may lead to delays in the production and delivery of certain of our products and increased costs to source available memory chips and other components. Because we do not have, for the most part, volume purchase contracts with our component suppliers, we are susceptible to price fluctuations related to raw materials and components and may not be able to adjust our prices accordingly. Additionally, poor quality in any of the sole-sourced components in our products could result in lost sales or sales opportunities.

If we are unable to obtain a sufficient volume of the necessary components for our hardware products on commercially reasonable terms or the quality of the components do not meet our requirements, we could also be forced to redesign our products and qualify new components from alternate component suppliers. The resulting stoppage or delay in selling our hardware products and the expense of redesigning our hardware products would result in lost sales opportunities and damage to customer relationships, which would adversely affect our business and operating results.

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

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

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

We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.

Our ability to grow our business and our future success will depend to a significant extent on our ability to expand our operations and customer base worldwide. Many of our customers, resellers, partners, suppliers, and manufacturers operate around the world. Operating in a global marketplace, we are subject to risks associated with having an international reach and compliance and regulatory requirements. We may experience difficulties in attracting, managing, and retaining an international staff, and we may not be able to recruit and maintain successful strategic distributor relationships internationally. Business practices in the international markets that we serve may differ from those in the United States and may require us in the future to include terms other than our standard terms related to payment, warranties, or performance obligations in end-customer contracts.

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

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

These and other factors could harm our future international revenues and, consequently, materially impact our business, operating results, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

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

Our sales contracts are primarily denominated in U.S. dollars, and therefore, a predominant amount of our revenue is not subject to foreign currency risk. However, in the event of a strengthening of the U.S. dollar against foreign currencies in which we conduct business, the cost of our products to our end-customers outside of the United States would increase, which could adversely affect our financial condition and operating results. In addition, increased international sales in the future, including through our channel partners and other partnerships or as a result of our acquisitions, may result in increased foreign currency denominated sales, increasing our foreign currency risk.

Our operating expenses incurred outside the United States and denominated in foreign currencies are generally increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with foreign currency fluctuations, our financial condition and operating results could be adversely affected.

We have entered into forward contracts in an effort to reduce our foreign currency exchange exposure related to our foreign currency denominated revenue and operating expenditures. As of April 30, 2026, the total notional amount of our outstanding foreign currency forward contracts was $1.2 billion. For more information on our hedging transactions, refer to Note 6. Derivative Instruments in Part I, Item 1 of this Quarterly Report on Form 10-Q. The effectiveness of our existing hedging transactions and the availability and effectiveness of any hedging transactions we may decide to enter into in the future may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results.

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

We have business operations in Israel, which meaningfully expanded as a result of the acquisition of CyberArk, and we intend to continue growing our presence in Israel. Our operations in Israel could be disrupted by political instability, civil unrest, terrorist attacks, acts of violence, acts of war, or other military actions, including the hostilities in Israel and the surrounding region. The future of peace efforts between Israel and its Arab neighbors remains uncertain. The effects of hostilities and violence on the Israeli economy and our operations in Israel are unclear, and we cannot predict the effect on us of further increases in these hostilities or future armed conflict, political instability, or violence in the region. Current or future tensions and conflicts in the Middle East could adversely affect our business, operating results, financial condition, and cash flows. For example, the recent military conflict involving Iran could escalate in the future and adversely affect our business and operations in Israel.

In addition, many of our employees in Israel are obligated to perform annual reserve duty in the Israeli military and are subject to being called for active duty under emergency circumstances, which has occurred as a result of hostilities in Israel and the surrounding region. We cannot predict the full impact of these conditions on us in the future, particularly if emergency circumstances or an escalation in the political situation or hostilities occurs. If many of our employees in Israel are called for active duty for a significant period of time, our operations and our business could be disrupted and may not be able to function at full capacity. Any disruption in our operations in Israel could adversely affect our business.

We are subject to international trade regulations and governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Because we incorporate encryption technology into our products, certain of our products are subject to U.S. export controls and may be exported outside the United States only with the required export license or through an export license exception. If we were to fail to comply with U.S. export licensing requirements, U.S. customs regulations, U.S. economic sanctions, or other laws or regulations, we could be subject to substantial civil and criminal penalties, including fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments, and persons. Even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions, such as the Sanctions on Russia, or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets would likely adversely affect our business, financial condition, and operating results.

International trade laws and regulations continuously evolve to address technological developments and changes in geopolitical conditions. New regulations or other governmental restrictions that may result from these circumstances could inhibit our ability to transact with foreign suppliers, customers, or other business partners. Monitoring and responding to these developments may require significant resources, and failure to comply with resulting regulations and restrictions may have an adverse impact on our business or results of operation.

RISKS RELATED TO PRIVACY AND DATA PROTECTION

We may incur increased costs to comply with privacy and data protection laws and, if we fail to comply, we could be subject to government enforcement actions, private litigation and adverse publicity.

A wide variety of laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data in jurisdictions where we and our customers operate. Compliance with these laws and regulations is difficult and costly. These laws and regulations are also subject to frequent, inconsistent and unexpected changes; new, modified or additional laws or regulations may be adopted; and rulings that invalidate prior laws, regulations, or interpretations of such laws or regulations may be issued. For example, we are subject to the E.U. General Data Protection Regulation ("E.U. GDPR") and the U.K. General Data Protection Regulation ("U.K. GDPR," and collectively the "GDPR"), each of which imposes stringent data protection requirements, provides for costly penalties for noncompliance (up to the greater of (a) €20 million under the E.U. GDPR or £17.5 million under the U.K. GDPR, and (b) 4% of annual worldwide turnover), and confers the right upon data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations.

The GDPR imposes restrictions, among other things, on the transfer of personal data outside of the European Economic Area ("EEA") (or, in the case of the U.K. GDPR, the U.K.) to non-EEA countries, such as the United States, unless adequate safeguards are implemented or a derogation applies. In practice, we rely on standard contractual clauses approved under the GDPR to carry out such transfers and to receive personal data subject to the GDPR (directly or indirectly) in the United States. In addition, with respect to the personal data that we process on behalf of our customers, we self-certified to the E.U.-U.S. Data Privacy Framework ("E.U.-U.S. DPF"), the UK Extension to the E.U.-U.S. DPF, and the Swiss-U.S. Data Privacy Framework (collectively, the "DPF"), as set forth by the U.S. Department of Commerce, regarding transfers of certain personal data from the E.U., the U.K., and Switzerland to the United States. The DPF has been recognized as adequate under applicable law to allow transfers of personal data from the E.U., U.K., and Switzerland, as the case may be, to companies in the U.S. that have self-certified to the framework. However, the DPF may be subject to legal challenges, which could invalidate its use, disrupt our ability to rely on such data transfer mechanisms, and otherwise cause the legal requirements for such data transfers to be uncertain.

In addition, the U.K. Data (Use and Access) Act 2025, enacted on June 19, 2025, includes changes to the U.K.'s data protection regime that cause it to deviate from the GDPR. This creates new compliance challenges and uncertainty, including with respect to the European Commission's adequacy determination for the U.K.'s data protection regime.

Among other effects of these developments, we may experience additional costs associated with increased compliance burdens, reduced demand for our offerings from current or prospective customers in the EEA, Switzerland, and the U.K. (collectively, "Europe") to use our products, on account of the risks identified in the *Schrems II* decision or other developments relating to cross-border data transfers, and we may find it necessary or desirable to make further changes to our processing of personal data of European residents. The regulatory environment applicable to the handling of European residents' personal data and cross-border data transfers, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs. Moreover, much like with *Schrems II*, we anticipate future legal challenges to the approved data transfer mechanisms between Europe and the United States, including a challenge to the E.U.-U.S. DPF. Such legal challenges could result in additional legal and regulatory risk, compliance costs, and in our business, operating results, and financial condition being harmed.

We are also subject to the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the "CCPA"). The CCPA requires, among other things, covered businesses to provide enhanced disclosures to California consumers and to afford such consumers certain rights regarding their personal data, including the right to opt out of data sales for targeted advertising, and creates a private right of action to individuals affected by a data breach, if the breach was caused by a lack of reasonable security. The effects of the CCPA have been significant, requiring us to modify our data processing practices and policies and to incur substantial costs and expenses for compliance. Moreover, other U.S. states have enacted laws relating to privacy and security that are potentially relevant to us. These include laws enacted in at least 22 U.S. states. The U.S. Department of Justice also has issued rules regarding access to, or transfer of, certain bulk sensitive personal data by countries of concern. Increasingly complex federal or state laws and regulations relating to privacy and security, and interpretations and enforcement of existing laws and regulations relating to these matters, may require us to modify our data practices and policies, incur substantial compliance costs and expenses, and add further complexity to our compliance efforts that could adversely affect our business or increase our potential liability if we fail to comply or are alleged to have done so.

In addition, we are subject to federal privacy and security standards regarding the protection of individually identifiable health information under the Health Insurance Portability and Accountability Act as amended by the Health Information Technology for Economic and Clinical Health Act ("HIPPA") and these carry significant enforcement penalties for non-compliance. Failure to comply with HIPAA can result in an injunction, regulatory action, civil monetary penalties, or in certain circumstances, criminal penalties with fines and/or imprisonment. We operate as a HIPAA business associate for certain of our customers and, therefore, must comply with applicable administrative, technical, and physical safeguards required by HIPAA. If we are unable to comply with our obligations as a HIPAA business associate, in addition to potential regulatory enforcement actions, we also could face contractual liability under applicable business associate agreements.

We may also from time to time be subject to obligations relating to personal data by contract, or face assertions that we are subject to self-regulatory obligations or industry standards. Additionally, the Federal Trade Commission and many state attorneys general are more regularly bringing enforcement actions in connection with federal and state consumer protection laws for false or deceptive acts or practices in relation to the online collection, use, dissemination, and security of personal data.

We and our customers may face risk of enforcement actions by regulators or data protection authorities, private litigation and adverse publicity including reputational damage and loss of customer confidence for alleged violations of any of the foregoing obligations. Any such claims could result in substantial costs, ongoing remedial, audit and reporting obligations, and diversion of resources, and distract management and technical personnel. These potential liabilities and enforcement actions could also have an overall negative effect on our business, operating results, and financial condition. The amount and scope of insurance we maintain may not cover all types of claims that may arise.

New legislation affecting the scope of personal data and personal information where we or our customers and partners have operations, especially relating to classification of Internet Protocol ("IP") addresses, machine identification, AI and machine learning, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing or uses of data, and may require significant expenditures and efforts in order to comply. Internationally, data localization laws may mandate that personal data collected in a foreign country be processed and stored within that country, which may require us to restructure our cloud infrastructure at significant cost. Notably, public perception of potential privacy, data protection, or information security concerns—whether or not valid—may harm our reputation and inhibit adoption of our products and subscriptions by current and future end-customers. Each of these laws and regulations, and any changes to these laws and regulations, or new laws and regulations, could impose significant limitations, or require changes to our business model or practices or growth strategy, which may increase our compliance expenses and make our business more costly or less efficient to conduct.

Tax, Accounting, Compliance, and Regulatory Risks

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

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

In addition, our future income tax obligations and effective tax rates could be adversely affected by changes in, or interpretations of, tax laws, regulations, policies, or decisions in the United States or in the other jurisdictions in which we operate including as a result of the U.S. federal tax legislation commonly referred to as the One Big Beautiful Bill Act, which was signed into law on July 4, 2025. In addition, our effective tax rates could be affected by fluctuations in the market price of our common stock and changes in the fair value of CyberArk's $1.25 billion aggregate principal amount of 0.00% Convertible Senior Notes due 2030 (the "2030 Notes") and the fair value of the capped calls we acquired in connection with the CyberArk acquisition. If our future tax obligations or effective tax rates increase as a result of these or other factors, it could have an adverse effect on our financial condition and operating results.

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

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

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

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

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

There is an evolving and varied focus from regulators, investors, customers, and other stakeholders concerning corporate responsibility matters, both in the United States and internationally. We communicate certain corporate responsibility-related initiatives, goals, and/or commitments regarding sustainability matters, inclusion, responsible sourcing, community impact, and other matters in our annual Corporate Responsibility Report, on our website, in our filings with the SEC, and elsewhere. These initiatives, goals, or commitments could be difficult to achieve and costly to implement and we may fail to achieve, or be perceived to fail to achieve them. In addition, we could be criticized for the timing, scope or nature of these initiatives, goals, or commitments, or for any revisions to them. To the extent that our required and voluntary disclosures about corporate responsibility matters increase, we could be criticized for the accuracy, adequacy, or completeness of such disclosures. Our actual or perceived failure to achieve our corporate responsibility-related initiatives, goals, or commitments could negatively impact our reputation, result in corporate responsibility-focused investors not purchasing and holding our stock, or otherwise materially harm our business.

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

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

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, privacy, data security, and data-protection laws, anti-bribery laws (including the U.S. Foreign Corrupt Practices Act and the U.K. Anti-Bribery Act), import/export controls, federal securities laws, and tax laws and regulations. These laws and regulations may also impact our innovation and business drivers in developing new and emerging technologies (e.g., AI and machine learning). In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation resulting from any alleged noncompliance, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees. Enforcement actions, litigation, and sanctions could harm our business, operating results, and financial condition.

Risks Related to Our Common Stock and CyberArk's Convertible Notes

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

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

- announcements of new products, subscriptions or technologies, commercial relationships, strategic partnerships, acquisitions, or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- news announcements that affect investor perception of our industry, including reports related to the discovery of significant cyberattacks;
- significant volatility in the market price and trading volume of technology companies in general and of companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of securities analysts or investors, whether as a result of our forward-looking statements, our failure to meet such expectations or otherwise;
- inaccurate or unfavorable research reports about our business and industry published by securities analysts or reduced coverage of our company by securities analysts;
- litigation involving us, our industry, or both;
- actions instituted by activist shareholders or others;
- regulatory developments in the United States, foreign countries, or both;
- major catastrophic events;
- sales or repurchases of large blocks of our common stock or substantial future sales by our directors, executive officers, employees, and significant stockholders;
- issuances or sales of shares of our common stock, including as part of a capital-raising transaction or as consideration in or in connection with acquisitions;
- issuances or sales of debt or securities convertible into or exchangeable for shares of our common stock, including in connection with acquisitions;
- departures of key personnel; or
- geopolitical or economic uncertainty around the world.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Securities litigation could result in substantial costs, divert our management's attention and resources from our business, and have a material adverse effect on our business, operating results, and financial condition.

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

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

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

As of April 30, 2026, we had $1.0 billion available under our share repurchase program which will expire on December 31, 2026 and may be suspended or discontinued at any time without prior notice. Although our board of directors has authorized a share repurchase program, we are not obligated to repurchase any specific dollar amount or to acquire any specific number of shares under the program. The share repurchase program could affect the price of our common stock, increase volatility, and diminish our cash reserves. In addition, the program may be suspended or terminated at any time, which may result in a decrease in the price of our common stock.

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

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

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

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

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

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

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

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

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

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

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

The capped calls may affect the value of the 2030 Notes and our common stock.

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

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

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

General Risk Factors

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

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. In addition, other natural disasters, such as fire or floods, a significant power outage, telecommunications failure, terrorism, an armed conflict, cyberattacks, epidemics and pandemics, or other geopolitical unrest could affect our supply chain, manufacturers, logistics providers, channel partners, end-customers, or the economy as a whole, and such disruption could impact our shipments and sales. These risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, the loss of customers, or the delay in the manufacture, deployment, or shipment of our products, our business, financial condition, and operating results would be adversely affected.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products and subscriptions could reduce our ability to compete and could harm our business.

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

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

Unregistered Sales of Equity Securities

During the three months ended April 30, 2026, we issued a total of 346,107 shares of our unregistered common stock in connection with an acquisition (the “Transaction”). The Transaction did not involve any underwriters, any underwriting discounts or commissions, or any public offering. The issuances of the securities pursuant to the Transaction were exempt from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes stock repurchases during the three months ended April 30, 2026 (in millions, except per share amounts):

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1]**
February 1, 2026 to February 28, 2026[2]	7	$ 147.93	7	$ —
March 1, 2026 to March 31, 2026[2]	—	$ 165.68	—	$ 1,000
April 1, 2026 to April 30, 2026[2]	—	$ 160.55	—	$ 1,000
Total	7	$ 147.94	7	

[1] In February 2019, we announced that our board of directors authorized a $1.0 billion share repurchase program, which is funded from available working capital. We subsequently announced additional increases to this share repurchase program, bringing the total authorization to $5.1 billion, with $1.0 billion remaining as of April 30, 2026. The expiration date of this repurchase authorization was extended to December 31, 2026, and our repurchase program may be suspended or discontinued at any time. Repurchases under our program are to be made at management’s discretion on the open market, through privately negotiated transactions, transactions structured through investment banking institutions, block purchase techniques, 10b5-1 trading plans, or a combination of the foregoing.

[2] Includes shares of restricted common stock delivered by certain employees upon vesting of equity awards to satisfy tax withholding requirements. The number of shares delivered to satisfy tax withholding requirements during the period was not significant.

Item 5. Other Information

Trading Plans of Directors and Executive Officers

No officers or directors, as defined in Rule 16a-1(f), adopted, modified, and/or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as defined in Regulation S-K Item 408, during the third quarter of fiscal 2026.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1	Amendment No. 5 to Lease by and between the Company and Santa Clara Phase III EFH, LLC, dated April 8, 2026.	8-K	001-35594	10.1	April 13, 2026
10.2	Amendment No. 5 to Lease by and between the Company and Santa Clara Phase III G, LLC, dated April 8, 2026.	8-K	001-35594	10.2	April 13, 2026
10.3	Amendment No. 6 to Lease by and between the Company and Santa Clara Phase III EFH, LLC, dated April 8, 2026.	8-K	001-35594	10.3	April 13, 2026
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101	The following financial information from Palo Alto Networks, Inc.'s Quarterly Report on Form 10-Q for the three months ended April 30, 2026 formatted in Inline XBRL includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

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

Signatures

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

Date: June 2, 2026

PALO ALTO NETWORKS, INC.

By: /s/ DIPAK GOLECHHA

Dipak Golechha

Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Date: June 2, 2026

PALO ALTO NETWORKS, INC.

By: /s/ JOSH PAUL

Josh Paul

Chief Accounting Officer

(Duly Authorized Officer and Principal Accounting Officer)

Exhibit 31.1

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

I, Nikesh Arora, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: June 2, 2026

Exhibit 31.2

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

I, Dipak Golechha, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ DIPAK GOLECHHA

Dipak Golechha
Chief Financial Officer

Date: June 2, 2026

Exhibit 32.1

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

I, Nikesh Arora, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended April 30, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ NIKESH ARORA

Nikesh Arora
Chief Executive Officer and Director

Date: June 2, 2026

Exhibit 32.2

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

I, Dipak Golechha, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended April 30, 2026, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ DIPAK GOLECHHA

Dipak Golechha
Chief Financial Officer

Date: June 2, 2026