

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

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

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

After the close of trading on December 12, 2024, we effected a two-for-one stock split. All share and per-share amounts presented have been retroactively adjusted to reflect the stock split.

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

	<b>Q423</b>	<b>Q124</b>	<b>Q224</b>	<b>Q324</b>	<b>Q424</b>	<b>Q125</b>	<b>Q225</b>	<b>Q325</b>
Revenue:								
Product	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7
Subscription and support	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3
Total revenue	1,953.3	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4	2,289.0
Cost of revenue:								
Product	104.3	77.4	88.2	77.9	104.7	75.0	101.3	100.7
Subscription and support	402.5	395.4	410.9	435.7	469.0	479.1	497.9	518.6
Total cost of revenue	506.8	472.8	499.1	513.6	573.7	554.1	599.2	619.3
Total gross profit	1,446.5	1,405.3	1,476.0	1,471.2	1,615.8	1,584.7	1,658.2	1,669.7
<i>Product gross margin</i>	79.4 %	77.3 %	77.4 %	80.1 %	78.2 %	78.8 %	76.0 %	77.8 %
<i>Subscription and support gross margin</i>	72.2 %	74.3 %	74.1 %	72.7 %	72.6 %	73.2 %	72.9 %	71.8 %
<i>Total gross margin</i>	74.1 %	74.8 %	74.7 %	74.1 %	73.8 %	74.1 %	73.5 %	72.9 %
Operating expenses:								
Research and development	414.4	409.5	447.9	457.2	494.8	480.4	505.7	494.5
Sales and marketing	664.0	660.5	673.0	718.7	742.3	720.1	758.3	792.5
General and administrative	114.6	120.1	301.5	118.6	140.3	97.7	153.8	163.9
Total operating expenses	1,193.0	1,190.1	1,422.4	1,294.5	1,377.4	1,298.2	1,417.8	1,450.9
Operating income	253.5	215.2	53.6	176.7	238.4	286.5	240.4	218.8
Interest expense	(5.7)	(2.9)	(2.8)	(2.3)	(0.3)	(1.2)	(0.9)	(0.7)
Other income, net	68.7	70.3	84.7	76.8	80.9	83.3	85.3	92.4
Income before income taxes	316.5	282.6	135.5	251.2	319.0	368.6	324.8	310.5
Provision for (benefit from) income taxes	88.8	88.4	(1,611.4)	(27.6)	(38.7)	17.9	57.5	48.4
Net income	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1

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

	<b>Q423</b>	<b>Q124</b>	<b>Q224</b>	<b>Q324</b>	<b>Q424</b>	<b>Q125</b>	<b>Q225</b>	<b>Q325</b>
Revenue:								
Product	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7
Subscription and support	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3
Total revenue	1,953.3	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4	2,289.0
Cost of revenue:								
Product	100.8	73.8	84.8	74.4	101.8	71.8	98.2	97.6
Subscription and support	343.2	338.5	349.8	370.0	405.2	413.3	430.5	450.9
Total cost of revenue	444.0	412.3	434.6	444.4	507.0	485.1	528.7	548.5
Total gross profit	1,509.3	1,465.8	1,540.5	1,540.4	1,682.5	1,653.7	1,728.7	1,740.5
<i>Product gross margin</i>	80.1 %	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %
<i>Subscription and support gross margin</i>	76.3 %	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %
<i>Total gross margin</i>	77.3 %	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %
Operating expenses:								
Research and development	294.5	285.6	302.0	319.8	350.8	338.0	356.5	352.9
Sales and marketing	574.1	571.2	586.0	631.8	660.1	626.0	648.9	679.3
General and administrative	86.7	79.7	88.3	80.9	83.3	73.5	82.9	81.2
Total operating expenses	955.3	936.5	976.3	1,032.5	1,094.2	1,037.5	1,088.3	1,113.4
Operating income	554.0	529.3	564.2	507.9	588.3	616.2	640.4	627.1
Interest expense	(4.2)	(1.9)	(1.7)	(1.5)	0.3	(0.7)	(0.6)	(0.5)
Other income, net	68.7	70.3	84.7	76.8	80.9	83.3	85.3	92.4
Income before income taxes	618.5	597.7	647.2	583.2	669.5	698.8	725.1	719.0
Provision for income taxes	136.0	131.4	142.5	128.3	147.3	153.9	159.4	158.1
Net income	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7	\$ 560.9

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 403.1	\$ 263.7	\$ 302.5	\$ 313.1	\$ 375.8	\$ 278.8	\$ 320.2	\$ 352.0
Share-based compensation-related charges	1.8	1.8	1.6	1.7	1.2	1.4	1.3	1.3
Litigation-related charges <sup>(1)</sup>	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Non-GAAP product gross profit	\$ 406.6	\$ 267.3	\$ 305.9	\$ 316.6	\$ 378.7	\$ 282.0	\$ 323.3	\$ 355.1
Non-GAAP product gross margin	80.1 %	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %
GAAP subscription and support gross profit	\$1,043.4	\$1,141.6	\$1,173.5	\$1,158.1	\$1,240.0	\$1,305.9	\$1,338.0	\$1,317.7
Share-based compensation-related charges	40.0	37.8	38.6	38.0	36.3	36.7	38.4	39.6
Amortization expense of acquired intangible assets	19.3	19.1	22.5	27.7	27.5	29.1	29.0	28.1
Non-GAAP subscription and support gross profit	\$1,102.7	\$1,198.5	\$1,234.6	\$1,223.8	\$1,303.8	\$1,371.7	\$1,405.4	\$1,385.4
Non-GAAP subscription and support gross margin	76.3 %	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %
GAAP total gross profit	\$1,446.5	\$1,405.3	\$1,476.0	\$1,471.2	\$1,615.8	\$1,584.7	\$1,658.2	\$1,669.7
Share-based compensation-related charges	41.8	39.6	40.2	39.7	37.5	38.1	39.7	40.9
Amortization expense of acquired intangible assets	19.3	19.1	22.5	27.7	27.5	29.1	29.0	28.1
Litigation-related charges <sup>(1)</sup>	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Non-GAAP total gross profit	\$1,509.3	\$1,465.8	\$1,540.5	\$1,540.4	\$1,682.5	\$1,653.7	\$1,728.7	\$1,740.5
Non-GAAP gross margin	77.3 %	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %
GAAP research and development expense	\$ 414.4	\$ 409.5	\$ 447.9	\$ 457.2	\$ 494.8	\$ 480.4	\$ 505.7	\$ 494.5
Share-based compensation-related charges	119.9	123.9	145.9	137.4	144.0	142.4	149.2	141.6
Non-GAAP research and development expense	\$ 294.5	\$ 285.6	\$ 302.0	\$ 319.8	\$ 350.8	\$ 338.0	\$ 356.5	\$ 352.9
Non-GAAP research and development expense as a percentage of revenue	15.1 %	15.2 %	15.3 %	16.1 %	16.0 %	15.8 %	15.8 %	15.4 %
GAAP sales and marketing expense	\$ 664.0	\$ 660.5	\$ 673.0	\$ 718.7	\$ 742.3	\$ 720.1	\$ 758.3	\$ 792.5
Share-based compensation-related charges	84.5	83.9	81.6	81.7	76.0	82.5	94.6	98.7
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.2	6.2	11.6	14.8	14.5
Non-GAAP sales and marketing expense	\$ 574.1	\$ 571.2	\$ 586.0	\$ 631.8	\$ 660.1	\$ 626.0	\$ 648.9	\$ 679.3
Non-GAAP sales and marketing expense as a percentage of revenue	29.4 %	30.4 %	29.6 %	31.8 %	30.1 %	29.3 %	28.7 %	29.7 %
GAAP general and administrative expense	\$ 114.6	\$ 120.1	\$ 301.5	\$ 118.6	\$ 140.3	\$ 97.7	\$ 153.8	\$ 163.9
Share-based compensation-related charges	27.9	40.4	29.1	31.2	29.6	52.1	59.8	74.1
Acquisition-related costs <sup>(2)</sup>	—	—	7.3	2.8	3.5	15.1	9.7	7.3
Litigation-related charges <sup>(1)</sup>	—	—	176.8	3.7	23.9	(43.0)	1.4	1.3
Non-GAAP general and administrative expense	\$ 86.7	\$ 79.7	\$ 88.3	\$ 80.9	\$ 83.3	\$ 73.5	\$ 82.9	\$ 81.2
Non-GAAP general and administrative expense as a percentage of revenue	4.4 %	4.2 %	4.5 %	4.1 %	3.8 %	3.4 %	3.7 %	3.5 %

(1) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q3'25, and a litigation settlement charge in Q4'24.

(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
GAAP total operating expense	\$1,193.0	\$1,190.1	\$1,422.4	\$1,294.5	\$1,377.4	\$1,298.2	\$1,417.8	\$1,450.9
Share-based compensation-related charges	232.3	248.2	256.6	250.3	249.6	277.0	303.6	314.4
Acquisition-related costs <sup>(1)</sup>	—	—	7.3	2.8	3.5	15.1	9.7	7.3
Amortization expense of acquired intangible assets	5.4	5.4	5.4	5.2	6.2	11.6	14.8	14.5
Litigation-related charges <sup>(2)</sup>	—	—	176.8	3.7	23.9	(43.0)	1.4	1.3
Non-GAAP total operating expense	<u>\$ 955.3</u>	<u>\$ 936.5</u>	<u>\$ 976.3</u>	<u>\$1,032.5</u>	<u>\$1,094.2</u>	<u>\$1,037.5</u>	<u>\$1,088.3</u>	<u>\$1,113.4</u>
Non-GAAP total operating expense as a percentage of revenue	<u>48.9 %</u>	<u>49.8 %</u>	<u>49.4 %</u>	<u>52.0 %</u>	<u>49.9 %</u>	<u>48.5 %</u>	<u>48.2 %</u>	<u>48.6 %</u>
GAAP operating income	\$ 253.5	\$ 215.2	\$ 53.6	\$ 176.7	\$ 238.4	\$ 286.5	\$ 240.4	\$ 218.8
Share-based compensation-related charges	274.1	287.8	296.8	290.0	287.1	315.1	343.3	355.3
Acquisition-related costs <sup>(1)</sup>	—	—	7.3	2.8	3.5	15.1	9.7	7.3
Amortization expense of acquired intangible assets	24.7	24.5	27.9	32.9	33.7	40.7	43.8	42.6
Litigation-related charges <sup>(2)</sup>	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1
Non-GAAP operating income	<u>\$ 554.0</u>	<u>\$ 529.3</u>	<u>\$ 564.2</u>	<u>\$ 507.9</u>	<u>\$ 588.3</u>	<u>\$ 616.2</u>	<u>\$ 640.4</u>	<u>\$ 627.1</u>
Non-GAAP operating margin	<u>28.4 %</u>	<u>28.2 %</u>	<u>28.6 %</u>	<u>25.6 %</u>	<u>26.9 %</u>	<u>28.8 %</u>	<u>28.4 %</u>	<u>27.4 %</u>
GAAP interest expense	\$ (5.7)	\$ (2.9)	\$ (2.8)	\$ (2.3)	\$ (0.3)	\$ (1.2)	\$ (0.9)	\$ (0.7)
Non-cash charges related to convertible notes <sup>(3)</sup>	1.5	1.0	1.1	0.8	0.6	0.5	0.3	0.2
Non-GAAP interest expense	<u>\$ (4.2)</u>	<u>\$ (1.9)</u>	<u>\$ (1.7)</u>	<u>\$ (1.5)</u>	<u>\$ 0.3</u>	<u>\$ (0.7)</u>	<u>\$ (0.6)</u>	<u>\$ (0.5)</u>
Non-GAAP interest expense as a percentage of revenue	<u>(0.2)%</u>	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>
GAAP income before income taxes	\$ 316.5	\$ 282.6	\$ 135.5	\$ 251.2	\$ 319.0	\$ 368.6	\$ 324.8	\$ 310.5
Share-based compensation-related charges	274.1	287.8	296.8	290.0	287.1	315.1	343.3	355.3
Acquisition-related costs <sup>(1)</sup>	—	—	7.3	2.8	3.5	15.1	9.7	7.3
Amortization expense of acquired intangible assets	24.7	24.5	27.9	32.9	33.7	40.7	43.8	42.6
Litigation-related charges <sup>(2)</sup>	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1
Non-cash charges related to convertible notes <sup>(3)</sup>	1.5	1.0	1.1	0.8	0.6	0.5	0.3	0.2
Non-GAAP income before income taxes	<u>\$ 618.5</u>	<u>\$ 597.7</u>	<u>\$ 647.2</u>	<u>\$ 583.2</u>	<u>\$ 669.5</u>	<u>\$ 698.8</u>	<u>\$ 725.1</u>	<u>\$ 719.0</u>
GAAP provision for (benefit from) income taxes	\$ 88.8	\$ 88.4	\$ (1,611.4)	\$ (27.6)	\$ (38.7)	\$ 17.9	\$ 57.5	\$ 48.4
Income tax and other tax adjustments <sup>(4)</sup>	47.2	43.0	1,753.9	155.9	186.0	136.0	101.9	109.7
Non-GAAP provision for income taxes	<u>\$ 136.0</u>	<u>\$ 131.4</u>	<u>\$ 142.5</u>	<u>\$ 128.3</u>	<u>\$ 147.3</u>	<u>\$ 153.9</u>	<u>\$ 159.4</u>	<u>\$ 158.1</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>

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

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q3'25, and a litigation settlement charge in Q4'24.

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

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

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
GAAP net income	\$ 227.7	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1
Share-based compensation-related charges	274.1	287.8	296.8	290.0	287.1	315.1	343.3	355.3
Acquisition-related costs <sup>(1)</sup>	—	—	7.3	2.8	3.5	15.1	9.7	7.3
Amortization expense of acquired intangible assets	24.7	24.5	27.9	32.9	33.7	40.7	43.8	42.6
Litigation-related charges <sup>(2)</sup>	1.7	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1
Non-cash charges related to convertible notes <sup>(3)</sup>	1.5	1.0	1.1	0.8	0.6	0.5	0.3	0.2
Income tax and other tax adjustments <sup>(4)</sup>	(47.2)	(43.0)	(1,753.9)	(155.9)	(186.0)	(136.0)	(101.9)	(109.7)
Non-GAAP net income	\$ 482.5	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7	\$ 560.9
GAAP net income per share, diluted	\$ 0.32	\$ 0.28	\$ 2.44	\$ 0.39	\$ 0.51	\$ 0.49	\$ 0.38	\$ 0.37
Share-based compensation-related charges	0.44	0.43	0.44	0.43	0.41	0.46	0.50	0.52
Acquisition-related costs <sup>(1)</sup>	0.00	0.00	0.01	0.00	0.00	0.02	0.01	0.01
Amortization expense of acquired intangible assets	0.03	0.04	0.04	0.05	0.05	0.06	0.06	0.06
Litigation-related charges <sup>(2)</sup>	0.00	0.00	0.25	0.01	0.04	(0.06)	0.00	0.00
Non-cash charges related to convertible notes <sup>(3)</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax and other tax adjustments <sup>(4)</sup>	(0.07)	(0.06)	(2.45)	(0.22)	(0.26)	(0.19)	(0.14)	(0.16)
Non-GAAP net income per share, diluted	\$ 0.72	\$ 0.69	\$ 0.73	\$ 0.66	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.80
GAAP weighted-average shares used to compute net income per share, diluted	709.0	699.6	715.0	709.3	707.8	709.0	709.0	707.4
Weighted-average anti-dilutive impact of note hedge agreements	(38.6)	(23.2)	(25.9)	(19.1)	(14.7)	(11.8)	(8.7)	(6.6)
Non-GAAP weighted-average shares used to compute net income per share, diluted	670.4	676.4	689.1	690.2	693.1	697.2	700.3	700.8

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

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q3'25, and a litigation settlement charge in Q4'24.

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

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

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
Net cash provided by operating activities	\$ 414.1	\$ 1,526.0	\$ 690.0	\$ 528.9	\$ 512.7	\$ 1,509.6	\$ 556.9	\$ 628.7
Less: purchases of property, equipment, and other assets	37.2	36.8	35.2	37.4	47.4	44.1	47.5	68.3
Free cash flow (non-GAAP)	\$ 376.9	\$ 1,489.2	\$ 654.8	\$ 491.5	\$ 465.3	\$ 1,465.5	\$ 509.4	\$ 560.4
Add: capital expenditures for certain corporate assets <sup>(1)</sup>	—	—	—	—	—	—	—	18.0
Add: cash payment related to tax settlement	10.9	—	—	—	—	—	—	—
Add: litigation-related payment <sup>(2)</sup>	—	—	—	—	20.0	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 387.8	\$ 1,489.2	\$ 654.8	\$ 491.5	\$ 485.3	\$ 1,465.5	\$ 509.4	\$ 578.4
Net cash provided by (used in) investing activities	\$ 362.6	\$ (129.0)	\$ (1,325.5)	\$ 113.1	\$ (168.5)	\$ (543.8)	\$ (380.8)	\$ (517.6)
Net cash provided by (used in) financing activities	\$ (1,634.8)	\$ (41.8)	\$ (72.6)	\$ (1,049.4)	\$ (179.3)	\$ (219.7)	\$ (232.2)	\$ 47.1
Free cash flow margin (non-GAAP)	19.3 %	79.3 %	33.2 %	24.8 %	21.3 %	68.5 %	22.6 %	24.5 %
Adjusted free cash flow margin (non-GAAP)	19.9 %	79.3 %	33.2 %	24.8 %	22.2 %	68.5 %	22.6 %	25.3 %

**Disaggregation of Revenue by Type**

Revenue:

Product	\$ 507.4	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7
Subscription and support								
Subscription	917.9	988.3	1,027.1	1,045.6	1,127.5	1,191.8	1,233.2	1,234.4
Support	528.0	548.7	557.3	548.2	581.5	593.2	602.7	601.9
Total subscription and support	1,445.9	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3
Total revenue	\$ 1,953.3	\$ 1,878.1	\$ 1,975.1	\$ 1,984.8	\$ 2,189.5	\$ 2,138.8	\$ 2,257.4	\$ 2,289.0

(1) Consists of a one-time purchase of a corporate asset which is expected to be paid through the second half of calendar year 2026.

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

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

	<b>Q423</b>	<b>Q124</b>	<b>Q224</b>	<b>Q324</b>	<b>Q424</b>	<b>Q125</b>	<b>Q225</b>	<b>Q325</b>
Next-Generation Security Annualized Recurring Revenue <sup>(1)</sup>	\$ 2.95	\$ 3.23	\$ 3.49	\$ 3.79	\$ 4.22	\$ 4.52	\$ 4.78	\$ 5.09
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	56 %	53 %	50 %	47 %	43 %	40 %	37 %	34 %
Remaining performance obligations	\$ 10.6	\$ 10.4	\$ 10.8	\$ 11.3	\$ 12.7	\$ 12.6	\$ 13.0	\$ 13.5
Remaining performance obligations year-over-year percentage increase	30 %	26 %	22 %	23 %	20 %	20 %	21 %	19 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services. Beginning Q1'25, NGS ARR includes revenue attributable to QRadar software as a service contracts.

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

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 1,135.3	\$ 2,491.4	\$ 1,782.5	\$ 1,373.7	\$ 1,535.2	\$ 2,282.8	\$ 2,226.3	\$ 2,383.4
Short-term investments	1,254.7	1,402.4	1,588.5	1,516.7	1,043.6	1,108.2	1,006.6	916.8
Accounts receivable, net	2,463.2	1,413.0	1,896.3	1,715.4	2,618.6	1,132.9	1,495.5	1,950.0
Short-term financing receivables, net	388.8	445.9	445.5	572.3	725.9	805.1	754.9	737.3
Short-term deferred contract costs	339.2	328.7	328.0	337.0	369.0	367.6	376.1	387.1
Prepaid expenses and other current assets	466.8	396.2	405.9	403.7	557.4	546.1	480.4	524.4
Total current assets	6,048.0	6,477.6	6,446.7	5,918.8	6,849.7	6,242.7	6,339.8	6,899.0
Property and equipment, net	354.5	352.6	352.3	350.3	361.1	361.0	358.2	367.0
Operating lease right-of-use assets	263.3	274.3	355.8	369.7	385.9	389.0	372.9	357.3
Long-term investments	3,047.9	2,988.9	3,619.6	3,504.4	4,173.2	4,119.7	4,559.8	5,152.3
Long-term financing receivables, net	653.3	639.8	639.9	882.5	1,182.1	1,092.2	1,163.8	1,068.9
Long-term deferred contract costs	547.1	515.4	504.6	511.2	562.0	531.9	523.4	528.2
Goodwill	2,926.8	2,926.8	3,372.7	3,372.7	3,350.1	4,050.8	4,050.8	4,050.8
Intangible assets, net	315.4	290.5	440.1	407.9	374.9	809.6	771.4	730.2
Deferred tax assets	23.1	25.4	2,234.3	2,291.9	2,399.0	2,397.5	2,446.9	2,452.2
Other assets	321.7	317.2	326.0	321.4	352.9	380.2	364.7	396.9
Total assets	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7	\$ 22,002.8
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 132.3	\$ 131.8	\$ 178.8	\$ 108.9	\$ 116.3	\$ 211.6	\$ 149.3	\$ 234.8
Accrued compensation	548.3	331.4	452.6	385.9	554.7	354.5	491.6	506.2
Accrued and other liabilities	390.8	371.5	394.2	412.6	506.7	683.1	777.6	824.6
Deferred revenue	4,674.6	4,732.0	4,918.1	5,014.9	5,541.1	5,507.7	5,599.9	5,756.8
Convertible senior notes, net	1,991.5	1,946.7	1,821.8	1,162.5	963.9	645.8	533.8	383.2
Total current liabilities	7,737.5	7,513.4	7,765.5	7,084.8	7,682.7	7,402.7	7,552.2	7,705.6
Long-term deferred revenue	4,621.8	4,710.8	4,900.3	5,152.7	5,939.4	5,585.9	5,662.5	5,816.8
Deferred tax liabilities	28.1	30.1	588.5	503.0	387.7	250.8	116.1	26.2
Long-term operating lease liabilities	279.2	275.8	362.7	369.8	380.5	379.6	363.0	345.7
Other long-term liabilities	86.1	107.9	317.8	352.7	430.9	843.8	882.6	878.0
Total liabilities	12,752.7	12,638.0	13,934.8	13,463.0	14,821.2	14,462.8	14,576.4	14,772.3
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	3,019.0	3,296.7	3,650.0	3,530.7	3,821.1	4,214.9	4,421.0	4,952.2
Accumulated other comprehensive income (loss)	(43.2)	(93.0)	(6.5)	(55.4)	(1.6)	(4.0)	(13.9)	48.0
Retained earnings (accumulated deficit)	(1,227.4)	(1,033.2)	713.7	992.5	1,350.2	1,700.9	1,968.2	2,230.3
Total stockholders' equity	1,748.4	2,170.5	4,357.2	4,467.8	5,169.7	5,911.8	6,375.3	7,230.5
Total liabilities and stockholders' equity	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7	\$ 22,002.8

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

	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325
<b>Cash flows from operating activities</b>								
Net income	\$ 227.7	\$ 194.2	\$1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	254.2	271.0	272.0	263.5	268.9	294.3	320.5	325.9
Deferred income taxes	7.2	(0.3)	(1,691.0)	(127.0)	(215.4)	(137.4)	(179.4)	(124.7)
Depreciation and amortization	69.3	64.3	68.6	74.3	76.1	83.9	87.6	88.1
Amortization of deferred contract costs	116.0	105.5	108.9	110.3	121.3	110.4	114.6	119.1
Amortization of debt issuance costs	1.4	1.0	1.1	0.8	0.6	0.5	0.3	0.2
Change in fair value of contingent consideration liability	—	—	—	—	—	6.3	9.7	4.3
Reduction of operating lease right-of-use assets	13.2	12.4	13.7	14.6	14.6	16.0	16.0	16.1
Amortization of investment premiums, net of accretion of purchase discounts	(17.8)	(14.7)	(16.2)	(15.6)	(13.6)	(15.0)	(10.8)	(9.4)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(1,019.6)	1,050.2	(482.2)	180.9	(903.2)	1,485.7	(362.6)	(454.5)
Financing receivables, net	(406.5)	(43.6)	0.3	(369.4)	(453.2)	10.7	(21.4)	112.5
Deferred contract costs	(181.4)	(63.3)	(96.0)	(125.9)	(204.1)	(78.9)	(114.6)	(134.9)
Prepaid expenses and other assets	(101.2)	54.0	(8.1)	1.3	(181.3)	(3.6)	92.5	(21.1)
Accounts payable	37.3	(0.4)	47.7	(67.8)	5.5	96.8	(63.4)	85.3
Accrued compensation	203.6	(216.9)	118.6	(66.7)	168.8	(200.2)	137.1	14.6
Accrued and other liabilities	3.9	(33.8)	233.6	27.6	157.1	(94.0)	94.7	33.9
Deferred revenue	1,206.8	146.4	372.1	349.2	1,312.9	(416.6)	168.8	311.2
Net cash provided by operating activities	414.1	1,526.0	690.0	528.9	512.7	1,509.6	556.9	628.7
<b>Cash flows from investing activities</b>								
Purchases of investments	(999.0)	(854.7)	(1,156.7)	(475.1)	(1,064.8)	(660.0)	(1,072.1)	(1,089.1)
Proceeds from sales of investments	90.9	304.6	126.6	69.6	455.4	291.3	353.6	185.0
Proceeds from maturities of investments	1,307.9	457.9	350.4	556.0	488.3	369.0	384.7	454.8
Business acquisitions, net of cash and restricted cash acquired	—	—	(610.6)	—	—	(500.0)	0.5	—
Purchases of property, equipment, and other assets	(37.2)	(36.8)	(35.2)	(37.4)	(47.4)	(44.1)	(47.5)	(68.3)
Net cash provided by (used in) investing activities	362.6	(129.0)	(1,325.5)	113.1	(168.5)	(543.8)	(380.8)	(517.6)
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes	(1,692.0)	(46.0)	(126.3)	(661.8)	(199.6)	(319.0)	(112.4)	(150.9)
Repurchases of common stock	—	(66.7)	—	(500.0)	—	—	—	—
Proceeds from sales of shares through employee equity incentive plans	60.1	86.4	57.5	115.8	24.2	120.7	36.6	203.3
Payments for taxes related to net share settlement of equity awards	(2.9)	(15.5)	(3.8)	(3.4)	(3.9)	(21.4)	(156.4)	(5.3)
Net cash provided by (used in) financing activities	(1,634.8)	(41.8)	(72.6)	(1,049.4)	(179.3)	(219.7)	(232.2)	47.1
Net increase (decrease) in cash, cash equivalents, and restricted cash	(858.1)	1,355.2	(708.1)	(407.4)	164.9	746.1	(56.1)	158.2
Cash, cash equivalents, and restricted cash - beginning of period	2,000.3	1,142.2	2,497.4	1,789.3	1,381.9	1,546.8	2,292.9	2,236.8
Cash, cash equivalents, and restricted cash - end of period	\$1,142.2	\$2,497.4	\$1,789.3	\$1,381.9	\$1,546.8	\$2,292.9	\$2,236.8	\$2,395.0
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$1,135.3	\$2,491.4	\$1,782.5	\$1,373.7	\$1,535.2	\$2,282.8	\$2,226.3	\$2,383.4
Restricted cash included in prepaid expenses and other current assets	6.9	6.0	6.3	8.2	11.6	10.1	10.5	11.6
Restricted cash included in other assets	—	—	0.5	—	—	—	—	—
Total cash, cash equivalents, and restricted cash	\$1,142.2	\$2,497.4	\$1,789.3	\$1,381.9	\$1,546.8	\$2,292.9	\$2,236.8	\$2,395.0