

ANALYST DAY

September 13, 2021

Nikesh Arora | CEO & Chairman



paloalto[®]
NETWORKS

Cybersecurity
Partner of Choice

2021 Analyst Day | Webcast Replays

Click the links below to immediately launch a replay of the specific segment

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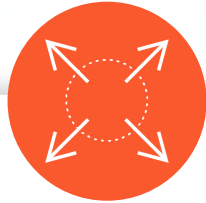
Safe Harbor

This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on our management’s beliefs and assumptions and on information currently available to management, including statements regarding our expectations regarding our strategic plans, growth drivers for fiscal 2022 and beyond, our product and service offerings, our financial guidance for the first quarter of fiscal 2022 and fiscal year 2022, and our financial targets for fiscal year 2024. Many of these assumptions relate to matters that are beyond our control and changing rapidly, including, but not limited to, the impact of COVID-19 on our customers’ purchasing decisions and the length of our sales cycles, particularly for customers in certain industries or geographies highly affected by COVID-19.

There are a significant number of factors that could cause actual results to differ materially from forward-looking statements made in this presentation, including: developments and changes in general market, political, economic, and business conditions; the duration and global impact of COVID-19; risks associated with managing our growth; the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; delays in the development or release of new subscription offerings; our competition; rapidly evolving technological developments in the market for network security products and subscription and support offerings; our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner; length of sales cycles; our ability to obtain adequate supply of our products from our third-party manufacturing partners; our share repurchase program, which may not be fully consummated or enhance shareholder value, and any share repurchases which could affect the price of our common stock. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks’ most recent Annual Report on Form 10-K filed for the fiscal year ended July 31, 2021, which is available on our website at investors.paloaltonetworks.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based our current beliefs and on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made or to update the reasons why actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

All information in this presentation is as of September 13, 2021. This presentation contains non-GAAP financial measures and key metrics relating to the company’s past and expected future performance. The presentation of these 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 the company’s consolidated financial statements prepared in accordance with GAAP. A reconciliation of the company’s historical non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the Appendix. We have not reconciled certain non-GAAP financial measures because we do not provide guidance on the comparable GAAP financial measures and would not be able to present the various reconciling items between GAAP and non-GAAP financial measures without unreasonable effort.

Three years ago...



We were known for the strength and scale of our NGFW business but not yet for our cutting-edge security innovation



We set an ambition to become the cybersecurity partner of choice, to innovate and to stay ahead of the curve

We identified several trends



Shift to cloud going mainstream: Enterprises needed to increasingly operate with hybrid, multi-cloud estates



Accelerating digital transformation: Enterprises needed to secure users working anywhere, anytime and across any devices and apps



AI/ML and automation gaining traction: Enterprises needed better security outcomes but also to reduce need for scarce SecOps talent



Intensifying security landscape: Proliferation of attacks drove need for better threat intel and for trusted partners familiar with client architecture

We delivered on our three big bets...



Transform Network Security

- Extended our winning hardware to Software and aaS
- Scaled our best of breed cloud-delivered security stack
- Developed simplified 'Single Pane of Glass' experience



Deliver Comprehensive Cloud Native Security

- United compliance, container, & micro-segmentation capabilities
- Launched comprehensive cloud security platform
- Integrated cutting-edge Shift Left security

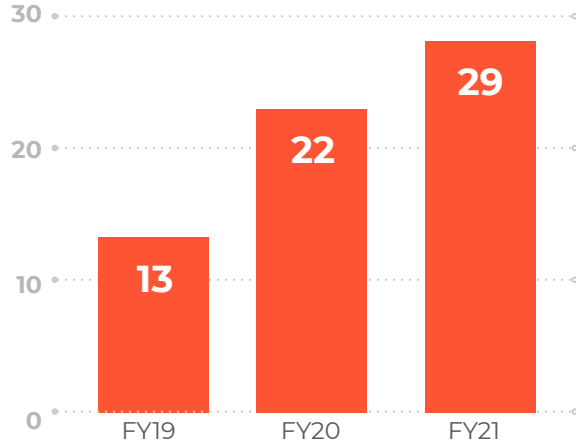


Revolutionize Security Operations

- Established the XDR category with cutting edge technology
- Delivered world-class automation and remediation
- Broadened visibility across the attack surface

...which was made possible by becoming an innovation leader

Major Product Releases¹



>2X Major product releases in FY21 vs. FY19

Groundbreaking Product Innovation



Network Security

2019

- DNS Security
- Prisma Access 1.0
- First ML powered NGFW
- Acquired CloudGenix SD-WAN
- NFW IoT, DLP, SD-WAN subs
- CN-series for 5G infrastructure
- Access 2.0 with DEM²
- Refreshed NGFW hardware
- NGFW as a Service

2021



Cloud Security

- Acquired Redlock, Twistlock
- Prisma Cloud 1.0
- Container Cloud Security
- Serverless Cloud Security
- Acquired Aporeto
- IAM Security
- Data Protection
- Microsegmentation
- Web App & API Security
- Acquired Bridgecrew



SOC Security

- Cortex XDR 1.0
- Acquired Demisto for XSOAR
- Cortex XDR 2.0 with MTH³
- Cortex XSOAR with TIM⁴
- XDR Host Insights
- Acquired Xpanse for ASM⁵
- Cortex XSOAR Marketplace
- XDR 3.0 with cloud / ID analytics

¹ Major product release is defined as full or dot release with significant new capability, new or add-on modules, or subscription services, new software or hardware appliance models, significant PAN-OS, acquired capabilities and significant new platform support. Fiscal year ending on July 3, 2021

² Digital Experience Management

³ Managed Threat Hunting

⁴ Threat Intel Management

⁵ Attack Surface Management

We now have three best-of-breed platforms



Network Security

STRATA | PRISMA SASE

Best-in-class Firewall
Platform across
hardware, software
and aaS



Cloud Security

PRISMA CLOUD

Comprehensive
platform to secure
everything that runs
in the cloud



SOC Security

CORTEX

A new approach to
SOC with data,
analytics and
automation

Zero Trust security

We built out our speedboat Go-To-Market model to help us scale

3 Years Ago

- 2.5k+ **Core Sales** Team
- Limited Specialist Sellers

Today

- 3.2k+ **Core Sales** Team
- 850+ **Speedboat Specialists**

542

\$1M+ Accounts

921

\$1M+ Accounts

18

\$10M+ Accounts

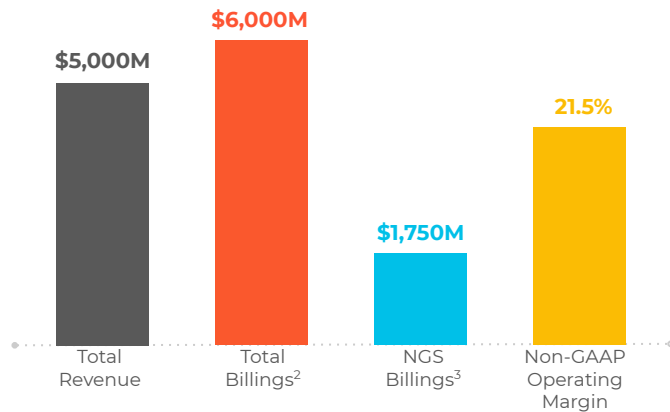
43

\$10M+ Accounts

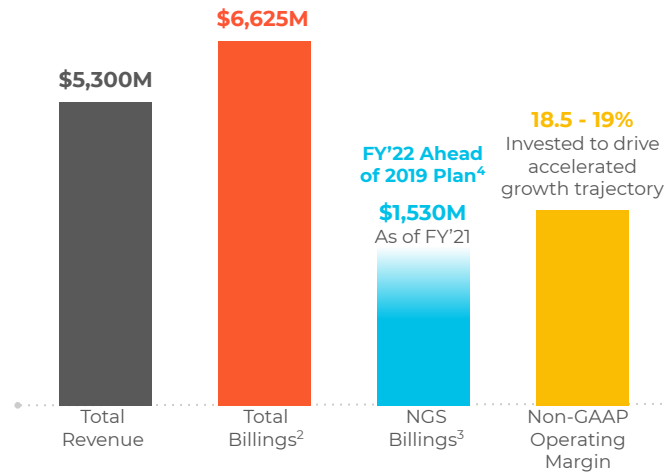
Note: 3 years ago refers to FY19; today refers to FY21

We have exceeded growth targets from our prior analyst day

FY'22 Targets (From Analyst Day 2019)



FY'22 Guidance¹



¹Represents midpoint of FY'22 Guidance.

²Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

³Next-Gen Security (NGS) billings is a key financial and operating metric. Prior to Q2'21, NGS billings was defined as the total amount invoiced and billed during the period stated for Prisma and Cortex offerings inclusive of the VM-Series and related services; for Q2'21 and afterwards, NGS billings is defined as total revenue plus change in total deferred revenue, net of total acquired deferred revenue for Prisma and Cortex offerings inclusive of the VM-Series and related services.

⁴Guidance for NGS Billings in FY'22 not provided.
Fiscal year ending on July 31.



LOOKING AHEAD...

In the next 3 years we see accelerating change in cybersecurity

Our beliefs

In the next 3 Years

Bad actors are innovating faster and attacks are becoming more sophisticated



Innovation in security will accelerate to keep pace and will be a key differentiator

Point solutions are gradually being deprecated



Customers will standardize on a platform approach

Non-AI or data driven security is becoming obsolete



Embedded AI / ML and automation will be the norm across the security stack

Smaller vendors are finding it harder to capture customer mindshare



Trusted scale players will capture a larger 'piece of the pie'

Vendors are being asked for 'security with an opinion'



Winning vendors will shift from being product providers to trusted partners

Our convictions drive our strategy

Keep driving innovation

- Maintain our accelerated pace of product innovation and releases
- Continue to scan the security vendor landscape for emerging technologies

Bet on our platforms

- Continue to innovate in Network Security transformation and lead the transition to SASE and aaS Security
- Deliver comprehensive Cloud Native Security that is fully integrated across the application lifecycle
- Revolutionize Security Operations by providing complete visibility, advanced analytics and end-to-end automation

Embed AI / ML everywhere

- Infuse ML / AI across our entire platform portfolio
- Design solutions with automation in mind, so resolving security issues is easier and faster

Leverage our scale

- Leverage our 4k+ person sales force and deep ecosystem relationships to reach new customers
- Drive more of our 85k+ customers to become multi-platform

Become a trusted partner

- Leverage our brand and reach to become a trusted advisor at the highest levels
- Build a portfolio that supports customers through every step of their security journey

Our path to get there...

Agenda

**Market Needs and
Our Platforms**

**Securing our
Customers**

**Drivers of Change
- Our People**

**Bringing it All
Together... for Total
Shareholder Return**

Lee Klarich & Nir Zuk
Chief Product Officer &
Chief Technology Officer

BJ Jenkins
President

Liane Hornsey
Chief People Officer

Dipak Golechha
Chief Financial Officer

A woman with short dark hair, wearing a white blazer over a light-colored collared shirt, is looking down at a tablet computer she is holding. The background is a blurred warehouse or industrial setting with shelves and boxes. A semi-transparent dark grey horizontal band is overlaid across the middle of the image, containing the title and name. A small orange horizontal line is positioned above the title.

Market Needs & Our Platforms

Lee Klarich

The pandemic has accelerated three core technology trends, increasing the enterprise attack surface



Hybrid work is here to stay

Users working from anywhere, anytime and across any devices and apps



Shift to cloud is accelerating

Increasingly operating in hybrid, multi-cloud estates



AI/ML enabling enterprise digitization

Integrating and normalizing data at scale to enable advanced analytics

Attackers are taking advantage of this larger attack surface

Rise of Nation State Attacks

10+

Publicly attributed
cyber attacks per month
In 2021

100%

Increase in Nation State
cyber incidents
Since 2019

Significant cyber incidents

JBS ransomware - US, CN, AU facilities shut down

Fujitsu hack

Ireland's national health service ransomware

Colonial Pipeline ransomware

DDoS attack on **Belgium** government

Verizon and **Microsoft** hacks

NATO, UK, NL warships fake data

1,182 UK Special Forces soldiers data leak

Department of Energy nuclear weapons supply chain attack

Japan Olympics data breach

Southeast Asia APT

South Africa port and freight halted

Kaseya hack
1,500 SMB ransomed

Belarus, Slovak, Iranian governments breach

Russian election hack

T-Mobile breach
50 million accounts

Poly Network
\$600 million heist

Italian COVID 19 vaccine site hack

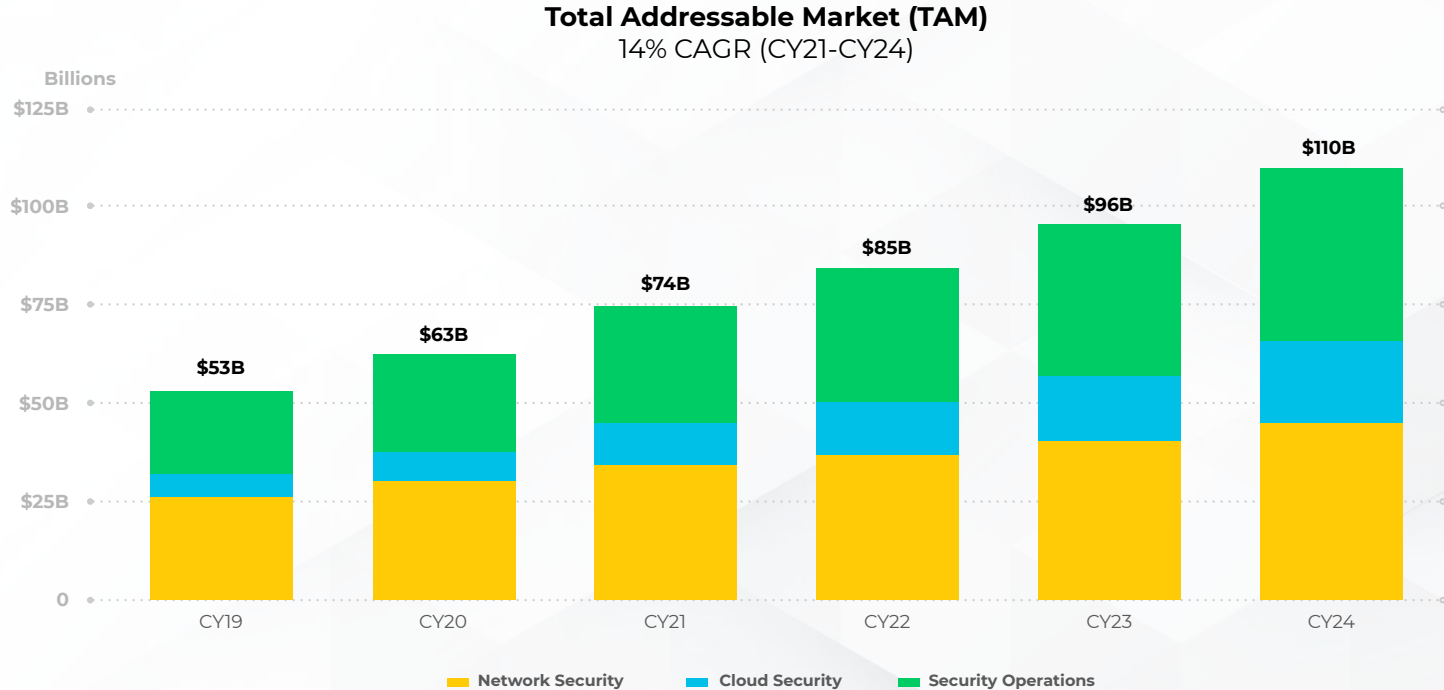
May

Jun

Jul

Aug

This is accelerating our TAM for Network Security, Cloud Security, and Security Operations



Sources: Gartner: Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update; 451 Group Custom Cloud Security Forecasts and PANW internal estimates (Prisma Cloud marketbook), Gartner: Enterprise Network Equipment by Segment, Gartner: Forecast Analysis: Enterprise Networking Connectivity Growth Trends, Worldwide

Our strategic bets in the past three years position us well to win in this market



Network Security

STRATA | PRISMA SASE

Best-in-class platform across hardware, software and SASE



Cloud Security

PRISMA CLOUD

Cloud-native platform to secure everything that runs in the cloud



Security Operations

CORTEX

A new approach to SOC with full data integration, analytics and automation

The market recognizes our leadership across several categories

3 Years Ago Leadership in 1 category

1. NGFW
Leader in Gartner Magic Quadrant
Network Firewalls

Now a Leader in 7 categories

1. NGFW
A **Leader** in Gartner Magic Quadrant Network Firewalls
A **Leader** in Forrester Wave Enterprise Firewalls

4. SOAR
Leader in KuppingerCole Security Orchestration
Automation & Response Leadership Compass

2. Zero Trust
A **Leader** in Forrester Zero Trust eXtended
Ecosystem Platform Providers Wave

5. XDR
A **Leader** in Forrester Endpoint Security
Software As A Service Wave

3. SD-WAN
A **Leader** in Gartner Magic Quadrant
WAN Edge Infrastructure

6. Vulnerability Management
Outperformer Leader in GigaOm's
Vulnerability Management Radar

7. ZTNA
A **Leader** in Forrester Zero Trust Network Access New Wave

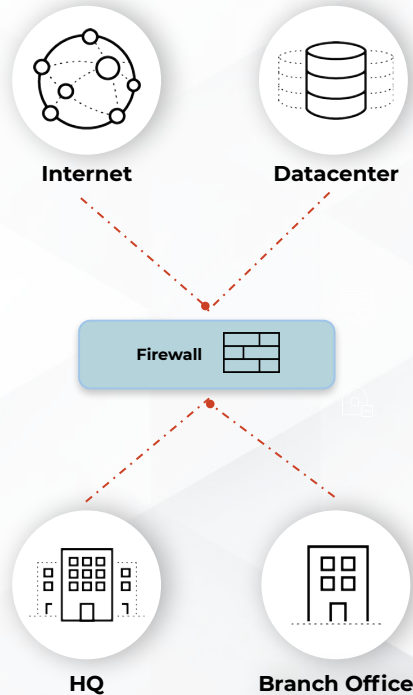
• A PANW first

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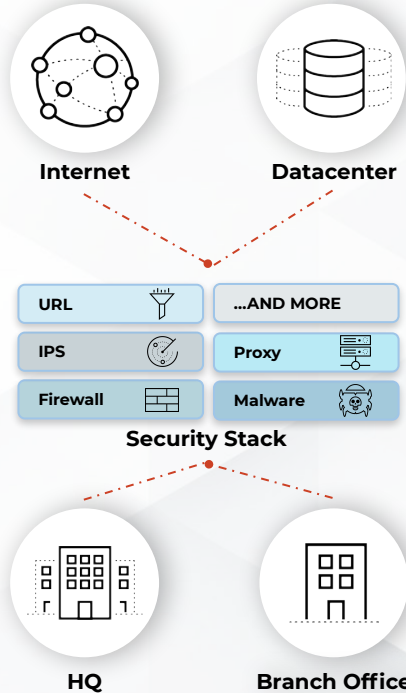
A woman with long brown hair, wearing a brown sweater, is sitting in a modern office environment. She is looking at a laptop screen. The background shows large windows with a view of trees. The image has a semi-transparent dark blue overlay across the middle, and a white text box with the words "Network Security" is centered on the overlay. There is a small orange horizontal line above the text.

Network Security

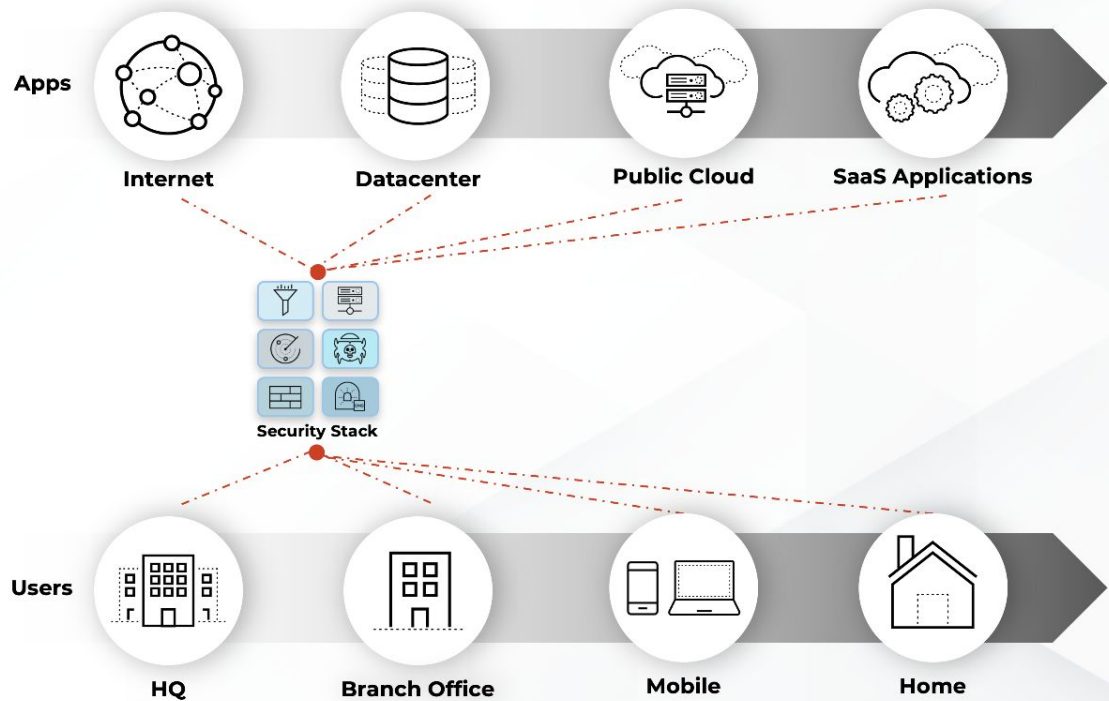
Network security evolution: First, network security was centralized with a firewall



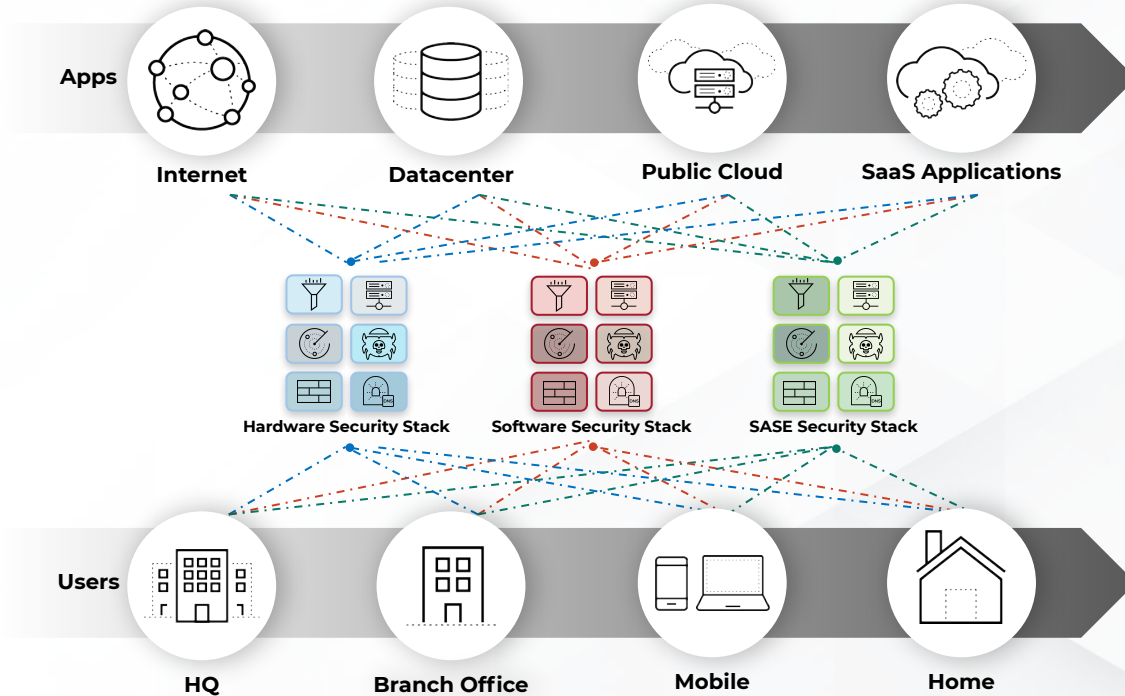
Network security evolution: Expanding security needs quickly resulted in the proliferation of point products



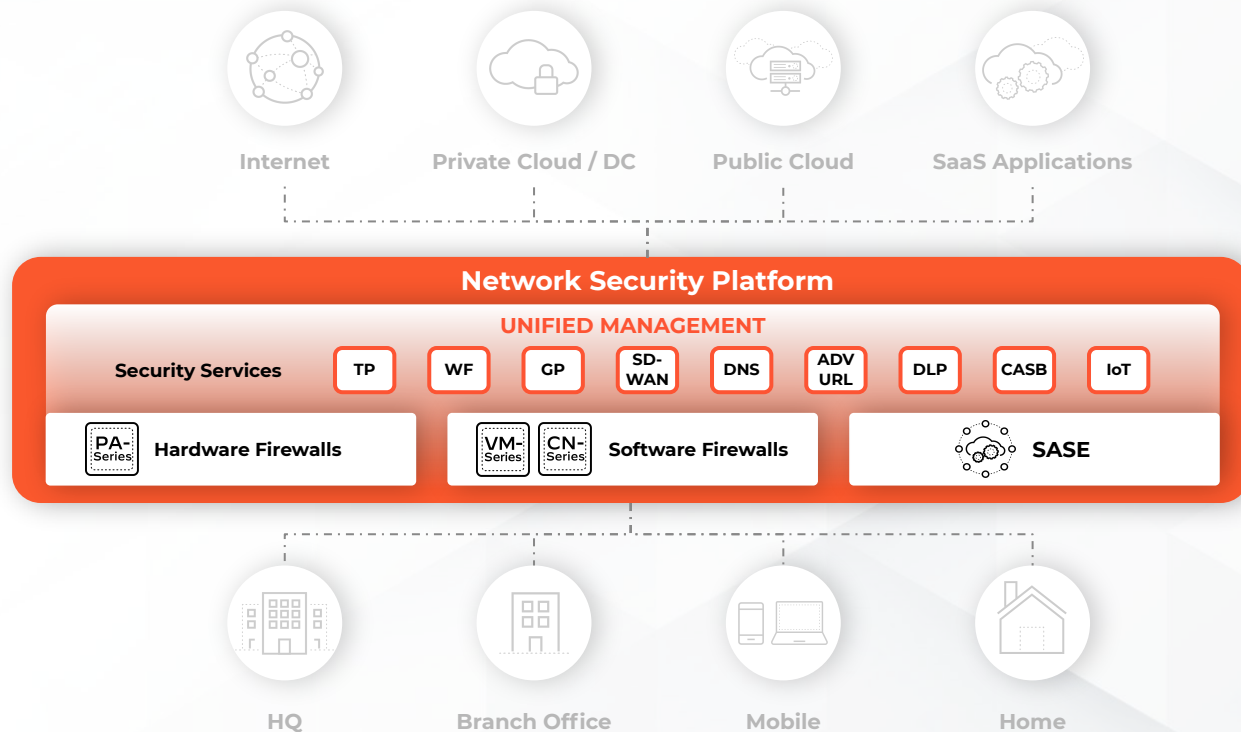
Network security evolution: As apps moved to the cloud and users became mobile, traffic was backhauled to keep security centralized



Today: Network security is now delivered in multiple form factors, with differing technologies



Our solution: A network security platform delivering best-in-class security across the entire enterprise



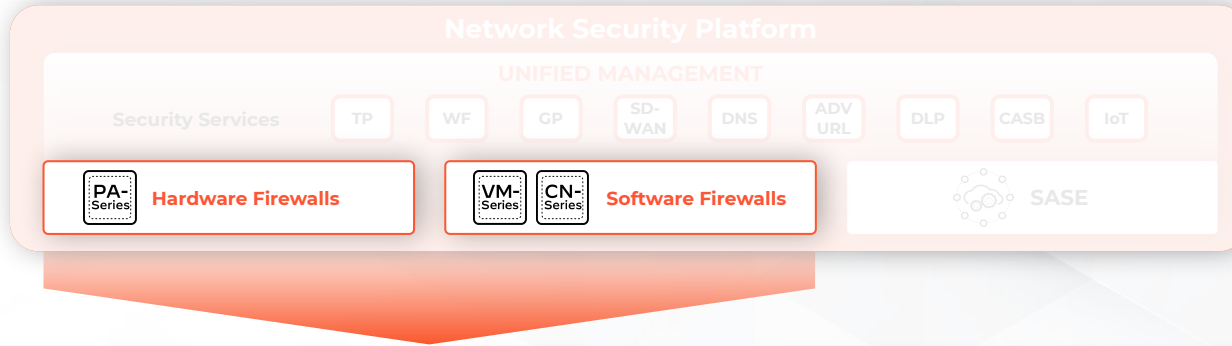
Best-in-class security for all users and applications

Integrated security services across hardware, software and SASE

Optimized end-user experience at all locations

Unified security operations

Next-Gen Firewalls: Extending our leadership position with continued innovation

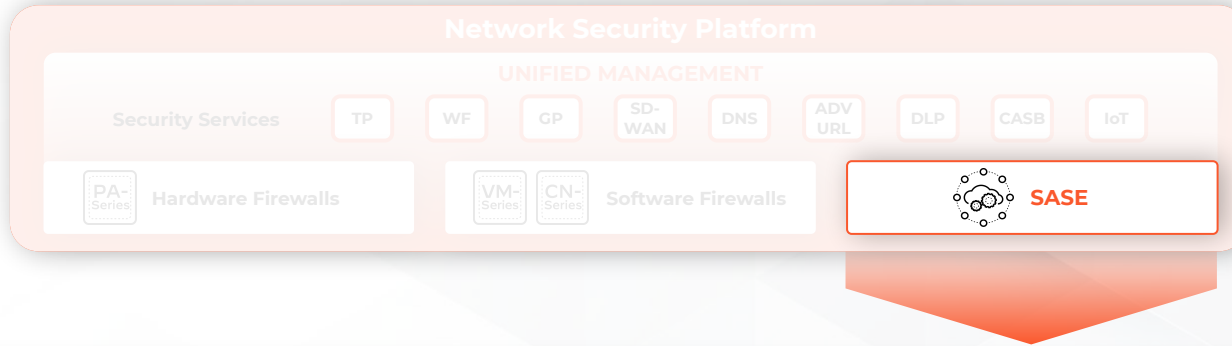


- **9 times leader in Gartner Magic Quadrant** for Network Firewalls

- **Introduced ML-Powered 4th generation appliances:** industry-leading price-performance

- **Largest software firewall player in the market**, offering consistent protection of virtual / container workloads, 5G infrastructure

Prisma SASE: The industry's most complete SASE solution



- **Full set of best-of-breed capabilities**

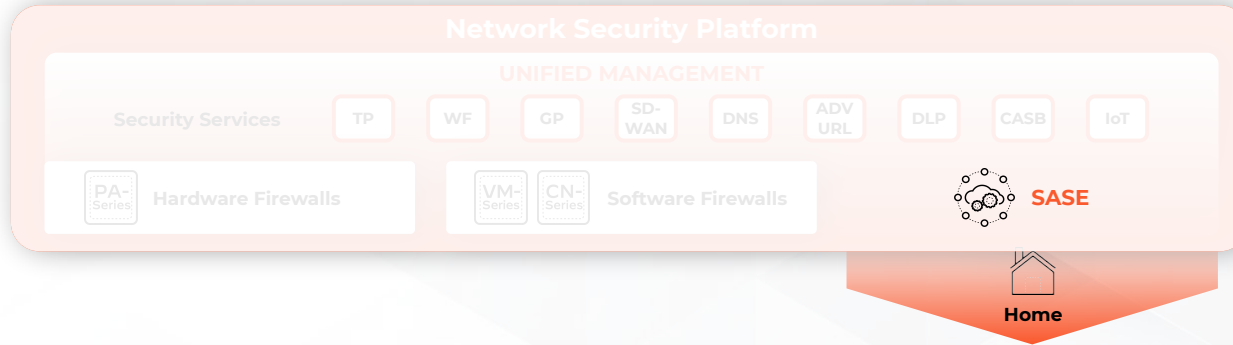
- Firewall as a Service (FWaaS)
- Secure Web Gateway (SWG)
- Cloud Access Security Broker (CASB)
- Zero Trust Network Access (ZTNA)
- Software-defined WAN (SD-WAN)

- **Industry-first innovations:**

- Autonomous digital experience management (ADEM)
- Next-Gen CASB*
- Integrated 5G SD-WAN*
- Okyo Garde

* coming soon

Prisma SASE: Extending our enterprise offering to secure our customers' home networks



- Homes have become an extension of the enterprise network
- More devices than ever before are connected to the home network

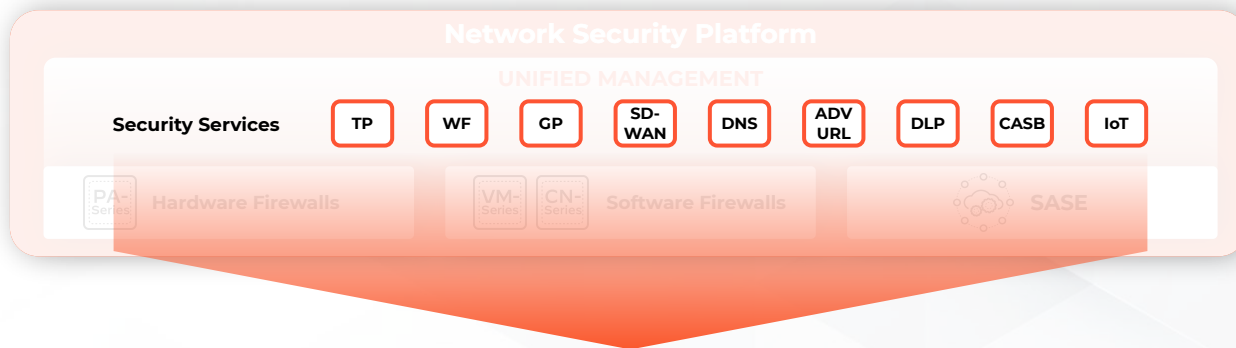
OKYO™
Garde

BY PALO ALTO NETWORKS

Enterprise-grade security with consumer simplicity for work from home employees and small businesses



Security Services: Expanding our offering, available on all form factors



- **Expanded from 4 to 9 services:** higher attach to our platform and consolidation of point products
- **Consistently available across all form factors:** hardware, software and SASE
- **ML-powered and real-time:** protecting against zero-day threats and increasing value of security services

Industry recognition: Recognized by industry analysts as a leader in network security



Firewall

Gartner Magic Quadrant for Network Firewalls 2020



Source: Gartner (November 2020)

Forrester Wave Enterprise Firewalls 2020



Prisma SASE

Gartner Magic Quadrant for WAN Edge Infrastructure 2020



Forrester Wave Zero Trust Network Access 2020



Our TAM: Our platform approach addresses a large and growing network security market

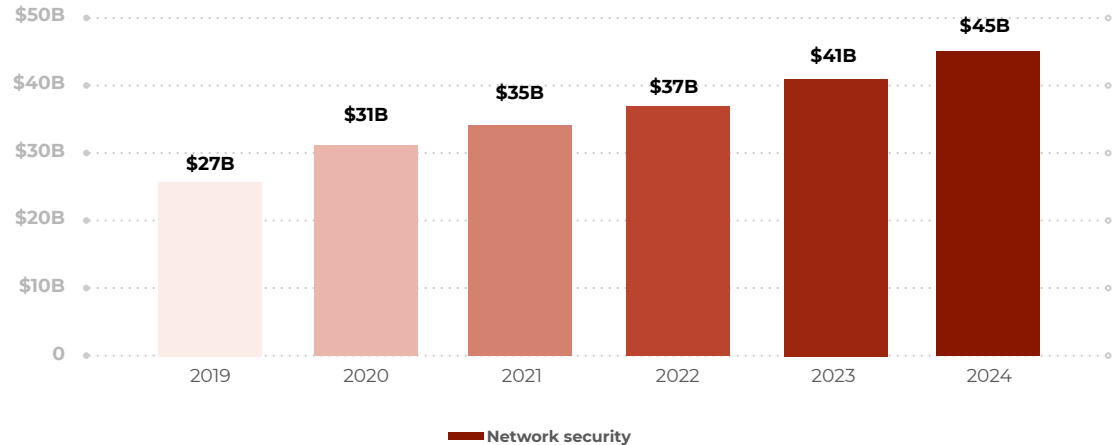
Three drivers of growth

1. **36% CAGR¹ for SASE** driven by hybrid work and cloud adoption
2. **13% CAGR¹ for Software firewalls** driven by multi-cloud transition
3. Introduction of **new security services** (IoT, DLP, NG-CASB)

Form factor transition is favorable - SASE adoption drives **2:1 hardware replacement value**

NETWORK SECURITY TAM

CY21 - CY24 CAGR = 9%



Note: Strata Core TAM includes DNS as part of product offerings; ¹ FY'19-FY'24 CAGR

Source: Omdia: NGFW June 2021 Update; Omdia: Infrastructure Security Products Market Database – 1Q21; Gartner: Forecast: Enterprise and Automotive IoT Edge Device Security, Worldwide, 2019-2025; IDC: Network Security Appliance Tracker (1Q21); Gartner: Forecast Analysis: Secure Access Service Edge, Worldwide; Gartner: Forecast Analysis: Enterprise Networking Connectivity Growth Trends, Worldwide; Gartner: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update; Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update

Network Security: The largest network security business, successfully executing on our transformation

77% of Global 2000¹ companies secured

224B Threats blocked per day

4.3M Updates per day

Firewalls

85,000+

Customers²
in 150+ Countries

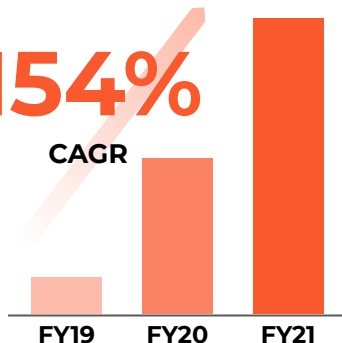
90%

Avg. CSAT score

SASE

154%

CAGR



FY19 FY20 FY21

Prisma SASE billings

Security services

66%

Customers have
3+ services (out of 9)

>90%

SASE customers
have 4+ services

¹G2000 is the Forbes Global 2000 Companies

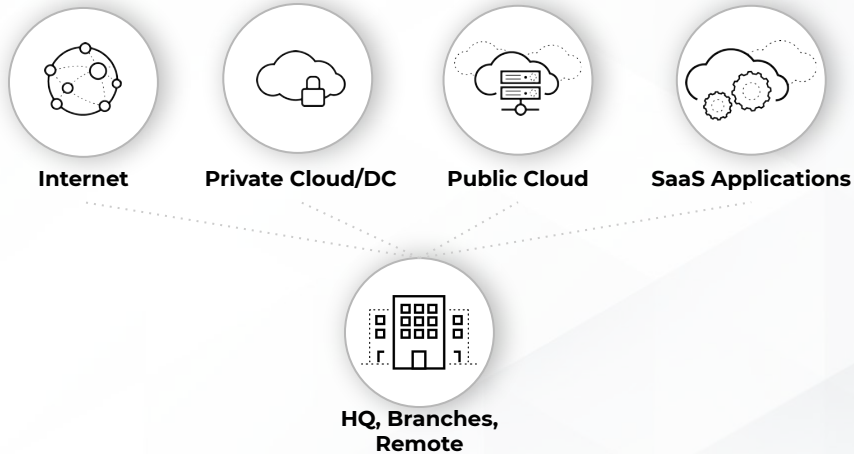
²Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.



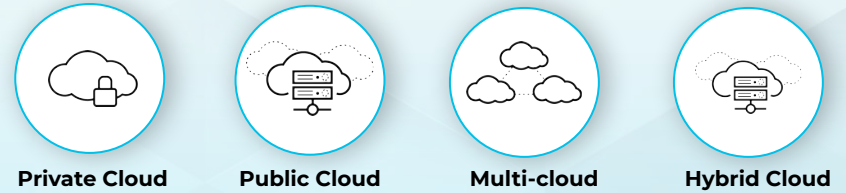
Cloud Security

Demystifying Cloud Security

Securing access to the cloud



Securing the cloud

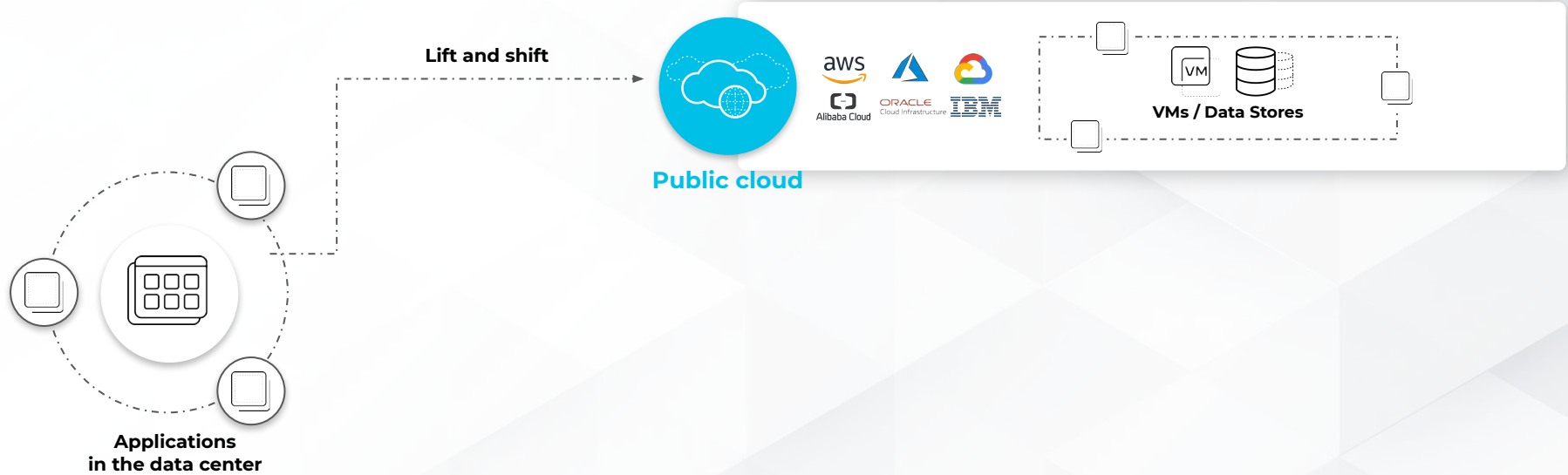


\$152B

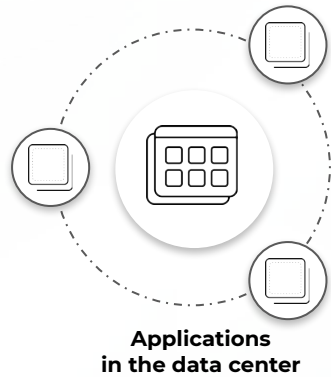
Public Cloud¹ spend

1 - Based on Gartner Public Cloud Services Forecast, 1Q21. Estimate includes expenditures on IaaS, PaaS, Cloud Management and Cloud security services; Excludes SaaS, Desktop-aaS and Business Process-aaS expenditures

Cloud Applications: Organizations started their cloud-first journey with “Lift and Shift”



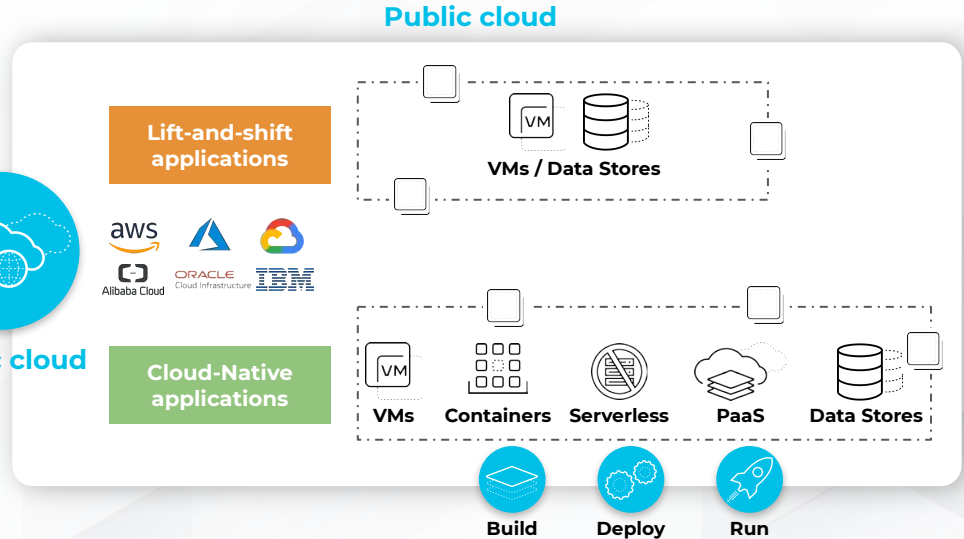
Cloud Applications: They then started building and deploying cloud-native applications



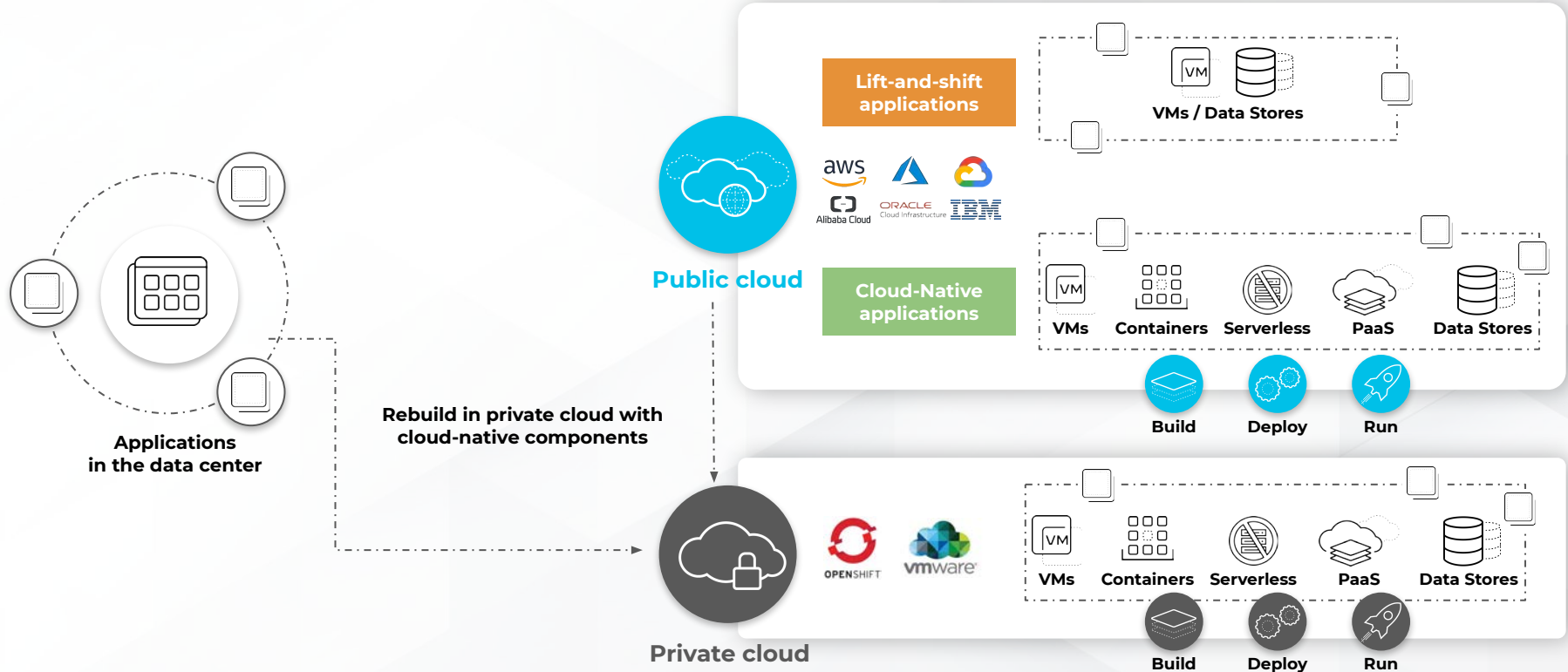
Build using cloud native components



Public cloud



Cloud Applications: And are now deploying applications across multi-cloud and hybrid cloud environments



Cloud Security: Customers need a growing number of capabilities to secure their cloud environments



Lift and shift apps in Public Cloud

Cloud-native Apps in Public Clouds



Cloud-native apps in Private Cloud / Datacenter



Visibility, Compliance, Governance

Misconfigurations

Compliance

Advanced threats (Cryptomining, Account Compromise)



Workload Security

Vulnerabilities - Host, Container, Serverless

Runtime Threats

Web Application & API Protection



Network Security

Cloud-native network segmentation

Network Threat Prevention



Identity Security

Identity and access misconfiguration

Over-Privileged access



Application Lifecycle Security

Code vulnerabilities, CI / CD pipeline vulnerabilities

their cloud environments

Visibility, Compliance,
Configuration

Workload Security
Vulnerabilities, Host,
Container, Serverless

Network Security
Cloud-native
Network

Identity Security
Identity and access
misconfiguration,
Privileged
Access

Typical industry approach requires 12-15 point products

Cloud-native
apps in
Private Cloud
/ Datacenter

Application Lifecycle Security

Code vulnerabilities, CI / CD pipeline vulnerabilities

Prisma Cloud: A cloud platform to secure the “full cloud stack”



Cloud Security Posture Management

Visibility, Compliance,
Governance

Threat Detection

Data Security

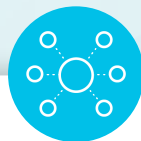


Cloud Workload Protection

Single agent - host,
container, serverless, APIs

Vulnerability
management

Runtime security



Cloud Network Security

Cloud-native
Microsegmentation

Virtual Firewalls



Cloud Infrastructure Entitlement Management

Visibility & Governance

Least privileged access
enforcement



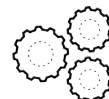
DevSecOps

Secure applications across the lifecycle (build-deploy-run)

Prisma Cloud Platform



Best of Breed capabilities

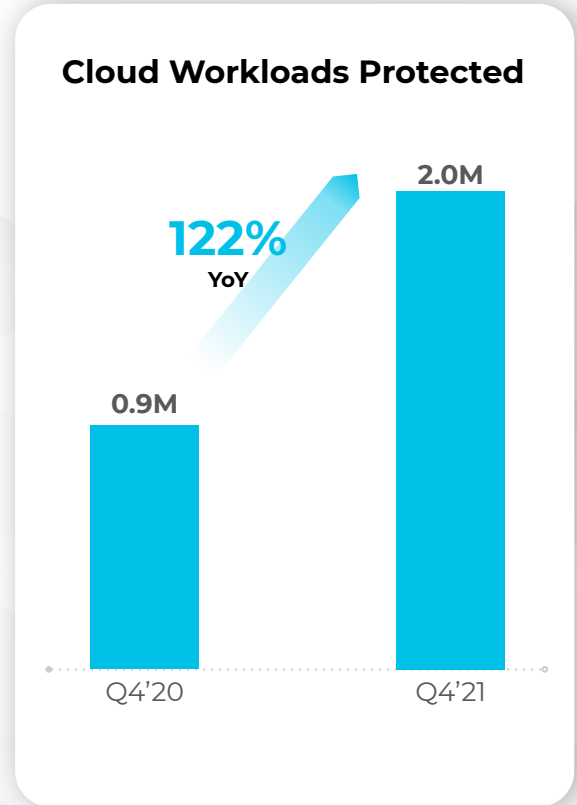
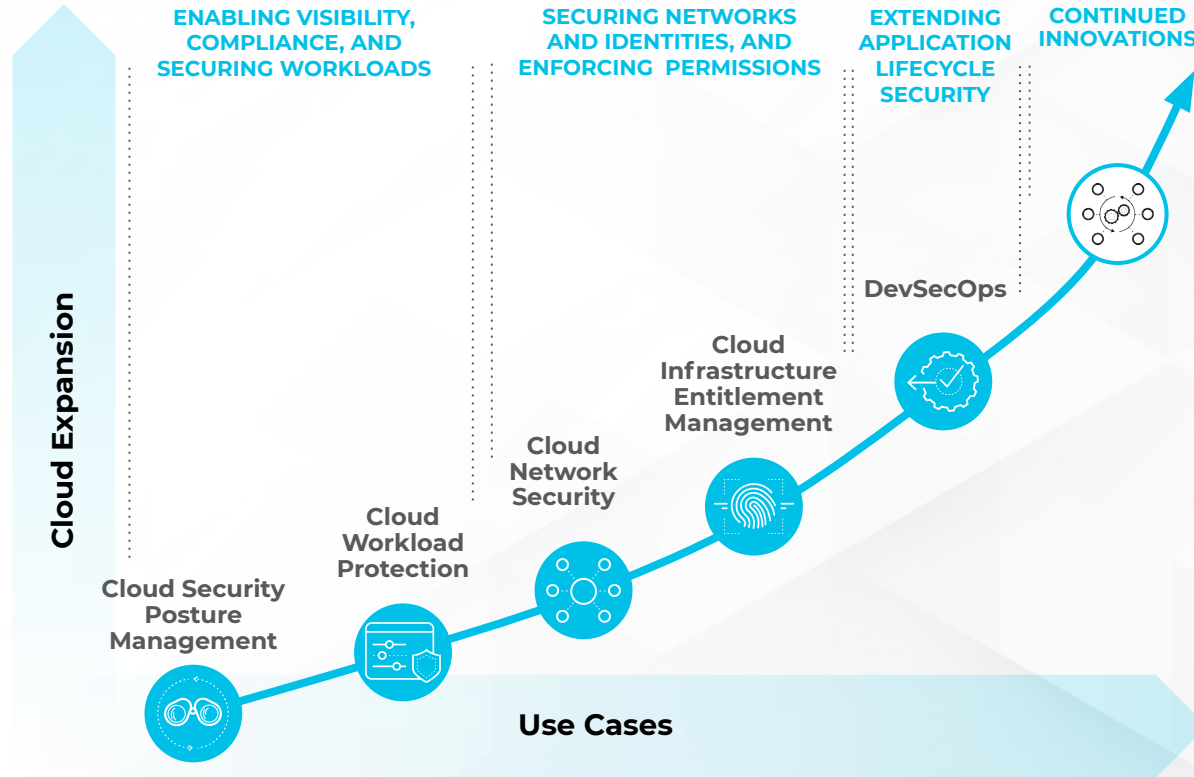


Fully Integrated



Full Stack, full Lifecycle security for any cloud

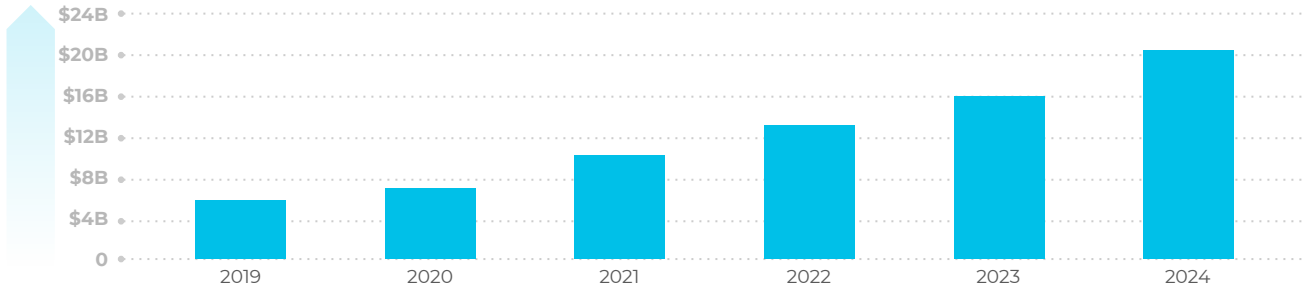
Our Vision: Expanding the platform to cover more use cases



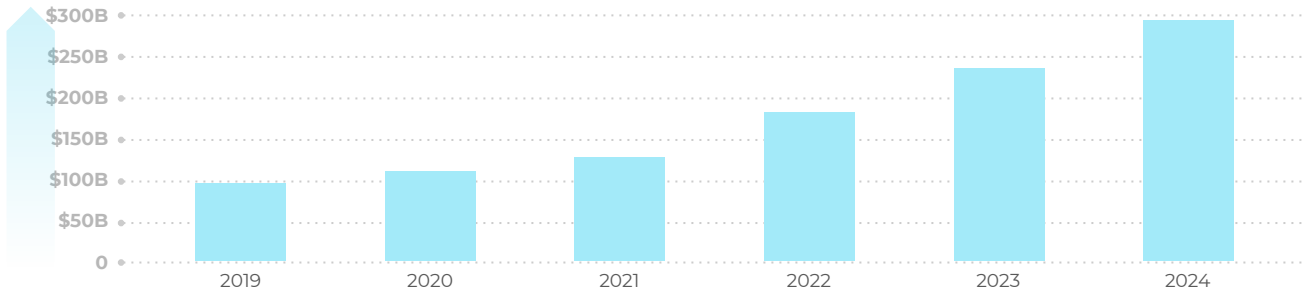
Our TAM: A \$10B Cloud Security market growing at 30% YoY

Cloud security spend

Cloud Security TAM Public Cloud¹ TAM



Public cloud spend¹



- **Public cloud spend¹** expected to continue to grow at **>25% YoY**
- **Cloud security spend** expected to stabilize at **6-7%** of public cloud spend¹
- **Multi-cloud and hybrid-cloud** will position us as security partner of choice
- **Securing software supply chains** will further expand the TAM

1. Public cloud spend estimate includes expenditures on IaaS, PaaS, Cloud Management and Cloud security services; Excludes SaaS, Desktop-aaS and Business Process-aaS expenditures

Source: Gartner: Public Cloud Services Forecast, 1Q21; Gartner: Information Security and Risk Management, Worldwide, 2019-2025, 2Q21 Update; 451 Group Custom Cloud Security Forecasts (Jan 21, Prisma Cloud Marketbook) expanded by PANW internal estimates for CIEM, cloud application security, services and integration

Prisma Cloud: The largest cloud security solution in the industry

Our platform in numbers

3B+

Assets protected

2M+

Workloads protected

700B+

weekly cloud events processed

INCREASING ADOPTION OF MODULES

50+%

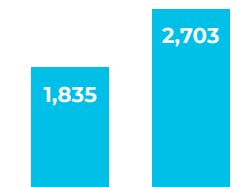
of customers are using
2 or more modules

20+%

are using 3 or more

GROWING CUSTOMER BASE

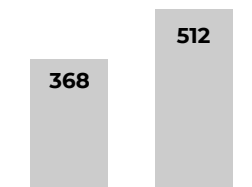
+47%
Y/Y ▲



Q4'20 Q4'21

Total Prisma Cloud
Customer Count

+39%
Y/Y ▲



Q4'20 Q4'21

G2000 Prisma Cloud
Customer Count ^{1,2}

ANALYST RECOGNITION

- **Gartner 2021 Hype Cycle³:** Prisma Cloud included in **7** market categories
- **GigaOm Vulnerability Management Radar⁴:** Prisma Cloud a **Leader and Outperformer**
- **Forrester Total Economic Impact Study⁵:** **276% ROI and \$5.8M in NPV**

¹G2000 is the Forbes Global 2000 Companies

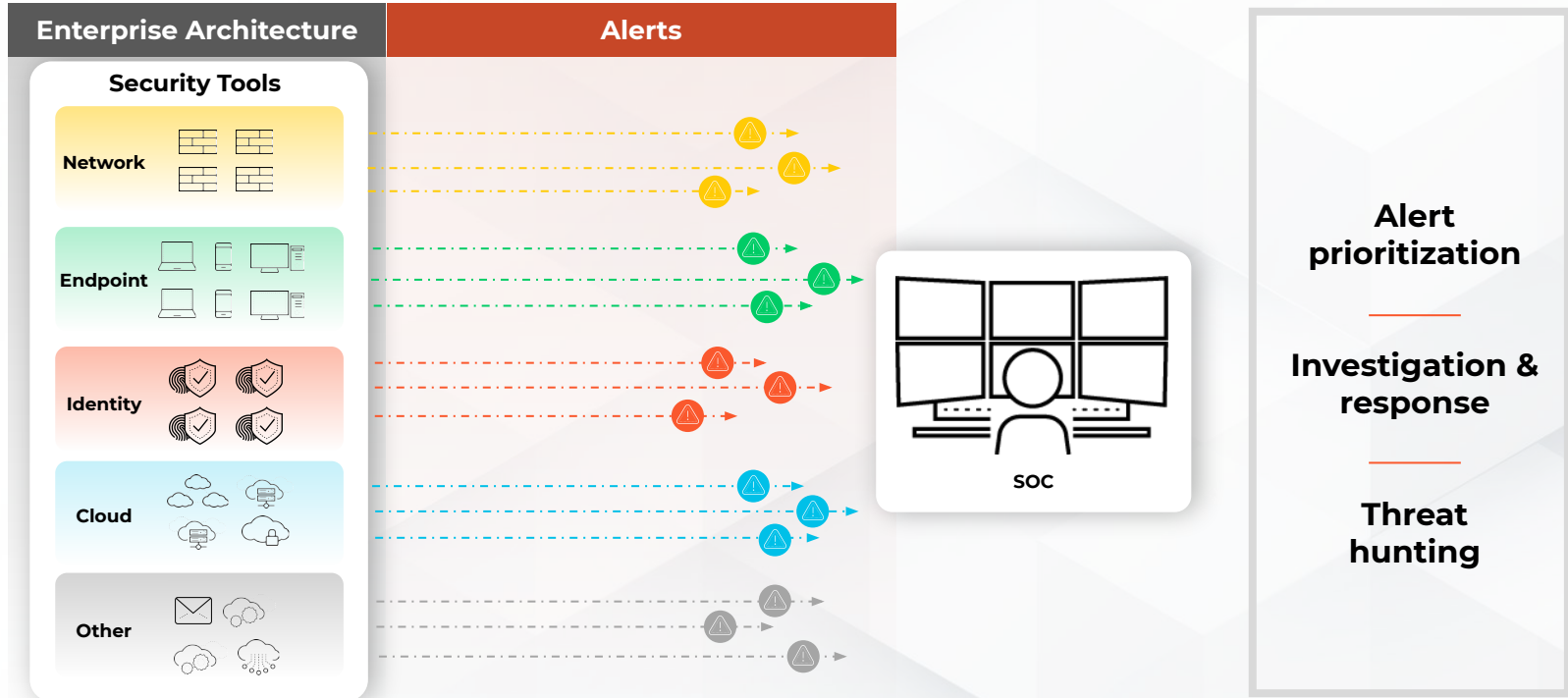
²Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

³Gartner Hype Cycle for Cloud Security, 2021; ⁴2021 GigaOm Radar for Vulnerability Management; ⁵Forrester 2021 Total Economic Impact Study of Prisma Cloud.

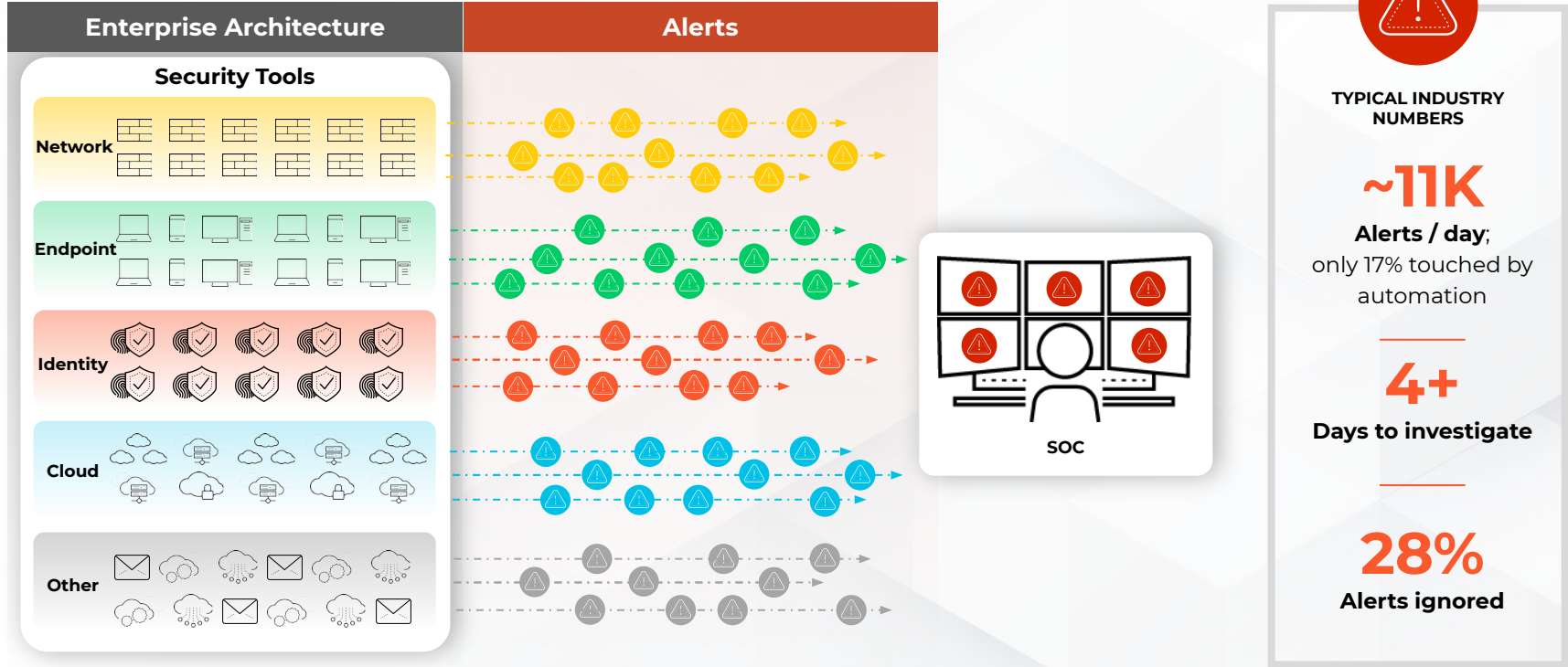
A person is seen from behind, sitting in a server room. They are looking at several computer monitors. The monitors display various network-related information, including a network topology diagram with nodes and connections, and other data visualizations. The room is dimly lit, with the primary light source being the screens and the ambient light from the server racks in the background.

Security Operations

Security Operations Center (SOC): Quick overview - the SOC's goal is to detect and respond to ALL threats

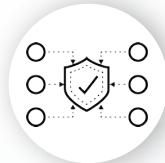


Security operations: Increasing volume of alerts is overwhelming most SOCs



Source: Forrester (The 2020 State of Security Operations), Demisto (The State of SOAR Report, 2018)

Security operations: “Single data source” products are not solving the problem



SIEM



EDR



NTA



Cloud



IoT

Alerts



TYPICAL INDUSTRY
NUMBERS

~75

Security products
to monitor assets

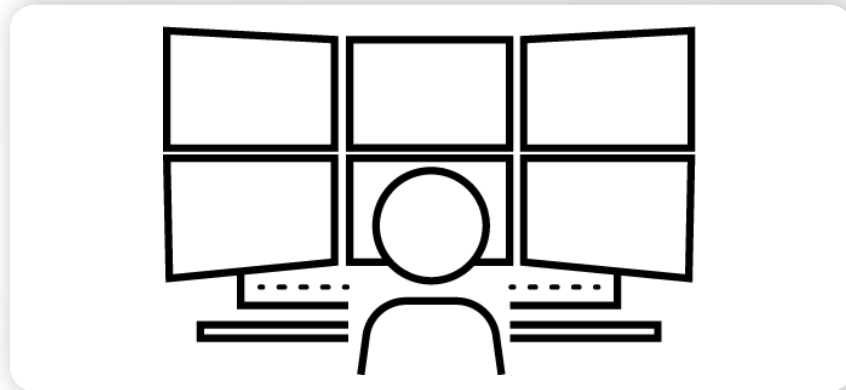
<30%

of SOC teams meet
their KPI goals

287

Avg days to identify
and contain a
data breach

Our Approach: Provide the SOC with complete visibility, advanced AI/ML analytics and end-to-end automation



**Cortex
XPANSE**



**Cortex
XDR**



**Cortex
XSOAR**



OUR GOALS

100%

Of attack surface is visible and analyzed

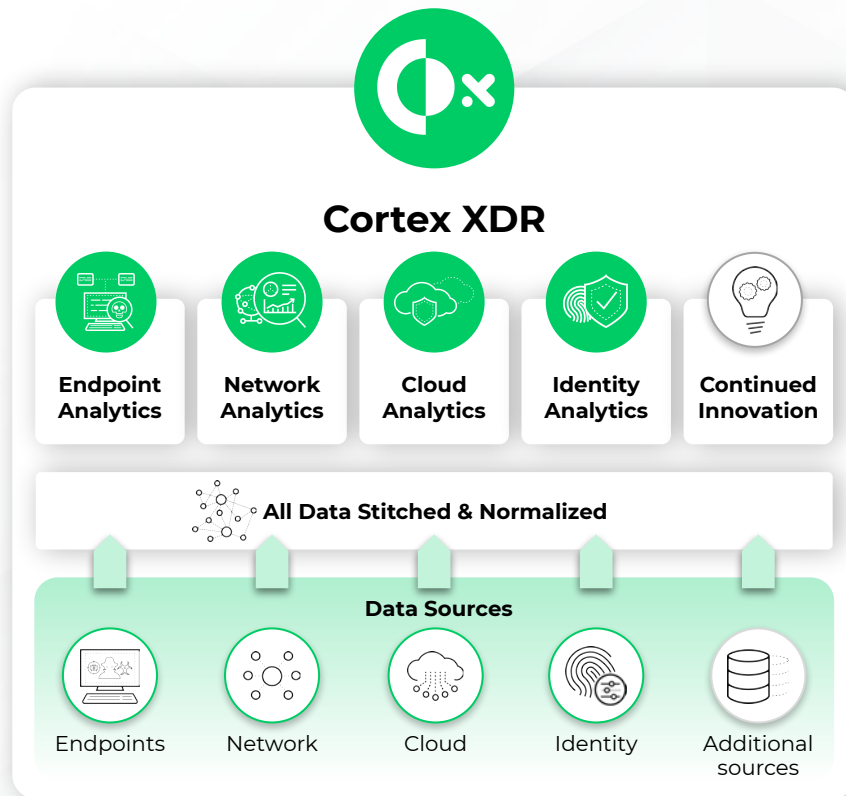
100%

Of attacks identified and stopped

Minutes

To respond to threats, not days

Cortex XDR: The central product for a next-gen SOC; it integrates & normalizes all data, drives AI/ML analytics



Cortex XPANSE: Full visibility of all internet assets; when integrated with XDR, it provides a complete enterprise view



Cortex XPANSE

Discovers and reduces the entire **attack surface**

Cross-correlates **internal view of assets with outside-in** mapping

Understands exposure to new attacks and how attacks have unfolded (including **supply chain exposures** and Nation State vulnerabilities)



Cortex XDR



Endpoint Analytics



Network Analytics



Cloud Analytics



Identity Analytics



Continued Innovation

 All Data Stitched & Normalized

Data Sources



Endpoints



Network



Cloud



Identity



Additional sources

Cortex XSOAR: End-to-end workflow automation for security operations; it enables the SOC to focus on critical alerts



Cortex XPANSE

Discovers and reduces the entire **attack surface**

Cross-correlates **internal view of assets with outside-in** mapping

Understands exposure to new attacks and how attacks have unfolded (including **supply chain exposures** and Nation State vulnerabilities)



Cortex XDR



Endpoint Analytics



Network Analytics



Cloud Analytics



Identity Analytics



Continued Innovation

 All Data Stitched & Normalized

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Endpoints



Network



Cloud



Identity



Additional sources



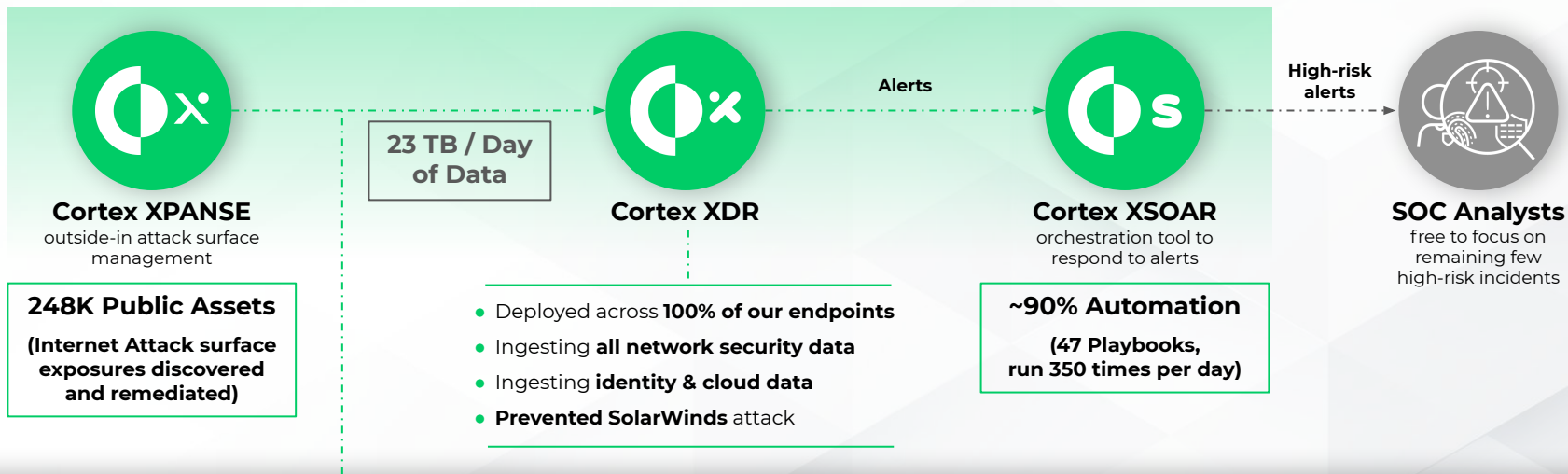
Cortex XSOAR

Scales and accelerates security operations with automation

Provides **playbook-driven** security process orchestration

Discovers third party playbooks through an **extensive SOAR marketplace**

Palo Alto Networks SOC: Eating our own dog food



Comprehensive security

Network



Prisma Access



NGFWs,



VMs,



and Security Services

10K Employees

Endpoint



Cortex XDR

50K Endpoints

Cloud



Prisma SaaS



Prisma Cloud

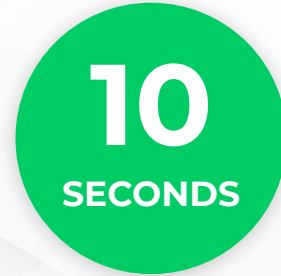
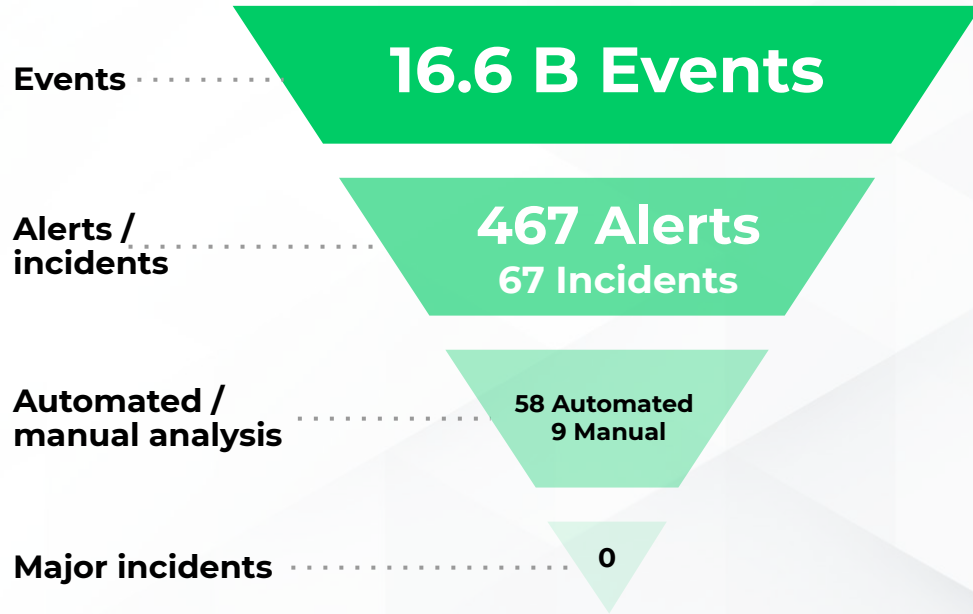


Data Security

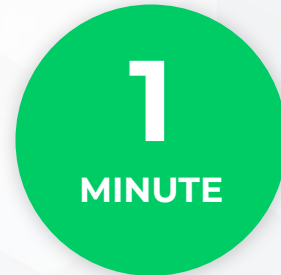
4.3 Million Cloud Assets

Palo Alto Networks SOC: Industry-leading 1 min response time

DAY IN THE LIFE OF THE PALO ALTO NETWORKS SOC



Mean time to detect

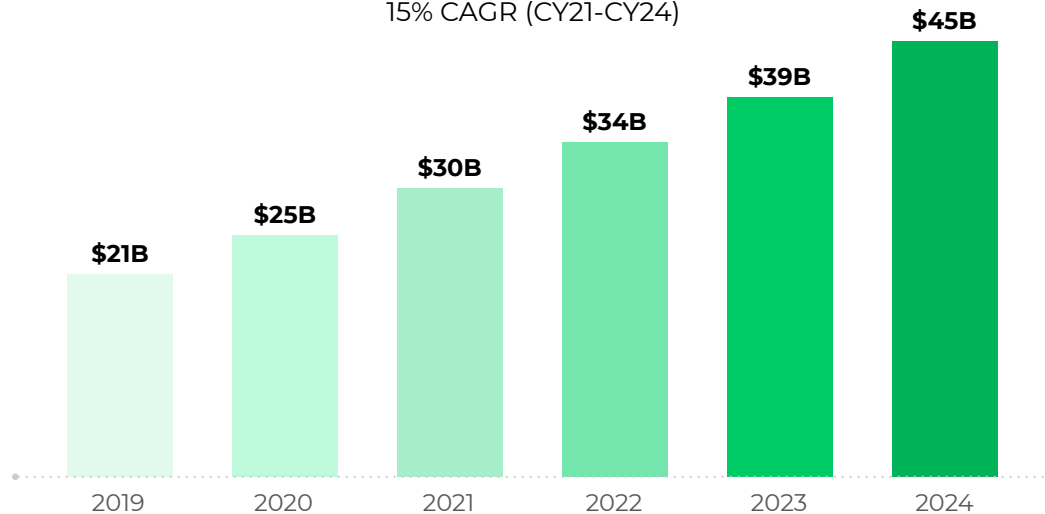


Mean time to respond
(High priority alerts)

SOC TAM: \$45B growing at 15% YoY

Total Addressable Market

15% CAGR (CY21-CY24)



- Security Operations expected to grow **~15% YoY**, driven by need for **ML analytics and automation**
- **Endpoint protection** market expected to sustain a **20% CAGR** fueled by **EDR to XDR transition**
- **Vulnerability Assessment** market expected to grow at **24% YoY** fueled by increasing need to monitor the **enterprise attack surface**

Cortex: Gaining industry recognition and customer traction across our product portfolio

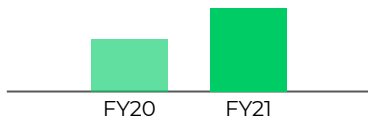


Cortex XPANSE

Outperformer Leader in **GigaOm's Vulnerability Management Radar**; recognized in **first Gartner ASM report**

57%

YoY



Customer Growth¹

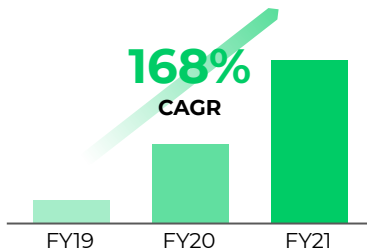


Cortex XDR

Best combined prevention and detection in **MITRE ATT&CK evaluation** and a leader in **Forrester ESS Wave**

168%

CAGR



Customer Growth²

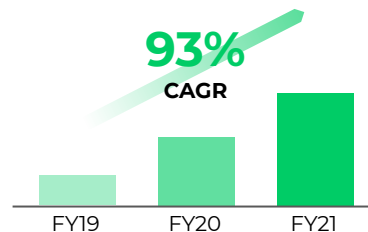


Cortex XOAR

Leader in **KuppingerCole Security Orchestration Automation and Response Leadership Compass**

93%

CAGR



Customer Growth

74 of Fortune 100 Customers

1. Acquisition closed less than a year ago

2. Cortex XDR Pro customer count



Delivering the Zero Trust Enterprise

Nir Zuk

Zero Trust is now a US Presidential Priority



“The Federal Government must adopt security best practices [and] advance toward Zero Trust Architecture”



What is Zero Trust?

A strategic approach to cybersecurity that secures an organization by eliminating **implicit trust** and continuously **validating every stage of a digital interaction.**

Securing users with Zero Trust



Identity

**Validate users
using strong
authentication**



Device/Workload

**Verify user's
device integrity**



Access

**Enforce
least-privilege user
access to data and
applications**



Transaction

**Scan all content for
malicious activity
and data theft**

Securing applications with Zero Trust



Identity

Validate developers, devops, and admins with strong authentication



Device/Workload

Verify workload integrity



Access

Enforce least-privilege access for workloads accessing other workloads



Transaction

Scan all content for malicious activity and data theft

Securing infrastructure with Zero Trust



Identity

**Validate all users
with access to the
infrastructure**



Device/Workload

**Identify all devices
including IoT**



Access

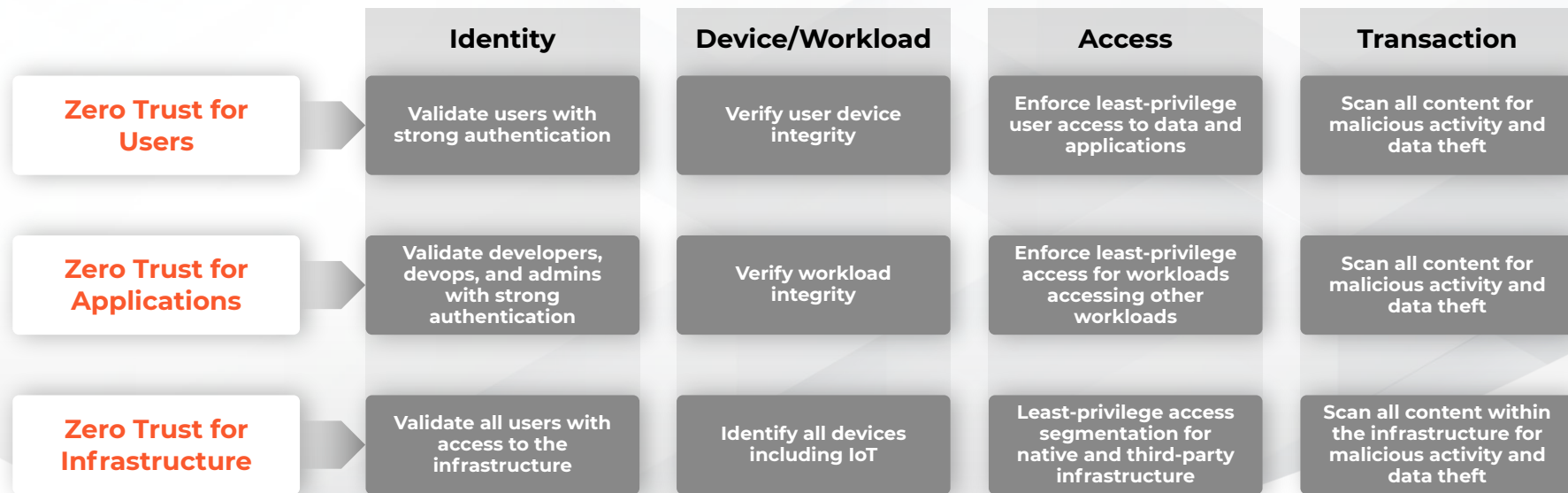
**Least-privilege
access
segmentation for
native and
third-party
infrastructure**



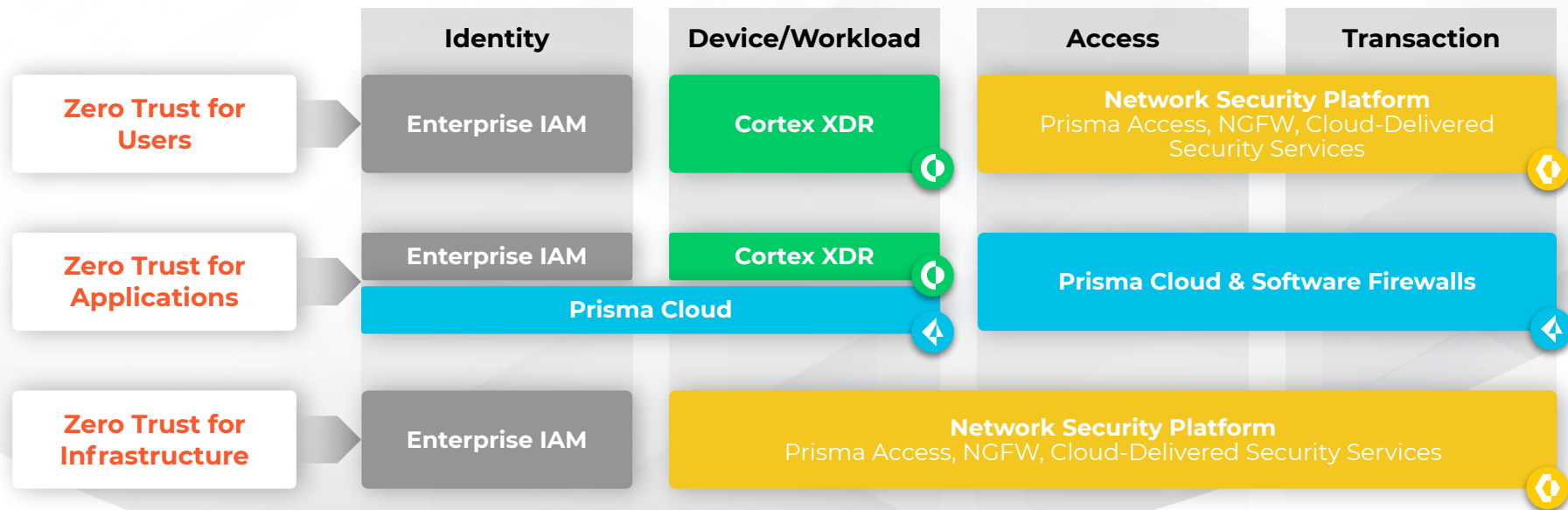
Transaction

**Scan all content
within the
infrastructure for
malicious activity
and data theft**

Zero Trust demands a holistic and consistent approach that is actionable across all key domains



While each of our three platforms are Zero Trust, deploying them together enables a strong foundation for a Zero Trust Enterprise

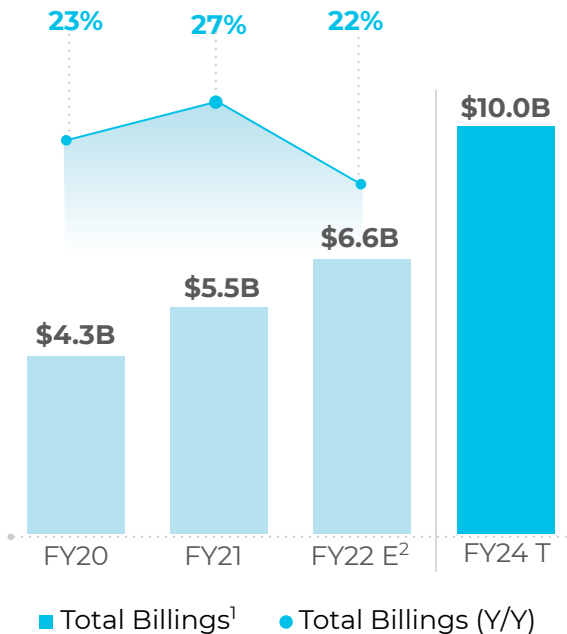
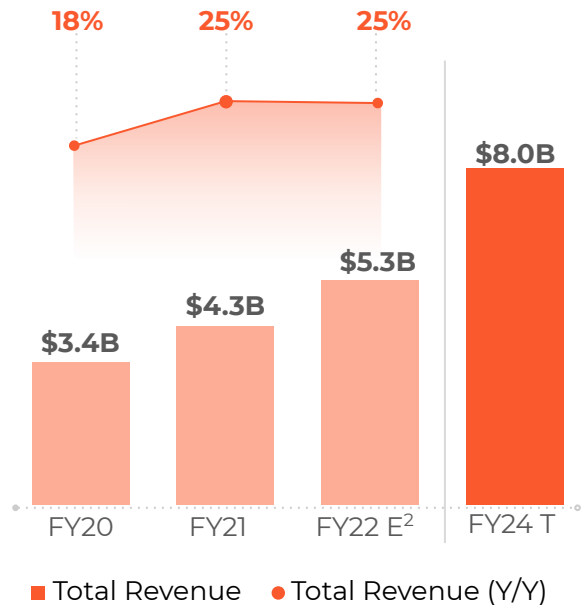




Driving Sustainable Growth

Nikesh Arora

Our product portfolio is the foundation for sustained growth



23%
Revenue CAGR
FY21-FY24

22%
Billings CAGR
FY21-FY24

¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

²Represents midpoint of guidance.
Fiscal year ending on July 31.

A woman with her hair in a bun, wearing a patterned blouse, is smiling and looking at a laptop screen. She is in a meeting with two other people, whose backs are to the camera. The scene is set in a modern office environment.

Securing Our Customers

BJ Jenkins

We have proven that our core + speedboat sales model works



Core sales



AMER



JPAC



EMEA

3.2K+ strong team

~5% systematic productivity gains annually

~50% of reps participated in 2 or more speedboats¹

Cohesive
Selling
Motion



Speedboat sales

Prisma

Cortex

SASE

850+ specialists

95%+ CAGR in speedboat product sales FY19-FY21

220+ accounts with > \$1M in speedboat sales

¹Rep participation refers to FY21 closed deals across Prisma Cloud, Prisma SASE and Cortex

We have opportunity to drive scale and better execution



'One team' mindset

Aligned leadership with a common forecast and set of goals



Joint account plans

Singular account plans across Core and Speedboats



Shared incentives

Compensation structures that promote collaboration



World-class enablement

Investment in ensuring Core reps can sell full portfolio

Tighter coordination and collaboration to help secure our customers

Ecosystem transformation enables us to further leverage partnerships

Cybersecurity ecosystem adapting to Cloud & SaaS



Value-added resellers

Transforming business models for Cloud & SaaS



System integrators

Strengthening role on digital transformations



Service providers

Driving network shift from MPLS to SASE



Cloud service providers

Driving Cloud Native Security via marketplaces

Our portfolio breadth enables deeper partnerships

Today we have...

8K+ NextWave Partners

~\$1B via SI & SP in FY21¹

\$250M+ via AWS / GCP / Azure²

¹SI refers to System Integrators, SP refers to Service Providers

²FY21 sales through pay-as-you-go marketplaces and the private offer placement from via Amazon Web Services / Google Cloud Platform / Microsoft Azure only

We delivered stellar customer satisfaction while doubling our portfolio



Professional services



Customer success



Customer support

2x number of offerings to support vs. FY19¹

63% Deflection rate

90% CSAT²



tsia
RATED
OUTSTANDING
PALO ALTO NETWORKS | GLOBAL
ASSISTED AND SELF-SERVICE SUPPORT

7th consecutive TSIA & JD Power awards

¹Based on unique use case and service offerings between FY'19 and FY'21

²Customer Satisfaction (CSAT) based on transactional surveys conducted at various points of the customer journey (e.g., once ticket is resolved for support)

Looking ahead...

Built a strong foundation over 3 Years

- Launched our **three best-of-breed platforms**
- Achieved **product-market fit** across our portfolio
- Stood up **speedboat go-to-market motion** with 850+ specialists
- **Maintained customer satisfaction** at 90%+ through all the change
- Landed at least **two of our platforms with 70%+ of our G2000¹** customers

Supercharge our model going forward

- **Continue to innovate** and make our platforms work better together
- Strengthen our **brand & recognition**
- **Scale our reach** across segments and geographies
- Develop a **harmonized sales motion** across Core and speedboats
- **Land all three of our platforms** at the majority of our largest customers

**Palo Alto Networks - True multi-platform cybersecurity company
set to win in three of the largest segments in the industry**

¹G2000 is the Forbes Global 2000 Companies



Drivers of Change - Our People

Liane Hornsey

Our goal: Be the best company to work for

A clear plan to execute world-class environmental, social & governance strategies



ENVIRONMENT—Our Planet

We are committed to **using 100% renewable energy** and **reducing emissions**



SOCIAL—Our People & Our Communities

We are ensuring our **employees are motivated** and our **communities are digitally secure**



GOVERNANCE—Our Integrity

We do the **right thing, always**

Environment—Our Planet: Scaling from stewardship to leadership



FY19

A Legacy of Stewardship

- Formed **Green Teams** to increase employee engagement and execute sustainability initiatives
- Prioritized **LEED¹ certified** workplaces

“Green” for years

FY20-21

Declare Carbon Neutral Goals

- **Achieved 85% LEED¹ certification** across real estate portfolio
- Committed to **100% Renewable energy** by 2030
- Invested in **high-quality carbon offset** programs

Reported to Carbon Disclosure Project (CDP)

FY22+

Execute at Scale & Speed

- Engage supply chain in setting **Science Based Targets**
- Secure **CDP leadership rating**

Future reporting aligned to TCFD² framework

¹LEED: Leadership in Energy and Environmental Design

²TCFD: Task Force on Climate Related Financial Disclosures.

Social—Our People & Communities: Investing in the Future of Work



FY19 Employee-Driven Values and Learning

- Stood-up programmatic **early in career development** at scale
- Improved our URM and **diversity percentages**
- **Helped youth stay safe online** through Cybersecurity Education

**Leadership hiring elevated;
targeted top tech companies**

FY20-21 People-centric, Inclusive & Diverse

- Achieved **fair pay, promotion, and performance & mobility**
- **FLEXWORK Coalition**; personalized location, benefits, and learning
- **81% of employees highly engaged—no diversity differential**
- **Raised ~\$6M** for COVID Relief, social injustice and racial inequity causes

**~90% diverse slates & panels
25% women, 14.5% URM (U.S.)¹**

FY22+ Targets

- **Expand FLEXWORK** initiatives and lead in the future of work
- Be the **top cybersecurity company** for diverse employees
- **Grow Cybersecurity Education** programs to reach 20M by 2025

**100% leadership teams diverse²
40% women, 20% URM (U.S.)³**

¹ As of August 30, 2021.

² By 2023.

³ By 2025.

Governance—Our Integrity: Underpinning Everything We Do



FY19 Corporate Behavior & Suppliers

- Ensured strong Code of Conduct and **compliance training**
- **Protected data** with cutting-edge Security Operations Center
- Deployed Global **Supplier Code of Conduct** across supply chain

Foundational structures
in place

FY20-21 Board Governance

- Amended NomGov Committee charter to include **ESG**
- Included ESG duties in Comp & People **Committee Charter**
- Launched a **Supplier Diversity** program

Board diversity up from
9% to 33%¹

FY22+ Looking Ahead

- Tie FY22 executive **cash compensation to ESG outcomes**
- **Establish Security Committee** of our Board of Directors
- Increase **reporting transparency**, including ESG supplement

Exec compensation tied to
climate and diversity

¹ From FY18 to FY21

External stakeholders are recognizing our work

Employer Branding Recognition

InHerSight¹



Best Places to Work
#11 in July 2021



Support for Diversity

★★★★★ 5.0 stars

People and programs that prioritize diversity, inclusion, equity and belonging

Glassdoor Progression

3.9 / 5.0

Overall rating; an increase of **0.7²**

87.4%

CEO approval rating; an increase of **30.4%¹**

4.2 / 5.0

Overall Inclusion and Diversity score¹

74.9%

Positive Business outlook - an increase of **23.4%²**

Comparably³

Diversity Score



Palo Alto Networks currently ranks in the **Top 10%** of similarly sized companies on Comparably

Gender Score



Palo Alto Networks currently ranks in the **Top 15%** of similarly sized companies on Comparably

WayUp³



Top 100
Internship Program

Inclusion & Diversity Recognition⁴



Overall ESG Recognition⁴



¹ Recognition as of July 31, 2021.

² Increase occurred during the period of March 2020 to July 2021.

³ Recognition as of August 18, 2021.

⁴ Recognition as of 2021 reporting cycle for issuer.

All of our actions are driven by our 5 core values



Disruption



Execution



Collaboration



Integrity



Inclusion



Managing for Scale and Efficiency

Nikesh Arora

We are building three great businesses within a single company



**Strata /
SASE**

#1

in network security
revenue (\$3.7B)¹ and
adj. FCF (\$1.6B)¹

Top 3

in SASE growing
billings faster than
the leader, **ARR²**
>90% growth

55% - 60%

software mix in
FWaaP³ in FY24,
leading the industry



Cortex

>\$400M

in ARR²
>80% growth

3

category
industry recognition

Leading

the transformation of
security operations



**Prisma
Cloud**

>\$300M

in ARR²
>70% growth

0

scaled competing
cloud-native platforms


Blue Ocean

Opportunity,
one-of-a-kind business

¹Revenue of \$3.7B and \$1.6B adjusted free cash flow is last 12 months (LTM) basis.

²ARR = Annualized Recurring Revenue, which is the annualized allocated revenue of all active contracts as of the final day of the reporting period, which is FY21. Prisma Cloud ARR includes VM-series (public cloud) and CN-series.

³Represented by Software % of Firewall as a Platform (FWaaP) Billings. SW % of Total FWaaP Billings is the total amount invoiced and billed for the Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated, as a percentage of total Firewall as a Platform billings.



Bringing It All Together

Dipak Golechha

We are focusing on all-encompassing value creation

COMPONENTS OF TOTAL SHAREHOLDER RETURN



**Revenue
growth**



Profitability



**Cash
conversion**



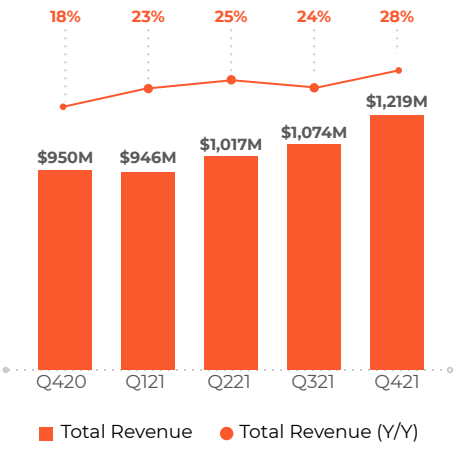
**Capital
structure**



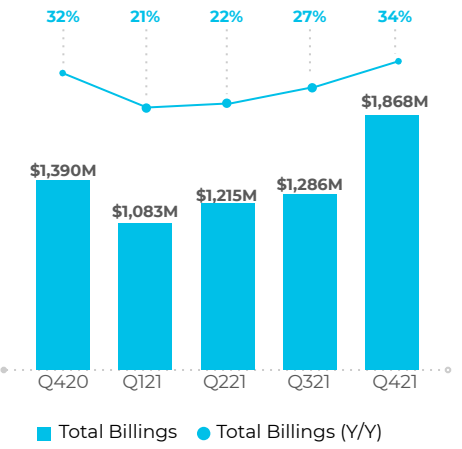
Strong growth in key top-line metrics

Revenue growth

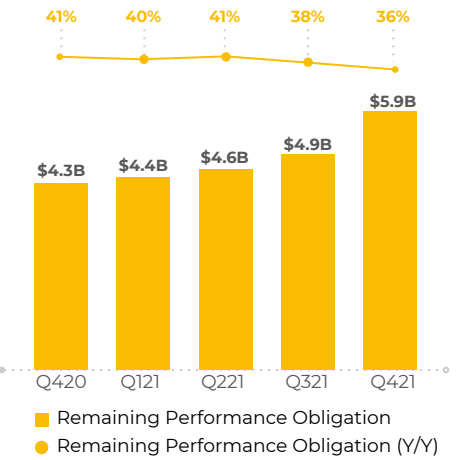
Total revenue



Total billings¹



Remaining performance obligation



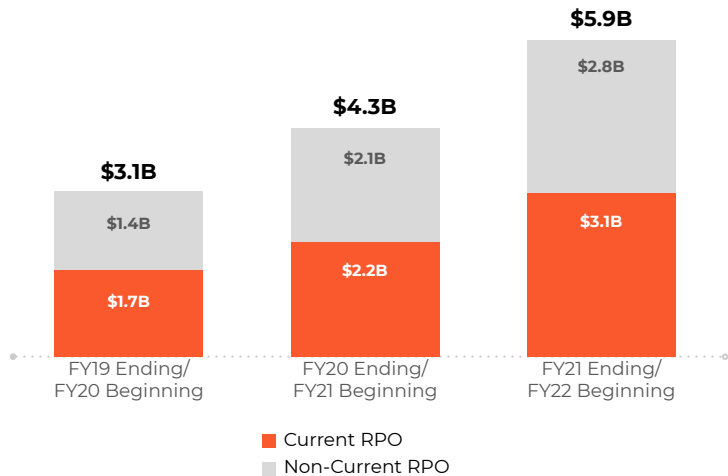
¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue. Fiscal year ending on July 31.



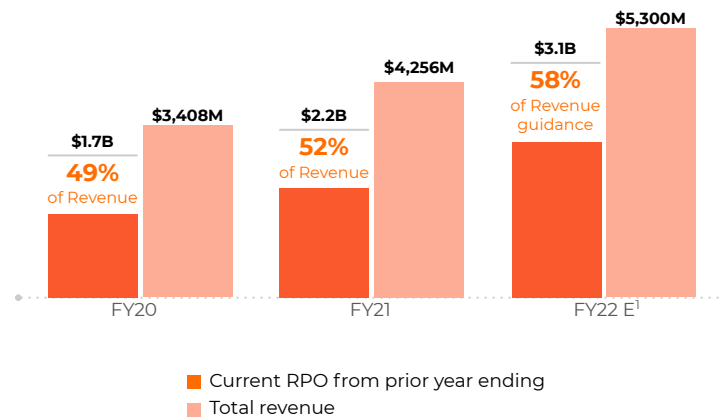
RPO trends provide better revenue visibility

Revenue growth

Current RPO Acceleration



Current RPO a Growing Proportion of Revenue & Guidance

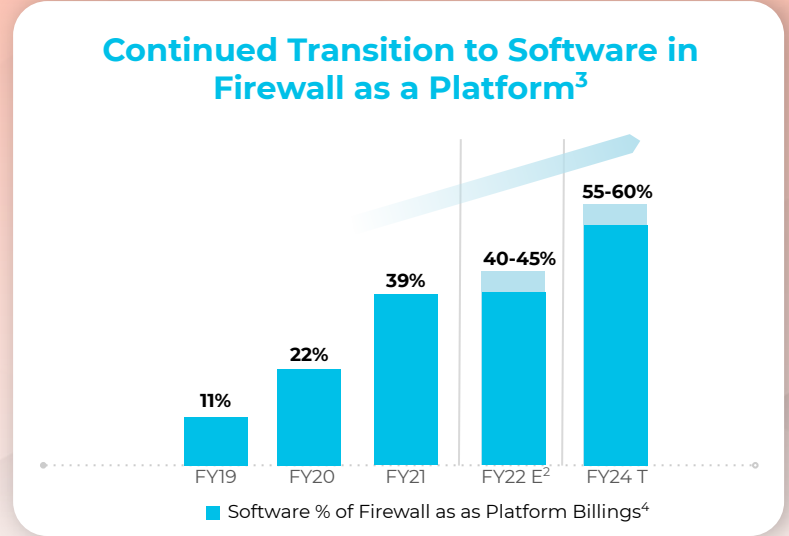
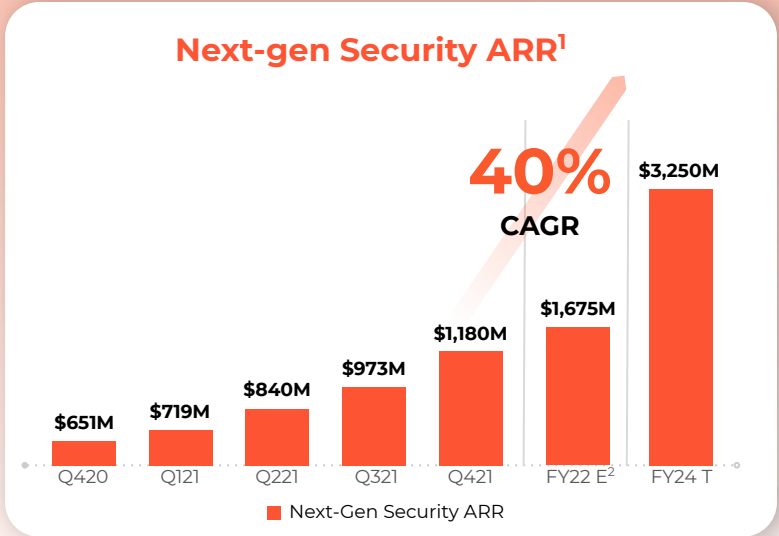


¹Represents the guidance midpoint for revenue in FY'22. Fiscal year ending on July 31.



We are building a large business in cybersecurity's fastest-growing markets while transitioning to software

Revenue growth



Mid single-digit product revenue growth CAGR, through FY24

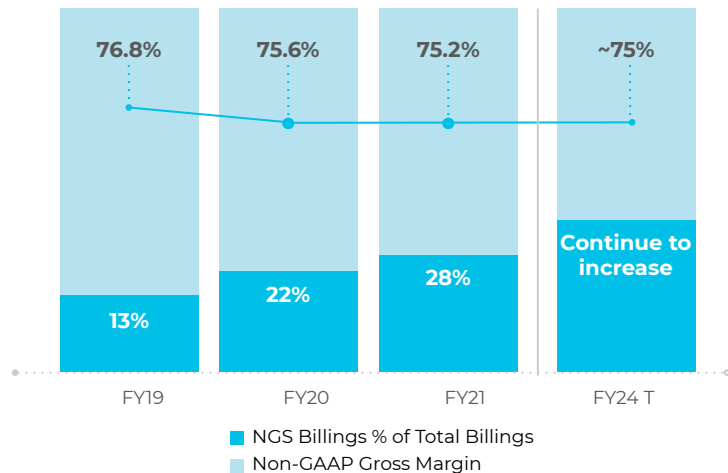
¹ ARR = Annualized Recurring Revenue. Next-Gen Security ARR is the annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services.
² Represents midpoint of FY'22 guidance.
³ Firewall as a Platform (FWaaP) billings is a key financial and operating metric defined as publicly reported product billings, together with total amount invoiced and billed for Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated.
⁴ Software % of Total FWaaP billings is the total amount invoiced and billed for the Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated, as a percentage of total Firewall as a Platform billings. Fiscal year ending on July 31.



Sustaining gross margin as we drive NGS momentum

Profitability

Next-gen security billings¹
as a percent of total billings²



- Increasing NGS mix, balancing gross margin
- Core margins stable
- **In FY22, we expect total company gross margin to be a balance of these two forces**

¹ Next-Gen Security (NGS) billings is a key financial and operating metric. Prior to Q2'21, NGS billings was defined as the total amount invoiced and billed during the period stated for Prisma and Cortex offerings inclusive of the VM-Series and related services; for Q2'21 and afterwards, NGS billings is defined as total revenue plus change in total deferred revenue, net of total acquired deferred revenue for Prisma and Cortex offerings inclusive of the VM-Series and related services.

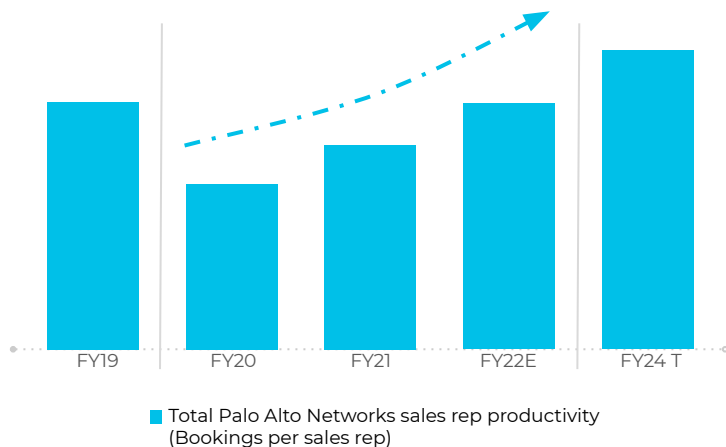
² Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue. Fiscal year ending on July 31.



Coordinated execution is enabling leverage from sales and marketing

Profitability

Sales rep productivity, post FY'19 speedboat investments



- Overlay (speedboat) model implemented in FY20
- Core productivity has improved throughout
- **In FY22-24, we expect improvements in productivity across our go-to-market organization**

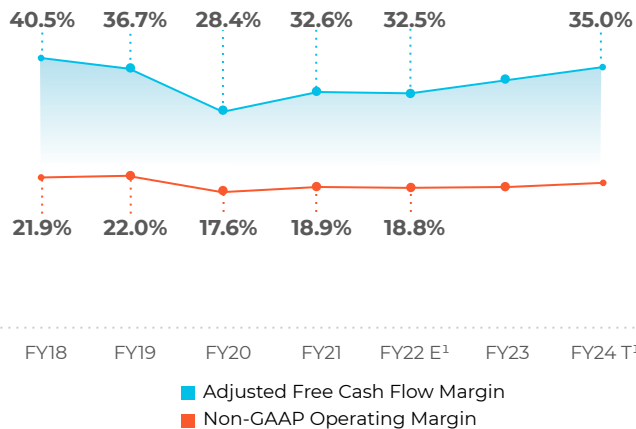
Fiscal year ending on July 31.



Beyond operating leverage, cash conversion will drive free cash flow margin expansion

Cash conversion

Non-GAAP operating margin and adjusted free cash flow margin progression



- Driving to industry best in class working capital benchmarks
- Optimizing large transactions for long-term value and cash terms
- Use of public cloud as alternative to CAPEX
- **Expecting 100–150bp of annual FCF margin expansion beyond FY22, through FY24**

¹ FY22 E represent the midpoint of guidance for adjusted free cash flow margin and non-GAAP operating margin. FY24 T represents the midpoint of the target for adjusted free cash flow margin and non-GAAP operating margin. Fiscal year ending on July 31.



Our cash conversion puts us at the top of our peer group

Cash conversion

Company Name (>\$3B in revenue)	Latest FY Revenue	Forward Revenue Growth Rate	Latest FY FCF Margin	Revenue Growth + FCF Margin
Adobe	\$12.9 B	22%	41%	63%
ServiceNow	\$4.5 B	29%	32%	61%
Palo Alto Networks	\$4.3 B	24% – 25%¹	33%	57% – 58%
Autodesk	\$3.8 B	15%	36%	51%
Intuit	\$9.6 B	15%	33%	49%
Microsoft	\$168.1 B	14%	33%	47%
VMware	\$11.8 B	9%	35%	44%
Salesforce.com	\$21.3 B	24%	19%	43%
Workday	\$4.3 B	18%	24%	42%
Oracle	\$40.5 B	4%	34%	38%
Citrix Systems	\$3.2 B	0%	28%	27%
Open Text Corp	\$3.4 B	2%	24%	26%
Akamai	\$3.2 B	8%	15%	23%
SAP	\$33.2 B	-3%	22%	19%

ASPIRE TO THE “RULE OF 60”

¹ Palo Alto Networks Forward Revenue Growth Rate represents the guidance range for revenue growth for FY'22.

² Latest FY Revenue is revenue for each company's most recently completed fiscal year, as reported from FactSet on 9/8/2021.

³ Forward Revenue Growth Rate represents year over year growth % for next fiscal year revenue consensus, as reported from FactSet on 9/8/2021.

⁴ Latest FY FCF Margin is reported Free Cash Flow divided by Revenue for each company's most recently completed fiscal year, as defined and reported from FactSet on 9/8/2021.



We expect to maintain a balanced capital allocation strategy

Capital structure

Focus areas of capital allocation strategy

Invest in
organic growth

Return to holders

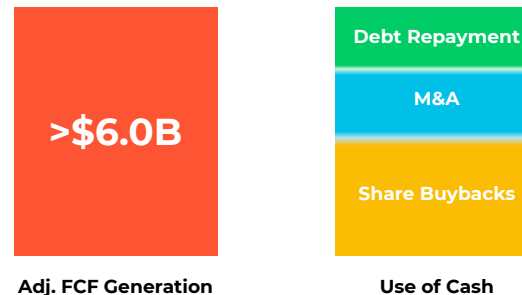
Optimize capital base

Acquisitions to
accelerate strategy

FY2018 – FY2021

- Net debt proceeds of \$2.7B¹
- Used \$2.5B of cash in acquisitions²
- Healthy buyback activity driven by cash generation

FY2022 – FY2024



¹ Represents 2018 and 2020 new debt with \$3.3B in proceeds, net of issuance and hedge costs, and 2019 debt maturity payment of \$575M.

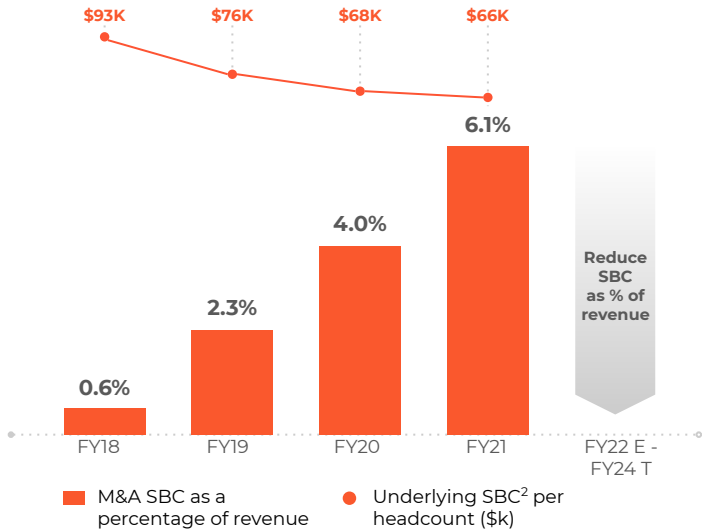
² \$2.5B is net of cash acquired. Total acquisition consideration, including equity for the FY18-21 period is \$3.2B. Fiscal year ending on July 31.



We are actively working down stock-based compensation while operating in a competitive environment

Capital structure

Stock-based compensation¹ (SBC) Trends



- Historically we have used stock grants as part of acquisition currency for retention
- We are focused on remaining competitive in our industry and geographies we operate
- **In FY22 and beyond, we expect SBC as % of revenue to decline**

¹ Stock based compensation includes SBC expense and SBC capitalized for internally developed software.
² Underlying SBC excludes any M&A SBC.
Fiscal year ending on July 31.

Bringing it all together into an attractive financial profile



Revenue

\$8B in FY24 revenue, 23% CAGR from FY21

\$10B in FY24 billings, 22% CAGR from FY21

\$3.25B in NGS ARR¹, 40% CAGR from FY21

Mid single-digit product growth CAGR, through FY24

Gross margin

Leverage from scaling products, offsetting mix shift

Non-GAAP operating income

50–100bp margin expansion annually, beyond FY22, through FY24

Adjusted free cash flow

100–150bp margin expansion annually, beyond FY22, through FY24

¹ ARR = Annualized Recurring Revenue. Next-Gen Security ARR is 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. Fiscal year ending on July 31.

A woman with dark hair pulled back, wearing a gold sequined sweater, is smiling and looking towards the left. She is sitting at a desk with a laptop. In the background, two other people are visible, also looking towards the left. The scene is set in a meeting room with light-colored curtains. A dark horizontal bar is overlaid across the middle of the image, and the text 'Q&A' is centered on it. A small orange horizontal line is positioned above the text.

Q&A



Wrap-Up

Nikesh Arora

An aerial view of a city skyline at sunset, featuring numerous skyscrapers and a prominent tower in the center. The sky is filled with soft, golden light and scattered clouds. A large, stylized orange graphic, resembling a thick brushstroke or a curved line, is overlaid across the center of the image, framing the text.

THANK YOU



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NETWORKS

Cybersecurity
Partner of Choice

Analyst Day (~3 hrs)	Section	Presenters
9:30-9:40am (10 mins)	Palo Alto Networks Vision	Nikesh
9:40-9:50am (10 mins)	Market Needs and Our Platforms	Lee
9:50-10:20am (30 mins)	Product Strategy - NetSec, Cloud and SOC	Various
10:20-10:35am (15 mins)	Delivering the Zero Trust Enterprise	Nir
10:35-10:40 am (5 mins)	Driving Sustainable Growth	Nikesh
10:40-10:50am (10 mins)	Securing Our Customers	BJ
10:50-11:00am (10 mins)	Drivers of Change - Our People	Liane
11:00-11:05am (5 mins)	Break	
11:05-11:10am (5 mins)	Managing for Scale and Efficiency	Nikesh
11:10-11:35am (25 mins)	Bringing It All Together	Dipak
11:35-11:40pm (5 mins)	Wrap-up	Nikesh
11:40-12:30pm (50 mins)	Q&A	All Presenters

Calculation of Billings

\$ In millions

Billings:	Q420	Q121	Q221	Q321	Q421	FY'20	FY'21
Total revenue	\$950.4	\$946.0	\$1,016.9	\$1,073.9	\$1,219.3	\$3,408.4	\$4,256.1
Add: change in total deferred revenue, net of acquired deferred revenue	439.6	136.8	197.8	212.5	649.0	893.3	\$1,196.1
Total billings	<u>\$1,390.0</u>	<u>\$1,082.8</u>	<u>\$1,214.7</u>	<u>\$1,286.4</u>	<u>\$1,868.3</u>	<u>\$4,301.7</u>	<u>\$5,452.2</u>

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Gross Margin

\$ In millions

Non-GAAP gross profit and gross margin:	FY'19		FY'20		FY'21	
	\$	%	\$	%	\$	%
GAAP gross profit and gross margin	\$2,091.2	72.1%	\$2,408.9	70.7%	\$2,981.2	70.0%
Share-based compensation-related charges	84.2	2.9%	93.9	2.8%	115.7	2.7%
Amortization expense of acquired intangible assets	40.4	1.4%	68.7	2.0%	97.4	2.3%
Litigation-related charges ⁽¹⁾	10.2	0.4%	3.6	0.1%	7.1	0.2%
Non-GAAP total gross profit and gross margin	\$2,226.0	76.8%	\$2,575.1	75.6%	\$3,201.4	75.2%

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue. Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Operating Margin

\$ In millions

Non-GAAP Operating Income and Operating Margin:	FY'18		FY'19		FY'20		FY'21	
	\$	%	\$	%	\$	%	\$	%
GAAP operating loss	(\$104.2)	-4.6%	(\$54.1)	-1.9%	(\$179.0)	-5.3%	(\$304.1)	-7.1%
Share-based compensation-related charges	516.4	22.7%	591.3	20.5%	685.5	20.2%	936.5	22.0%
Acquisition-related costs ⁽¹⁾	17.9	0.8%	29.8	1.0%	15.7	0.5%	46.1	1.1%
Amortization expense of acquired intangible assets	15.6	0.7%	53.0	1.8%	76.4	2.2%	116.7	2.7%
Litigation-related charges ⁽²⁾	12.3	0.5%	10.2	0.4%	3.6	0.1%	7.1	0.2%
(Gain) loss related to facility exit ⁽³⁾	40.8	1.8%	7.0	0.2%	(3.1)	-0.1%	-	0.0%
Non-GAAP operating income and operating margin	\$498.8	21.9%	\$637.2	22.0%	\$599.1	17.6%	\$802.3	18.9%

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

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

⁽³⁾ Consists of charges related to the relocation of our corporate headquarters (cease-use loss of \$39.2 million and accelerated depreciation in FY'18, cease-use loss of \$7.0 million in FY'19 and gain of \$3.1 million from the early termination of leases in FY'20) and charges related to the relocation of our research and development center in Israel (cease-use loss of \$1.3 million and accelerated depreciation in FY'18). Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Adjusted Free Cash Flow

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	FY'18	FY'19	FY'20	FY'21
Net cash provided by operating activities	\$1,038.1	\$1,055.6	\$1,035.7	\$1,503.0
Less: purchases of property, equipment, and other assets	112.0	131.2	214.4	116.0
Free cash flow (non-GAAP)	\$926.1	\$924.4	\$821.3	\$1,387.0
Add: capital expenditures for new headquarters ⁽¹⁾	11.2	28.4	94.3	-
Add: repayments of convertible senior notes attributable to debt discount	-	97.6	-	0.1
Add: litigation related payment ⁽²⁾	-	-	50.0	-
Less: cash reimbursement (payments), net related to landlord lease amendment ⁽³⁾	16.8	(14.8)	(2.0)	-
Adjusted free cash flow (non-GAAP)	\$920.5	\$1,065.2	\$967.6	\$1,387.1
Free cash flow margin (non-GAAP)	40.7 %	31.9 %	24.1 %	32.6 %
Adjusted free cash flow margin (non-GAAP)	40.5 %	36.7 %	28.4 %	32.6 %

⁽¹⁾ Consists of capital expenditures for new headquarters including a land purchase of \$51.7 million in FY'20.

⁽²⁾ Consists of a one-time payment in FY'20 related to covenant not to sue.

⁽³⁾ During Q1'18, we received an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for the periods presented reflects adjustments for these increased rental payments made during the respective periods. Fiscal year ends on July 31.