

Non-GAAP Financial Measures and Other Key Metrics

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

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

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

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
Revenue:								
Product	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1
Subscription and support	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8
Total revenue	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9
Cost of revenue:								
Product	88.8	88.9	97.8	126.0	142.8	120.1	100.5	93.4
Subscription and support	270.1	291.7	307.5	314.5	349.5	341.8	365.7	381.4
Total cost of revenue	358.9	380.6	405.3	440.5	492.3	461.9	466.2	474.8
Total gross profit	860.4	866.8	911.6	946.2	1,058.2	1,101.5	1,188.9	1,246.1
<i>Product gross margin</i>	73.8 %	69.9 %	68.2 %	64.2 %	65.0 %	63.6 %	71.5 %	75.9 %
<i>Subscription and support gross margin</i>	69.3 %	69.4 %	69.5 %	69.6 %	69.4 %	72.3 %	71.9 %	71.4 %
<i>Total gross margin</i>	70.6 %	69.5 %	69.2 %	68.2 %	68.2 %	70.5 %	71.8 %	72.4 %
Operating expenses:								
Research and development	325.3	339.5	359.0	355.4	363.8	371.8	404.1	413.7
Sales and marketing	489.8	505.9	528.8	543.6	570.6	615.0	625.5	639.5
General and administrative	105.7	104.1	97.7	94.8	108.4	99.5	119.4	114.2
Total operating expenses	920.8	949.5	985.5	993.8	1,042.8	1,086.3	1,149.0	1,167.4
Operating income (loss)	(60.4)	(82.7)	(73.9)	(47.6)	15.4	15.2	39.9	78.7
Interest expense	(41.4)	(6.9)	(6.8)	(6.8)	(6.9)	(6.8)	(6.9)	(7.8)
Other income (expense), net	(0.5)	(1.6)	(0.1)	1.9	8.8	26.0	51.4	60.1
Income (loss) before income taxes	(102.3)	(91.2)	(80.8)	(52.5)	17.3	34.4	84.4	131.0
Provision for income taxes	17.0	12.4	12.7	20.7	14.0	14.4	0.2	23.2
Net income (loss)	<u>\$ (119.3)</u>	<u>\$ (103.6)</u>	<u>\$ (93.5)</u>	<u>\$ (73.2)</u>	<u>\$ 3.3</u>	<u>\$ 20.0</u>	<u>\$ 84.2</u>	<u>\$ 107.8</u>

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

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
Revenue:								
Product	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1
Subscription and support	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8
Total revenue	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9
Cost of revenue:								
Product	85.4	85.4	94.2	122.3	139.3	116.5	96.9	89.7
Subscription and support	216.1	234.0	247.7	254.1	275.5	285.2	309.1	321.0
Total cost of revenue	301.5	319.4	341.9	376.4	414.8	401.7	406.0	410.7
Total gross profit	917.8	928.0	975.0	1,010.3	1,135.7	1,161.7	1,249.1	1,310.2
<i>Product gross margin</i>	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %	72.5 %	76.9 %
<i>Subscription and support gross margin</i>	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %	76.3 %	75.9 %
<i>Total gross margin</i>	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %	75.5 %	76.1 %
Operating expenses:								
Research and development	211.6	211.2	228.7	236.4	250.0	251.4	270.1	281.4
Sales and marketing	416.1	423.9	438.8	456.8	486.4	518.8	527.7	547.4
General and administrative	77.3	68.9	64.8	64.2	76.1	69.1	74.5	74.7
Total operating expenses	705.0	704.0	732.3	757.4	812.5	839.3	872.3	903.5
Operating income	212.8	224.0	242.7	252.9	323.2	322.4	376.8	406.7
Interest expense	(5.0)	(5.1)	(5.0)	(5.0)	(5.1)	(5.0)	(5.2)	(6.0)
Other income (expense), net	(0.3)	(0.5)	(0.6)	(0.4)	7.8	24.2	53.7	60.1
Income before income taxes	207.5	218.4	237.1	247.5	325.9	341.6	425.3	460.8
Provision for income taxes	45.6	48.1	52.1	54.4	71.8	75.2	93.6	101.4
Net income	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 250.6	\$ 206.6	\$ 210.2	\$ 225.5	\$ 265.3	\$ 209.9	\$ 252.4	\$ 294.7
Share-based compensation-related charges	1.7	1.7	1.8	1.9	1.8	1.8	1.8	1.9
Litigation-related charges ⁽¹⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Non-GAAP product gross profit	\$ 254.0	\$ 210.1	\$ 213.8	\$ 229.2	\$ 268.8	\$ 213.5	\$ 256.0	\$ 298.4
Non-GAAP product gross margin	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %	72.5 %	76.9 %
GAAP subscription and support gross profit	\$ 609.8	\$ 660.2	\$ 701.4	\$ 720.7	\$ 792.9	\$ 891.6	\$ 936.5	\$ 951.4
Share-based compensation-related charges	27.9	31.5	33.7	34.4	34.2	35.0	37.6	40.5
Amortization expense of acquired intangible assets	26.1	26.2	26.1	26.0	25.8	23.3	19.0	19.9
Restructuring and other costs ⁽²⁾	—	—	—	—	14.0	(1.7)	—	—
Non-GAAP subscription and support gross profit	\$ 663.8	\$ 717.9	\$ 761.2	\$ 781.1	\$ 866.9	\$ 948.2	\$ 993.1	\$1,011.8
Non-GAAP subscription and support gross margin	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %	76.3 %	75.9 %
GAAP total gross profit	\$ 860.4	\$ 866.8	\$ 911.6	\$ 946.2	\$1,058.2	\$1,101.5	\$1,188.9	\$1,246.1
Share-based compensation-related charges	29.6	33.2	35.5	36.3	36.0	36.8	39.4	42.4
Amortization expense of acquired intangible assets	26.1	26.2	26.1	26.0	25.8	23.3	19.0	19.9
Litigation-related charges ⁽¹⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Restructuring and other costs ⁽²⁾	—	—	—	—	14.0	(1.7)	—	—
Non-GAAP total gross profit	\$ 917.8	\$ 928.0	\$ 975.0	\$1,010.3	\$1,135.7	\$1,161.7	\$1,249.1	\$1,310.2
Non-GAAP gross margin	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %	75.5 %	76.1 %
GAAP research and development expense	\$ 325.3	\$ 339.5	\$ 359.0	\$ 355.4	\$ 363.8	\$ 371.8	\$ 404.1	\$ 413.7
Share-based compensation-related charges	113.7	128.3	130.3	119.0	111.5	120.9	134.0	132.3
Restructuring and other costs ⁽²⁾	—	—	—	—	2.3	(0.5)	—	—
Non-GAAP research and development expense	\$ 211.6	\$ 211.2	\$ 228.7	\$ 236.4	\$ 250.0	\$ 251.4	\$ 270.1	\$ 281.4
Non-GAAP research and development expense as a percentage of revenue	17.4 %	16.9 %	17.4 %	17.0 %	16.1 %	16.1 %	16.3 %	16.4 %
GAAP sales and marketing expense	\$ 489.8	\$ 505.9	\$ 528.8	\$ 543.6	\$ 570.6	\$ 615.0	\$ 625.5	\$ 639.5
Share-based compensation-related charges	68.2	76.6	84.6	81.3	78.8	90.8	92.4	86.7
Amortization expense of acquired intangible assets	5.5	5.4	5.4	5.5	5.4	5.4	5.4	5.4
Non-GAAP sales and marketing expense	\$ 416.1	\$ 423.9	\$ 438.8	\$ 456.8	\$ 486.4	\$ 518.8	\$ 527.7	\$ 547.4
Non-GAAP sales and marketing expense as a percentage of revenue	34.1 %	34.0 %	33.3 %	33.1 %	31.4 %	33.2 %	31.9 %	31.8 %
GAAP general and administrative expense	\$ 105.7	\$ 104.1	\$ 97.7	\$ 94.8	\$ 108.4	\$ 99.5	\$ 119.4	\$ 114.2
Share-based compensation-related charges	27.7	32.1	32.9	30.6	25.0	30.4	32.8	32.1
Acquisition-related costs ⁽³⁾	0.7	3.1	—	—	2.4	—	12.1	7.4
Restructuring and other costs ⁽²⁾	—	—	—	—	4.9	—	—	—
Non-GAAP general and administrative expense	\$ 77.3	\$ 68.9	\$ 64.8	\$ 64.2	\$ 76.1	\$ 69.1	\$ 74.5	\$ 74.7
Non-GAAP general and administrative expense as a percentage of revenue	6.3 %	5.5 %	4.9 %	4.6 %	4.9 %	4.4 %	4.5 %	4.3 %

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

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

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

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
GAAP total operating expense	\$ 920.8	\$ 949.5	\$ 985.5	\$ 993.8	\$1,042.8	\$1,086.3	\$1,149.0	\$1,167.4
Share-based compensation-related charges	209.6	237.0	247.8	230.9	215.3	242.1	259.2	251.1
Acquisition-related costs ⁽¹⁾	0.7	3.1	—	—	2.4	—	12.1	7.4
Amortization expense of acquired intangible assets	5.5	5.4	5.4	5.5	5.4	5.4	5.4	5.4
Restructuring and other costs ⁽²⁾	—	—	—	—	7.2	(0.5)	—	—
Non-GAAP total operating expense	\$ 705.0	\$ 704.0	\$ 732.3	\$ 757.4	\$ 812.5	\$ 839.3	\$ 872.3	\$ 903.5
Non-GAAP total operating expense as a percentage of revenue	57.8 %	56.4 %	55.6 %	54.7 %	52.4 %	53.7 %	52.7 %	52.5 %
GAAP operating income (loss)	\$ (60.4)	\$ (82.7)	\$ (73.9)	\$ (47.6)	\$ 15.4	\$ 15.2	\$ 39.9	\$ 78.7
Share-based compensation-related charges	239.2	270.2	283.3	267.2	251.3	278.9	298.6	293.5
Acquisition-related costs ⁽¹⁾	0.7	3.1	—	—	2.4	—	12.1	7.4
Amortization expense of acquired intangible assets	31.6	31.6	31.5	31.5	31.2	28.7	24.4	25.3
Litigation-related charges ⁽³⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Restructuring and other costs ⁽²⁾	—	—	—	—	21.2	(2.2)	—	—
Non-GAAP operating income	\$ 212.8	\$ 224.0	\$ 242.7	\$ 252.9	\$ 323.2	\$ 322.4	\$ 376.8	\$ 406.7
Non-GAAP operating margin	17.5 %	18.0 %	18.4 %	18.2 %	20.8 %	20.6 %	22.8 %	23.6 %
GAAP interest expense	\$ (41.4)	\$ (6.9)	\$ (6.8)	\$ (6.8)	\$ (6.9)	\$ (6.8)	\$ (6.9)	\$ (7.8)
Non-cash charges related to convertible notes ⁽⁴⁾	36.4	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Non-GAAP interest expense	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.2)	\$ (6.0)
Non-GAAP interest expense as a percentage of revenue	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%
GAAP other income (expense), net	\$ (0.5)	\$ (1.6)	\$ (0.1)	\$ 1.9	\$ 8.8	\$ 26.0	\$ 51.4	\$ 60.1
Foreign currency (gain) loss associated with non-GAAP adjustments	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—
Non-GAAP other income (expense), net	\$ (0.3)	\$ (0.5)	\$ (0.6)	\$ (0.4)	\$ 7.8	\$ 24.2	\$ 53.7	\$ 60.1
Non-GAAP other income (expense), net as a percentage of revenue	0.0 %	0.0 %	0.0 %	0.0 %	0.5 %	1.5 %	3.2 %	3.5 %
GAAP income (loss) before income taxes	\$ (102.3)	\$ (91.2)	\$ (80.8)	\$ (52.5)	\$ 17.3	\$ 34.4	\$ 84.4	\$ 131.0
Share-based compensation-related charges	239.2	270.2	283.3	267.2	251.3	278.9	298.6	293.5
Acquisition-related costs ⁽¹⁾	0.7	3.1	—	—	2.4	—	12.1	7.4
Amortization expense of acquired intangible assets	31.6	31.6	31.5	31.5	31.2	28.7	24.4	25.3
Litigation-related charges ⁽³⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Restructuring and other costs ⁽²⁾	—	—	—	—	21.2	(2.2)	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	36.4	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—
Non-GAAP income before income taxes	\$ 207.5	\$ 218.4	\$ 237.1	\$ 247.5	\$ 325.9	\$ 341.6	\$ 425.3	\$ 460.8

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

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

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

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

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
GAAP provision for income taxes	\$ 17.0	\$ 12.4	\$ 12.7	\$ 20.7	\$ 14.0	\$ 14.4	\$ 0.2	\$ 23.2
Income tax and other tax adjustments ⁽¹⁾	28.6	35.7	39.4	33.7	57.8	60.8	93.4	78.2
Non-GAAP provision for income taxes	\$ 45.6	\$ 48.1	\$ 52.1	\$ 54.4	\$ 71.8	\$ 75.2	\$ 93.6	\$ 101.4
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net income (loss)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8
Share-based compensation-related charges	239.2	270.2	283.3	267.2	251.3	278.9	298.6	293.5
Acquisition-related costs ⁽²⁾	0.7	3.1	—	—	2.4	—	12.1	7.4
Amortization expense of acquired intangible assets	31.6	31.6	31.5	31.5	31.2	28.7	24.4	25.3
Litigation-related charges ⁽³⁾	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8
Restructuring and other costs ⁽⁴⁾	—	—	—	—	21.2	(2.2)	—	—
Non-cash charges related to convertible notes ⁽⁵⁾	36.4	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	0.2	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—
Income tax and other tax adjustments ⁽¹⁾	(28.6)	(35.7)	(39.4)	(33.7)	(57.8)	(60.8)	(93.4)	(78.2)
Non-GAAP net income	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4
GAAP net income (loss) per share, diluted	\$ (0.41)	\$ (0.35)	\$ (0.32)	\$ (0.25)	\$ 0.01	\$ 0.06	\$ 0.25	\$ 0.31
Share-based compensation-related charges	0.80	0.88	0.90	0.84	0.78	0.87	0.94	0.91
Acquisition-related costs ⁽²⁾	0.00	0.01	0.00	0.00	0.01	0.00	0.04	0.02
Amortization expense of acquired intangible assets	0.11	0.11	0.11	0.11	0.09	0.08	0.07	0.07
Litigation-related charges ⁽³⁾	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Restructuring and other costs ⁽⁴⁾	0.00	0.00	0.00	0.00	0.06	(0.01)	0.00	0.00
Non-cash charges related to convertible notes ⁽⁵⁾	0.12	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.00	0.00	(0.01)	0.00	(0.01)	0.01	0.00
Income tax and other tax adjustments ⁽¹⁾	(0.10)	(0.12)	(0.13)	(0.11)	(0.17)	(0.18)	(0.28)	(0.23)
Non-GAAP net income per share, diluted	\$ 0.53	\$ 0.55	\$ 0.58	\$ 0.60	\$ 0.80	\$ 0.83	\$ 1.05	\$ 1.10
GAAP weighted-average shares used to compute net income (loss) per share, diluted	291.7	292.9	294.5	296.7	336.2	338.4	331.6	344.7
Weighted-average dilutive effect of potentially dilutive securities ⁽⁶⁾	22.9	33.8	42.4	46.4	—	—	—	—
Weighted-average anti-dilutive impact of note hedge agreements	(10.5)	(15.0)	(18.0)	(19.7)	(17.0)	(17.8)	(15.2)	(19.3)
Non-GAAP weighted-average shares used to compute net income per share, diluted	304.1	311.7	318.9	323.4	319.2	320.6	316.4	325.4

(1) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'23, it included a tax benefit from a release of tax reserves related to uncertain tax positions resulting from a tax settlement.

(2) 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.

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

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

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

(6) Consists of potentially dilutive effect of employee equity incentive plan awards and convertible senior notes outstanding and related warrants in periods with GAAP net loss position as they are excluded from GAAP weighted-average shares.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
Net cash provided by operating activities	\$ 325.8	\$ 588.9	\$ 482.6	\$ 389.5	\$ 523.7	\$ 1,236.7	\$ 694.6	\$ 432.1
Less: purchases of property, equipment, and other assets	27.4	34.6	80.7	38.3	39.2	39.6	38.3	31.2
Free cash flow (non-GAAP)	\$ 298.4	\$ 554.3	\$ 401.9	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 656.3	\$ 400.9
Add: capital expenditures for headquarters ⁽¹⁾	—	—	38.9	—	—	—	—	—
Add: cash payment related to tax settlement	—	—	—	—	—	—	28.9	—
Add: repayments of convertible senior notes attributable to debt discount	0.1	—	—	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 298.5	\$ 554.3	\$ 440.8	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 685.2	\$ 400.9
Net cash provided by (used in) investing activities	\$ (2.4)	\$ (229.9)	\$ (274.3)	\$ 42.9	\$ (472.1)	\$ (1,319.8)	\$ (1,164.5)	\$ 87.9
Net cash provided by (used in) financing activities	\$ (335.6)	\$ 38.7	\$ (558.5)	\$ 66.3	\$ (353.1)	\$ 31.1	\$ (250.8)	\$ 128.2
Free cash flow margin (non-GAAP)	24.5 %	44.4 %	30.5 %	25.3 %	31.2 %	76.6 %	39.7 %	23.3 %
Adjusted free cash flow margin (non-GAAP)	24.5 %	44.4 %	33.5 %	25.3 %	31.2 %	76.6 %	41.4 %	23.3 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1
Subscription and support								
Subscription	535.3	578.8	618.0	639.8	702.4	764.0	815.4	838.1
Support	344.6	373.1	390.9	395.4	440.0	469.4	486.8	494.7
Total subscription and support	879.9	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8
Total revenue	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1	\$1,720.9

Other Key Metrics - Calculation of Billings

Total revenue	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1	\$1,720.9
Add: change in total deferred revenue, net of acquired deferred revenue	649.0	134.2	291.0	410.2	1,134.6	185.6	374.0	535.3
Total billings	\$1,868.3	\$1,381.6	\$1,607.9	\$1,796.9	\$2,685.1	\$1,749.0	\$2,029.1	\$2,256.2

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

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

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,874.2	\$ 2,272.9	\$ 1,922.7	\$ 2,419.9	\$ 2,118.5	\$ 2,067.2	\$ 1,346.3	\$ 1,992.9
Short-term investments	1,026.9	1,188.5	1,417.6	1,454.7	1,516.0	1,736.5	2,000.6	1,965.3
Accounts receivable, net	1,240.4	812.1	952.2	1,240.6	2,142.5	1,238.1	1,278.1	1,443.6
Short-term deferred contract costs	276.5	272.9	278.1	286.8	317.7	310.6	313.4	317.3
Prepaid expenses and other current assets	229.3	292.7	298.0	295.6	320.2	381.1	467.4	694.5
Total current assets	4,647.3	4,839.1	4,868.6	5,697.6	6,414.9	5,733.5	5,405.8	6,413.6
Property and equipment, net	318.4	324.3	362.7	355.6	357.8	353.7	344.7	341.7
Operating lease right-of-use assets	262.9	251.8	238.8	239.9	242.0	260.4	251.1	248.3
Long-term investments	888.3	898.8	851.0	714.7	1,051.9	2,094.7	2,820.6	2,709.8
Long-term deferred contract costs	494.6	476.1	472.1	480.3	550.1	520.3	511.3	503.6
Goodwill	2,710.1	2,732.3	2,731.3	2,731.3	2,747.7	2,747.7	2,912.3	2,926.8
Intangible assets, net	498.6	471.3	443.9	412.1	384.5	355.4	361.7	340.6
Other assets	421.4	432.7	432.1	468.5	504.7	478.1	555.9	686.1
Total assets	\$ 10,241.6	\$ 10,426.4	\$ 10,400.5	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5
Liabilities, temporary equity, and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 56.9	\$ 95.3	\$ 120.4	\$ 108.0	\$ 128.0	\$ 125.9	\$ 128.3	\$ 91.6
Accrued compensation	430.6	250.8	329.9	365.2	461.1	268.9	395.1	344.7
Accrued and other liabilities	329.4	324.6	324.0	375.4	399.2	380.4	328.9	376.1
Deferred revenue	2,741.9	2,801.6	2,958.2	3,152.9	3,641.2	3,741.3	3,942.5	4,146.7
Convertible senior notes, net	1,557.9	3,672.1	3,673.9	3,675.7	3,676.8	3,678.6	3,680.3	3,682.1
Total current liabilities	5,116.7	7,144.4	7,406.4	7,677.2	8,306.3	8,195.1	8,475.1	8,641.2
Convertible senior notes, net	1,668.1	—	—	—	—	—	—	—
Long-term deferred revenue	2,282.1	2,356.6	2,491.0	2,706.5	3,352.8	3,438.3	3,611.5	3,942.9
Long-term operating lease liabilities	313.4	299.5	282.4	275.7	276.1	283.1	274.2	264.5
Other long-term liabilities	97.7	107.0	102.9	103.0	108.4	119.3	73.6	89.5
Total liabilities	9,478.0	9,907.5	10,282.7	10,762.4	12,043.6	12,035.8	12,434.4	12,938.1
Temporary equity	129.1	—	—	—	—	—	—	—
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,311.2	2,033.9	1,745.2	2,066.3	1,932.7	2,266.2	2,303.0	2,708.2
Accumulated other comprehensive loss	(9.9)	(11.3)	(30.2)	(58.3)	(55.6)	(111.1)	(11.1)	(20.7)
Accumulated deficit	(1,666.8)	(1,503.7)	(1,597.2)	(1,670.4)	(1,667.1)	(1,647.1)	(1,562.9)	(1,455.1)
Total stockholders' equity	634.5	518.9	117.8	337.6	210.0	508.0	729.0	1,232.4
Total liabilities, temporary equity, and stockholders' equity	\$ 10,241.6	\$ 10,426.4	\$ 10,400.5	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5

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

	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323
Cash flows from operating activities								
Net income (loss)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	230.0	259.1	265.1	247.3	239.6	266.0	283.3	271.0
Depreciation and amortization	68.8	69.0	69.7	71.4	72.5	70.7	69.9	72.3
Amortization of deferred contract costs	89.7	85.9	86.1	89.1	101.0	97.0	99.0	101.4
Amortization of debt discount and debt issuance costs	36.4	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Reduction of operating lease right-of-use assets	11.9	12.7	12.4	12.4	16.9	12.1	12.5	12.1
Amortization of investment premiums, net of accretion of purchase discounts	3.9	3.6	3.7	3.2	3.0	1.7	(16.0)	(20.1)
Repayments of convertible senior notes attributable to debt discount	(0.1)	—	—	—	—	—	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(473.7)	428.4	(140.1)	(288.4)	(901.9)	904.4	(39.8)	(165.3)
Deferred contract costs	(205.7)	(63.8)	(87.4)	(105.9)	(201.7)	(60.1)	(92.8)	(97.6)
Prepaid expenses and other assets	(163.6)	(72.8)	(0.1)	(26.0)	(42.1)	(41.1)	(118.5)	(336.7)
Accounts payable	(15.2)	37.6	22.2	(8.2)	17.7	(1.0)	1.7	(37.0)
Accrued compensation	177.8	(179.8)	79.0	35.4	95.8	(192.3)	124.0	(50.9)
Accrued and other liabilities	35.9	(23.4)	(27.3)	20.4	(16.8)	(28.1)	(88.6)	38.0
Deferred revenue	649.0	134.2	291.0	410.2	1,134.6	185.6	374.0	535.3
Net cash provided by operating activities	325.8	588.9	482.6	389.5	523.7	1,236.7	694.6	432.1
Cash flows from investing activities								
Purchases of investments	(464.8)	(439.1)	(616.2)	(241.1)	(975.3)	(2,112.8)	(1,606.5)	(742.1)
Proceeds from sales of investments	94.4	36.1	246.1	7.0	160.0	485.0	14.6	375.4
Proceeds from maturities of investments	395.4	225.1	176.5	315.3	402.0	347.6	651.3	504.7
Business acquisitions, net of cash acquired	—	(17.4)	—	—	(19.6)	—	(185.6)	(18.9)
Purchases of property, equipment, and other assets	(27.4)	(34.6)	(80.7)	(38.3)	(39.2)	(39.6)	(38.3)	(31.2)
Net cash provided by (used in) investing activities	(2.4)	(229.9)	(274.3)	42.9	(472.1)	(1,319.8)	(1,164.5)	87.9
Cash flows from financing activities								
Repayments of convertible senior notes attributable to principal and equity component	(0.9)	—	—	—	(0.6)	—	—	—
Repurchases of common stock	(328.1)	—	(550.0)	—	(342.3)	(22.7)	(250.0)	—
Proceeds from sales of shares through employee equity incentive plans	0.3	58.7	0.1	77.5	0.3	67.7	0.7	130.3
Payments for taxes related to net share settlement of equity awards	(6.9)	(20.0)	(8.6)	(11.2)	(10.5)	(13.9)	(1.5)	(2.1)
Net cash provided by (used in) financing activities	(335.6)	38.7	(558.5)	66.3	(353.1)	31.1	(250.8)	128.2
Net increase (decrease) in cash, cash equivalents, and restricted cash	(12.2)	397.7	(350.2)	498.7	(301.5)	(52.0)	(720.7)	648.2
Cash, cash equivalents, and restricted cash - beginning of period	1,892.3	1,880.1	2,277.8	1,927.6	2,426.3	2,124.8	2,072.8	1,352.1
Cash, cash equivalents, and restricted cash - end of period	<u>\$1,880.1</u>	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$1,874.2	\$2,272.9	\$1,922.7	\$2,419.9	\$2,118.5	\$2,067.2	\$1,346.3	\$1,992.9
Restricted cash included in prepaid expenses and other current assets	5.4	4.4	4.9	6.4	6.3	5.6	5.8	7.4
Restricted cash included in other assets	0.5	0.5	—	—	—	—	—	—
Total cash, cash equivalents, and restricted cash	<u>\$1,880.1</u>	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>