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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
March 22, 2014

PALO ALTO NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35594
(Commission
File Number)

20-2530195
(IRS Employer
Identification No.)

4301 Great America Parkway
Santa Clara, California 95054
(Address of principal executive offices, including zip code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On March 22, 2014, Palo Alto Networks, Inc. a Delaware corporation (the “Company”), entered into a Share Purchase Agreement (the “Purchase Agreement”) with Cyvera Ltd., a company formed under the laws of Israel (“Cyvera”), Palo Alto Networks Holding B.V., a company formed under the laws of the Netherlands, and a wholly-owned subsidiary of the Company (“Buyer”), the shareholders of Cyvera (the “Shareholders”) and Shareholder Representative Services LLC, as shareholder representative thereunder, pursuant to which the Company and Buyer have agreed to acquire the outstanding shares of Cyvera (the “Acquisition”).

Pursuant to the terms of the Acquisition, Buyer will pay to the Shareholders and other holders of securities of the Company an aggregate amount of approximately \$200 million, of which approximately \$88 million will be paid in cash (the “Cash Consideration”) and \$112 million of which will be paid in shares of the Company’s common stock, par value \$0.0001 (the “Common Stock”) (the “Stock Consideration”), subject to adjustment based on Cyvera’s working capital position as of the closing of the Acquisition and as otherwise set forth in the Purchase Agreement (the “Total Consideration”).

The Boards of Directors of the Company and Cyvera have unanimously approved the Acquisition and the Purchase Agreement.

Pursuant to the Purchase Agreement, and subject to the terms and conditions set forth therein, at the closing of the Acquisition, (i) each preferred share of Cyvera will receive a portion of the Total Consideration comprised of cash and shares of Common Stock, (ii) each ordinary share of Cyvera held by the founders of Cyvera will receive a portion of the Total Consideration comprised of cash, shares of Common Stock, and restricted shares of Common Stock, and (iii) each ordinary share of Cyvera (that is not an ordinary share held by the founders of Cyvera) will receive a portion of the aggregate Total Consideration comprised of cash and shares of Common Stock. Each ordinary share of Cyvera that is subject to an outstanding and vested stock option will receive an applicable portion of the Total Consideration in the form of cash. All ordinary shares of Cyvera that are subject to outstanding but unvested stock options will be cancelled and employees of the Company that will continue with the Company after the closing of the Acquisition will receive restricted stock units, the value of which is included in the Total Consideration.

The Purchase Agreement contains customary representations and warranties of each of the Company, Buyer, Cyvera and the Shareholders. The representations and warranties of each party set forth in the Purchase Agreement have been made solely for the benefit of the other parties to the Purchase Agreement, and such representations and warranties should not be relied on by any other person. In addition, such representations and warranties (i) have been qualified by disclosure schedules that the parties have exchanged in connection with the execution of the Purchase Agreement, (ii) are subject to the materiality standards set forth in the Purchase Agreement, which may differ from what may be viewed as material by investors, (iii) in certain cases, were made as of a specific date, and (iv) may have been used for purposes of allocating risk between the respective parties rather than establishing matters of fact. Accordingly, no person should rely on the representations and warranties as characterizations of the actual state of facts. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the execution of the Purchase Agreement.

Pursuant to the Purchase Agreement, following the consummation of the Acquisition, the Shareholders have agreed to indemnify the Company, Buyer and each of their subsidiaries and their respective affiliates, officers, directors, employees, agents and representatives for any losses related to customary matters. As partial security for such indemnification obligations, the parties to the Agreement agreed that, at the closing of the Acquisition, a portion of the Total Consideration shall be deposited into an escrow fund for two years. The escrow fund shall consist of approximately \$40,000,000 in the form of cash and shares of Common Stock.

The Purchase Agreement contains customary covenants of the Company, Buyer, Cyvera and the Shareholders, including, among other things, a covenant by Cyvera to conduct its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted during the interim period between the execution of the Purchase Agreement and consummation of the Acquisition and not to take specified actions during such period. Cyvera has also agreed not to solicit, facilitate or engage in discussions regarding proposals to acquire all or any material part of Cyvera’s business.

The Purchase Agreement contains customary closing conditions, including, among other things, (i) receipt of certain regulatory approvals, (ii) the absence of any law or order prohibiting the closing, (iii) the absence of a material adverse effect with respect to Cyvera and the Company, (iv) the accuracy of the representations and warranties of the other parties, and (v) compliance by the parties with the covenants described above.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement which will be filed with the Company's Form 10-Q for the quarter ended April 30, 2014.

Item 3.02. Unregistered Sales of Equity Securities

The disclosure set forth in Item 1.01 above is incorporated by reference into this Item 3.02. In accordance with the Purchase Agreement, the Stock Consideration will be issued pursuant to exemptions from registration provided by Section 4(a)(2) and/or Regulation D and Regulation S of the Securities Act of 1933, as amended (the "Securities Act"). The Company has agreed to provide the Shareholders with certain registration rights with respect to the Stock Consideration they will receive in the Acquisition.

Item 7.01. Regulation FD Disclosure

The Company issued a press release, dated March 24, 2014, regarding the Acquisition. The press release is furnished herewith as Exhibit 99.1. In addition, a conference call to discuss the Acquisition will be hosted by the Company on March 24, 2014, at 5:00 a.m. Pacific time (8:00 a.m. Eastern time). Media representatives, analysts and the public are invited to listen to this discussion by calling (877) 474-9503 or (857) 244-7556 and entering the passcode 82968997, or via on-demand webcast at investors.paloaltonetworks.com. The slides to be used in connection with the conference call are furnished herewith as Exhibit 99.2.

The information set forth under this Item 7.01, including Exhibits 99.1 and 99.2, shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press release, dated March 24, 2014 |
| 99.2 | Investor presentation, dated March 24, 2014 |

SIGNATURES

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

PALO ALTO NETWORKS, INC.

By: /s/ Mark D. McLaughlin
Mark D. McLaughlin
President and Chief Executive Officer

Date: March 24, 2014

EXHIBIT INDEX

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| 99.1 | Press release, dated March 24, 2014 |
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Palo Alto Networks® Announces Agreement to Acquire Cyvera

Combination Creates Game-Changing Enterprise Security Platform that Spans Network, Endpoint, and the Cloud

Santa Clara, Calif., March 24, 2014 – Palo Alto Networks® (NYSE: PANW), today announced a definitive agreement to acquire Cyvera, a privately held cybersecurity company located in Tel-Aviv, Israel. Under the terms of the agreement, Palo Alto Networks will acquire all of the outstanding capital stock of Cyvera for an aggregate purchase price of approximately \$200 million. The acquisition is expected to close during the second half of fiscal 2014, subject to customary closing conditions and regulatory reviews.

Named a cool vendor in security by Gartner in 2013 (“Cool Vendors in Security: Infrastructure Protection 2013”)*, Cyvera, which has 55 employees, has developed a highly innovative offering that protects enterprises from cyber threats by using a unique approach to block unknown, zero-day attacks on the endpoint.

The addition of this unique capability to the Palo Alto Networks enterprise security platform will extend customers’ ability to safely enable applications and protect users against known and unknown cyber threats on any device, across any network.

QUOTES:

- “This event marks a key milestone in our strategic enterprise security vision. It extends our next-generation security platform with a very innovative approach to preventing attacks on the endpoint. It enables us to accelerate the delivery of the market’s only highly integrated and automated enterprise security platform spanning network, endpoints, and the cloud. For customers, this translates into the most sophisticated and automated threat prevention for their entire organization.”
 - Mark McLaughlin, President and CEO of Palo Alto Networks
- “Much like Palo Alto Networks set out to disrupt the network security market with its next-generation security platform, we founded Cyvera to revolutionize protection for the endpoint – one of the most vulnerable frontiers for cyber attacks. We are pleased to join the Palo Alto Networks team and together help enterprise customers tackle the advanced threats they face today.”
 - Uri Alter and Netanel Davidi, co-founders and co-CEO’s of Cyvera

Cyvera Prevents Attacks at the Right Time and Place

Zero-day cyber attacks represent one of the greatest threats to enterprises, governments, and service provider organizations that rely on a vast array of systems, applications, and devices to run their business. These cyber attacks often exploit a vulnerability known only to the attacker. While there are literally tens of thousands of vulnerabilities an attacker can potentially target, there is a significantly smaller number of exploit techniques they may use to exploit that vulnerability.

While patching software can provide an element of protection, it does little to protect organizations against vulnerabilities that have not yet been discovered by the software manufacturer. Simply detecting the presence of malware is also insufficient since malicious activity may have already been initiated and evasion tactics employed to evade detection. In order to stop zero-day attacks in their tracks, it’s critical to understand the exploit techniques attackers employ. Cyvera has developed a unique method of performing this real-time prevention against all core attack techniques at the endpoint during the exploitation phase, before the malware has a chance to run.

Advanced Threats Demand Highly Integrated, Automated, and Scalable Platform Approach

Today's sophisticated attacks increasingly rely on a combination of tactics and threat vectors to penetrate an organization and require a new approach to security. Most organizations still rely on legacy point technologies that address only specific types of attacks, phases of an attack, certain devices, or certain network segments. Because of the singular nature of these technologies, they are ill-equipped to detect and prevent today's advanced cyber attacks.

To address these challenges, Palo Alto Networks developed a new approach: one that begins with positive security controls to reduce the attack surface; blocks all known threats; rapidly detects unknown threats through analysis and correlation of abnormal behavior; then automatically employs advanced exploit prevention mechanisms and policies back to the front line to ensure previously unknown threats are known to all and blocked. This approach is designed to prevent threats from penetrating an organization and greatly reduce the need for costly human remediation.

Adding the unique Cyvera capabilities extends the Palo Alto Networks enterprise security platform to perform next-generation security functions across the network, endpoint, and the cloud.

To learn more about the Palo Alto Networks security platform:

- [Visit](#) our website
- [Register](#) for the Palo Alto Networks Ignite user conference, March 31 – April 2

Investor conference call information

Palo Alto Networks will host a conference call for analysts and investors to discuss details of acquisition at 8:00 a.m. Eastern time / 5:00 a.m. Pacific time. Open to the public, investors may access the call by dialing (877) 474-9503 or (857) 244-7556 and entering the passcode 82968997. A live audio webcast of the conference call along with supplemental financial information will also be accessible from the "Investors" section of the company's website at investors.paloaltonetworks.com. Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available two hours after the call and will run for five business days and may be accessed by dialing (888) 286-8010 or (617) 801-6888 and entering passcode 32682574.

ABOUT PALO ALTO NETWORKS

Palo Alto Networks is leading a new era in cybersecurity by protecting thousands of enterprise, government, and service provider networks from cyber threats. Unlike fragmented legacy products, our security platform safely enables business operations and delivers protection based on what matters most in today's dynamic computing environments: applications, users, and content. Find out more at www.paloaltonetworks.com.

* Gartner, Cool Vendors in Security: Infrastructure Protection, 2013, Ray Wagner, Neil MacDonald, et al, April 23, 2013. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist

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SAFE HARBOR

This press release 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 the beliefs and assumptions of Palo Alto Networks and on currently available information. Forward-looking statements include information concerning the expectations, beliefs, plans, intentions and strategies of Palo Alto Networks relating to its pending acquisition of Cyvera. Such forward-looking statements include statements regarding expected benefits to Palo Alto Networks, Cyvera and its respective customers; the impact of the pending acquisition on Palo Alto Networks' competitive position; and plans regarding Cyvera and Cyvera personnel. These statements reflect the current beliefs of Palo Alto Networks and are based on current information available to Palo Alto Networks as of the date hereof, and Palo Alto Networks does not assume any obligation to update the forward-looking statements to reflect events that occur or circumstances that exist after the date on which they were made. The ability of Palo Alto Networks to achieve these business objectives involves many risks and uncertainties that could cause actual outcomes and results to differ materially and adversely from those expressed in any forward-looking statements.

There are a significant number of factors that could cause actual results to differ materially from statements made in this presentation, including the failure to achieve expected synergies and efficiencies of operations between Palo Alto Networks and Cyvera; the ability of Palo Alto Networks and Cyvera to successfully integrate their respective market opportunities, technology, products, personnel and operations; the failure to timely develop and achieve market acceptance of combined products and services; the potential impact on the business of Cyvera as a result of the acquisition; the ability to coordinate strategy and resources between Palo Alto Networks and Cyvera; the ability of Palo Alto Networks and Cyvera to retain and motivate key employees of Cyvera; Palo Alto Networks' limited operating history and experience with integrating acquired companies; risks associated with Palo Alto Networks' rapid growth, particularly outside the United States; rapidly evolving technological developments in the market for network security products; and general market, political, economic and business conditions. Additional risks and uncertainties are included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the company's quarterly report on Form 10-Q filed with the SEC on February 24, 2014, which is available on the company's 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 the company makes with the SEC from time to time. All forward-looking statements in this presentation are based on information available to the company as of the date hereof, and Palo Alto Networks does 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.

Contacts:

Jennifer Jasper-Smith
Head of Corporate Communications
408-638-3280
jjsmith@paloaltonetworks.com

Kelsey Turcotte
Vice President of Investor Relations
408-753-3872
kturcotte@paloaltonetworks.com

Palo Alto Networks *Acquisition of Cyvera*

March 24, 2014



Transaction overview

Company

- Cyvera

Consideration

- Approximately \$200 million in transaction value:
 - Approximately \$88 million in cash
 - Approximately \$112 million in stock

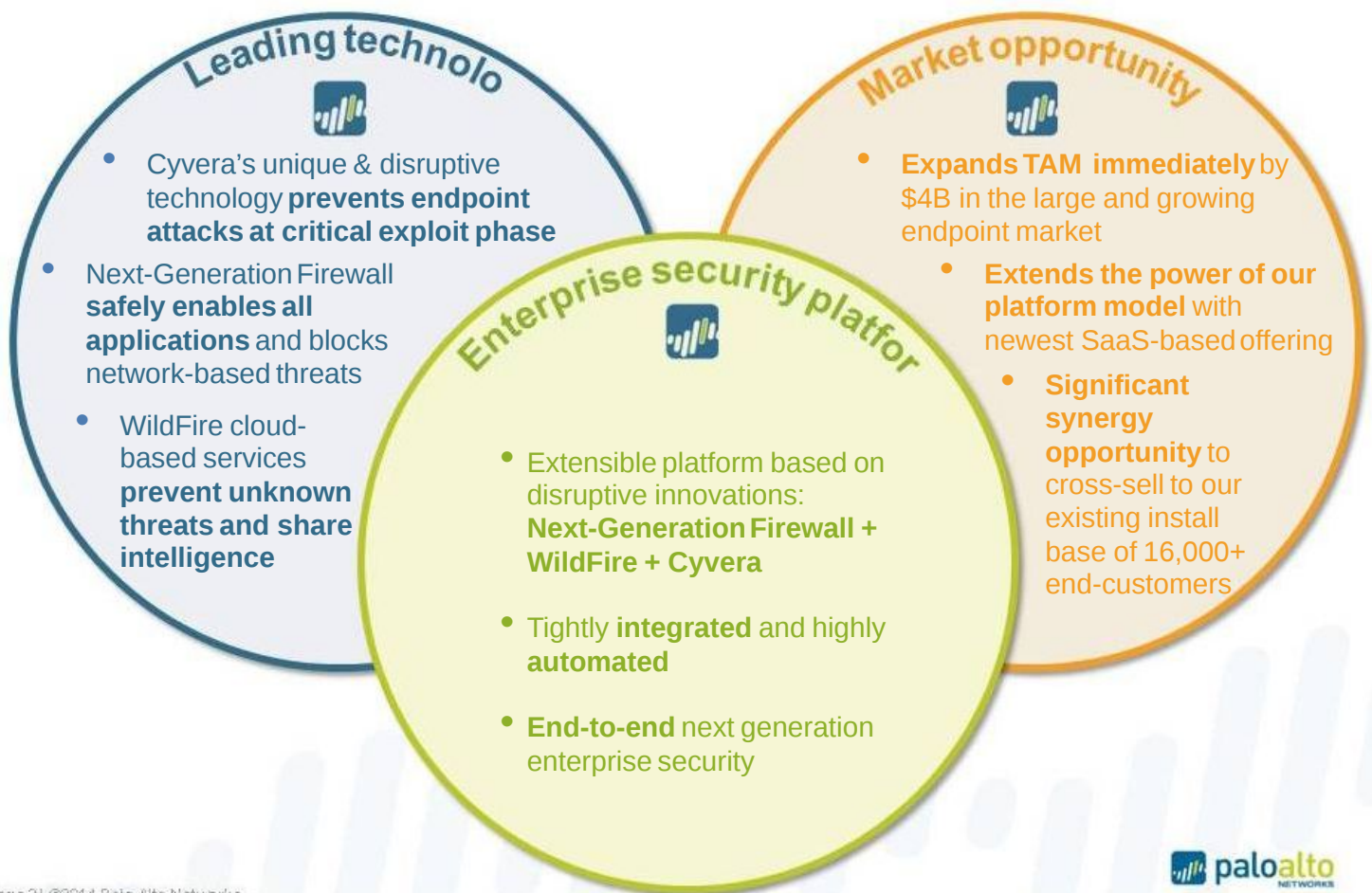
Financials

- Immediately expands TAM by over \$4 billion
- Significant opportunity as driver for continued outside revenue growth
- SaaS-based model: adds additional subscription revenue

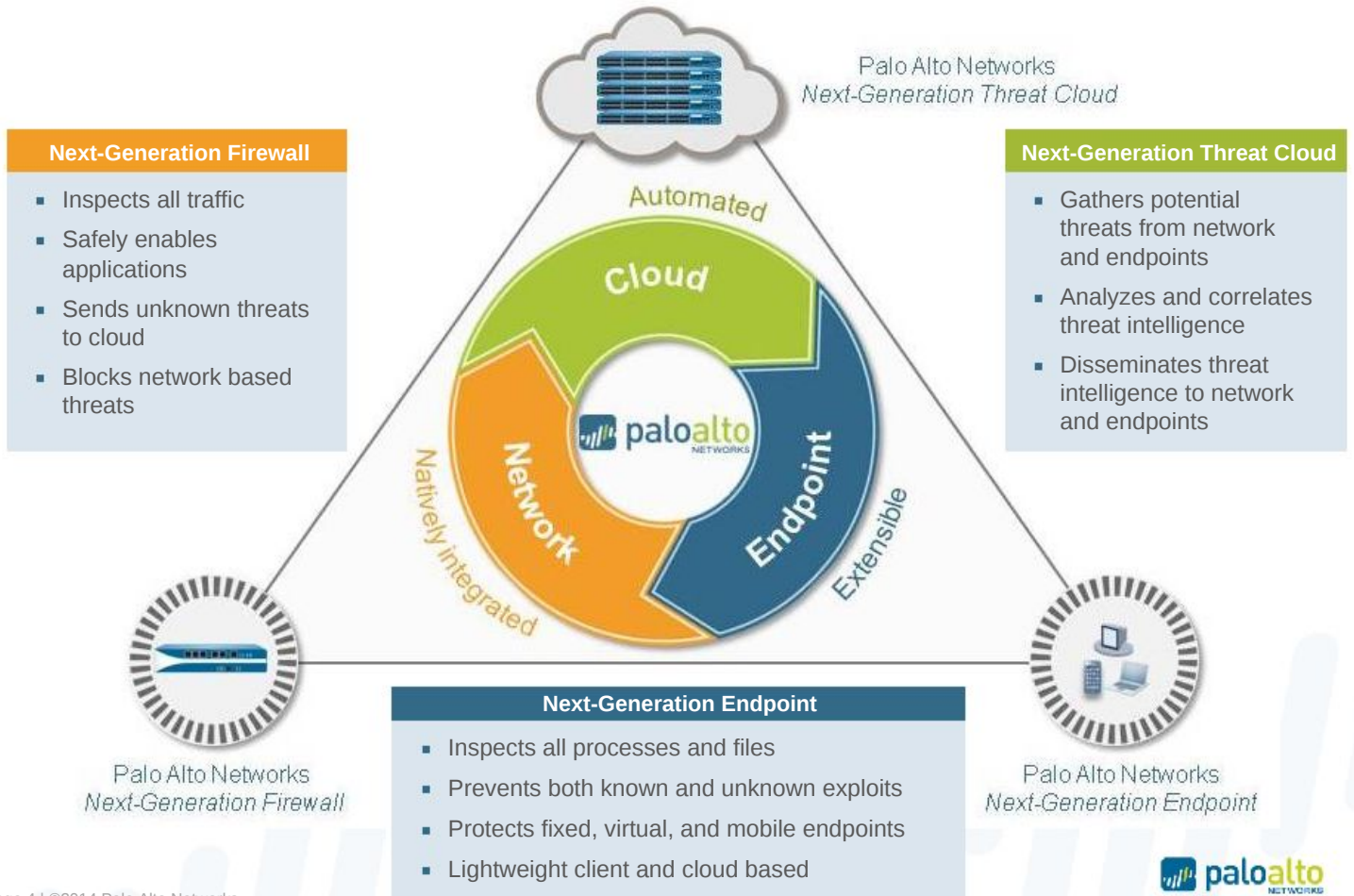
Timeline

- The transaction was approved by both boards and is subject to customary conditions and regulatory reviews

Strategic combination



The Palo Alto Networks Next-Generation Security Platform



Palo Alto Networks is disrupting security – **AGAIN**



- Uniquely prevents attacks targeting endpoint and network
- Extensible platform spanning network, endpoint, and cloud
- Automated prevention

Signature-only products



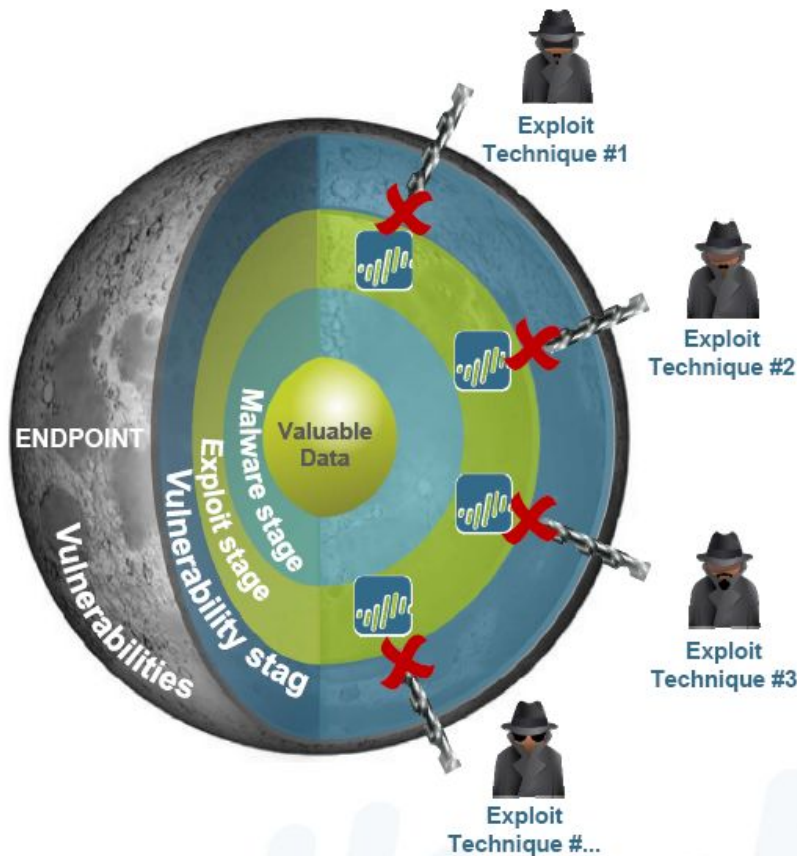
- Only blocks known threats
- Cannot detect zero day exploits or malware
- Inability to detect attacks at exploit phase
- Not integrated

Detection-only products



- No prevention capabilities
- Inability to detect attacks at exploit phase
- Limited control over applications
- Bolt-on architecture

Cyvera uniquely prevents endpoint-based attacks



Only company focused on preventing core exploit techniques

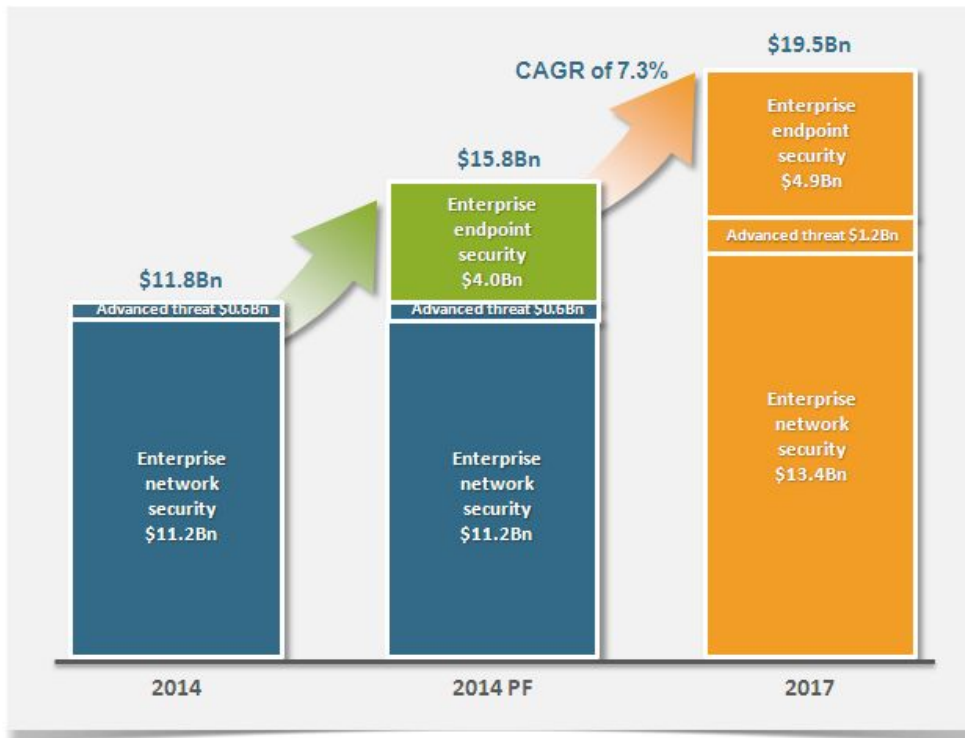
- Prevents attacks at critical exploit phase
- No prior knowledge of the attack is needed
- Lightweight embedded agent within OS
- Protects endpoints from known and unknown exploits
- Protects unpatched systems
- Forensic evidence collected
- Sends unknown threats to cloud

Cyvera would have successfully prevented every published zero day since 2009

| | |
|-------------------------------|------|
| Watering-hole attacks | 2013 |
| European Aerospace (Infector) | 2012 |
| NASA / Nortel | 2012 |
| 25 DoD contractors | 2011 |
| RSA | 2011 |
| Night Dragon | 2010 |
| Stuxnet | 2009 |

Real-time prevention of all core attack techniques prior to the exploit

\$4B+ expansion of TAM



Sources: IDC, Worldwide Network Security 2013–2017 Forecast and 2012 Vendor Shares, July 2013
IDC, Worldwide Web Security 2013–2017 Forecast and 2012 Vendor Shares, July 2013
IDC, Worldwide Endpoint Security 2013–2017 Forecast and 2012 Vendor Shares, August 2013
IDC, Worldwide Specialized Threat and Protection 2013–2017 Forecast and 2012 Vendor Shares, August 2013
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About Cyvera

Description

- Innovative provider of cyber security solutions
- Employs advanced and unique exploit prevention techniques to prevent unknown malware on fixed, virtual, and mobile endpoints

Location

- Tel-Aviv and San Francisco

Technology

- Cyvera TRAPS, launched in 2012
- Client-based solution providing full protection on Windows-based endpoints, servers, virtual machines, and terminals. Additional operating systems, including mobile operating systems, expected to be covered within 12 months.
- Covers majority of most commonly exploited software applications

Talent

- 55 employees, of which 37 engineers based in Tel-Aviv

Financial impact

Cyvera product immediately augments our platform with an additional subscription offering

SaaS model: billings to build ahead of revenue

Billings and revenue ramping in 2H FY2015, meaningful revenue contribution in FY2016

Investing aggressively to capitalize on unique technology leadership and large market opportunity

Short-term investment in non-GAAP operating expense
Preliminary estimate: Q3'14 ~\$1.5mm, Q4'14 ~\$3.5mm, and FY'15 ~\$25mm

Cyvera to be free cash flow positive contributor in 1H FY2016

Conclusion

Unique endpoint technology

- Prevents attacks at the critical exploit phase

Enhances our enterprise security platform

- Tightly integrated and highly automated end-to-end security

Enhances TAM

- Immediately adds \$4B of enterprise endpoint market

SaaS model

- Adds additional subscription revenue



the enterprise **security** company™

