



Q4 Fiscal Year 2021 Earnings Call



August 23, 2021

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 growth drivers for fiscal 2022 and beyond, our product and service offerings, our financial guidance for the first quarter of fiscal 2022 and for fiscal year 2022 regarding total revenue, total billings, Next-Gen Security ARR, product revenue, non-GAAP operating income, non-GAAP EPS and non-GAAP adjusted free cash flow margin, our modeling points, and our expectations regarding gross margins and operating margins. 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 Quarterly Report on Form 10-Q filed for the quarter ended April 30, 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 on 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 August 23, 2021. This presentation contains non-GAAP financial measures and key metrics relating to the company’s past and expected future performance. We have not reconciled diluted non-GAAP net income per share guidance to GAAP net loss per diluted share or adjusted free cash flow margin guidance to GAAP net cash from operating activities because we do not provide guidance on GAAP net income (loss) or net cash from operating activities and would not be able to present the various reconciling cash and non-cash items between GAAP and non-GAAP financial measures, including share-based compensation expense, without unreasonable effort. Reconciliations of historical non-GAAP measures can be found in the Appendix. You can also find information regarding our use of non-GAAP financial measures in our earnings release dated August 23, 2021.

Nikesh Arora | Chairman and CEO

Cybersecurity issues continue to be top of mind for CXOs

Biden Plans an Order to Strengthen Cyberdefenses. Will it Be Enough?

NATIONAL SECURITY

Major Fuel Pipeline Remains Shut Down From Ongoing Ransomware Attack

COMMENTARY

2021 breaches illustrate cybersecurity as an urgent critical infrastructure priority

US authorities are offering \$10 million for information on nation-state cyber-attacks

Software company's unveiling of decryption key comes too late for many victims of devastating ransomware attack

Our integrated best of breed platform approach is working

Network Transformation



Strata™



Prisma™
SASE

Cloud Native Security



Prisma™
Cloud

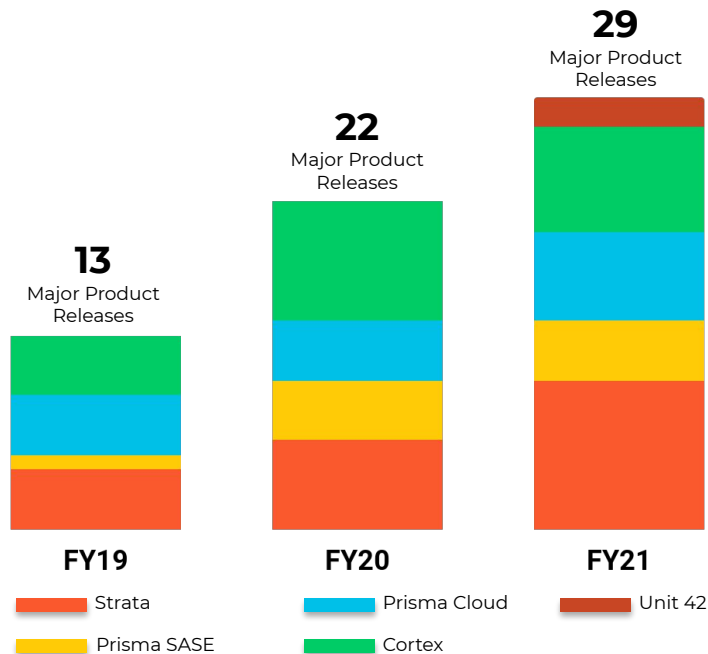
Security Operation Center Automation



Cortex

Platform approach underpinned by innovation and product velocity

Major Product Releases¹



>2x

Major product releases in FY21 vs. FY19

>2/3

Of major releases in our next-generation security area

¹Major 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 31.

Market is beginning to recognize our leadership position

FY20

Leadership in 2 categories

1. NGFW

Leader in Gartner Magic Quadrant Network Firewalls

2. Zero Trust

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

FY21

Leadership in 6 categories

◇ = A PANW first

1. NGFW

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

2. Zero Trust

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

3. SD-WAN

Leader in Gartner Magic Quadrant WAN Edge Infrastructure

4. SOAR

Leader in KuppingerCole Security Orchestration Automation & Response Leadership Compass

5. XDR

A **Leader** in Forrester Endpoint Security Software As A Service Wave

6. Vulnerability Management

Outperformer Leader in GigaOm's Vulnerability Management Radar

FY22+ GOAL:

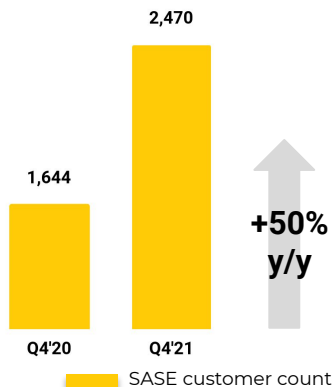
Significant expansion in our leadership recognition

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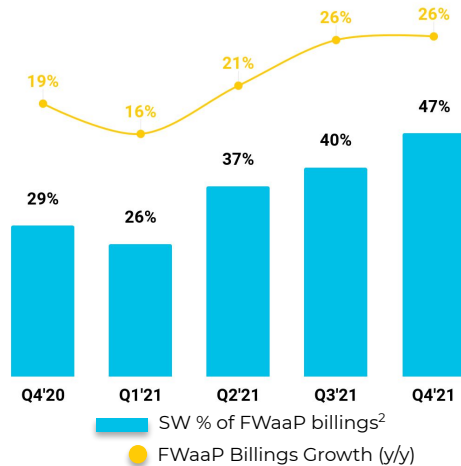
Network Platform: Driven by SASE and Virtual Firewalls



Rapid SASE customer adoption



Firewall as a Platform¹ growth in the midst of shift to Software



Q4'21 highlights:

- **Surpassed \$425M** in Prisma Access + Prisma SD-WAN + VM-Series (private cloud) **ARR³**
- **Continued innovation through Cloud IDS offering**, based on joint engineering and deployed natively in Google Cloud Platform
- **Launched advanced URL subscription** leveraging ML-models to stop threats

¹ Firewall as a Platform 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.

² 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.

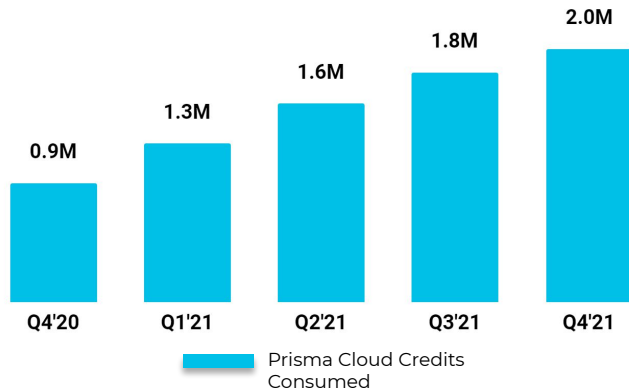
³ ARR = Annualized Recurring Revenue, which is the annualized allocated revenue of all active contracts as of the final day of the reporting period.

Fiscal year ending on July 31.

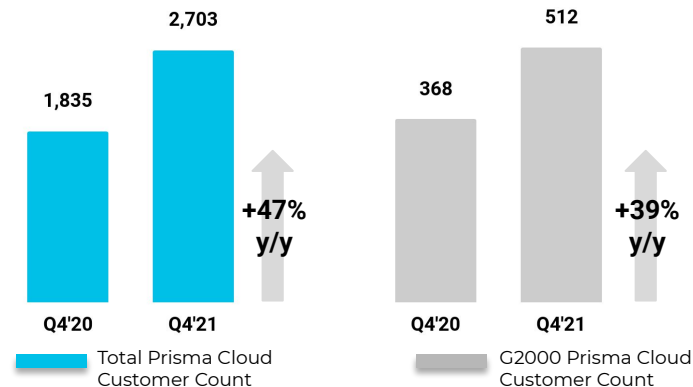
Cloud Security Platform: Needs becoming more mainstream



Prisma Cloud Credits Consumed



Prisma Cloud Total & G2000¹ customers²



Q4'21 highlights:

- Surpassed **\$300M** in Prisma Cloud + VM-Series (public cloud) + CN-series **ARR³**
- **3.1 million Chekov downloads**, up from 2.0 million in Q3'21
- Two deals **over \$10M** in Q4

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.

³ARR = Annualized Recurring Revenue, which is the annualized allocated revenue of all active contracts as of the final day of the reporting period.

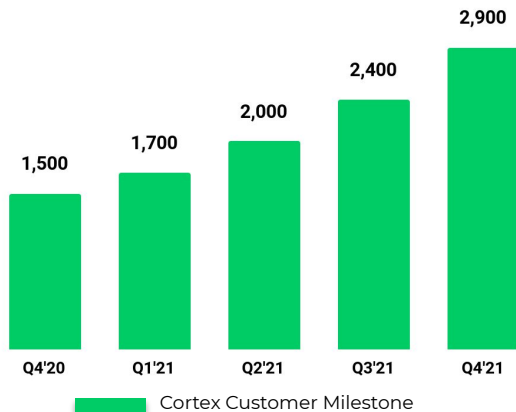
Fiscal year ending on July 31.

CORTEX Platform: Integrated approach needed for the SOC



Cortex®

Cortex Customers¹ Milestone²



>\$10M

Closed **largest ever follow on Cortex deal** in Q4'21, where the customer added XDR and XSOAR to existing NTA services

Q4'21 highlights:

- Surpassed **\$400M** in Cortex **ARR³**
- Cortex **XDR 3.0 Launch** in Q1'22 focused on cloud capabilities, forensics modules tying XDR with Unit 42, and data collection from any source
- **XSOAR Threat Intel Management (TIM) 2.0 Launch** - unlocking the power of threat intelligence
- Released **Xpanse + Prisma Cloud integration** to identify all known and unknown cloud instance

¹Cortex customers represents all customers who have purchased Cortex XDR Pro and/or Cortex XSOAR since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

²Milestone represents each hundred customer acquired, and not necessarily the number of customers at the end of a period.

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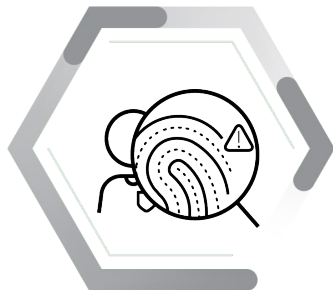
Fiscal year ending on July 31.

Unit 42: Cybersecurity partner of choice



Unit 42

New Proactive Services & Incident Response Services



- Launched the **Ransomware Readiness Assessment**
- Executed **Rapid Response for DarkSide** and **REvil breaches**

New Unit 42 quickly gaining traction



Multiple six-figure Fortune 50 wins for proactive security services



>3x growth in opportunity pipeline for Unit 42

Leadership signs - Customers are integrating security and consolidating

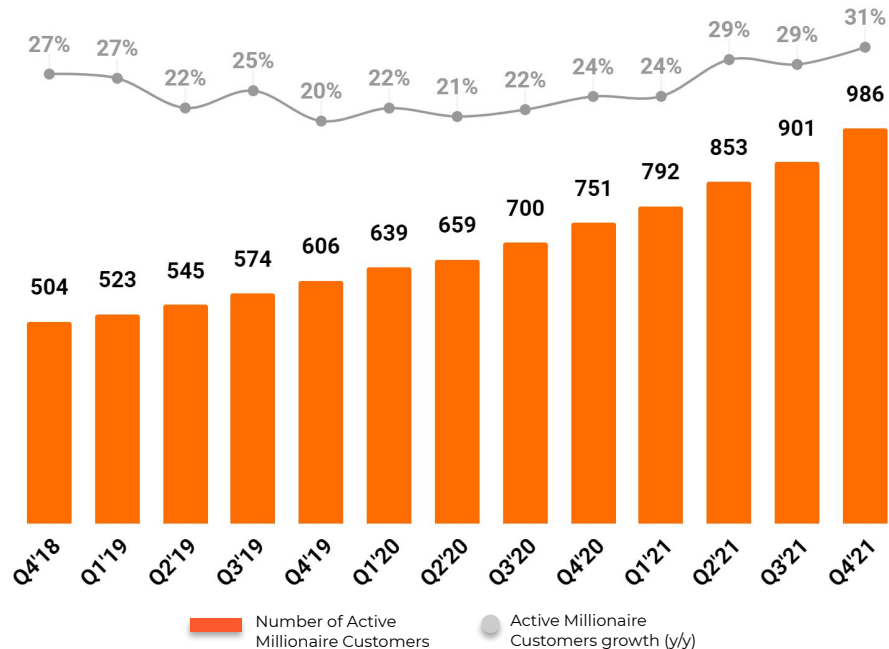
>\$100M

First customer to surpass \$100M in bookings in a single fiscal year

18

Customers¹ signed 8 figure transactions in Q4'21

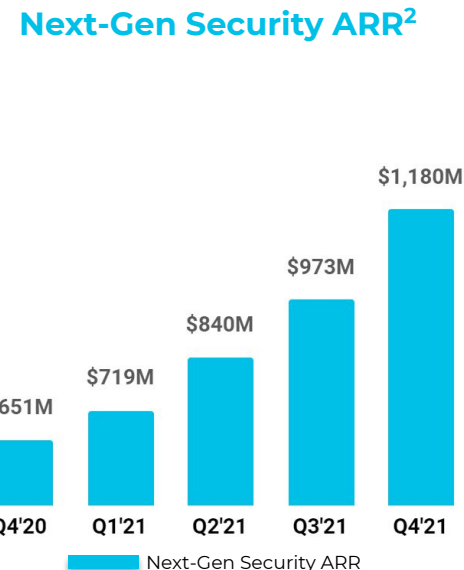
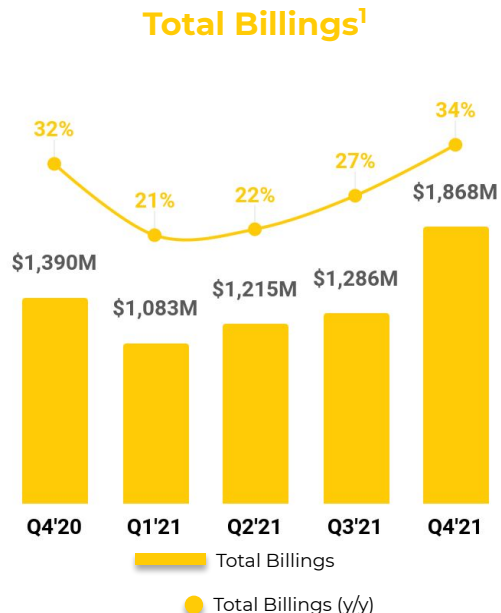
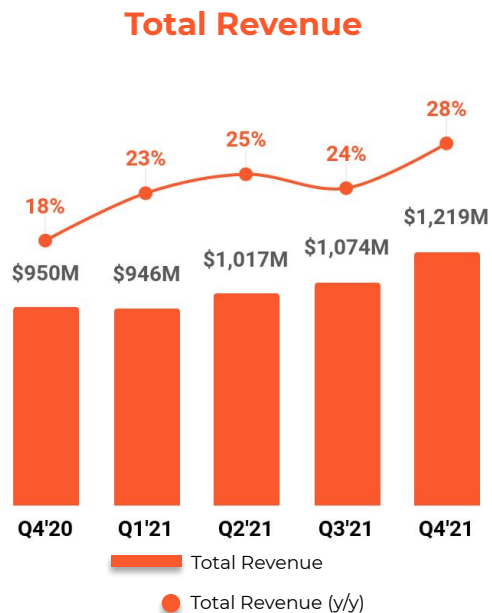
Acceleration in Active Millionaire Customers²



¹Customer is defined as an account that has purchased products and services excluding not-for-resale services.

²Active Millionaire customer defined as customers who have spent \$1M or more in bookings value over the last 4 quarters. A booking is defined as committed customer obligation with a contract in place. Fiscal year ending on July 31.

The strategy is showing in our financial results

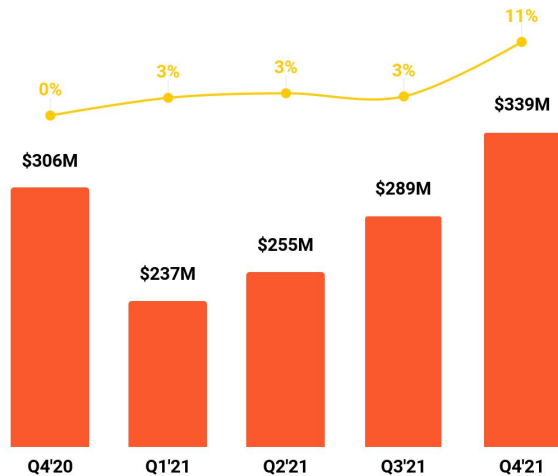


¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

²ARR = 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.

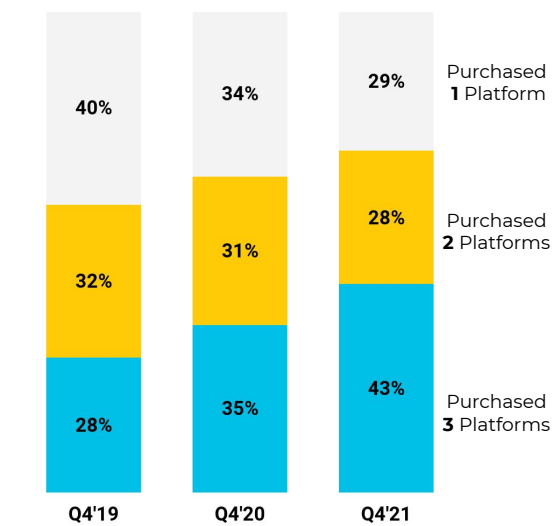
Palo Alto Networks momentum remained strong in Q4'21

Product Revenue Acceleration



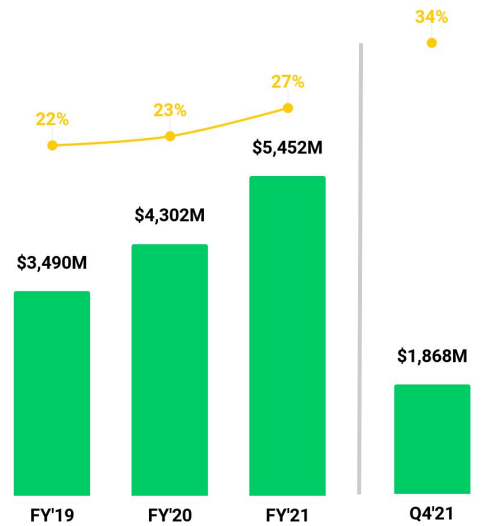
Product Revenue
Product Revenue Growth (y/y)

Growth in Cross Platform Adoption



Purchased 1 Platform
Purchased 2 Platforms
Purchased 3 Platforms
% of G2000 customers² who have purchased Strata, Prisma and Cortex
% of G2000 customers² who have purchased Strata & Prisma, Strata & Cortex, or Prisma & Cortex
% of G2000 customers² who have purchased standalone Strata, Prisma, or Cortex

Total Billings¹ Growth Acceleration






Billings
Billings Growth (y/y)

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

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. Fiscal year ending on July 31.

Our transformation is working, raising our prior targets

	FY'22 Target (2019 Analyst Meeting ¹)	FY'21 Actual	FY'22 Guidance (Guidance Midpoint as of 8/23/2021)	
Revenue	~\$5B	\$4.3B Ahead of 2019 Plan	\$5.3B 	Exceeding overall top-line goals
Total Billings ²	~\$6B	\$5.5B Ahead of 2019 Plan	\$6.625B 	
NGS Billings ³	~\$1.75B	\$1.5B Ahead of 2019 Plan	Replaced by NGS ARR	Significantly outperforming in NGS
NGS Revenue	~\$1.0B	Replaced by NGS ARR	Replaced by NGS ARR	
NGS ARR ⁴	-	\$1.18B Ahead of 5/22/21 Guidance	~\$1.675B 	
NGS Billings % of Total	~30%	28% Ahead of 2019 Plan	To be Updated at 2021 Analyst Day	Tracking ahead of transformation metrics
SW % of FwaaP ⁵ Billings	~32% ⁶	39% Ahead of 2019 Plan	To be Updated at 2021 Analyst Day	

¹ FY'22 targets shared on Palo Alto Networks 2019 Analyst Meeting on September 4, 2019.

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³ 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.

⁴ ARR = Annualized Recurring Revenue. NGS (Next-Gen Security) ARR is 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.

⁵ 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.

⁶ FY'22 Software % of Total FwaaP billings implied in 2019 Analyst Meeting on September 4, 2019

Fiscal year ending on July 31.

Growth and scale drivers give us conviction in our objectives for FY22 and beyond

Pent up demand in hardware

Continued workload migration to public cloud

WFH transition still ongoing

More AI / ML and automation adoption in SOC

Agility in speed boat model

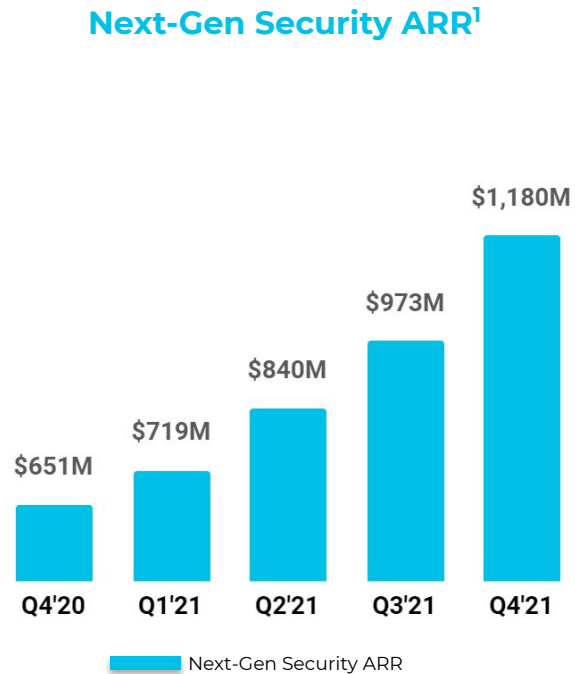
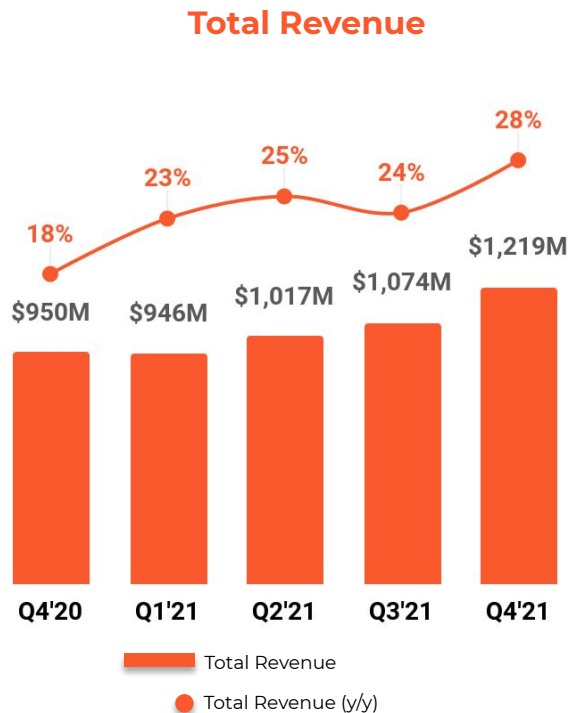
Synergies of One PANW

Some products yet to reach scale

Further scale and efficiencies in our cloud deployments

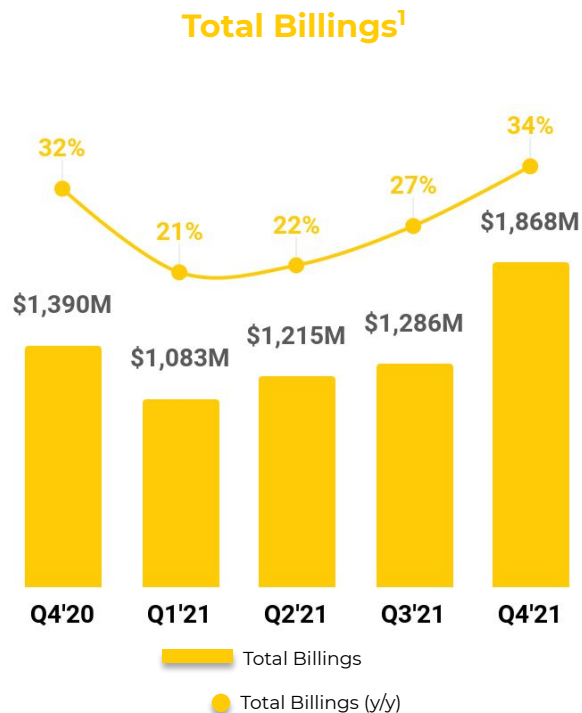
Dipak Golechha | EVP and CFO

Further Q4 acceleration driven by appliances and next-generation portfolio



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.

Recurring revenue mix is improving our revenue predictability






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.

Strength across all metrics in Q4

	Q4'21 Guidance (as of 5/20/21)	Q4'21 Actual	
Total Billings ¹	\$1.695B-\$1.715B 22%-23% yr/yr	\$1,868M 34% yr/yr	
Total Revenue	\$1.165B-\$1.175B 23%-24% yr/yr	\$1,219M 28% yr/yr	
Remaining Performance Obligation		\$5.9B 36% yr/yr	
Next-Gen Security ARR ²		\$1,180M 81% yr/yr	
Gross Margin (Non-GAAP)		75.3% +100 bps yr/yr	
Operating Income (Non-GAAP)		\$213M 13% yr/yr	
Operating Margin (Non-GAAP)		17.5% -230 bps yr/yr	
EPS (Non-GAAP)	\$1.42-\$1.44	\$1.60 +\$0.12 yr/yr	
Adj. FCF Margin (Non-GAAP)		24.5%	

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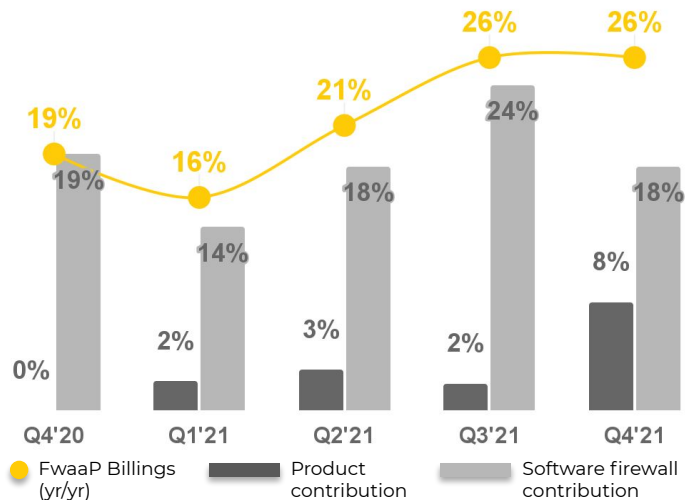
²ARR = Annualized Recurring Revenue. Next-Gen Security ARR is annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services.

Reconciliations of historical non-GAAP measures can be found in the Appendix.

Fiscal year ending on July 31.

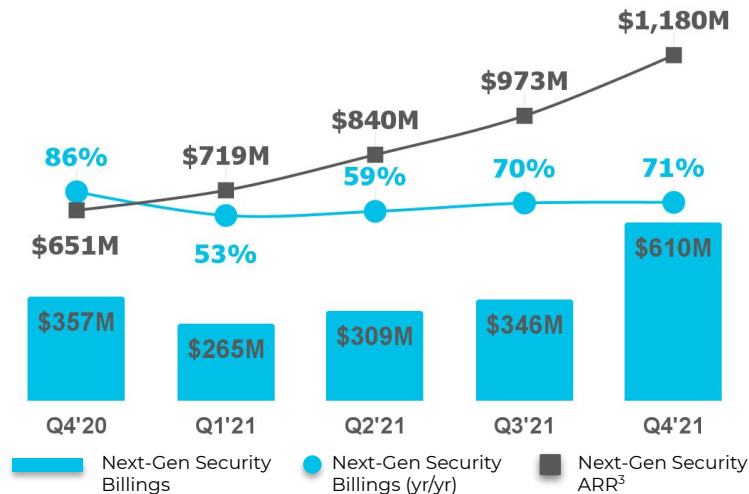
Continued strong FwaaP and NGS momentum in Q4

Firewall as a Platform¹ Billings Growth



- Highlights transition from HW to SW form factors
- SW is of higher quality & increases revenue visibility

Next-Gen Security Billings²



- Durable and fast growing SaaS business
- NGS now represents 28% of FY'21 total billings

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² 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.

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Capital allocation strategy in action. Q4 repurchase and new authorization

Invest in Organic Growth

Highest return R&D priorities

International and specialized go to market

New delivery and consumption models

Acquisitions to accelerate strategy

Acquire leading technology, expand TAM

Fully integrate to realize benefits, invest behind acquired technologies

Retain acquired teams to maximize success

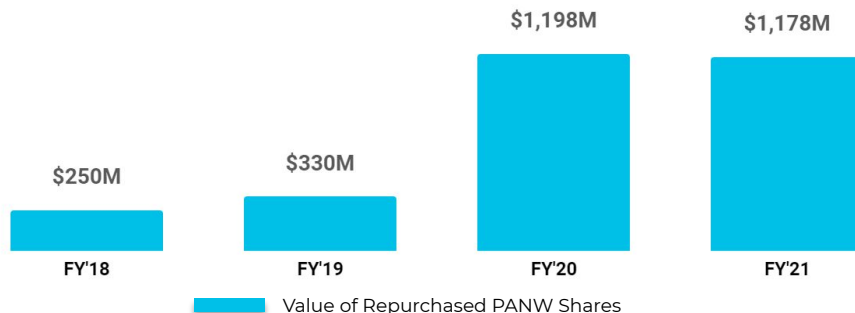
Optimize capital base

Appropriate financing based on market conditions

Flexibility in use of cash and stock for acquisition consideration

Targeted repurchases

PANW Share Repurchase History



Fiscal year ending on July 31.

\$3.0B

Returned to shareholders since FY18

\$1.0B

Refreshed remaining authorization, expiring 12/31/2022

Q1 Fiscal 2022 guidance

	Q1'22
Total Revenue	\$1.19B - \$1.21B 26%-28% yr/yr
Product Revenue	+Low-double digit yr/yr
Total Billings	\$1.29B - \$1.31B 19%-21% yr/yr
EPS (Non-GAAP)¹	\$1.55-\$1.58 using 101 to 103 million shares

¹A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measure has not been provided as it is not available without unreasonable effort.
Fiscal year ending on July 31.

Fiscal Year 2022 guidance

	FY 2021 Actuals	FY 2022 Guidance as of 8/23/21
Total Revenue	\$4.26B 25% yr/yr	\$5.275B - \$5.325B 24%-25% yr/yr
Total Billings ¹	\$5.45B 27% yr/yr	\$6.60B - \$6.65B 21-22% yr/yr
Next-Gen Security ARR ²	\$1.18B 81% yr/yr	\$1.65-1.70B 40-44% yr/yr
Product Revenue	+5% yr/yr	+Mid to high-single digit yr/yr
Operating Margin (Non-GAAP)	18.9%	18.5-19.0%
EPS (Non-GAAP)	\$6.14 +26% yr/yr	\$7.15 - \$7.25 +16%-18% yr/yr
Adj. Free Cash Flow Margin (Non-GAAP)	32.6%	>30%

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A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.

Fiscal year ending on July 31.

Modeling points

- We expect operating income will be shifted to the second half of the year in FY22 as compared to FY21. We expect an approximate 43%/57% first half to second half split during FY22
- Q1'22 and FY'22 non-GAAP effective tax rate: 22%
- Net interest and other expense of \$4-5 million per quarter
- FY22 diluted shares outstanding 104-106 million
- Q1'22 capital expenditures of \$35M – \$40M
- FY'22 capital expenditures of \$205M – \$215M (includes ~\$40M related to our Santa Clara headquarters)

¹A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measure has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Q&A

Appendix

NetSec and ClaiSec FY22 reporting¹

	FwaaP + Services & Support = NetSec Network Security			NGS - software firewalls = ClaiSec Cloud & AI			Palo Alto Networks		
	FY'20 Actual	FY'21 (as of 5/20/21)	FY'21 Actual	FY'20 Actual	FY'21 (as of 5/20/21)	FY'21 Actual	FY'20 Actual	FY'21 (as of 5/20/21)	FY'21 Actual
Billings²		19% yr/yr	28% yr/yr				\$4,302M 23% yr/yr	\$5,290M 23% yr/yr	\$5,452M 27% yr/yr
ARR³				\$388M	\$735M 89% yr/yr	\$734M 89% yr/yr			
Revenue⁴	\$3,090M	\$3,600M 17% yr/yr	\$3,654M 18% yr/yr	\$318M	\$605M 90% yr/yr	\$602M 89% yr/yr	\$3,408M 18% yr/yr	\$4,205M 23% yr/yr	\$4,256M 25% yr/yr
Gross Margin (Non-GAAP)⁵	77%	77% +50 bps yr/yr	78% +70 bps yr/yr	63%	61% -270 bps yr/yr	61% -210 bps yr/yr	76%	75% -70 bps yr/yr	75% -40 bps yr/yr
Op Margin (Non-GAAP)⁵	28%	29% +130 bps yr/yr	30% +210 bps yr/yr	-80%	-45% +3520 bps yr/yr	-47% +3270 bps yr/yr	18%	18% +50 bps yr/yr	19% +130 bps yr/yr
Adj. FCF Margin (Non-GAAP)⁵	38%	42% +410 bps yr/yr	44% +640 bps yr/yr	-59%	-43% +1630 bps yr/yr	-33% +2680 bps yr/yr	28%	30% +160 bps yr/yr	33% +420 bps yr/yr
Lifetime Customers⁶	>73,000	>80,000 (as of Q3'21)	>83,000 (as of Q4'21)	>8,000	>9,000 (as of Q3'21)	>10,000 (as of Q4'21)	>75,000	>82,000 (as of Q3'21)	>85,000 (as of Q4'21)

¹In FY22, we will not report NetSec / ClaiSec metrics.

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

³ARR = Annualized Recurring Revenue. Annualized allocated revenue of all active contracts as of the final day of the reporting period.

⁴Cloud & AI revenue includes professional services revenue of approximately \$3M and \$59M and product revenue of approximately \$2M and \$21M in FY'20 and FY'21, respectively.

⁵For a reconciliation of FY'20 non-GAAP financial measures, see Appendix. A reconciliation of FY'21 non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.

⁶Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

Fiscal year ending on July 31.

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:	Q420		Q421		FY'20		FY'21	
	\$	%	\$	%	\$	%	\$	%
GAAP gross profit and gross margin	\$660.0	69.4%	\$860.4	70.6%	\$2,408.9	70.7%	\$2,981.2	70.0%
Share-based compensation-related charges	24.7	2.6%	29.6	2.5%	93.9	2.8%	115.7	2.7%
Amortization expense of acquired intangible assets	20.0	2.1%	26.1	2.1%	68.7	2.0%	97.4	2.3%
Litigation-related charges ⁽¹⁾	1.8	0.2%	1.7	0.1%	3.6	0.1%	7.1	0.2%
Non-GAAP total gross profit and gross margin	\$706.5	74.3%	\$917.8	75.3%	\$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 Reconciliations – Operating Margin

\$ In millions

Non-GAAP Operating Income and Operating Margin:	Q420		Q421		FY'20		FY'21	
	\$	%	\$	%	\$	%	\$	%
GAAP operating loss	(\$17.8)	-1.9%	(\$60.4)	-5.0%	(\$179.0)	-5.3%	(\$304.1)	-7.1%
Share-based compensation-related charges	181.3	19.1%	239.2	19.7%	685.5	20.2%	936.5	22.0%
Acquisition-related costs ⁽¹⁾	0.4	0.0%	0.7	0.1%	15.7	0.5%	46.1	1.1%
Amortization expense of acquired intangible assets	22.7	2.4%	31.6	2.6%	76.4	2.2%	116.7	2.7%
Litigation-related charges ⁽²⁾	1.8	0.2%	1.7	0.1%	3.6	0.1%	7.1	0.2%
Gain related to facility exit ⁽³⁾	-	0.0%	-	0.0%	(3.1)	-0.1%	-	0.0%
Non-GAAP operating income and operating margin	\$188.4	19.8%	\$212.8	17.5%	\$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 a gain of \$3.1 million related to the early termination of our previous headquarters leases in Q2'20.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – EPS

Non-GAAP net income per share, diluted:	Q420	Q421	FY'20	FY'21
GAAP net loss per share, diluted	(\$0.61)	(\$1.23)	(\$2.76)	(\$5.18)
Share-based compensation-related charges	1.86	2.39	6.96	9.50
Acquisition-related cost ⁽¹⁾	0.00	0.01	0.16	0.48
Amortization expense of acquired intangibles assets	0.24	0.33	0.79	1.21
Litigation-related charges ⁽²⁾	0.02	0.02	0.04	0.07
Gain related to facility exit ⁽³⁾	0.00	0.00	(0.03)	0.00
Non-cash charges related to convertible notes ⁽⁴⁾	0.28	0.37	0.76	1.48
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	0.00	0.01	0.02
Income tax and other tax adjustments related to the above	(0.32)	(0.29)	(1.05)	(1.44)
Non-GAAP net income per share, diluted	<u>\$1.48</u>	<u>\$1.60</u>	<u>\$4.88</u>	<u>\$6.14</u>

⁽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 a gain of \$3.1 million related to the early termination of our previous headquarters leases in Q2'20.

⁽⁴⁾ Consists primarily of non-cash interest expense related to our convertible senior notes.

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):	Q420	Q421	FY'20	FY'21
Net cash provided by operating activities	\$333.7	\$325.8	\$1,035.7	\$1,503.0
Less: purchases of property, equipment, and other assets	31.8	27.4	214.4	116.0
Free cash flow (non-GAAP)	\$301.9	\$298.4	\$821.3	\$1,387.0
Add: capital expenditures for new headquarters ⁽¹⁾	-	-	94.3	-
Add: repayments of convertible senior notes attributable to debt discount	-	0.1	-	0.1
Add: litigation related payment ⁽²⁾	-	-	50.0	-
Less: cash payment related to landlord lease amendment ⁽³⁾	-	-	(2.0)	-
Adjusted free cash flow (non-GAAP)	\$301.9	\$298.5	\$967.6	\$1,387.1
Free cash flow margin (non-GAAP)	31.8 %	24.5 %	24.1 %	32.6 %
Adjusted free cash flow margin (non-GAAP)	31.8 %	24.5 %	28.4 %	32.6 %

⁽¹⁾ Consists of capital expenditures for new headquarters including a land purchase of \$51.7 million in Q3'20.

⁽²⁾ Consists of a one-time payment in Q3'20 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.

GAAP to Non-GAAP Reconciliation - Gross Margin

\$ In millions

Non-GAAP total gross profit and gross margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20		Network Security FY'21		Cloud & AI FY'21		Total FY'21	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP total gross profit and gross margin	\$2,285.3	73.9%	\$123.6	38.9%	\$2,408.9	70.7%	\$2,722.5	74.5%	\$258.7	42.9%	\$2,981.2	70.0%
Share-based compensation-related charges	76.6	2.5%	17.3	5.4%	93.9	2.8%	81.5	2.2%	34.2	5.7%	\$115.7	2.7%
Amortization expense of acquired intangible assets	8.0	0.3%	60.7	19.1%	68.7	2.0%	20.8	0.6%	76.6	12.7%	\$97.4	2.3%
Litigation-related charges ⁽¹⁾	3.6	0.1%	-	0.0%	3.6	0.1%	7.1	0.2%	-	0.0%	\$7.1	0.2%
Non-GAAP total gross profit and gross margin	<u>\$2,373.5</u>	<u>76.8%</u>	<u>\$201.6</u>	<u>63.4%</u>	<u>\$2,575.1</u>	<u>75.6%</u>	<u>\$2,831.9</u>	<u>77.5%</u>	<u>\$369.5</u>	<u>61.3%</u>	<u>\$3,201.4</u>	<u>75.2%</u>

⁽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 (loss) and operating margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20		Network Security FY'21		Cloud & AI FY'21		Total FY'21	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP operating income (loss) and operating margin	\$331.6	10.7%	(\$510.6)	-160.6%	(\$179.0)	-5.3%	\$432.1	11.8%	(\$736.2)	-122.2%	(\$304.1)	-7.1%
Share-based compensation-related charges	504.7	16.4%	180.8	56.9%	685.5	20.2%	608.9	16.7%	327.6	54.4%	936.5	22.0%
Acquisition-related costs ⁽¹⁾	6.4	0.2%	9.3	2.9%	15.7	0.5%	12.2	0.3%	33.9	5.6%	46.1	1.1%
Amortization expense of acquired intangible assets	9.3	0.3%	67.1	21.1%	76.4	2.2%	25.5	0.7%	91.2	15.1%	116.7	2.7%
Litigation-related charges ⁽²⁾	3.6	0.1%	-	0.0%	3.6	0.1%	7.1	0.2%	-	0.0%	7.1	0.2%
Gain related to facility exit ⁽³⁾	(2.8)	-0.1%	(0.3)	-0.1%	(3.1)	-0.1%	-	0.0%	-	0.0%	-	0.0%
Non-GAAP operating income (loss) and operating margin	<u>\$852.8</u>	<u>27.6%</u>	<u>(\$253.7)</u>	<u>-79.8%</u>	<u>\$599.1</u>	<u>17.6%</u>	<u>\$1,085.8</u>	<u>29.7%</u>	<u>(\$283.5)</u>	<u>-47.1%</u>	<u>\$802.3</u>	<u>18.9%</u>

⁽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 a gain of \$3.1 million related to the early termination of our previous headquarters leases in Q2'20.

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):	Network Security FY'20	Cloud & AI FY'20	Corporate FY'20	Total FY'20	Network Security FY'21	Cloud & AI FY'21	Corporate FY'21	Total FY'21
Net cash provided by operating activities	\$1,201.5	(\$150.1)	(\$15.7)	\$1,035.7	\$1,695.3	(\$156.9)	(\$35.4)	\$1,503.0
Less: purchases of property, equipment, and other assets	116.5	46.2	51.7	214.4	77.2	38.8	-	116.0
Free cash flow (non-GAAP)	\$1,085.0	(\$196.3)	(\$67.4)	\$821.3	\$1,618.1	(\$195.7)	(\$35.4)	\$1,387.0
Add: capital expenditures for new headquarters ⁽¹⁾	35.1	7.5	51.7	94.3	-	-	-	-
Add: repayments of convertible senior notes attributable to debt discount	-	-	-	-	-	-	0.1	0.1
Add: litigation related payment ⁽²⁾	50.0	-	-	50.0	-	-	-	-
Less: cash payment related to landlord lease amendment ⁽³⁾	(1.6)	(0.4)	-	(2.0)	-	-	-	-
Adjusted free cash flow (non-GAAP)	\$1,171.7	(\$188.4)	(\$15.7)	\$967.6	\$1,618.1	(\$195.7)	(\$35.3)	\$1,387.1
Free cash flow margin (non-GAAP)	35.1%	-61.7%	-	24.1%	44.3%	-32.5%	-	32.6%
Adjusted free cash flow margin (non-GAAP)	37.9%	-59.3%	-	28.4%	44.3%	-32.5%	-	32.6%

⁽¹⁾ Consists of capital expenditures for new headquarters.

⁽²⁾ Consists of a one-time payment in Q3'20 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.

Thank you

