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 Years
(In millions, except percentages)

	FY24	FY25	FY26
Revenue:			
Product	$ 1,603	$ 1,802	$ 2,280
Subscription and support	6,424	7,419	9,200
Total revenue	8,027	9,221	11,480
Cost of revenue:			
Product	348	413	568
Subscription and support	1,711	2,038	2,835
Total cost of revenue	2,059	2,451	3,403
Total gross profit	5,968	6,770	8,077
Product gross margin	*78.3 %*	*77.1 %*	*75.1 %*
Subscription and support gross margin	*73.4 %*	*72.5 %*	*69.2 %*
Total gross margin	*74.3 %*	*73.4 %*	*70.4 %*
Operating expenses:			
Research and development	1,810	1,984	2,552
Sales and marketing	2,794	3,100	3,931
General and administrative	680	443	899
Total operating expenses	5,284	5,527	7,382
Operating income	684	1,243	695
Other income (expense), net	304	353	(159)
Income before income taxes	988	1,596	536
Provision for (benefit from) income taxes	(1,590)	462	229
Net income	$ 2,578	$ 1,134	$ 307

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

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Revenue:								
Product	$ 354	$ 421	$ 453	$ 574	$ 434	$ 514	$ 594	$ 738
Subscription and support	1,785	1,836	1,836	1,962	2,040	2,080	2,408	2,672
Total revenue	2,139	2,257	2,289	2,536	2,474	2,594	3,002	3,410
Cost of revenue:								
Product	75	101	101	136	89	115	167	197
Subscription and support	479	498	518	543	549	570	807	909
Total cost of revenue	554	599	619	679	638	685	974	1,106
Total gross profit	1,585	1,658	1,670	1,857	1,836	1,909	2,028	2,304
Product gross margin	*78.8 %*	*76.0 %*	*77.8 %*	*76.3 %*	*79.5 %*	*77.6 %*	*71.9 %*	*73.3 %*
Subscription and support gross margin	*73.2 %*	*72.9 %*	*71.8 %*	*72.3 %*	*73.1 %*	*72.6 %*	*66.5 %*	*66.0 %*
Total gross margin	*74.1 %*	*73.5 %*	*72.9 %*	*73.2 %*	*74.2 %*	*73.6 %*	*67.6 %*	*67.6 %*
Operating expenses:								
Research and development	481	505	494	504	528	511	734	779
Sales and marketing	720	758	793	829	820	823	1,161	1,127
General and administrative	98	154	164	27	179	178	316	226
Total operating expenses	1,299	1,417	1,451	1,360	1,527	1,512	2,211	2,132
Operating income (loss)	286	241	219	497	309	397	(183)	172
Other income (expense), net	82	84	92	95	103	152	27	(441)
Income (loss) before income taxes	368	325	311	592	412	549	(156)	(269)
Provision for income taxes	17	58	49	338	78	117	21	13
Net income (loss)	$ 351	$ 267	$ 262	$ 254	$ 334	$ 432	$ (177)	$ (282)

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

	FY24	FY25	FY26
Revenue:			
Product	$ 1,603	$ 1,802	$ 2,280
Subscription and support	6,424	7,419	9,200
Total revenue	8,027	9,221	11,480
Cost of revenue:			
Product	335	401	480
Subscription and support	1,463	1,775	2,295
Total cost of revenue	1,798	2,176	2,775
Total gross profit	6,229	7,045	8,705
Product gross margin	*79.1 %*	*77.8 %*	*78.9 %*
Subscription and support gross margin	*77.2 %*	*76.1 %*	*75.1 %*
Total gross margin	*77.6 %*	*76.4 %*	*75.8 %*
Operating expenses:			
Research and development	1,258	1,406	1,822
Sales and marketing	2,449	2,663	3,135
General and administrative	332	324	392
Total operating expenses	4,039	4,393	5,349
Operating income	2,190	2,652	3,356
Other income, net	307	354	403
Income before income taxes	2,497	3,006	3,759
Provision for income taxes	549	661	828
Net income	$ 1,948	$ 2,345	$ 2,931

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

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Revenue:								
Product	$ 354	$ 421	$ 453	$ 574	$ 434	$ 514	$ 594	$ 738
Subscription and support	1,785	1,836	1,836	1,962	2,040	2,080	2,408	2,672
Total revenue	2,139	2,257	2,289	2,536	2,474	2,594	3,002	3,410
Cost of revenue:								
Product	72	98	98	133	86	112	126	156
Subscription and support	413	430	451	481	486	507	600	702
Total cost of revenue	485	528	549	614	572	619	726	858
Total gross profit	1,654	1,729	1,740	1,922	1,902	1,975	2,276	2,552
Product gross margin	*79.7 %*	*76.7 %*	*78.4 %*	*76.8 %*	*80.2 %*	*78.2 %*	*78.8 %*	*78.9 %*
Subscription and support gross margin	*76.8 %*	*76.6 %*	*75.4 %*	*75.5 %*	*76.2 %*	*75.6 %*	*75.1 %*	*73.7 %*
Total gross margin	*77.3 %*	*76.6 %*	*76.0 %*	*75.8 %*	*76.9 %*	*76.1 %*	*75.8 %*	*74.8 %*
Operating expenses:								
Research and development	338	356	353	359	370	390	512	550
Sales and marketing	626	649	679	709	699	708	842	886
General and administrative	74	83	81	86	87	92	108	105
Total operating expenses	1,038	1,088	1,113	1,154	1,156	1,190	1,462	1,541
Operating income	616	641	627	768	746	785	814	1,011
Other income, net	82	85	92	95	103	152	65	83
Income before income taxes	698	726	719	863	849	937	879	1,094
Provision for income taxes	153	160	158	190	187	205	195	241
Net income	$ 545	$ 566	$ 561	$ 673	$ 662	$ 732	$ 684	$ 853

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Years
(In millions, except percentages and per share amounts)

	FY24	FY25	FY26
GAAP to Non-GAAP Reconciliations			
GAAP product gross profit	$ 1,255	$ 1,389	$ 1,712
Share-based compensation-related charges	6	5	6
Amortization expense of acquired intangible assets	—	—	75
Litigation-related charges[1]	7	7	7
Non-GAAP product gross profit	$ 1,268	$ 1,401	$ 1,800
Non-GAAP product gross margin	*79.1 %*	*77.8 %*	*78.9 %*
GAAP subscription and support gross profit	$ 4,713	$ 5,381	$ 6,365
Share-based compensation-related charges	151	154	191
Acquisition-related costs[2]	—	—	8
Amortization expense of acquired intangible assets	97	109	341
Non-GAAP subscription and support gross profit	$ 4,961	$ 5,644	$ 6,905
Non-GAAP subscription and support gross margin	*77.2 %*	*76.1 %*	*75.1 %*
GAAP total gross profit	$ 5,968	$ 6,770	$ 8,077
Share-based compensation-related charges	157	159	197
Acquisition-related costs[2]	—	—	8
Amortization expense of acquired intangible assets	97	109	416
Litigation-related charges[1]	7	7	7
Non-GAAP total gross profit	$ 6,229	$ 7,045	$ 8,705
Non-GAAP gross margin	*77.6 %*	*76.4 %*	*75.8 %*
GAAP research and development expense	$ 1,810	$ 1,984	$ 2,552
Share-based compensation-related charges	552	578	714
Acquisition-related costs[2]	—	—	16
Non-GAAP research and development expense	$ 1,258	$ 1,406	$ 1,822
Non-GAAP research and development expense as a percentage of revenue	*15.7 %*	*15.2 %*	*15.9 %*
GAAP sales and marketing expense	$ 2,794	$ 3,100	$ 3,931
Share-based compensation-related charges	323	382	489
Acquisition-related costs[2]	—	—	85
Amortization expense of acquired intangible assets	22	55	222
Non-GAAP sales and marketing expense	$ 2,449	$ 2,663	$ 3,135
Non-GAAP sales and marketing expense as a percentage of revenue	*30.5 %*	*28.9 %*	*27.3 %*
GAAP general and administrative expense	$ 680	$ 443	$ 899
Share-based compensation-related charges	130	267	312
Acquisition-related costs[2]	13	(110)	186
Litigation-related charges[1]	205	(38)	9
Non-GAAP general and administrative expense	$ 332	$ 324	$ 392
Non-GAAP general and administrative expense as a percentage of revenue	*4.1 %*	*3.5 %*	*3.4 %*

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in FY'24 and FY'26.
(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In FY'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY24	FY25	FY26
GAAP total operating expense	$ 5,284	$ 5,527	$ 7,382
Share-based compensation-related charges	1,005	1,227	1,515
Acquisition-related costs[(1)]	13	(110)	287
Amortization expense of acquired intangible assets	22	55	222
Litigation-related charges[(2)]	205	(38)	9
Non-GAAP total operating expense	$ 4,039	$ 4,393	$ 5,349
Non-GAAP total operating expense as a percentage of revenue	*50.3 %*	*47.6 %*	*46.6 %*
GAAP operating income	$ 684	$ 1,243	$ 695
Share-based compensation-related charges	1,162	1,386	1,712
Acquisition-related costs[(1)]	13	(110)	295
Amortization expense of acquired intangible assets	119	164	638
Litigation-related charges[(2)]	212	(31)	16
Non-GAAP operating income	$ 2,190	$ 2,652	$ 3,356
Non-GAAP operating margin	*27.3 %*	*28.8 %*	*29.2 %*
GAAP other income (expense), net	$ 304	$ 353	$ (159)
Change in fair value of convertible senior notes and capped calls[(3)]	3	1	562
Non-GAAP other income, net	$ 307	$ 354	$ 403
Non-GAAP other income, net as a percentage of revenue	*3.8 %*	*3.9 %*	*3.5 %*
GAAP income before income taxes	$ 988	$ 1,596	$ 536
Share-based compensation-related charges	1,162	1,386	1,712
Acquisition-related costs[(1)]	13	(110)	295
Amortization expense of acquired intangible assets	119	164	638
Litigation-related charges[(2)]	212	(31)	16
Change in fair value of convertible senior notes and capped calls[(3)]	3	1	562
Non-GAAP income before income taxes	$ 2,497	$ 3,006	$ 3,759
GAAP provision for (benefit from) income taxes	$ (1,590)	$ 462	$ 229
Income tax and other tax adjustments[(4)]	2,139	199	599
Non-GAAP provision for income taxes	$ 549	$ 661	$ 828
Non-GAAP effective tax rate	*22.0 %*	*22.0 %*	*22.0 %*

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In FY'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.
(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in FY'24 and FY'26.
(3) Consists of changes in fair value of convertible senior notes acquired from CyberArk Software Ltd. that are included in earnings and changes in fair value of the related capped calls. Prior to FY26, also includes non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.
(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In FY'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In FY'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY24	FY25	FY26
GAAP net income	$ 2,578	$ 1,134	$ 307
Share-based compensation-related charges	1,162	1,386	1,712
Acquisition-related costs(1)	13	(110)	295
Amortization expense of acquired intangible assets	119	164	638
Litigation-related charges(2)	212	(31)	16
Change in fair value of convertible senior notes and capped calls(3)	3	1	562
Income tax and other tax adjustments(4)	(2,139)	(199)	(599)
Non-GAAP net income	$ 1,948	$ 2,345	$ 2,931
GAAP net income per share, diluted	$ 3.64	$ 1.60	$ 0.40
Share-based compensation-related charges	1.73	1.98	2.23
Acquisition-related costs(1)	0.02	(0.15)	0.39
Amortization expense of acquired intangible assets	0.17	0.23	0.84
Litigation-related charges(2)	0.30	(0.04)	0.02
Change in fair value of convertible senior notes and capped calls(3)	—	0.00	0.74
Income tax and other tax adjustments(4)	(3.02)	(0.28)	(0.78)
Non-GAAP net income per share, diluted	$ 2.84	$ 3.34	$ 3.84
GAAP weighted-average shares used to compute net income per share, diluted	708	709	764
Weighted-average anti-dilutive impact of note hedge agreements and capped call transactions	(21)	(7)	—
Non-GAAP weighted-average shares used to compute net income per share, diluted	687	702	764

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In FY'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in FY'24 and FY'26.

(3) Consists of changes in fair value of convertible senior notes acquired from CyberArk Software Ltd. that are included in earnings and changes in fair value of the related capped calls. Prior to FY26, also includes non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In FY'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In FY'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY24	FY25	FY26
Net cash provided by operating activities	$ 3,258	$ 3,716	$ 4,553
Less: purchases of property, equipment, and other assets	157	247	440
Free cash flow (non-GAAP)	$ 3,101	$ 3,469	$ 4,113
Add: capital expenditures for headquarters(1)	—	—	91
Add: capital expenditures for certain corporate assets(2)	—	38	42
Add: payments of acquisition-related costs(3)	—	—	164
Add: litigation-related payment(4)	20	—	4
Adjusted free cash flow (non-GAAP)	$ 3,121	$ 3,507	$ 4,414
Net cash used in investing activities	$ (1,510)	$ (2,205)	$ (3,104)
Net cash used in financing activities	$ (1,343)	$ (779)	$ (1,202)
Free cash flow margin (non-GAAP)	*38.6 %*	*37.6 %*	*35.8 %*
Adjusted free cash flow margin (non-GAAP)	*38.9 %*	*38.0 %*	*38.4 %*
Disaggregation of Revenue by Type			
Revenue:			
Product	1,603	1,802	2,280
Subscription and support			
Subscription	4,188	4,974	6,239
Support	2,236	2,445	2,961
Total subscription and support	6,424	7,419	9,200
Total revenue	8,027	9,221	11,480

(1) Consists of a land purchase of $91 million.
(2) Consists of a one-time purchase of a corporate asset which was paid through July 2026.
(3) Consists of payments of acquisition-related costs in connection with our acquisitions of CyberArk Software Ltd. and Koi Security Ltd.
(4) Consists of non-recurring litigation settlement payments in Q4'24 and Q2'26.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters
(In millions, except percentages and per share amounts)

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	$ 279	$ 320	$ 352	$ 438	$ 345	$ 399	$ 427	$ 541
Share-based compensation-related charges	1	1	2	1	1	1	3	1
Amortization expense of acquired intangible assets	—	—	—	—	—	—	37	38
Litigation-related charges[1]	2	2	1	2	2	2	1	2
Non-GAAP product gross profit	$ 282	$ 323	$ 355	$ 441	$ 348	$ 402	$ 468	$ 582
Non-GAAP product gross margin	*79.7 %*	*76.7 %*	*78.4 %*	*76.8 %*	*80.2 %*	*78.2 %*	*78.8 %*	*78.9 %*
GAAP subscription and support gross profit	$ 1,306	$ 1,338	$ 1,318	$ 1,419	$ 1,491	$ 1,510	$ 1,601	$ 1,763
Share-based compensation-related charges	37	39	39	39	38	39	56	58
Acquisition-related costs[2]	—	—	—	—	—	—	5	3
Amortization expense of acquired intangible assets	29	29	28	23	25	24	146	146
Non-GAAP subscription and support gross profit	$ 1,372	$ 1,406	$ 1,385	$ 1,481	$ 1,554	$ 1,573	$ 1,808	$ 1,970
Non-GAAP subscription and support gross margin	*76.8 %*	*76.6 %*	*75.4 %*	*75.5 %*	*76.2 %*	*75.6 %*	*75.1 %*	*73.7 %*
GAAP total gross profit	$ 1,585	$ 1,658	$ 1,670	$ 1,857	$ 1,836	$ 1,909	$ 2,028	$ 2,304
Share-based compensation-related charges	38	40	41	40	39	40	59	59
Acquisition-related costs[2]	—	—	—	—	—	—	5	3
Amortization expense of acquired intangible assets	29	29	28	23	25	24	183	184
Litigation-related charges[1]	2	2	1	2	2	2	1	2
Non-GAAP total gross profit	$ 1,654	$ 1,729	$ 1,740	$ 1,922	$ 1,902	$ 1,975	$ 2,276	$ 2,552
Non-GAAP gross margin	*77.3 %*	*76.6 %*	*76.0 %*	*75.8 %*	*76.9 %*	*76.1 %*	*75.8 %*	*74.8 %*
GAAP research and development expense	$ 481	$ 505	$ 494	$ 504	$ 528	$ 511	$ 734	$ 779
Share-based compensation-related charges	143	149	141	145	158	121	216	219
Acquisition-related costs[2]	—	—	—	—	—	—	6	10
Non-GAAP research and development expense	$ 338	$ 356	$ 353	$ 359	$ 370	$ 390	$ 512	$ 550
Non-GAAP research and development expense as a percentage of revenue	*15.8 %*	*15.8 %*	*15.4 %*	*14.1 %*	*15.0 %*	*15.0 %*	*17.1 %*	*16.1 %*
GAAP sales and marketing expense	$ 720	$ 758	$ 793	$ 829	$ 820	$ 823	$ 1,161	$ 1,127
Share-based compensation-related charges	82	95	99	106	107	101	148	133
Acquisition-related costs[2]	—	—	—	—	—	—	74	11
Amortization expense of acquired intangible assets	12	14	15	14	14	14	97	97
Non-GAAP sales and marketing expense	$ 626	$ 649	$ 679	$ 709	$ 699	$ 708	$ 842	$ 886
Non-GAAP sales and marketing expense as a percentage of revenue	*29.3 %*	*28.7 %*	*29.7 %*	*28.0 %*	*28.2 %*	*27.3 %*	*28.0 %*	*26.0 %*
GAAP general and administrative expense	$ 98	$ 154	$ 164	$ 27	$ 179	$ 178	$ 316	$ 226
Share-based compensation-related charges	52	60	74	81	83	59	94	76
Acquisition-related costs[2]	15	10	7	(142)	5	24	113	44
Litigation-related charges[1]	(43)	1	2	2	4	3	1	1
Non-GAAP general and administrative expense	$ 74	$ 83	$ 81	$ 86	$ 87	$ 92	$ 108	$ 105
Non-GAAP general and administrative expense as a percentage of revenue	*3.4 %*	*3.7 %*	*3.5 %*	*3.4 %*	*3.5 %*	*3.5 %*	*3.6 %*	*3.1 %*

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q2'26.
(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 through Q4'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)
(In millions, except percentages and per share amounts)

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
GAAP total operating expense	$ 1,299	$ 1,417	$ 1,451	$ 1,360	$ 1,527	$ 1,512	$ 2,211	$ 2,132
Share-based compensation-related charges	277	304	314	332	348	281	458	428
Acquisition-related costs(1)	15	10	7	(142)	5	24	193	65
Amortization expense of acquired intangible assets	12	14	15	14	14	14	97	97
Litigation-related charges(2)	(43)	1	2	2	4	3	1	1
Non-GAAP total operating expense	$ 1,038	$ 1,088	$ 1,113	$ 1,154	$ 1,156	$ 1,190	$ 1,462	$ 1,541
Non-GAAP total operating expense as a percentage of revenue	*48.5 %*	*48.2 %*	*48.6 %*	*45.5 %*	*46.7 %*	*45.8 %*	*48.7 %*	*45.2 %*
GAAP operating income (loss)	$ 286	$ 241	$ 219	$ 497	$ 309	$ 397	$ (183)	$ 172
Share-based compensation-related charges	315	344	355	372	387	321	517	487
Acquisition-related costs(1)	15	10	7	(142)	5	24	198	68
Amortization expense of acquired intangible assets	41	43	43	37	39	38	280	281
Litigation-related charges(2)	(41)	3	3	4	6	5	2	3
Non-GAAP operating income	$ 616	$ 641	$ 627	$ 768	$ 746	$ 785	$ 814	$ 1,011
Non-GAAP operating margin	*28.8 %*	*28.4 %*	*27.4 %*	*30.3 %*	*30.2 %*	*30.3 %*	*27.1 %*	*29.6 %*
GAAP other income (expense), net	$ 82	$ 84	$ 92	$ 95	$ 103	$ 152	$ 27	$ (441)
Change in fair value of convertible senior notes and capped calls(3)	—	1	—	—	—	—	38	524
Non-GAAP other income, net	$ 82	$ 85	$ 92	$ 95	$ 103	$ 152	$ 65	$ 83
Non-GAAP other income (expense), net as a percentage of revenue	*3.9 %*	*3.8 %*	*4.0 %*	*3.7 %*	*4.2 %*	*5.9 %*	*2.2 %*	*2.5 %*
GAAP income (loss) before income taxes	$ 368	$ 325	$ 311	$ 592	$ 412	$ 549	$ (156)	$ (269)
Share-based compensation-related charges	315	344	355	372	387	321	517	487
Acquisition-related costs(1)	15	10	7	(142)	5	24	198	68
Amortization expense of acquired intangible assets	41	43	43	37	39	38	280	281
Litigation-related charges(2)	(41)	3	3	4	6	5	2	3
Change in fair value of convertible senior notes and capped calls(3)	—	1	—	—	—	—	38	524
Non-GAAP income before income taxes	$ 698	$ 726	$ 719	$ 863	$ 849	$ 937	$ 879	$ 1,094
GAAP provision for income taxes	$ 17	$ 58	$ 49	$ 338	$ 78	$ 117	$ 21	$ 13
Income tax and other tax adjustments(4)	136	102	109	(148)	109	88	174	228
Non-GAAP provision for income taxes	$ 153	$ 160	$ 158	$ 190	$ 187	$ 205	$ 195	$ 241
Non-GAAP effective tax rate	*22.0 %*	*22.0 %*	*22.0 %*	*22.0 %*	*22.0 %*	*22.0 %*	*22.0 %*	*22.0 %*

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 through Q4'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q2'26.

(3) Consists of changes in fair value of convertible senior notes acquired from CyberArk Software Ltd. that are included in earnings and changes in fair value of the related capped calls. Prior to Q4'25, also includes non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.
GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)
(In millions, except percentages and per share amounts)

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
GAAP net income (loss)	$ 351	$ 267	$ 262	$ 254	$ 334	$ 432	$ (177)	$ (282)
Share-based compensation-related charges	315	344	355	372	387	321	517	487
Acquisition-related costs(1)	15	10	7	(142)	5	24	198	68
Amortization expense of acquired intangible assets	41	43	43	37	39	38	280	281
Litigation-related charges(2)	(41)	3	3	4	6	5	2	3
Change in fair value of convertible senior notes and capped calls(3)	—	1	—	—	—	—	38	524
Income tax and other tax adjustments(4)	(136)	(102)	(109)	148	(109)	(88)	(174)	(228)
Non-GAAP net income	$ 545	$ 566	$ 561	$ 673	$ 662	$ 732	$ 684	$ 853
GAAP net income (loss) per share, diluted	$ 0.49	$ 0.38	$ 0.37	$ 0.36	$ 0.47	$ 0.61	$ (0.22)	$ (0.35)
Share-based compensation-related charges	0.46	0.50	0.52	0.53	0.53	0.45	0.64	0.59
Acquisition-related costs(1)	0.02	0.01	0.01	(0.20)	0.01	0.03	0.25	0.08
Amortization expense of acquired intangible assets	0.06	0.06	0.06	0.05	0.06	0.05	0.35	0.34
Litigation-related charges(2)	(0.06)	0.00	0.00	0.00	0.01	0.01	0.00	0.00
Change in fair value of convertible senior notes and capped calls(3)	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.64
Income tax and other tax adjustments(4)	(0.19)	(0.14)	(0.16)	0.21	(0.15)	(0.12)	(0.22)	(0.28)
Non-GAAP net income per share, diluted	$ 0.78	$ 0.81	$ 0.80	$ 0.95	$ 0.93	$ 1.03	$ 0.85	$ 1.02
GAAP weighted-average shares used to compute net income (loss) per share, diluted	709	709	707	709	709	711	801	817
Weighted-average dilutive effect of potentially dilutive securities(5)	—	—	—	—	—	—	6	16
Weighted-average anti-dilutive impact of note hedge agreements and capped call transactions	(12)	(9)	(6)	(2)	—	—	—	(1)
Non-GAAP weighted-average shares used to compute net income per share, diluted	697	700	701	707	709	711	807	832

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 through Q4'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q2'26.

(3) Consists of changes in fair value of convertible senior notes acquired from CyberArk Software Ltd. that are included in earnings and changes in fair value of the related capped calls. Prior to Q4'25, also includes non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

(5) Consists of potentially dilutive effect of employee equity incentive plan awards 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 and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)
(In millions, except percentages and per share amounts)

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Net cash provided by operating activities	$ 1,510	$ 557	$ 628	$ 1,021	$ 1,771	$ 554	$ 871	$ 1,357
Less: purchases of property, equipment, and other assets	44	48	68	87	84	170	83	103
Free cash flow (non-GAAP)	$ 1,466	$ 509	$ 560	$ 934	$ 1,687	$ 384	$ 788	$ 1,254
Add: capital expenditures for headquarters(1)	—	—	—	—	—	91	—	—
Add: capital expenditures for certain corporate assets(2)	—	—	18	20	15	15	5	7
Add: payments of acquisition-related costs(3)	—	—	—	—	11	8	117	28
Add: litigation-related payment(4)	—	—	—	—	—	4	—	—
Adjusted free cash flow (non-GAAP)	$ 1,466	$ 509	$ 578	$ 954	$ 1,713	$ 502	$ 910	$ 1,289
Net cash provided by (used in) investing activities	$ (544)	$ (381)	$ (517)	$ (763)	$ (983)	$ 651	$ (1,766)	$ (1,006)
Net cash provided by (used in) financing activities	$ (220)	$ (232)	$ 47	$ (374)	$ 8	$ (114)	$ (899)	$ (197)
Free cash flow margin (non-GAAP)	*68.5 %*	*22.6 %*	*24.5 %*	*36.8 %*	*68.2 %*	*14.8 %*	*26.2 %*	*36.8 %*
Adjusted free cash flow margin (non-GAAP)	*68.5 %*	*22.6 %*	*25.3 %*	*37.6 %*	*69.2 %*	*19.4 %*	*30.3 %*	*37.8 %*

Disaggregation of Revenue by Type

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Revenue:								
Product	$ 354	$ 421	$ 453	$ 574	$ 434	$ 514	$ 594	$ 738
Subscription and support								
Subscription	1,192	1,233	1,234	1,315	1,364	1,404	1,632	1,839
Support	593	603	602	647	676	676	776	833
Total subscription and support	1,785	1,836	1,836	1,962	2,040	2,080	2,408	2,672
Total revenue	$ 2,139	$ 2,257	$ 2,289	$ 2,536	$ 2,474	$ 2,594	$ 3,002	$ 3,410

(1) Consists of a land purchase of $91 million.
(2) Consists of a one-time purchase of a corporate asset which was paid through July 2026.
(3) Consists of payments of acquisition-related costs in connection with our acquisitions of CyberArk Software Ltd. and Koi Security Ltd.
(4) Consists of a non-recurring litigation settlement payment in Q2'26.

Palo Alto Networks, Inc.
Revenue by Platform - Fiscal Quarters and Fiscal Years
(In millions)

	Q126	Q226	Q326	Q426	FY25	FY26
Revenue by platform:						
Network & AI Security	$ 1,904	$ 2,025	$ 2,094	$ 2,331	$ 7,131	$ 8,354
Cortex	422	431	481	586	1,539	1,920
Idira	—	—	278	336	—	614
Other[1]	148	138	149	157	551	592
Total revenue	$ 2,474	$ 2,594	$ 3,002	$ 3,410	$ 9,221	$ 11,480

(1) Consists of activities not allocated to the operating platforms, including Unit 42, professional services, and financing income.

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

	FY24	FY25	FY26
Next-Generation Security Annualized Recurring Revenue[1]	$ 4.22	$ 5.58	$ 9.10
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	43 %	32 %	63 %
Remaining performance obligations	$ 12.7	$ 15.8	$ 21.2
Remaining performance obligations year-over-year percentage increase	20 %	24 %	34 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription and support offerings, excluding revenue from hardware products, and legacy attached subscriptions, support offerings and professional services.

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

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Next-Generation Security Annualized Recurring Revenue(1)	$ 4.52	$ 4.78	$ 5.09	$ 5.58	$ 5.85	$ 6.33	$ 8.13	$ 9.10
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	40 %	37 %	34 %	32 %	29 %	33 %	60 %	63 %
Remaining performance obligations	$ 12.6	$ 13.0	$ 13.5	$ 15.8	$ 15.5	$ 16.0	$ 18.4	$ 21.2
Remaining performance obligations year-over-year percentage increase	20 %	21 %	19 %	24 %	24 %	23 %	36 %	34 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription and support offerings, excluding revenue from hardware products, and legacy attached subscriptions, support offerings and professional services.

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

	FY24	FY25	FY26
Assets			
Current assets:			
Cash and cash equivalents	$ 1,535	$ 2,269	$ 2,514
Short-term investments	1,044	635	557
Accounts receivable, net	2,619	2,965	3,629
Short-term financing receivables, net	726	715	592
Short-term deferred contract costs	369	419	544
Prepaid expenses and other current assets	557	520	807
Total current assets	6,850	7,523	8,643
Property and equipment, net	361	387	523
Operating lease right-of-use assets	386	347	700
Long-term investments	4,173	5,555	4,835
Long-term financing receivables, net	1,182	1,002	944
Long-term deferred contract costs	562	586	667
Goodwill	3,350	4,567	22,010
Intangible assets, net	375	763	7,017
Deferred tax assets	2,399	2,424	2,443
Other assets	353	422	678
Total assets	$ 19,991	$ 23,576	$ 48,460
Liabilities and stockholders’ equity			
Current liabilities:			
Accounts payable	$ 116	$ 232	$ 290
Accrued compensation	555	608	1,048
Accrued and other liabilities	507	846	838
Deferred revenue	5,541	6,302	7,747
Short-term convertible senior notes, net	964	—	—
Total current liabilities	7,683	7,988	9,923
Long-term convertible senior notes, net	—	—	1,774
Long-term deferred revenue	5,939	6,450	7,009
Deferred tax liabilities	388	89	251
Long-term operating lease liabilities	381	338	726
Other long-term liabilities	431	887	1,285
Total liabilities	14,822	15,752	20,968
Stockholders’ equity:			
Preferred stock	—	—	—
Common stock and additional paid-in capital	3,821	5,292	24,772
Accumulated other comprehensive income (loss)	(2)	48	(71)
Retained earnings	1,350	2,484	2,791
Total stockholders’ equity	5,169	7,824	27,492
Total liabilities and stockholders’ equity	$ 19,991	$ 23,576	$ 48,460

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

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Assets								
Current assets:								
Cash and cash equivalents	$ 2,283	$ 2,226	$ 2,383	$ 2,269	$ 3,066	$ 4,158	$ 2,364	$ 2,514
Short-term investments	1,108	1,007	917	635	1,144	378	747	557
Accounts receivable, net	1,133	1,496	1,950	2,965	1,343	2,116	2,852	3,629
Short-term financing receivables, net	805	755	737	715	737	672	591	592
Short-term deferred contract costs	368	376	387	419	415	424	454	544
Prepaid expenses and other current assets	546	480	525	520	605	621	705	807
Total current assets	6,243	6,340	6,899	7,523	7,310	8,369	7,713	8,643
Property and equipment, net	361	358	367	387	394	485	506	523
Operating lease right-of-use assets	389	373	357	347	353	368	678	700
Long-term investments	4,120	4,560	5,153	5,555	5,982	3,362	3,881	4,835
Long-term financing receivables, net	1,092	1,164	1,069	1,002	855	870	779	944
Long-term deferred contract costs	532	523	528	586	546	526	551	667
Goodwill	4,051	4,051	4,051	4,567	4,567	6,931	21,902	22,010
Intangible assets, net	810	771	730	763	723	1,249	7,283	7,017
Deferred tax assets	2,397	2,447	2,452	2,424	2,416	2,392	2,380	2,443
Other assets	380	365	397	422	390	427	593	678
Total assets	$ 20,375	$ 20,952	$ 22,003	$ 23,576	$ 23,536	$ 24,979	$ 46,266	$ 48,460
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	$ 212	$ 149	$ 235	$ 232	$ 223	$ 262	$ 293	$ 290
Accrued compensation	354	492	506	608	398	562	680	1,048
Accrued and other liabilities	683	777	825	846	665	937	760	838
Deferred revenue	5,508	5,600	5,757	6,302	6,132	6,248	7,113	7,747
Short-term convertible senior notes	646	534	383	—	—	—	160	—
Total current liabilities	7,403	7,552	7,706	7,988	7,418	8,009	9,006	9,923
Long-term convertible senior notes	—	—	—	—	—	—	1,192	1,774
Long-term deferred revenue	5,586	5,663	5,817	6,450	6,098	6,181	6,492	7,009
Deferred tax liabilities	251	116	26	89	96	75	259	251
Long-term operating lease liabilities	380	363	346	338	346	372	719	726
Other long-term liabilities	843	883	878	887	913	949	930	1,285
Total liabilities	14,463	14,577	14,773	15,752	14,871	15,586	18,598	20,968
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	4,215	4,421	4,952	5,292	5,780	6,097	24,608	24,772
Accumulated other comprehensive income (loss)	(4)	(14)	48	48	67	46	(13)	(71)
Retained earnings	1,701	1,968	2,230	2,484	2,818	3,250	3,073	2,791
Total stockholders' equity	5,912	6,375	7,230	7,824	8,665	9,393	27,668	27,492
Total liabilities and stockholders' equity	$ 20,375	$ 20,952	$ 22,003	$ 23,576	$ 23,536	$ 24,979	$ 46,266	$ 48,460

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

	FY24	FY25	FY26
Cash flows from operating activities			
Net income	$ 2,578	$ 1,134	$ 307
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation for equity-based awards	1,076	1,295	1,774
Deferred income taxes	(2,034)	(350)	(19)
Depreciation and amortization	284	343	855
Amortization of deferred contract costs	446	481	590
Amortization of debt issuance costs	3	1	—
Change in fair value of convertible senior notes and capped calls	—	—	562
Change in fair value of contingent consideration liability	—	(135)	(117)
Reduction of operating lease right-of-use assets	56	65	75
Amortization of investment premiums, net of accretion of purchase discounts	(60)	(41)	(54)
Unrealized foreign currency exchange (gains) losses, net	—	—	1
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(155)	(345)	(335)
Financing receivables, net	(866)	191	181
Deferred contract costs	(490)	(555)	(795)
Prepaid expenses and other assets	(134)	88	(139)
Accounts payable	(15)	107	43
Accrued compensation	4	51	327
Accrued and other liabilities	385	147	95
Deferred revenue	2,180	1,239	1,202
Net cash provided by operating activities	3,258	3,716	4,553
Cash flows from investing activities			
Purchases of investments	(3,551)	(3,696)	(3,694)
Proceeds from sales of investments	956	1,197	3,489
Proceeds from maturities of investments	1,853	1,595	2,204
Business acquisitions, net of cash and restricted cash acquired	(611)	(1,054)	(4,663)
Purchases of property, equipment, and other assets	(157)	(247)	(440)
Net cash used in investing activities	(1,510)	(2,205)	(3,104)
Cash flows from financing activities			
Repayments and settlement of conversions of convertible senior notes	(1,033)	(966)	(160)
Proceeds from capped calls related to convertible senior notes	—	—	10
Repurchases of common stock	(567)	—	(1,000)
Proceeds from sales of shares through employee equity incentive plans	283	371	265
Payments for taxes related to net share settlement of equity awards	(26)	(184)	(126)
Payment of contingent consideration liability	—	—	(191)
Net cash used in financing activities	(1,343)	(779)	(1,202)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	(3)
Net increase in cash, cash equivalents, and restricted cash	405	732	244
Cash, cash equivalents, and restricted cash - beginning of period	1,142	1,547	2,279
Cash, cash equivalents, and restricted cash - end of period	$ 1,547	$ 2,279	$ 2,523
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets			
Cash and cash equivalents	$ 1,535	$ 2,269	$ 2,514
Restricted cash included in prepaid expenses and other current assets	12	10	5
Restricted cash included in other assets	—	—	4
Total cash, cash equivalents, and restricted cash	$ 1,547	$ 2,279	$ 2,523

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

	Q125	Q225	Q325	Q425	Q126	Q226	Q326	Q426
Cash flows from operating activities								
Net income (loss)	$ 351	$ 267	$ 262	$ 254	$ 334	$ 432	$ (177)	$ (282)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	295	320	326	354	370	301	643	460
Deferred income taxes	(137)	(180)	(125)	92	9	5	24	(57)
Depreciation and amortization	84	87	88	84	89	91	334	341
Amortization of deferred contract costs	110	115	119	137	126	135	149	180
Amortization of debt issuance costs	—	1	—	—	—	—	—	—
Change in fair value of convertible senior notes and capped calls	—	—	—	—	—	—	38	524
Change in fair value of contingent consideration liability	6	10	4	(155)	(13)	3	(110)	3
Reduction of operating lease right-of-use assets	16	16	16	17	18	17	19	21
Amortization of investment premiums, net of accretion of purchase discounts	(15)	(11)	(9)	(6)	(7)	(45)	(1)	(1)
Unrealized foreign currency exchange (gains) losses, net	—	—	—	—	—	—	9	(8)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	1,486	(363)	(454)	(1,014)	1,622	(758)	(423)	(776)
Financing receivables, net	11	(22)	113	89	125	50	172	(166)
Deferred contract costs	(79)	(114)	(135)	(227)	(82)	(124)	(204)	(385)
Prepaid expenses and other assets	(4)	93	(21)	20	(33)	(12)	(2)	(92)
Accounts payable	97	(64)	86	(12)	(2)	42	10	(7)
Accrued compensation	(201)	138	14	100	(210)	163	5	369
Accrued and other liabilities	(94)	95	33	113	(53)	76	(12)	84
Deferred revenue	(416)	169	311	1,175	(522)	178	397	1,149
Net cash provided by operating activities	1,510	557	628	1,021	1,771	554	871	1,357
Cash flows from investing activities								
Purchases of investments	(660)	(1,072)	(1,089)	(875)	(1,401)	(524)	(496)	(1,273)
Proceeds from sales of investments	291	354	185	367	30	2,786	583	90
Proceeds from maturities of investments	369	384	455	387	474	1,135	215	380
Business acquisitions, net of cash and restricted cash acquired	(500)	1	—	(555)	(2)	(2,576)	(1,985)	(100)
Purchases of property, equipment, and other assets	(44)	(48)	(68)	(87)	(84)	(170)	(83)	(103)
Net cash provided by (used in) investing activities	(544)	(381)	(517)	(763)	(983)	651	(1,766)	(1,006)
Cash flows from financing activities								
Repayments and settlement of conversions of convertible senior notes	(319)	(113)	(151)	(383)	—	—	—	(160)
Proceeds from capped calls related to convertible senior notes	—	—	—	—	—	—	10	—
Repurchases of common stock	—	—	—	—	—	—	(1,000)	—
Proceeds from sales of shares through employee equity incentive plans	121	37	203	10	130	8	126	1
Payments for taxes related to net share settlement of equity awards	(22)	(156)	(5)	(1)	(1)	(108)	(16)	(1)
Payments of contingent consideration liability	—	—	—	—	(121)	(14)	(19)	(37)
Net cash provided by (used in) financing activities	(220)	(232)	47	(374)	8	(114)	(899)	(197)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	—	—	—	—	—	—	2	(5)
Net increase (decrease) in cash, cash equivalents, and restricted cash	746	(56)	158	(116)	796	1,091	(1,792)	149
Cash, cash equivalents, and restricted cash - beginning of period	1,547	2,293	2,237	2,395	2,279	3,075	4,166	2,374
Cash, cash equivalents, and restricted cash - end of period	$ 2,293	$ 2,237	$ 2,395	$ 2,279	$ 3,075	$ 4,166	$ 2,374	$ 2,523
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	$ 2,283	$ 2,226	$ 2,383	$ 2,269	$ 3,066	$ 4,158	$ 2,364	$ 2,514
Restricted cash included in prepaid expenses and other current assets	10	11	12	10	9	4	6	5
Restricted cash included in other assets	—	—	—	—	—	4	4	4
Total cash, cash equivalents, and restricted cash	$ 2,293	$ 2,237	$ 2,395	$ 2,279	$ 3,075	$ 4,166	$ 2,374	$ 2,523