Palo Alto Networks Announces Intent to Acquire EXPANSE

Investor Call

November 11, 2020

Safe Harbor

This presentation may contain “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 intention to acquire Expanse, Inc., expectations regarding the timing of when the acquisition will be completed, the expected benefits of the acquisition of Expanse to us, our market position, and our customers, the expected impact of the acquisition on our offerings, our expectations regarding our existing and acquired offerings performing as intended, our integration and offering plans, the expected growth trajectory of Expanse’s revenue post-closing, and the Expanse members of management expected to join us.

There are a significant number of factors that could cause actual results to differ materially from statements made in this presentation, including: risks associated with managing our growth; our ability as an organization to successfully integrate Expanse and acquire and integrate other companies, products or technologies in a successful manner; 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, or the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products and subscription and support offerings; rapidly evolving technological developments in the market for network security products and subscription and support offerings; length of sales cycles; the effect of the ongoing COVID-19 pandemic on our supply chain, our ability to complete the transaction in a timely manner, or execute on integration and new offering plans; and general market, political, economic and business conditions. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks’ most recent Annual Report on Form 10-K filed for the fiscal year ended July 31, 2020, which is available on our website at investors.paloaltonetworks.com and on the SEC's website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based our current beliefs and on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made or to update the reasons why actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future. All information in this presentation is as of November 11, 2020.

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Welcome

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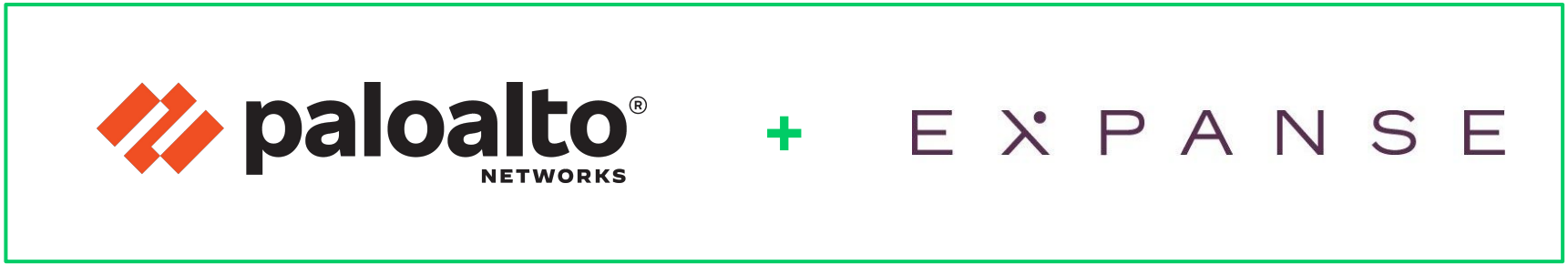

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EXPANSE has a strong team and unique technology

Company	• HQ in San Francisco, CA; offices in Washington D.C., Atlanta, and New York • Founded in 2012, released first product in 2016
Product	• Monitoring the global internet for 4+ years; over 1 Billion traffic flows / day • Full asset maps and digital asset evolution for customer vulnerabilities • Ability to do this on-demand for companies / govt. agencies and their suppliers • 100% SaaS model
Customers	• Fortune 500 companies and mission-critical government organizations • $650k+ Average ARR / Customer[1]
TAM	• Strengthens our ability to more comprehensively address Cortex 2022 TAM of $30+ Billion[2]

[1] Average ARR / Customer per EXPANSE
[2] Source: Market sizing estimates represent PANW calculations based on Gartner Research. Includes EPP & EDR, SIEM & UEBA, NTA, SOAR, Threat Intel, Vulnerability Assessment, portion of Security and IT Services

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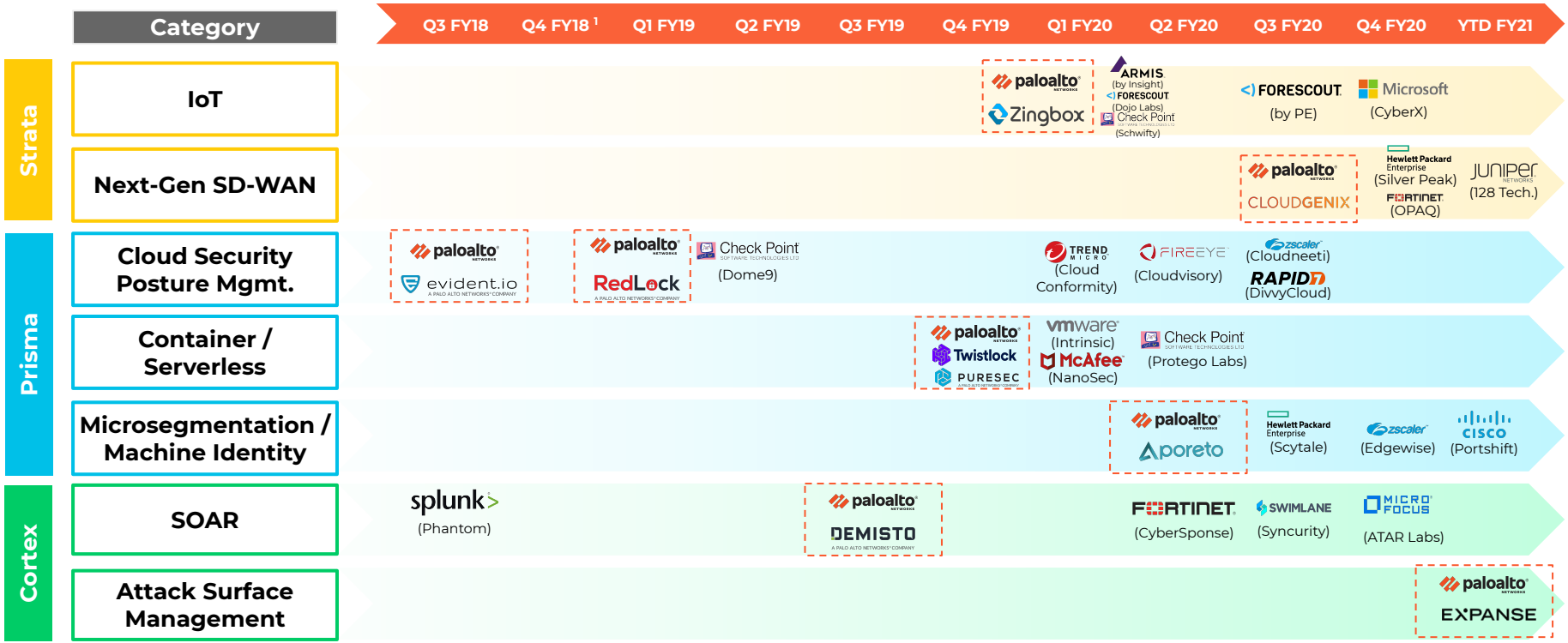
We have invested in emerging areas of security ahead of others; this trend will continue with ASM



[1] PANW FYE is July 31. Unless acquired by PE firm, acquiring company logo shown, with name of acquired company listed below in parenthesis. Dotted box denotes PANW acquisitions.
[2] Sources: 451 Research, PANW internal, company press releases

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EXPANSE financials and deal consideration

EXPANSE Financials

- Expected FY'21E (Jul-21):
  - $67M ARR
  - 100%+ y/y growth
- Has maintained 100%+ ARR growth each year since '16 [1]

Consideration

- Purchase price:
  - Approx. $670M cash and stock and
  - Approx. $130M in replacement equity awards
- Expected to close during our fiscal second quarter [2]

[1] ARR growth per EXPANSE
[2] Closing is subject to the satisfaction of regulatory approvals and other customary closing conditions. Final consideration subject to adjustment at close

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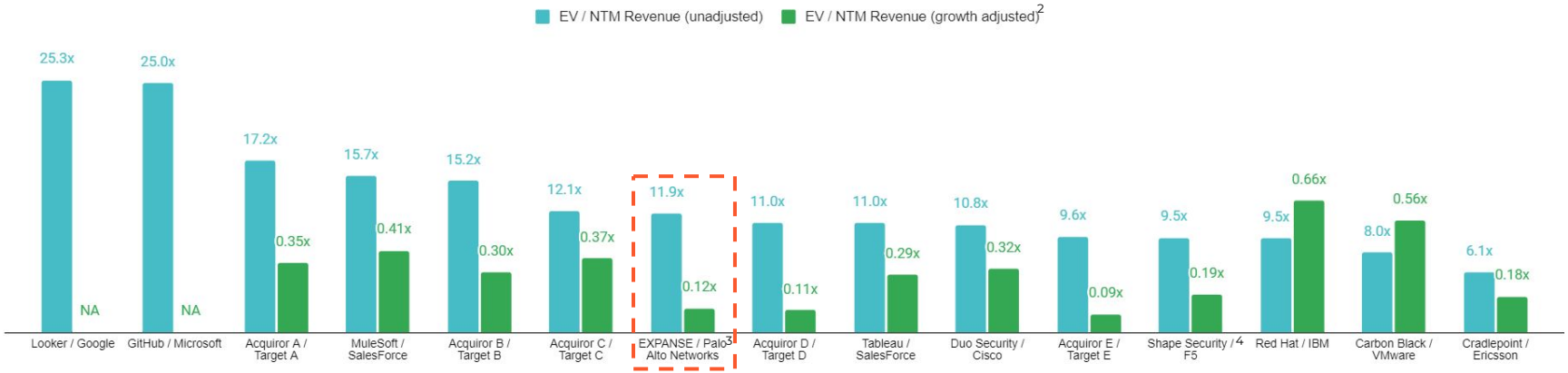
EXPANSE is a very attractive investment, even more so on a growth adjusted basis



	Looker / Google	GitHub / Microsoft	Acquiror A / Target A	MuleSoft / SalesForce	Acquiror B / Target B	Acquiror C / Target C	EXPANSE / Palo Alto Networks[3]	Acquiror D / Target D	Tableau / SalesForce	Duo Security / Cisco	Acquiror E / Target E	Shape Security / F5[4]	Red Hat / IBM	Carbon Black / VMware	Cradlepoint / Ericsson
NTM Rev ($M)	$103	$300	$45	$411	$210	$293	$67	$52	$1,434	$218	$42	$105	$3,608	$262	$182
NTM Growth (%)	NA	NA	49%	39%	50%	33%	100%	100%	38%	34%	107%	50%	14%	14%	33%

[1] Source: Morgan Stanley M&A Database, Company Filings, Public Information. Anonymized transactions represent transactions of private companies
[2] The Growth Adjusted multiple is EV/NTM multiple divided by NTM growth rate
[3] Palo Alto Networks estimates. NTM figures assumes $67M of FY'21E ARR (all EXPANSE / Palo Alto Networks calculations off of EXPANSE ARR). $800M purchase price ($670M cash and stock + $130M replacement equity awards).
[4] Assuming ~50% growth of disclosed $70M ARR

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EXPANSE Overview

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EXPANSE: Powered by a world-class team and global infrastructure

- Incredible **team of experts** in distributed systems, data collection and remote sensing, data science and machine learning, and security
- Globally scaled infrastructure that **continuously scans the entire Internet** for every cloud resource, remote user, and exposed asset
- Tracks **highly dynamic datasets** in realtime and historically over time

EXPANSE analytics make 10 trillion decisions and observes over 1 billion traffic flows every day

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EXPANSE provides unique “outside-in” view: The same view than an attacker sees as they probe for weakness

Every asset on the Internet is analyzed and attributed to an owner

Detects **security exposures** realtime

Constantly analyzing and expanding context

Every cloud resource

Every remote worker

Every on-premise asset

The attack surface is constantly changing - on average, EXPANSE customers add over 20 new cloud applications every week

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EXPANSE packages analysis into actionable data

EXPANSE Exec Report:

Provides immediate insight to complete attack surface, risks, and suspicious activity

Quickly highlights critical and high priority issues to action

Benchmarks the customer to industry peers

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Cortex + EXPANSE

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Broader context: Failings of the legacy reactive approach to security operations

3 **Manual Operations**

2 **Limited Analytics**

1 **Disconnected Data Lakes**

174,000

Industry average of alerts per week[1]

[1] Source: Demisto State of SOAR Report 2018

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Cortex: Vision for the industry's first proactive security platform

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Cortex XDR: From endpoint to enterprise

- Collecting rich data across endpoints, network and cloud assets now **approaching 120 PB** of data in the XDR data lake
- Recent expansion into identity and vulnerability data is driving new analytics; soon **plan to collect data from any data source**
- Deep knowledge in security data enables AI/ML analytics that deliver **unmatched threat detection and up to 50X alert reduction**

EXPANSE will help complete our objective of collecting **ALL relevant security data**: enterprise data, threat data, and now attack surface data

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Cortex XSOAR: Automation at exponential growth

- **400M automated actions** across customers, a **100% increase** in the previous 4 months
- Up to **20X alert reduction** through automation, with **up to 20 automated use cases** adopted by advanced customers
- Expanded to over **500 integrations** and **480 playbooks** out of the box with **50+ more in queue** from XSOAR marketplace hackathon

We plan to have the **XSOAR playbook for EXPANSE** to proactively and automatically remediate security exposures

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EXPANSE: Accelerating the path to our cortex vision

- **EXPANSE provides**
  - "Outside-in" view of enterprise, that will become a must-have for all enterprises
  - Valuable and unique data and analytics to add to Cortex
- **With Cortex,** we plan to collect any relevant data into the most robust data lake enabling increased analytics and automation in the SOC
  - First 360 degree view of threats in an enterprise,
  - and combined with Cortex XSOAR, a platform that not only discovers but proactively remediates security exposure

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Q&A

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Thank you