

Non-GAAP Financial Measures and Other Key Metrics

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

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

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

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Revenue:								
Product	\$ 246.5	\$ 280.9	\$ 305.6	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5
Subscription and support	570.2	588.5	644.8	708.7	762.2	785.0	879.9	951.9
Total revenue	816.7	869.4	950.4	946.0	1,016.9	1,073.9	1,219.3	1,247.4
Cost of revenue:								
Product	68.7	73.3	87.3	62.2	75.6	81.9	88.8	88.9
Subscription and support	164.4	185.0	203.1	215.6	232.0	248.7	270.1	291.7
Total cost of revenue	233.1	258.3	290.4	277.8	307.6	330.6	358.9	380.6
Total gross profit	583.6	611.1	660.0	668.2	709.3	743.3	860.4	866.8
<i>Product gross margin</i>	72.1 %	73.9 %	71.4 %	73.8 %	70.3 %	71.7 %	73.8 %	69.9 %
<i>Subscription and support gross margin</i>	71.2 %	68.6 %	68.5 %	69.6 %	69.6 %	68.3 %	69.3 %	69.4 %
<i>Total gross margin</i>	71.5 %	70.3 %	69.4 %	70.6 %	69.8 %	69.2 %	70.6 %	69.5 %
Operating expenses:								
Research and development	185.4	196.3	215.9	237.4	266.7	311.0	325.3	339.5
Sales and marketing	374.9	388.4	391.2	388.6	427.4	448.0	489.8	505.9
General and administrative	76.2	82.9	70.7	86.7	104.0	94.7	105.7	104.1
Total operating expenses	636.5	667.6	677.8	712.7	798.1	853.7	920.8	949.5
Operating loss	(52.9)	(56.5)	(17.8)	(44.5)	(88.8)	(110.4)	(60.4)	(82.7)
Interest expense	(19.0)	(19.4)	(31.4)	(40.2)	(40.7)	(41.0)	(41.4)	(6.9)
Other income (expense), net	10.8	8.1	0.8	2.4	(0.5)	1.0	(0.5)	(1.6)
Loss before income taxes	(61.1)	(67.8)	(48.4)	(82.3)	(130.0)	(150.4)	(102.3)	(91.2)
Provision for (benefit from) income taxes	12.6	7.0	10.5	9.9	12.3	(5.3)	17.0	12.4
Net loss	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)

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

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Revenue:								
Product	\$ 246.5	\$ 280.9	\$ 305.6	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5
Subscription and support	570.2	588.5	644.8	708.7	762.2	785.0	879.9	951.9
Total revenue	816.7	869.4	950.4	946.0	1,016.9	1,073.9	1,219.3	1,247.4
Cost of revenue:								
Product	67.2	70.0	83.9	58.9	72.1	78.4	85.4	85.4
Subscription and support	125.8	145.7	160.0	170.3	179.5	194.0	216.1	234.0
Total cost of revenue	193.0	215.7	243.9	229.2	251.6	272.4	301.5	319.4
Total gross profit	623.7	653.7	706.5	716.8	765.3	801.5	917.8	928.0
<i>Product gross margin</i>	72.7 %	75.1 %	72.5 %	75.2 %	71.7 %	72.9 %	74.8 %	71.1 %
<i>Subscription and support gross margin</i>	77.9 %	75.2 %	75.2 %	76.0 %	76.4 %	75.3 %	75.4 %	75.4 %
<i>Total gross margin</i>	76.4 %	75.2 %	74.3 %	75.8 %	75.3 %	74.6 %	75.3 %	74.4 %
Operating expenses:								
Research and development	116.0	127.0	137.4	141.1	159.5	189.0	211.6	211.2
Sales and marketing	314.7	329.0	326.9	318.9	348.3	368.8	416.1	423.9
General and administrative	47.2	54.8	53.8	51.4	55.7	61.4	77.3	68.9
Total operating expenses	477.9	510.8	518.1	511.4	563.5	619.2	705.0	704.0
Operating income	145.8	142.9	188.4	205.4	201.8	182.3	212.8	224.0
Interest expense	(3.3)	(3.6)	(4.5)	(5.1)	(5.2)	(5.1)	(5.0)	(5.1)
Other income (expense), net	11.8	7.5	2.0	2.3	1.2	1.6	(0.3)	(0.5)
Income before income taxes	154.3	146.8	185.9	202.6	197.8	178.8	207.5	218.4
Provision for income taxes	34.0	32.2	41.0	44.5	43.6	39.3	45.6	48.1
Net income	\$ 120.3	\$ 114.6	\$ 144.9	\$ 158.1	\$ 154.2	\$ 139.5	\$ 161.9	\$ 170.3

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 177.8	\$ 207.6	\$ 218.3	\$ 175.1	\$ 179.1	\$ 207.0	\$ 250.6	\$ 206.6
Share-based compensation-related charges	1.5	1.5	1.6	1.5	1.7	1.7	1.7	1.7
Litigation-related charges ⁽¹⁾	—	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Non-GAAP product gross profit	\$ 179.3	\$ 210.9	\$ 221.7	\$ 178.4	\$ 182.6	\$ 210.5	\$ 254.0	\$ 210.1
Non-GAAP product gross margin	72.7 %	75.1 %	72.5 %	75.2 %	71.7 %	72.9 %	74.8 %	71.1 %
GAAP subscription and support gross profit	\$ 405.8	\$ 403.5	\$ 441.7	\$ 493.1	\$ 530.2	\$ 536.3	\$ 609.8	\$ 660.2
Share-based compensation-related charges	22.5	21.9	23.1	25.1	28.0	28.1	27.9	31.5
Amortization expense of acquired intangible assets	16.1	17.4	20.0	20.2	24.5	26.6	26.1	26.2
Non-GAAP subscription and support gross profit	\$ 444.4	\$ 442.8	\$ 484.8	\$ 538.4	\$ 582.7	\$ 591.0	\$ 663.8	\$ 717.9
Non-GAAP subscription and support gross margin	77.9 %	75.2 %	75.2 %	76.0 %	76.4 %	75.3 %	75.4 %	75.4 %
GAAP total gross profit	\$ 583.6	\$ 611.1	\$ 660.0	\$ 668.2	\$ 709.3	\$ 743.3	\$ 860.4	\$ 866.8
Share-based compensation-related charges	24.0	23.4	24.7	26.6	29.7	29.8	29.6	33.2
Amortization expense of acquired intangible assets	16.1	17.4	20.0	20.2	24.5	26.6	26.1	26.2
Litigation-related charges ⁽¹⁾	—	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Non-GAAP total gross profit	\$ 623.7	\$ 653.7	\$ 706.5	\$ 716.8	\$ 765.3	\$ 801.5	\$ 917.8	\$ 928.0
Non-GAAP gross margin	76.4 %	75.2 %	74.3 %	75.8 %	75.3 %	74.6 %	75.3 %	74.4 %
GAAP research and development expense	\$ 185.4	\$ 196.3	\$ 215.9	\$ 237.4	\$ 266.7	\$ 311.0	\$ 325.3	\$ 339.5
Share-based compensation-related charges	69.4	69.3	78.5	96.3	107.2	122.0	113.7	128.3
Non-GAAP research and development expense	\$ 116.0	\$ 127.0	\$ 137.4	\$ 141.1	\$ 159.5	\$ 189.0	\$ 211.6	\$ 211.2
Non-GAAP research and development expense as a percentage of revenue	14.2 %	14.6 %	14.5 %	14.9 %	15.7 %	17.6 %	17.4 %	16.9 %
GAAP sales and marketing expense	\$ 374.9	\$ 388.4	\$ 391.2	\$ 388.6	\$ 427.4	\$ 448.0	\$ 489.8	\$ 505.9
Share-based compensation-related charges	58.5	57.6	61.6	66.4	74.0	73.8	68.2	76.6
Amortization expense of acquired intangible assets	1.7	1.8	2.7	3.3	5.1	5.4	5.5	5.4
Non-GAAP sales and marketing expense	\$ 314.7	\$ 329.0	\$ 326.9	\$ 318.9	\$ 348.3	\$ 368.8	\$ 416.1	\$ 423.9
Non-GAAP sales and marketing expense as a percentage of revenue	38.5 %	37.9 %	34.3 %	33.8 %	34.3 %	34.3 %	34.1 %	34.0 %
GAAP general and administrative expense	\$ 76.2	\$ 82.9	\$ 70.7	\$ 86.7	\$ 104.0	\$ 94.7	\$ 105.7	\$ 104.1
Share-based compensation-related charges	25.1	23.2	16.5	22.2	27.7	21.6	27.7	32.1
Acquisition-related costs ⁽²⁾	7.0	4.9	0.4	13.1	20.6	11.7	0.7	3.1
Gain related to facility exit ⁽³⁾	(3.1)	—	—	—	—	—	—	—
Non-GAAP general and administrative expense	\$ 47.2	\$ 54.8	\$ 53.8	\$ 51.4	\$ 55.7	\$ 61.4	\$ 77.3	\$ 68.9
Non-GAAP general and administrative expense as a percentage of revenue	5.8 %	6.3 %	5.7 %	5.4 %	5.5 %	5.7 %	6.3 %	5.5 %

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

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

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

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
GAAP total operating expense	\$ 636.5	\$ 667.6	\$ 677.8	\$ 712.7	\$ 798.1	\$ 853.7	\$ 920.8	\$ 949.5
Share-based compensation-related charges	153.0	150.1	156.6	184.9	208.9	217.4	209.6	237.0
Acquisition-related costs ⁽¹⁾	7.0	4.9	0.4	13.1	20.6	11.7	0.7	3.1
Amortization expense of acquired intangible assets	1.7	1.8	2.7	3.3	5.1	5.4	5.5	5.4
Gain related to facility exit ⁽²⁾	(3.1)	—	—	—	—	—	—	—
Non-GAAP total operating expense	\$ 477.9	\$ 510.8	\$ 518.1	\$ 511.4	\$ 563.5	\$ 619.2	\$ 705.0	\$ 704.0
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<i>58.5 %</i>	<i>58.8 %</i>	<i>54.5 %</i>	<i>54.1 %</i>	<i>55.5 %</i>	<i>57.6 %</i>	<i>57.8 %</i>	<i>56.4 %</i>
GAAP operating loss	\$ (52.9)	\$ (56.5)	\$ (17.8)	\$ (44.5)	\$ (88.8)	\$ (110.4)	\$ (60.4)	\$ (82.7)
Share-based compensation-related charges	177.0	173.5	181.3	211.5	238.6	247.2	239.2	270.2
Acquisition-related costs ⁽¹⁾	7.0	4.9	0.4	13.1	20.6	11.7	0.7	3.1
Amortization expense of acquired intangible assets	17.8	19.2	22.7	23.5	29.6	32.0	31.6	31.6
Litigation-related charges ⁽³⁾	—	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Gain related to facility exit ⁽²⁾	(3.1)	—	—	—	—	—	—	—
Non-GAAP operating income	\$ 145.8	\$ 142.9	\$ 188.4	\$ 205.4	\$ 201.8	\$ 182.3	\$ 212.8	\$ 224.0
<i>Non-GAAP operating margin</i>	<i>17.9 %</i>	<i>16.4 %</i>	<i>19.8 %</i>	<i>21.7 %</i>	<i>19.8 %</i>	<i>17.0 %</i>	<i>17.5 %</i>	<i>18.0 %</i>
GAAP interest expense	\$ (19.0)	\$ (19.4)	\$ (31.4)	\$ (40.2)	\$ (40.7)	\$ (41.0)	\$ (41.4)	\$ (6.9)
Non-cash charges related to convertible notes ⁽⁴⁾	15.7	15.8	26.9	35.1	35.5	35.9	36.4	1.8
Non-GAAP interest expense	\$ (3.3)	\$ (3.6)	\$ (4.5)	\$ (5.1)	\$ (5.2)	\$ (5.1)	\$ (5.0)	\$ (5.1)
<i>Non-GAAP interest expense as a percentage of revenue</i>	<i>(0.4)%</i>	<i>(0.4)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.4)%</i>	<i>(0.4)%</i>
GAAP other income (expense), net	\$ 10.8	\$ 8.1	\$ 0.8	\$ 2.4	\$ (0.5)	\$ 1.0	\$ (0.5)	\$ (1.6)
Foreign currency (gain) loss associated with non-GAAP adjustments	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2	1.1
Non-GAAP other income (expense), net	\$ 11.8	\$ 7.5	\$ 2.0	\$ 2.3	\$ 1.2	\$ 1.6	\$ (0.3)	\$ (0.5)
<i>Non-GAAP other income (expense), net as a percentage of revenue</i>	<i>1.4 %</i>	<i>0.9 %</i>	<i>0.2 %</i>	<i>0.2 %</i>	<i>0.1 %</i>	<i>0.1 %</i>	<i>0.0 %</i>	<i>0.0 %</i>
GAAP loss before income taxes	\$ (61.1)	\$ (67.8)	\$ (48.4)	\$ (82.3)	\$ (130.0)	\$ (150.4)	\$ (102.3)	\$ (91.2)
Share-based compensation-related charges	177.0	173.5	181.3	211.5	238.6	247.2	239.2	270.2
Acquisition-related costs ⁽¹⁾	7.0	4.9	0.4	13.1	20.6	11.7	0.7	3.1
Amortization expense of acquired intangible assets	17.8	19.2	22.7	23.5	29.6	32.0	31.6	31.6
Litigation-related charges ⁽³⁾	—	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Gain related to facility exit ⁽²⁾	(3.1)	—	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	15.7	15.8	26.9	35.1	35.5	35.9	36.4	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2	1.1
Non-GAAP income before income taxes	\$ 154.3	\$ 146.8	\$ 185.9	\$ 202.6	\$ 197.8	\$ 178.8	\$ 207.5	\$ 218.4

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

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

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

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
GAAP provision for (benefit from) income taxes	\$ 12.6	\$ 7.0	\$ 10.5	\$ 9.9	\$ 12.3	\$ (5.3)	\$ 17.0	\$ 12.4
Income tax and other tax adjustments related to the above	21.4	25.2	30.5	34.6	31.3	44.6	28.6	35.7
Non-GAAP provision for income taxes	<u>\$ 34.0</u>	<u>\$ 32.2</u>	<u>\$ 41.0</u>	<u>\$ 44.5</u>	<u>\$ 43.6</u>	<u>\$ 39.3</u>	<u>\$ 45.6</u>	<u>\$ 48.1</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net loss	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)
Share-based compensation-related charges	177.0	173.5	181.3	211.5	238.6	247.2	239.2	270.2
Acquisition-related costs ⁽¹⁾	7.0	4.9	0.4	13.1	20.6	11.7	0.7	3.1
Amortization expense of acquired intangible assets	17.8	19.2	22.7	23.5	29.6	32.0	31.6	31.6
Litigation-related charges ⁽²⁾	—	1.8	1.8	1.8	1.8	1.8	1.7	1.8
Gain related to facility exit ⁽³⁾	(3.1)	—	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	15.7	15.8	26.9	35.1	35.5	35.9	36.4	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2	1.1
Income tax and other tax adjustments related to the above	(21.4)	(25.2)	(30.5)	(34.6)	(31.3)	(44.6)	(28.6)	(35.7)
Non-GAAP net income	<u>\$ 120.3</u>	<u>\$ 114.6</u>	<u>\$ 144.9</u>	<u>\$ 158.1</u>	<u>\$ 154.2</u>	<u>\$ 139.5</u>	<u>\$ 161.9</u>	<u>\$ 170.3</u>
GAAP net loss per share, diluted	\$ (0.75)	\$ (0.77)	\$ (0.61)	\$ (0.97)	\$ (1.48)	\$ (1.50)	\$ (1.23)	\$ (1.06)
Share-based compensation-related charges	1.77	1.78	1.86	2.17	2.43	2.49	2.39	2.67
Acquisition-related costs ⁽¹⁾	0.07	0.05	0.00	0.14	0.21	0.12	0.01	0.03
Amortization expense of acquired intangible assets	0.18	0.20	0.24	0.25	0.31	0.33	0.33	0.32
Litigation-related charges ⁽²⁾	0.00	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Gain related to facility exit ⁽³⁾	(0.03)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-cash charges related to convertible notes ⁽⁴⁾	0.16	0.16	0.28	0.37	0.37	0.37	0.37	0.02
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	(0.01)	0.01	0.00	0.02	0.01	0.00	0.01
Income tax and other tax adjustments related to the above	(0.22)	(0.26)	(0.32)	(0.36)	(0.33)	(0.46)	(0.29)	(0.37)
Non-GAAP net income per share, diluted	<u>\$ 1.19</u>	<u>\$ 1.17</u>	<u>\$ 1.48</u>	<u>\$ 1.62</u>	<u>\$ 1.55</u>	<u>\$ 1.38</u>	<u>\$ 1.60</u>	<u>\$ 1.64</u>
GAAP weighted-average shares used to compute net loss per share, diluted	98.3	96.7	96.0	95.5	95.9	96.9	97.2	97.6
Weighted-average effect of potentially dilutive securities ⁽⁵⁾	2.8	1.1	2.2	2.2	3.7	4.1	4.2	6.3
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>101.1</u>	<u>97.8</u>	<u>98.2</u>	<u>97.7</u>	<u>99.6</u>	<u>101.0</u>	<u>101.4</u>	<u>103.9</u>

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

(5) Our potentially dilutive securities include the potentially dilutive effect of employee equity incentive plan awards and our convertible senior notes outstanding and related warrant agreements, partially offset by the anti-dilutive impact of our note hedge agreements.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Net cash provided by operating activities	\$ 306.9	\$ 169.9	\$ 333.7	\$ 534.9	\$ 364.5	\$ 277.8	\$ 325.8	\$ 588.9
Less: purchases of property, equipment, and other assets	49.1	86.3	31.8	29.6	32.1	26.9	27.4	34.6
Free cash flow (non-GAAP)	\$ 257.8	\$ 83.6	\$ 301.9	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.4	\$ 554.3
Add: capital expenditures for new headquarters ⁽¹⁾	17.8	53.8	—	—	—	—	—	—
Add: repayments of convertible senior notes attributable to debt discount	—	—	—	—	—	—	0.1	—
Add: litigation-related payment ⁽²⁾	—	50.0	—	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 275.6	\$ 187.4	\$ 301.9	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.5	\$ 554.3
Net cash provided by (used in) investing activities	\$ 436.4	\$ 274.7	\$ (667.6)	\$ (886.2)	\$ (384.4)	\$ (207.6)	\$ (2.4)	\$ (229.9)
Net cash provided by (used in) financing activities	\$ (6.1)	\$ (959.3)	\$ 1,805.5	\$ (464.5)	\$ (5.4)	\$ (298.5)	\$ (335.6)	\$ 38.7
Free cash flow margin (non-GAAP)	31.6 %	9.6 %	31.8 %	53.4 %	32.7 %	23.4 %	24.5 %	44.4 %
Adjusted free cash flow margin (non-GAAP)	33.7 %	21.6 %	31.8 %	53.4 %	32.7 %	23.4 %	24.5 %	44.4 %

Other Key Metrics - Calculation of Billings

Total revenue	\$ 816.7	\$ 869.4	\$ 950.4	\$ 946.0	\$ 1,016.9	\$ 1,073.9	\$ 1,219.3	\$ 1,247.4
Add: change in total deferred revenue, net of acquired deferred revenue	182.2	146.0	439.6	136.8	197.8	212.5	649.0	134.2
Total billings	\$ 998.9	\$ 1,015.4	\$ 1,390.0	\$ 1,082.8	\$ 1,214.7	\$ 1,286.4	\$ 1,868.3	\$ 1,381.6

(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.

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

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,000.0	\$ 1,484.7	\$ 2,958.0	\$ 2,142.0	\$ 2,113.2	\$ 1,886.1	\$ 1,874.2	\$ 2,272.9
Short-term investments	1,133.9	554.1	789.8	1,075.6	1,058.0	1,059.3	1,026.9	1,188.5
Accounts receivable, net	540.3	668.8	1,037.1	675.5	669.2	766.8	1,240.4	812.1
Short-term deferred contract costs	164.6	173.7	206.0	213.0	224.4	235.0	276.5	272.9
Prepaid expenses and other current assets	139.4	132.7	138.3	194.8	211.0	193.7	229.3	292.7
Total current assets	3,978.2	3,014.0	5,129.2	4,300.9	4,275.8	4,140.9	4,647.3	4,839.1
Property and equipment, net	311.4	357.2	348.1	337.9	330.7	322.7	318.4	324.3
Operating lease right-of-use assets	270.0	263.8	258.7	251.2	252.1	258.7	262.9	251.8
Long-term investments	317.9	151.2	554.4	873.2	857.1	885.4	888.3	898.8
Long-term deferred contract costs	327.2	343.6	422.3	408.8	410.5	420.1	494.6	476.1
Goodwill	1,511.7	1,812.9	1,812.9	1,968.6	2,583.5	2,713.1	2,710.1	2,732.3
Intangible assets, net	290.0	380.6	358.2	388.8	541.1	530.3	498.6	471.3
Other assets	177.7	178.5	181.6	197.1	237.6	290.9	421.4	432.7
Total assets	\$ 7,184.1	\$ 6,501.8	\$ 9,065.4	\$ 8,726.5	\$ 9,488.4	\$ 9,562.1	\$ 10,241.6	\$ 10,426.4
Liabilities, temporary equity, and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 55.4	\$ 52.3	\$ 63.6	\$ 48.5	\$ 44.7	\$ 71.8	\$ 56.9	\$ 95.3
Accrued compensation	175.2	174.9	322.2	188.4	261.0	252.8	430.6	250.8
Accrued and other liabilities	251.2	253.9	256.8	260.7	255.3	261.5	329.4	324.6
Deferred revenue	1,757.7	1,854.6	2,049.1	2,137.5	2,289.7	2,421.2	2,741.9	2,801.6
Convertible senior notes, net	—	—	—	—	1,525.6	—	1,557.9	3,672.1
Total current liabilities	2,239.5	2,335.7	2,691.7	2,635.1	4,376.3	3,007.3	5,116.7	7,144.4
Convertible senior notes, net	1,461.2	1,477.0	3,084.1	3,119.2	1,629.1	3,190.6	1,668.1	—
Long-term deferred revenue	1,440.8	1,516.0	1,761.1	1,809.3	1,872.7	1,953.8	2,282.1	2,356.6
Long-term operating lease liabilities	353.5	344.6	336.6	323.9	317.9	317.7	313.4	299.5
Other long-term liabilities	80.6	83.8	90.1	92.0	93.9	95.5	97.7	107.0
Temporary equity	—	—	—	—	161.2	—	129.1	—
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,644.5	1,855.7	2,259.2	2,003.9	2,429.8	2,541.1	2,311.2	2,033.9
Accumulated other comprehensive income (loss)	(1.8)	(2.0)	10.5	3.2	9.9	3.6	(9.9)	(11.3)
Accumulated deficit	(1,034.2)	(1,109.0)	(1,167.9)	(1,260.1)	(1,402.4)	(1,547.5)	(1,666.8)	(1,503.7)
Total stockholders' equity	1,608.5	744.7	1,101.8	747.0	1,037.3	997.2	634.5	518.9
Total liabilities, temporary equity, and stockholders' equity	\$ 7,184.1	\$ 6,501.8	\$ 9,065.4	\$ 8,726.5	\$ 9,488.4	\$ 9,562.1	\$ 10,241.6	\$ 10,426.4

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

	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122
Cash flows from operating activities								
Net loss	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Share-based compensation for equity-based awards	168.5	165.8	174.2	205.8	225.6	233.1	230.0	259.1
Depreciation and amortization	48.4	53.2	60.5	58.0	64.9	68.7	68.8	69.0
Gain related to facility exit	(3.1)	—	—	—	—	—	—	—
Amortization of deferred contract costs	55.3	60.5	83.0	65.8	68.6	73.9	89.7	85.9
Amortization of debt discount and debt issuance costs	15.7	15.8	26.9	35.1	35.5	35.9	36.4	1.8
Amortization of operating lease right-of-use assets	10.7	13.1	13.2	10.0	10.7	11.9	11.9	12.7
Amortization of investment premiums, net of accretion of purchase discounts	(1.4)	(1.6)	—	2.7	3.2	3.3	3.9	3.6
Repayments of convertible senior notes attributable to debt discount	—	—	—	—	—	—	(0.1)	—
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(40.8)	(110.3)	(368.4)	382.3	16.4	(97.4)	(473.7)	428.4
Deferred contract costs	(74.1)	(86.0)	(194.0)	(59.3)	(81.7)	(94.1)	(205.7)	(63.8)
Prepaid expenses and other assets	(8.2)	19.5	(7.0)	(37.6)	(61.8)	(36.1)	(163.6)	(72.8)
Accounts payable	(14.8)	(5.5)	10.0	(17.7)	(5.9)	27.0	(15.2)	37.6
Accrued compensation	48.8	(10.5)	147.3	(134.8)	70.6	(8.5)	177.8	(179.8)
Accrued and other liabilities	(6.6)	(15.3)	7.3	(20.0)	(37.1)	(7.3)	35.9	(23.4)
Deferred revenue	182.2	146.0	439.6	136.8	197.8	212.5	649.0	134.2
Net cash provided by operating activities	306.9	169.9	333.7	534.9	364.5	277.8	325.8	588.9
Cash flows from investing activities								
Purchases of investments	(9.0)	(12.2)	(885.3)	(829.7)	(282.8)	(381.6)	(464.8)	(439.1)
Proceeds from sales of investments	1.1	309.7	3.2	—	—	36.7	94.4	36.1
Proceeds from maturities of investments	622.7	451.3	246.3	198.2	335.9	311.0	395.4	225.1
Business acquisitions, net of cash acquired	(129.3)	(387.8)	—	(225.1)	(405.4)	(146.8)	—	(17.4)
Purchases of property, equipment, and other assets	(49.1)	(86.3)	(31.8)	(29.6)	(32.1)	(26.9)	(27.4)	(34.6)
Net cash provided by (used in) investing activities	436.4	274.7	(667.6)	(886.2)	(384.4)	(207.6)	(2.4)	(229.9)
Cash flows from financing activities								
Repayments of convertible senior notes attributable to principal and equity component	—	—	—	—	—	—	(0.9)	—
Payments for debt issuance costs	—	—	—	(0.2)	—	—	—	—
Proceeds from borrowings on convertible senior notes, net	—	—	1,979.1	—	—	—	—	—
Proceeds from issuance of warrants	—	—	202.8	—	—	—	—	—
Purchase of note hedges	—	—	(370.8)	—	—	—	—	—
Repurchases of common stock	—	(1,000.0)	—	(500.0)	—	(350.0)	(328.1)	—
Proceeds from sales of shares through employee equity incentive plans	0.6	46.8	0.3	45.4	0.3	58.0	0.3	58.7
Payments for taxes related to net share settlement of equity awards	(6.7)	(4.8)	(5.9)	(9.7)	(5.7)	(6.5)	(6.9)	(20.0)
Payment of deferred consideration related to prior year business acquisition	—	(1.3)	—	—	—	—	—	—
Net cash provided by (used in) financing activities	(6.1)	(959.3)	1,805.5	(464.5)	(5.4)	(298.5)	(335.6)	38.7
Net increase (decrease) in cash, cash equivalents, and restricted cash	737.2	(514.7)	1,471.6	(815.8)	(25.3)	(228.3)	(12.2)	397.7
Cash, cash equivalents, and restricted cash - beginning of period	1,267.6	2,004.8	1,490.1	2,961.7	2,145.9	2,120.6	1,892.3	1,880.1
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,004.8</u>	<u>\$1,490.1</u>	<u>\$2,961.7</u>	<u>\$2,145.9</u>	<u>\$2,120.6</u>	<u>\$1,892.3</u>	<u>\$1,880.1</u>	<u>\$2,277.8</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$2,000.0	\$1,484.7	\$2,958.0	\$2,142.0	\$2,113.2	\$1,886.1	\$1,874.2	\$2,272.9
Restricted cash included in prepaid expenses and other current assets	2.5	2.7	2.8	2.9	3.8	5.2	5.4	4.4
Restricted cash included in other assets	2.3	2.7	0.9	1.0	3.6	1.0	0.5	0.5
Total cash, cash equivalents, and restricted cash	<u>\$2,004.8</u>	<u>\$1,490.1</u>	<u>\$2,961.7</u>	<u>\$2,145.9</u>	<u>\$2,120.6</u>	<u>\$1,892.3</u>	<u>\$1,880.1</u>	<u>\$2,277.8</u>