

## **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)

	<b>Q322</b>	<b>Q422</b>	<b>Q123</b>	<b>Q223</b>	<b>Q323</b>	<b>Q423</b>	<b>Q124</b>	<b>Q224</b>
Revenue:								
Product	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7
Subscription and support	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4
Total revenue	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3	1,878.1	1,975.1
Cost of revenue:								
Product	126.0	142.8	120.1	100.5	93.4	104.3	77.4	88.2
Subscription and support	314.5	349.5	341.8	365.7	381.4	402.5	395.4	410.9
Total cost of revenue	440.5	492.3	461.9	466.2	474.8	506.8	472.8	499.1
Total gross profit	946.2	1,058.2	1,101.5	1,188.9	1,246.1	1,446.5	1,405.3	1,476.0
<i>Product gross margin</i>	64.2 %	65.0 %	63.6 %	71.5 %	75.9 %	79.4 %	77.3 %	77.4 %
<i>Subscription and support gross margin</i>	69.6 %	69.4 %	72.3 %	71.9 %	71.4 %	72.2 %	74.3 %	74.1 %
<i>Total gross margin</i>	68.2 %	68.2 %	70.5 %	71.8 %	72.4 %	74.1 %	74.8 %	74.7 %
Operating expenses:								
Research and development	355.4	363.8	371.8	404.1	413.7	414.4	409.5	447.9
Sales and marketing	543.6	570.6	615.0	625.5	639.5	664.0	660.5	673.0
General and administrative	94.8	108.4	99.5	119.4	114.2	114.6	120.1	301.5
Total operating expenses	993.8	1,042.8	1,086.3	1,149.0	1,167.4	1,193.0	1,190.1	1,422.4
Operating income (loss)	(47.6)	15.4	15.2	39.9	78.7	253.5	215.2	53.6
Interest expense	(6.8)	(6.9)	(6.8)	(6.9)	(7.8)	(5.7)	(2.9)	(2.8)
Other income, net	1.9	8.8	26.0	51.4	60.1	68.7	70.3	84.7
Income (loss) before income taxes	(52.5)	17.3	34.4	84.4	131.0	316.5	282.6	135.5
Provision for (benefit from) income taxes	20.7	14.0	14.4	0.2	23.2	88.8	88.4	(1,611.4)
Net income (loss)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9

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

	<b>Q322</b>	<b>Q422</b>	<b>Q123</b>	<b>Q223</b>	<b>Q323</b>	<b>Q423</b>	<b>Q124</b>	<b>Q224</b>
Revenue:								
Product	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7
Subscription and support	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4
Total revenue	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3	1,878.1	1,975.1
Cost of revenue:								
Product	122.3	139.3	116.5	96.9	89.7	100.8	73.8	84.8
Subscription and support	254.1	275.5	285.2	309.1	321.0	343.2	338.5	349.8
Total cost of revenue	376.4	414.8	401.7	406.0	410.7	444.0	412.3	434.6
Total gross profit	1,010.3	1,135.7	1,161.7	1,249.1	1,310.2	1,509.3	1,465.8	1,540.5
<i>Product gross margin</i>	65.2 %	65.9 %	64.7 %	72.5 %	76.9 %	80.1 %	78.4 %	78.3 %
<i>Subscription and support gross margin</i>	75.5 %	75.9 %	76.9 %	76.3 %	75.9 %	76.3 %	78.0 %	77.9 %
<i>Total gross margin</i>	72.9 %	73.2 %	74.3 %	75.5 %	76.1 %	77.3 %	78.0 %	78.0 %
Operating expenses:								
Research and development	236.4	250.0	251.4	270.1	281.4	294.5	285.6	302.0
Sales and marketing	456.8	486.4	518.8	527.7	547.4	574.1	571.2	586.0
General and administrative	64.2	76.1	69.1	74.5	74.7	86.7	79.7	88.3
Total operating expenses	757.4	812.5	839.3	872.3	903.5	955.3	936.5	976.3
Operating income	252.9	323.2	322.4	376.8	406.7	554.0	529.3	564.2
Interest expense	(5.0)	(5.1)	(5.0)	(5.2)	(6.0)	(4.2)	(1.9)	(1.7)
Other income (expense), net	(0.4)	7.8	24.2	53.7	60.1	68.7	70.3	84.7
Income before income taxes	247.5	325.9	341.6	425.3	460.8	618.5	597.7	647.2
Provision for income taxes	54.4	71.8	75.2	93.6	101.4	136.0	131.4	142.5
Net income	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters**

(In millions, except percentages and per share amounts)

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 225.5	\$ 265.3	\$ 209.9	\$ 252.4	\$ 294.7	\$ 403.1	\$ 263.7	\$ 302.5
Share-based compensation-related charges	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.6
Litigation-related charges <sup>(1)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Non-GAAP product gross profit	<u>\$ 229.2</u>	<u>\$ 268.8</u>	<u>\$ 213.5</u>	<u>\$ 256.0</u>	<u>\$ 298.4</u>	<u>\$ 406.6</u>	<u>\$ 267.3</u>	<u>\$ 305.9</u>
Non-GAAP product gross margin	<u>65.2 %</u>	<u>65.9 %</u>	<u>64.7 %</u>	<u>72.5 %</u>	<u>76.9 %</u>	<u>80.1 %</u>	<u>78.4 %</u>	<u>78.3 %</u>
GAAP subscription and support gross profit	\$ 720.7	\$ 792.9	\$ 891.6	\$ 936.5	\$ 951.4	\$1,043.4	\$1,141.6	\$1,173.5
Share-based compensation-related charges	34.4	34.2	35.0	37.6	40.5	40.0	37.8	38.6
Amortization expense of acquired intangible assets	26.0	25.8	23.3	19.0	19.9	19.3	19.1	22.5
Restructuring and other costs <sup>(2)</sup>	—	14.0	(1.7)	—	—	—	—	—
Non-GAAP subscription and support gross profit	<u>\$ 781.1</u>	<u>\$ 866.9</u>	<u>\$ 948.2</u>	<u>\$ 993.1</u>	<u>\$1,011.8</u>	<u>\$1,102.7</u>	<u>\$1,198.5</u>	<u>\$1,234.6</u>
Non-GAAP subscription and support gross margin	<u>75.5 %</u>	<u>75.9 %</u>	<u>76.9 %</u>	<u>76.3 %</u>	<u>75.9 %</u>	<u>76.3 %</u>	<u>78.0 %</u>	<u>77.9 %</u>
GAAP total gross profit	\$ 946.2	\$1,058.2	\$1,101.5	\$1,188.9	\$1,246.1	\$1,446.5	\$1,405.3	\$1,476.0
Share-based compensation-related charges	36.3	36.0	36.8	39.4	42.4	41.8	39.6	40.2
Amortization expense of acquired intangible assets	26.0	25.8	23.3	19.0	19.9	19.3	19.1	22.5
Litigation-related charges <sup>(1)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	1.8
Restructuring and other costs <sup>(2)</sup>	—	14.0	(1.7)	—	—	—	—	—
Non-GAAP total gross profit	<u>\$1,010.3</u>	<u>\$1,135.7</u>	<u>\$1,161.7</u>	<u>\$1,249.1</u>	<u>\$1,310.2</u>	<u>\$1,509.3</u>	<u>\$1,465.8</u>	<u>\$1,540.5</u>
Non-GAAP gross margin	<u>72.9 %</u>	<u>73.2 %</u>	<u>74.3 %</u>	<u>75.5 %</u>	<u>76.1 %</u>	<u>77.3 %</u>	<u>78.0 %</u>	<u>78.0 %</u>
GAAP research and development expense	\$ 355.4	\$ 363.8	\$ 371.8	\$ 404.1	\$ 413.7	\$ 414.4	\$ 409.5	\$ 447.9
Share-based compensation-related charges	119.0	111.5	120.9	134.0	132.3	119.9	123.9	145.9
Restructuring and other costs <sup>(2)</sup>	—	2.3	(0.5)	—	—	—	—	—
Non-GAAP research and development expense	<u>\$ 236.4</u>	<u>\$ 250.0</u>	<u>\$ 251.4</u>	<u>\$ 270.1</u>	<u>\$ 281.4</u>	<u>\$ 294.5</u>	<u>\$ 285.6</u>	<u>\$ 302.0</u>
Non-GAAP research and development expense as a percentage of revenue	<u>17.0 %</u>	<u>16.1 %</u>	<u>16.1 %</u>	<u>16.3 %</u>	<u>16.4 %</u>	<u>15.1 %</u>	<u>15.2 %</u>	<u>15.3 %</u>
GAAP sales and marketing expense	\$ 543.6	\$ 570.6	\$ 615.0	\$ 625.5	\$ 639.5	\$ 664.0	\$ 660.5	\$ 673.0
Share-based compensation-related charges	81.3	78.8	90.8	92.4	86.7	84.5	83.9	81.6
Amortization expense of acquired intangible assets	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Non-GAAP sales and marketing expense	<u>\$ 456.8</u>	<u>\$ 486.4</u>	<u>\$ 518.8</u>	<u>\$ 527.7</u>	<u>\$ 547.4</u>	<u>\$ 574.1</u>	<u>\$ 571.2</u>	<u>\$ 586.0</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>33.1 %</u>	<u>31.4 %</u>	<u>33.2 %</u>	<u>31.9 %</u>	<u>31.8 %</u>	<u>29.4 %</u>	<u>30.4 %</u>	<u>29.6 %</u>
GAAP general and administrative expense	\$ 94.8	\$ 108.4	\$ 99.5	\$ 119.4	\$ 114.2	\$ 114.6	\$ 120.1	\$ 301.5
Share-based compensation-related charges	30.6	25.0	30.4	32.8	32.1	27.9	40.4	29.1
Acquisition-related costs <sup>(3)</sup>	—	2.4	—	12.1	7.4	—	—	7.3
Litigation-related charges <sup>(1)</sup>	—	—	—	—	—	—	—	176.8
Restructuring and other costs <sup>(2)</sup>	—	4.9	—	—	—	—	—	—
Non-GAAP general and administrative expense	<u>\$ 64.2</u>	<u>\$ 76.1</u>	<u>\$ 69.1</u>	<u>\$ 74.5</u>	<u>\$ 74.7</u>	<u>\$ 86.7</u>	<u>\$ 79.7</u>	<u>\$ 88.3</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>4.6 %</u>	<u>4.9 %</u>	<u>4.4 %</u>	<u>4.5 %</u>	<u>4.3 %</u>	<u>4.4 %</u>	<u>4.2 %</u>	<u>4.5 %</u>

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and a legal contingency charge in Q2'24.

(2) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(3) 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.

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

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
GAAP total operating expense	\$ 993.8	\$1,042.8	\$1,086.3	\$1,149.0	\$1,167.4	\$1,193.0	\$1,190.1	\$1,422.4
Share-based compensation-related charges	230.9	215.3	242.1	259.2	251.1	232.3	248.2	256.6
Acquisition-related costs <sup>(1)</sup>	—	2.4	—	12.1	7.4	—	—	7.3
Amortization expense of acquired intangible assets	5.5	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Litigation-related charges <sup>(2)</sup>	—	—	—	—	—	—	—	176.8
Restructuring and other costs <sup>(3)</sup>	—	7.2	(0.5)	—	—	—	—	—
Non-GAAP total operating expense	\$ 757.4	\$ 812.5	\$ 839.3	\$ 872.3	\$ 903.5	\$ 955.3	\$ 936.5	\$ 976.3
Non-GAAP total operating expense as a percentage of revenue	54.7 %	52.4 %	53.7 %	52.7 %	52.5 %	48.9 %	49.8 %	49.4 %
GAAP operating income (loss)	\$ (47.6)	\$ 15.4	\$ 15.2	\$ 39.9	\$ 78.7	\$ 253.5	\$ 215.2	\$ 53.6
Share-based compensation-related charges	267.2	251.3	278.9	298.6	293.5	274.1	287.8	296.8
Acquisition-related costs <sup>(1)</sup>	—	2.4	—	12.1	7.4	—	—	7.3
Amortization expense of acquired intangible assets	31.5	31.2	28.7	24.4	25.3	24.7	24.5	27.9
Litigation-related charges <sup>(2)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	178.6
Restructuring and other costs <sup>(3)</sup>	—	21.2	(2.2)	—	—	—	—	—
Non-GAAP operating income	\$ 252.9	\$ 323.2	\$ 322.4	\$ 376.8	\$ 406.7	\$ 554.0	\$ 529.3	\$ 564.2
Non-GAAP operating margin	18.2 %	20.8 %	20.6 %	22.8 %	23.6 %	28.4 %	28.2 %	28.6 %
GAAP interest expense	\$ (6.8)	\$ (6.9)	\$ (6.8)	\$ (6.9)	\$ (7.8)	\$ (5.7)	\$ (2.9)	\$ (2.8)
Non-cash charges related to convertible notes <sup>(4)</sup>	1.8	1.8	1.8	1.7	1.8	1.5	1.0	1.1
Non-GAAP interest expense	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.2)	\$ (6.0)	\$ (4.2)	\$ (1.9)	\$ (1.7)
Non-GAAP interest expense as a percentage of revenue	(0.4)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.2)%	(0.1)%	(0.1)%
GAAP other income, net	\$ 1.9	\$ 8.8	\$ 26.0	\$ 51.4	\$ 60.1	\$ 68.7	\$ 70.3	\$ 84.7
Foreign currency (gain) loss associated with non-GAAP adjustments	(2.3)	(1.0)	(1.8)	2.3	—	—	—	—
Non-GAAP other income (expense), net	\$ (0.4)	\$ 7.8	\$ 24.2	\$ 53.7	\$ 60.1	\$ 68.7	\$ 70.3	\$ 84.7
Non-GAAP other income (expense), net as a percentage of revenue	0.0 %	0.5 %	1.5 %	3.2 %	3.5 %	3.5 %	3.7 %	4.3 %
GAAP income (loss) before income taxes	\$ (52.5)	\$ 17.3	\$ 34.4	\$ 84.4	\$ 131.0	\$ 316.5	\$ 282.6	\$ 135.5
Share-based compensation-related charges	267.2	251.3	278.9	298.6	293.5	274.1	287.8	296.8
Acquisition-related costs <sup>(1)</sup>	—	2.4	—	12.1	7.4	—	—	7.3
Amortization expense of acquired intangible assets	31.5	31.2	28.7	24.4	25.3	24.7	24.5	27.9
Litigation-related charges <sup>(2)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	178.6
Restructuring and other costs <sup>(3)</sup>	—	21.2	(2.2)	—	—	—	—	—
Non-cash charges related to convertible notes <sup>(4)</sup>	1.8	1.8	1.8	1.7	1.8	1.5	1.0	1.1
Foreign currency (gain) loss associated with non-GAAP adjustments	(2.3)	(1.0)	(1.8)	2.3	—	—	—	—
Non-GAAP income before income taxes	\$ 247.5	\$ 325.9	\$ 341.6	\$ 425.3	\$ 460.8	\$ 618.5	\$ 597.7	\$ 647.2

(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, and a legal contingency charge in Q2'24.

(3) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(4) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
GAAP provision for (benefit from) income taxes	\$ 20.7	\$ 14.0	\$ 14.4	\$ 0.2	\$ 23.2	\$ 88.8	\$ 88.4	\$(1,611.4)
Income tax and other tax adjustments <sup>(1)</sup>	33.7	57.8	60.8	93.4	78.2	47.2	43.0	1,753.9
Non-GAAP provision for income taxes	\$ 54.4	\$ 71.8	\$ 75.2	\$ 93.6	\$ 101.4	\$ 136.0	\$ 131.4	\$ 142.5
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net income (loss)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$1,746.9
Share-based compensation-related charges	267.2	251.3	278.9	298.6	293.5	274.1	287.8	296.8
Acquisition-related costs <sup>(2)</sup>	—	2.4	—	12.1	7.4	—	—	7.3
Amortization expense of acquired intangible assets	31.5	31.2	28.7	24.4	25.3	24.7	24.5	27.9
Litigation-related charges <sup>(3)</sup>	1.8	1.7	1.8	1.8	1.8	1.7	1.8	178.6
Restructuring and other costs <sup>(4)</sup>	—	21.2	(2.2)	—	—	—	—	—
Non-cash charges related to convertible notes <sup>(5)</sup>	1.8	1.8	1.8	1.7	1.8	1.5	1.0	1.1
Foreign currency (gain) loss associated with non-GAAP adjustments	(2.3)	(1.0)	(1.8)	2.3	—	—	—	—
Income tax and other tax adjustments <sup>(1)</sup>	(33.7)	(57.8)	(60.8)	(93.4)	(78.2)	(47.2)	(43.0)	(1,753.9)
Non-GAAP net income	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5	\$ 466.3	\$ 504.7
GAAP net income (loss) per share, diluted	\$ (0.25)	\$ 0.01	\$ 0.06	\$ 0.25	\$ 0.31	\$ 0.64	\$ 0.56	\$ 4.89
Share-based compensation-related charges	0.84	0.78	0.87	0.94	0.91	0.86	0.86	0.88
Acquisition-related costs <sup>(2)</sup>	0.00	0.01	0.00	0.04	0.02	0.00	0.00	0.02
Amortization expense of acquired intangible assets	0.11	0.09	0.08	0.07	0.07	0.07	0.07	0.08
Litigation-related charges <sup>(3)</sup>	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.50
Restructuring and other costs <sup>(4)</sup>	0.00	0.06	(0.01)	0.00	0.00	0.00	0.00	0.00
Non-cash charges related to convertible notes <sup>(5)</sup>	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.01)	0.00	(0.01)	0.01	0.00	0.00	0.00	0.00
Income tax and other tax adjustments <sup>(1)</sup>	(0.11)	(0.17)	(0.18)	(0.28)	(0.23)	(0.13)	(0.12)	(4.91)
Non-GAAP net income per share, diluted	\$ 0.60	\$ 0.80	\$ 0.83	\$ 1.05	\$ 1.10	\$ 1.44	\$ 1.38	\$ 1.46
GAAP weighted-average shares used to compute net income (loss) per share, diluted	296.7	336.2	338.4	331.6	344.7	354.5	349.8	357.5
Weighted-average dilutive effect of potentially dilutive securities <sup>(6)</sup>	46.4	—	—	—	—	—	—	—
Weighted-average anti-dilutive impact of note hedge agreements	(19.7)	(17.0)	(17.8)	(15.2)	(19.3)	(19.3)	(11.6)	(13.0)
Non-GAAP weighted-average shares used to compute net income per share, diluted	323.4	319.2	320.6	316.4	325.4	335.2	338.2	344.5

(1) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q2'23, it included a tax benefit from a release of tax reserves related to uncertain tax positions resulting from a tax settlement. In Q2'24, 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.

(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 the amortization of intellectual property licenses and covenant not to sue, and a legal contingency charge in Q2'24.

(4) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.

(5) Consists of non-cash interest expense for amortization of debt issuance costs related to our convertible senior notes.

(6) Consists of potentially dilutive effect of employee equity incentive plan awards and convertible senior notes outstanding and related warrants in Q3'22 as they are excluded from GAAP weighted-average shares in period with GAAP net loss.

**Palo Alto Networks, Inc.**

**GAAP to Non-GAAP Reconciliations, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
Net cash provided by operating activities	\$ 389.5	\$ 523.7	\$ 1,236.7	\$ 694.6	\$ 432.1	\$ 414.1	\$1,526.0	\$ 690.0
Less: purchases of property, equipment, and other assets	38.3	39.2	39.6	38.3	31.2	37.2	36.8	35.2
Free cash flow (non-GAAP)	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 656.3	\$ 400.9	\$ 376.9	\$1,489.2	\$ 654.8
Add: cash payment related to tax settlement	—	—	—	28.9	—	10.9	—	—
Adjusted free cash flow (non-GAAP)	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 685.2	\$ 400.9	\$ 387.8	\$1,489.2	\$ 654.8
Net cash provided by (used in) investing activities	\$ 42.9	\$ (472.1)	\$ (1,319.8)	\$ (1,164.5)	\$ 87.9	\$ 362.6	\$ (129.0)	\$ (1,325.5)
Net cash provided by (used in) financing activities	\$ 66.3	\$ (353.1)	\$ 31.1	\$ (250.8)	\$ 128.2	\$ (1,634.8)	\$ (41.8)	\$ (72.6)
Free cash flow margin (non-GAAP)	25.3 %	31.2 %	76.6 %	39.7 %	23.3 %	19.3 %	79.3 %	33.2 %
Adjusted free cash flow margin (non-GAAP)	25.3 %	31.2 %	76.6 %	41.4 %	23.3 %	19.9 %	79.3 %	33.2 %

**Disaggregation of Revenue by Type**

Revenue:

Product	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4	\$ 341.1	\$ 390.7
Subscription and support								
Subscription	639.8	702.4	764.0	815.4	838.1	917.9	988.3	1,027.1
Support	395.4	440.0	469.4	486.8	494.7	528.0	548.7	557.3
Total subscription and support	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9	1,537.0	1,584.4
Total revenue	\$1,386.7	\$1,550.5	\$ 1,563.4	\$ 1,655.1	\$1,720.9	\$ 1,953.3	\$1,878.1	\$ 1,975.1

**Other Key Metrics - Calculation of Billings**

Total revenue	\$1,386.7	\$1,550.5	\$ 1,563.4	\$ 1,655.1	\$1,720.9	\$ 1,953.3	\$1,878.1	\$ 1,975.1
Add: change in total deferred revenue, net of acquired deferred revenue	410.2	1,134.6	185.6	374.0	535.3	1,206.8	146.4	372.1
Total billings	\$1,796.9	\$2,685.1	\$ 1,749.0	\$ 2,029.1	\$2,256.2	\$ 3,160.1	\$2,024.5	\$ 2,347.2

**Palo Alto Networks, Inc.**  
**Calculation of Other Key Metrics - First Half Fiscal Year**  
**(In millions)**

	<u>1H FY23</u>	<u>1H FY24</u>
Total revenue	\$ 3,218.5	\$ 3,853.2
Add: change in total deferred revenue, net of acquired deferred revenue	559.6	518.5
Total billings	<u>\$ 3,778.1</u>	<u>\$ 4,371.7</u>
Product revenue	\$ 682.9	\$ 731.8
Add: change in product deferred revenue	7.9	(5.3)
Product billings	<u>\$ 690.8</u>	<u>\$ 726.5</u>
Subscription revenue	\$ 1,579.4	\$ 2,015.4
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	397.0	479.1
Subscription billings	<u>\$ 1,976.4</u>	<u>\$ 2,494.5</u>
Support revenue	\$ 956.2	\$ 1,106.0
Add: change in support deferred revenue	154.7	44.7
Support billings	<u>\$ 1,110.9</u>	<u>\$ 1,150.7</u>

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

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 2,419.9	\$ 2,118.5	\$ 2,067.2	\$ 1,346.3	\$ 1,992.9	\$ 1,135.3	\$ 2,491.4	\$ 1,782.5
Short-term investments	1,454.7	1,516.0	1,736.5	2,000.6	1,965.3	1,254.7	1,402.4	1,588.5
Accounts receivable, net	1,240.6	2,142.5	1,238.1	1,278.1	1,443.6	2,463.2	1,413.0	1,896.3
Short-term financing receivables, net	116.8	111.3	153.7	171.8	245.2	388.8	445.9	445.5
Short-term deferred contract costs	286.8	317.7	310.6	313.4	317.3	339.2	328.7	328.0
Prepaid expenses and other current assets	178.8	208.9	227.4	295.6	449.3	466.8	396.2	405.9
Total current assets	5,697.6	6,414.9	5,733.5	5,405.8	6,413.6	6,048.0	6,477.6	6,446.7
Property and equipment, net	355.6	357.8	353.7	344.7	341.7	354.5	352.6	352.3
Operating lease right-of-use assets	239.9	242.0	260.4	251.1	248.3	263.3	274.3	355.8
Long-term investments	714.7	1,051.9	2,094.7	2,820.6	2,709.8	3,047.9	2,988.9	3,619.6
Long-term financing receivables, net	177.3	192.1	162.1	218.1	390.4	653.3	639.8	639.9
Long-term deferred contract costs	480.3	550.1	520.3	511.3	503.6	547.1	515.4	504.6
Goodwill	2,731.3	2,747.7	2,747.7	2,912.3	2,926.8	2,926.8	2,926.8	3,372.7
Intangible assets, net	412.1	384.5	355.4	361.7	340.6	315.4	290.5	440.1
Deferred tax assets	15.3	17.0	18.0	19.5	19.8	23.1	25.4	2,234.3
Other assets	275.9	295.6	298.0	318.3	275.9	321.7	317.2	326.0
Total assets	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 108.0	\$ 128.0	\$ 125.9	\$ 128.3	\$ 91.6	\$ 132.3	\$ 131.8	\$ 178.8
Accrued compensation	365.2	461.1	268.9	395.1	344.7	548.3	331.4	452.6
Accrued and other liabilities	375.4	399.2	380.4	328.9	376.1	390.8	371.5	394.2
Deferred revenue	3,152.9	3,641.2	3,741.3	3,942.5	4,146.7	4,674.6	4,732.0	4,918.1
Convertible senior notes, net	3,675.7	3,676.8	3,678.6	3,680.3	3,682.1	1,991.5	1,946.7	1,821.8
Total current liabilities	7,677.2	8,306.3	8,195.1	8,475.1	8,641.2	7,737.5	7,513.4	7,765.5
Long-term deferred revenue	2,706.5	3,352.8	3,438.3	3,611.5	3,942.9	4,621.8	4,710.8	4,900.3
Deferred tax liabilities	5.4	5.8	9.4	14.5	17.6	28.1	30.1	588.5
Long-term operating lease liabilities	275.7	276.1	283.1	274.2	264.5	279.2	275.8	362.7
Other long-term liabilities	97.6	102.6	109.9	59.1	71.9	86.1	107.9	317.8
Total liabilities	10,762.4	12,043.6	12,035.8	12,434.4	12,938.1	12,752.7	12,638.0	13,934.8
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,066.3	1,932.7	2,266.2	2,303.0	2,708.2	3,019.0	3,296.7	3,650.0
Accumulated other comprehensive loss	(58.3)	(55.6)	(111.1)	(11.1)	(20.7)	(43.2)	(93.0)	(6.5)
Retained earnings (accumulated deficit)	(1,670.4)	(1,667.1)	(1,647.1)	(1,562.9)	(1,455.1)	(1,227.4)	(1,033.2)	713.7
Total stockholders' equity	337.6	210.0	508.0	729.0	1,232.4	1,748.4	2,170.5	4,357.2
Total liabilities and stockholders' equity	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1	\$ 14,808.5	\$ 18,292.0

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

	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7	\$ 194.2	\$ 1,746.9
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	247.3	239.6	266.0	283.3	271.0	254.2	271.0	272.0
Deferred income taxes	0.6	(2.0)	2.6	(0.1)	2.8	7.2	(0.3)	(1,691.0)
Depreciation and amortization	71.4	72.5	70.7	69.9	72.3	69.3	64.3	68.6
Amortization of deferred contract costs	89.1	101.0	97.0	99.0	101.4	116.0	105.5	108.9
Amortization of debt issuance costs	1.8	1.8	1.8	1.7	1.8	1.4	1.0	1.1
Reduction of operating lease right-of-use assets	12.4	16.9	12.1	12.5	12.1	13.2	12.4	13.7
Amortization of investment premiums, net of accretion of purchase discounts	3.2	3.0	1.7	(16.0)	(20.1)	(17.8)	(14.7)	(16.2)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	(288.4)	(901.9)	904.4	(39.8)	(165.3)	(1,019.6)	1,050.2	(482.2)
Financing receivables, net	(5.4)	(9.3)	(12.4)	(74.1)	(245.7)	(406.5)	(43.6)	0.3
Deferred contract costs	(105.9)	(201.7)	(60.1)	(92.8)	(97.6)	(181.4)	(63.3)	(96.0)
Prepaid expenses and other assets	(20.6)	(31.9)	(28.7)	(49.7)	(91.0)	(101.2)	54.0	(8.1)
Accounts payable	(8.2)	17.7	(1.0)	1.7	(37.0)	37.3	(0.4)	47.7
Accrued compensation	35.4	95.8	(192.3)	124.0	(50.9)	203.6	(216.9)	118.6
Accrued and other liabilities	19.8	(15.7)	(30.7)	(83.2)	35.2	3.9	(33.8)	233.6
Deferred revenue	410.2	1,134.6	185.6	374.0	535.3	1,206.8	146.4	372.1
Net cash provided by operating activities	389.5	523.7	1,236.7	694.6	432.1	414.1	1,526.0	690.0
<b>Cash flows from investing activities</b>								
Purchases of investments	(241.1)	(975.3)	(2,112.8)	(1,606.5)	(742.1)	(999.0)	(854.7)	(1,156.7)
Proceeds from sales of investments	7.0	160.0	485.0	14.6	375.4	90.9	304.6	126.6
Proceeds from maturities of investments	315.3	402.0	347.6	651.3	504.7	1,307.9	457.9	350.4
Business acquisitions, net of cash and restricted cash acquired	—	(19.6)	—	(185.6)	(18.9)	—	—	(610.6)
Purchases of property, equipment, and other assets	(38.3)	(39.2)	(39.6)	(38.3)	(31.2)	(37.2)	(36.8)	(35.2)
Net cash provided by (used in) investing activities	42.9	(472.1)	(1,319.8)	(1,164.5)	87.9	362.6	(129.0)	(1,325.5)
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes	—	(0.6)	—	—	—	(1,692.0)	(46.0)	(126.3)
Repurchases of common stock	—	(342.3)	(22.7)	(250.0)	—	—	(66.7)	—
Proceeds from sales of shares through employee equity incentive plans	77.5	0.3	67.7	0.7	130.3	60.1	86.4	57.5
Payments for taxes related to net share settlement of equity awards	(11.2)	(10.5)	(13.9)	(1.5)	(2.1)	(2.9)	(15.5)	(3.8)
Net cash provided by (used in) financing activities	66.3	(353.1)	31.1	(250.8)	128.2	(1,634.8)	(41.8)	(72.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	498.7	(301.5)	(52.0)	(720.7)	648.2	(858.1)	1,355.2	(708.1)
Cash, cash equivalents, and restricted cash - beginning of period	1,927.6	2,426.3	2,124.8	2,072.8	1,352.1	2,000.3	1,142.2	2,497.4
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>	<u>\$1,142.2</u>	<u>\$2,497.4</u>	<u>\$1,789.3</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$2,419.9	\$2,118.5	\$2,067.2	\$1,346.3	\$1,992.9	\$1,135.3	\$2,491.4	\$1,782.5
Restricted cash included in prepaid expenses and other current assets	6.4	6.3	5.6	5.8	7.4	6.9	6.0	6.3
Restricted cash included in other assets	—	—	—	—	—	—	—	0.5
Total cash, cash equivalents, and restricted cash	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>	<u>\$1,142.2</u>	<u>\$2,497.4</u>	<u>\$1,789.3</u>