**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)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Product | $ 421 | $ 453 | $ 574 | $ 434 | $ 514 | $ 594 | $ 738 | $ 595 |
| Subscription and support | 1,836 | 1,836 | 1,962 | 2,040 | 2,080 | 2,408 | 2,672 | 2,850 |
| Total revenue | 2,257 | 2,289 | 2,536 | 2,474 | 2,594 | 3,002 | 3,410 | 3,445 |
| Cost of revenue: | | | | | | | | |
| Product | 101 | 101 | 136 | 89 | 115 | 167 | 197 | 206 |
| Subscription and support | 498 | 518 | 543 | 549 | 570 | 807 | 909 | 897 |
| Total cost of revenue | 599 | 619 | 679 | 638 | 685 | 974 | 1,106 | 1,103 |
| Total gross profit | 1,658 | 1,670 | 1,857 | 1,836 | 1,909 | 2,028 | 2,304 | 2,342 |
| *Product gross margin* | *76.0 %* | *77.8 %* | *76.3 %* | *79.5 %* | *77.6 %* | *71.9 %* | *73.3 %* | *65.4 %* |
| *Subscription and support gross margin* | *72.9 %* | *71.8 %* | *72.3 %* | *73.1 %* | *72.6 %* | *66.5 %* | *66.0 %* | *68.5 %* |
| *Total gross margin* | *73.5 %* | *72.9 %* | *73.2 %* | *74.2 %* | *73.6 %* | *67.6 %* | *67.6 %* | *68.0 %* |
| Operating expenses: | | | | | | | | |
| Research and development | 505 | 494 | 504 | 528 | 511 | 734 | 779 | 798 |
| Sales and marketing | 758 | 793 | 829 | 820 | 823 | 1,161 | 1,127 | 1,167 |
| General and administrative | 154 | 164 | 27 | 179 | 178 | 316 | 226 | 281 |
| Total operating expenses | 1,417 | 1,451 | 1,360 | 1,527 | 1,512 | 2,211 | 2,132 | 2,246 |
| Operating income (loss) | 241 | 219 | 497 | 309 | 397 | (183) | 172 | 96 |
| Other income (expense), net | 84 | 92 | 95 | 103 | 152 | 27 | (441) | (71) |
| Income (loss) before income taxes | 325 | 311 | 592 | 412 | 549 | (156) | (269) | 25 |
| Provision for (benefit from) income taxes | 58 | 49 | 338 | 78 | 117 | 21 | 13 | (457) |
| Net income (loss) | $ 267 | $ 262 | $ 254 | $ 334 | $ 432 | $ (177) | $ (282) | $ 482 |

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

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Product | $ 421 | $ 453 | $ 574 | $ 434 | $ 514 | $ 594 | $ 738 | $ 595 |
| Subscription and support | 1,836 | 1,836 | 1,962 | 2,040 | 2,080 | 2,408 | 2,672 | 2,850 |
| Total revenue | 2,257 | 2,289 | 2,536 | 2,474 | 2,594 | 3,002 | 3,410 | 3,445 |
| Cost of revenue: | | | | | | | | |
| Product | 98 | 98 | 133 | 86 | 112 | 126 | 156 | 165 |
| Subscription and support | 430 | 451 | 481 | 486 | 507 | 600 | 702 | 691 |
| Total cost of revenue | 528 | 549 | 614 | 572 | 619 | 726 | 858 | 856 |
| Total gross profit | 1,729 | 1,740 | 1,922 | 1,902 | 1,975 | 2,276 | 2,552 | 2,589 |
| *Product gross margin* | *76.7 %* | *78.4 %* | *76.8 %* | *80.2 %* | *78.2 %* | *78.8 %* | *78.9 %* | *72.3 %* |
| *Subscription and support gross margin* | *76.6 %* | *75.4 %* | *75.5 %* | *76.2 %* | *75.6 %* | *75.1 %* | *73.7 %* | *75.8 %* |
| *Total gross margin* | *76.6 %* | *76.0 %* | *75.8 %* | *76.9 %* | *76.1 %* | *75.8 %* | *74.8 %* | *75.2 %* |
| Operating expenses: | | | | | | | | |
| Research and development | 356 | 353 | 359 | 370 | 390 | 512 | 550 | 530 |
| Sales and marketing | 649 | 679 | 709 | 699 | 708 | 842 | 886 | 886 |
| General and administrative | 83 | 81 | 86 | 87 | 92 | 108 | 105 | 114 |
| Total operating expenses | 1,088 | 1,113 | 1,154 | 1,156 | 1,190 | 1,462 | 1,541 | 1,530 |
| Operating income | 641 | 627 | 768 | 746 | 785 | 814 | 1,011 | 1,059 |
| Other income, net | 85 | 92 | 95 | 103 | 152 | 65 | 83 | 70 |
| Income before income taxes | 726 | 719 | 863 | 849 | 937 | 879 | 1,094 | 1,129 |
| Provision for income taxes | 160 | 158 | 190 | 187 | 205 | 195 | 241 | 248 |
| Net income | $ 566 | $ 561 | $ 673 | $ 662 | $ 732 | $ 684 | $ 853 | $ 881 |

**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)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| **GAAP to Non-GAAP Reconciliations** | | | | | | | | |
| GAAP product gross profit | $ 320 | $ 352 | $ 438 | $ 345 | $ 399 | $ 427 | $ 541 | $ 389 |
| Share-based compensation-related charges | 1 | 2 | 1 | 1 | 1 | 3 | 1 | 2 |
| Amortization expense of acquired intangible assets | — | — | — | — | — | 37 | 38 | 37 |
| Litigation-related charges[1] | 2 | 1 | 2 | 2 | 2 | 1 | 2 | 2 |
| Non-GAAP product gross profit | $ 323 | $ 355 | $ 441 | $ 348 | $ 402 | $ 468 | $ 582 | $ 430 |
| *Non-GAAP product gross margin* | *76.7 %* | *78.4 %* | *76.8 %* | *80.2 %* | *78.2 %* | *78.8 %* | *78.9 %* | *72.3 %* |
| GAAP subscription and support gross profit | $ 1,338 | $ 1,318 | $ 1,419 | $ 1,491 | $ 1,510 | $ 1,601 | $ 1,763 | $ 1,953 |
| Share-based compensation-related charges | 39 | 39 | 39 | 38 | 39 | 56 | 58 | 58 |
| Acquisition-related costs[2] | — | — | — | — | — | 5 | 3 | 1 |
| Amortization expense of acquired intangible assets | 29 | 28 | 23 | 25 | 24 | 146 | 146 | 147 |
| Non-GAAP subscription and support gross profit | $ 1,406 | $ 1,385 | $ 1,481 | $ 1,554 | $ 1,573 | $ 1,808 | $ 1,970 | $ 2,159 |
| *Non-GAAP subscription and support gross margin* | *76.6 %* | *75.4 %* | *75.5 %* | *76.2 %* | *75.6 %* | *75.1 %* | *73.7 %* | *75.8 %* |
| GAAP total gross profit | $ 1,658 | $ 1,670 | $ 1,857 | $ 1,836 | $ 1,909 | $ 2,028 | $ 2,304 | $ 2,342 |
| Share-based compensation-related charges | 40 | 41 | 40 | 39 | 40 | 59 | 59 | 60 |
| Acquisition-related costs[2] | — | — | — | — | — | 5 | 3 | 1 |
| Amortization expense of acquired intangible assets | 29 | 28 | 23 | 25 | 24 | 183 | 184 | 184 |
| Litigation-related charges[1] | 2 | 1 | 2 | 2 | 2 | 1 | 2 | 2 |
| Non-GAAP total gross profit | $ 1,729 | $ 1,740 | $ 1,922 | $ 1,902 | $ 1,975 | $ 2,276 | $ 2,552 | $ 2,589 |
| *Non-GAAP gross margin* | *76.6 %* | *76.0 %* | *75.8 %* | *76.9 %* | *76.1 %* | *75.8 %* | *74.8 %* | *75.2 %* |
| GAAP research and development expense | $ 505 | $ 494 | $ 504 | $ 528 | $ 511 | $ 734 | $ 779 | $ 798 |
| Share-based compensation-related charges | 149 | 141 | 145 | 158 | 121 | 216 | 219 | 255 |
| Acquisition-related costs[2] | — | — | — | — | — | 6 | 10 | 13 |
| Non-GAAP research and development expense | $ 356 | $ 353 | $ 359 | $ 370 | $ 390 | $ 512 | $ 550 | $ 530 |
| *Non-GAAP research and development expense as a percentage of revenue* | *15.8 %* | *15.4 %* | *14.1 %* | *15.0 %* | *15.0 %* | *17.1 %* | *16.1 %* | *15.4 %* |
| GAAP sales and marketing expense | $ 758 | $ 793 | $ 829 | $ 820 | $ 823 | $ 1,161 | $ 1,127 | $ 1,167 |
| Share-based compensation-related charges | 95 | 99 | 106 | 107 | 101 | 148 | 133 | 179 |
| Acquisition-related costs[2] | — | — | — | — | — | 74 | 11 | 4 |
| Amortization expense of acquired intangible assets | 14 | 15 | 14 | 14 | 14 | 97 | 97 | 98 |
| Non-GAAP sales and marketing expense | $ 649 | $ 679 | $ 709 | $ 699 | $ 708 | $ 842 | $ 886 | $ 886 |
| *Non-GAAP sales and marketing expense as a percentage of revenue* | *28.7 %* | *29.7 %* | *28.0 %* | *28.2 %* | *27.3 %* | *28.0 %* | *26.0 %* | *25.8 %* |
| GAAP general and administrative expense | $ 154 | $ 164 | $ 27 | $ 179 | $ 178 | $ 316 | $ 226 | $ 281 |
| Share-based compensation-related charges | 60 | 74 | 81 | 83 | 59 | 94 | 76 | 128 |
| Acquisition-related costs[2] | 10 | 7 | (142) | 5 | 24 | 113 | 44 | 37 |
| Litigation-related charges[1] | 1 | 2 | 2 | 4 | 3 | 1 | 1 | 2 |
| Non-GAAP general and administrative expense | $ 83 | $ 81 | $ 86 | $ 87 | $ 92 | $ 108 | $ 105 | $ 114 |
| *Non-GAAP general and administrative expense as a percentage of revenue* | *3.7 %* | *3.5 %* | *3.4 %* | *3.5 %* | *3.5 %* | *3.6 %* | *3.1 %* | *3.3 %* |

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges. Also includes litigation settlement charge 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 Q1'27, also includes integration costs related to the 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)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| GAAP total operating expense | $ 1,417 | $ 1,451 | $ 1,360 | $ 1,527 | $ 1,512 | $ 2,211 | $ 2,132 | $ 2,246 |
| Share-based compensation-related charges | 304 | 314 | 332 | 348 | 281 | 458 | 428 | 562 |
| Acquisition-related costs[1] | 10 | 7 | (142) | 5 | 24 | 193 | 65 | 54 |
| Amortization expense of acquired intangible assets | 14 | 15 | 14 | 14 | 14 | 97 | 97 | 98 |
| Litigation-related charges[2] | 1 | 2 | 2 | 4 | 3 | 1 | 1 | 2 |
| Non-GAAP total operating expense | $ 1,088 | $ 1,113 | $ 1,154 | $ 1,156 | $ 1,190 | $ 1,462 | $ 1,541 | $ 1,530 |
| *Non-GAAP total operating expense as a percentage of revenue* | *48.2 %* | *48.6 %* | *45.5 %* | *46.7 %* | *45.8 %* | *48.7 %* | *45.2 %* | *44.5 %* |
| GAAP operating income (loss) | $ 241 | $ 219 | $ 497 | $ 309 | $ 397 | $ (183) | $ 172 | $ 96 |
| Share-based compensation-related charges | 344 | 355 | 372 | 387 | 321 | 517 | 487 | 622 |
| Acquisition-related costs[1] | 10 | 7 | (142) | 5 | 24 | 198 | 68 | 55 |
| Amortization expense of acquired intangible assets | 43 | 43 | 37 | 39 | 38 | 280 | 281 | 282 |
| Litigation-related charges[2] | 3 | 3 | 4 | 6 | 5 | 2 | 3 | 4 |
| Non-GAAP operating income | $ 641 | $ 627 | $ 768 | $ 746 | $ 785 | $ 814 | $ 1,011 | $ 1,059 |
| *Non-GAAP operating margin* | *28.4 %* | *27.4 %* | *30.3 %* | *30.2 %* | *30.3 %* | *27.1 %* | *29.6 %* | *30.7 %* |
| GAAP other income (expense), net | $ 84 | $ 92 | $ 95 | $ 103 | $ 152 | $ 27 | $ (441) | $ (71) |
| Change in fair value of convertible senior notes and capped calls[3] | 1 | — | — | — | — | 38 | 524 | 141 |
| Non-GAAP other income, net | $ 85 | $ 92 | $ 95 | $ 103 | $ 152 | $ 65 | $ 83 | $ 70 |
| *Non-GAAP other income (expense), net as a percentage of revenue* | *3.8 %* | *4.0 %* | *3.7 %* | *4.2 %* | *5.9 %* | *2.2 %* | *2.5 %* | *2.1 %* |
| GAAP income (loss) before income taxes | $ 325 | $ 311 | $ 592 | $ 412 | $ 549 | $ (156) | $ (269) | $ 25 |
| Share-based compensation-related charges | 344 | 355 | 372 | 387 | 321 | 517 | 487 | 622 |
| Acquisition-related costs[1] | 10 | 7 | (142) | 5 | 24 | 198 | 68 | 55 |
| Amortization expense of acquired intangible assets | 43 | 43 | 37 | 39 | 38 | 280 | 281 | 282 |
| Litigation-related charges[2] | 3 | 3 | 4 | 6 | 5 | 2 | 3 | 4 |
| Change in fair value of convertible senior notes and capped calls[3] | 1 | — | — | — | — | 38 | 524 | 141 |
| Non-GAAP income before income taxes | $ 726 | $ 719 | $ 863 | $ 849 | $ 937 | $ 879 | $ 1,094 | $ 1,129 |
| GAAP provision for (benefit from) income taxes | $ 58 | $ 49 | $ 338 | $ 78 | $ 117 | $ 21 | $ 13 | $ (457) |
| Income tax and other tax adjustments[4] | 102 | 109 | (148) | 109 | 88 | 174 | 228 | 705 |
| Non-GAAP provision for income taxes | $ 160 | $ 158 | $ 190 | $ 187 | $ 205 | $ 195 | $ 241 | $ 248 |
| *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 Q1'27, also includes integration costs related to the acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges. Also includes litigation settlement charge 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. In Q1'27, it includes a one-time tax adjustment relating to a change in our tax position on a historical transaction during the transition period of the Tax Cuts and Jobs Act.

**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)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| GAAP net income (loss) | $ 267 | $ 262 | $ 254 | $ 334 | $ 432 | $ (177) | $ (282) | $ 482 |
| Share-based compensation-related charges | 344 | 355 | 372 | 387 | 321 | 517 | 487 | 622 |
| Acquisition-related costs[1] | 10 | 7 | (142) | 5 | 24 | 198 | 68 | 55 |
| Amortization expense of acquired intangible assets | 43 | 43 | 37 | 39 | 38 | 280 | 281 | 282 |
| Litigation-related charges[2] | 3 | 3 | 4 | 6 | 5 | 2 | 3 | 4 |
| Change in fair value of convertible senior notes and capped calls[3] | 1 | — | — | — | — | 38 | 524 | 141 |
| Income tax and other tax adjustments[4] | (102) | (109) | 148 | (109) | (88) | (174) | (228) | (705) |
| Non-GAAP net income | $ 566 | $ 561 | $ 673 | $ 662 | $ 732 | $ 684 | $ 853 | $ 881 |
| | | | | | | | | |
| GAAP net income (loss) per share, diluted | $ 0.38 | $ 0.37 | $ 0.36 | $ 0.47 | $ 0.61 | $ (0.22) | $ (0.35) | $ 0.57 |
| Share-based compensation-related charges | 0.50 | 0.52 | 0.53 | 0.53 | 0.45 | 0.64 | 0.59 | 0.74 |
| Acquisition-related costs[1] | 0.01 | 0.01 | (0.20) | 0.01 | 0.03 | 0.25 | 0.08 | 0.07 |
| Amortization expense of acquired intangible assets | 0.06 | 0.06 | 0.05 | 0.06 | 0.05 | 0.35 | 0.34 | 0.34 |
| Litigation-related charges[2] | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.00 | 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 | 0.05 | 0.64 | 0.17 |
| Income tax and other tax adjustments[4] | (0.14) | (0.16) | 0.21 | (0.15) | (0.12) | (0.22) | (0.28) | (0.84) |
| Non-GAAP net income per share, diluted | $ 0.81 | $ 0.80 | $ 0.95 | $ 0.93 | $ 1.03 | $ 0.85 | $ 1.02 | $ 1.05 |
| | | | | | | | | |
| GAAP weighted-average shares used to compute net income (loss) per share, diluted | 709 | 707 | 709 | 709 | 711 | 801 | 817 | 838 |
| Weighted-average dilutive effect of potentially dilutive securities[5] | — | — | — | — | — | 6 | 16 | — |
| Weighted-average anti-dilutive impact of note hedge agreements and capped call transactions | (9) | (6) | (2) | — | — | — | (1) | (1) |
| Non-GAAP weighted-average shares used to compute net income per share, diluted | 700 | 701 | 707 | 709 | 711 | 807 | 832 | 837 |

(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 Q1'27, also includes integration costs related to the acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges. Also includes litigation settlement charge 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. In Q1'27, it includes a one-time tax adjustment relating to a change in our tax position on a historical transaction during the transition period of the Tax Cuts and Jobs Act.

(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)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| Net cash provided by operating activities | $ 557 | $ 628 | $ 1,021 | $ 1,771 | $ 554 | $ 871 | $ 1,357 | $ 1,929 |
| Less: purchases of property, equipment, and other assets | 48 | 68 | 87 | 84 | 170 | 83 | 103 | 87 |
| Free cash flow (non-GAAP) | $ 509 | $ 560 | $ 934 | $ 1,687 | $ 384 | $ 788 | $ 1,254 | $ 1,842 |
| 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 | 95 |
| Add: litigation-related payment[4] | — | — | — | — | 4 | — | — | — |
| Adjusted free cash flow (non-GAAP) | $ 509 | $ 578 | $ 954 | $ 1,713 | $ 502 | $ 910 | $ 1,289 | $ 1,937 |
| Net cash provided by (used in) investing activities | $ (381) | $ (517) | $ (763) | $ (983) | $ 651 | $ (1,766) | $ (1,006) | $ (1,900) |
| Net cash provided by (used in) financing activities | $ (232) | $ 47 | $ (374) | $ 8 | $ (114) | $ (899) | $ (197) | $ 50 |
| *Free cash flow margin (non-GAAP)* | *22.6 %* | *24.5 %* | *36.8 %* | *68.2 %* | *14.8 %* | *26.2 %* | *36.8 %* | *53.5 %* |
| *Adjusted free cash flow margin (non-GAAP)* | *22.6 %* | *25.3 %* | *37.6 %* | *69.2 %* | *19.4 %* | *30.3 %* | *37.8 %* | *56.2 %* |

**Disaggregation of Revenue by Type**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | |
| Product | $ 421 | $ 453 | $ 574 | $ 434 | $ 514 | $ 594 | $ 738 | $ 595 |
| Subscription and support | | | | | | | | |
| Subscription | 1,233 | 1,234 | 1,315 | 1,364 | 1,404 | 1,632 | 1,839 | 1,987 |
| Support | 603 | 602 | 647 | 676 | 676 | 776 | 833 | 863 |
| Total subscription and support | 1,836 | 1,836 | 1,962 | 2,040 | 2,080 | 2,408 | 2,672 | 2,850 |
| Total revenue | $ 2,257 | $ 2,289 | $ 2,536 | $ 2,474 | $ 2,594 | $ 3,002 | $ 3,410 | $ 3,445 |

(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.**
**Segment Information - Fiscal Quarters**
**(In millions)**

| | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Network & AI Security | $ 1,904 | $ 2,025 | $ 2,094 | $ 2,331 | $ 2,282 |
| Cortex | 422 | 431 | 481 | 586 | 647 |
| Idira | — | — | 278 | 336 | 353 |
| Corporate & Other[(1)] | 148 | 138 | 149 | 157 | 163 |
| Total revenue | $ 2,474 | $ 2,594 | $ 3,002 | $ 3,410 | $ 3,445 |

(1) Consists primarily of professional services and financing income.

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

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| Next-Generation Security Annualized Recurring Revenue[(1)] | $ 4.78 | $ 5.09 | $ 5.58 | $ 5.85 | $ 6.33 | $ 8.13 | $ 9.10 | $ 9.73 |
| Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase | 37 % | 34 % | 32 % | 29 % | 33 % | 60 % | 63 % | 66 % |
| Remaining performance obligations | $ 13.0 | $ 13.5 | $ 15.8 | $ 15.5 | $ 16.0 | $ 18.4 | $ 21.2 | $ 21.0 |
| Remaining performance obligations year-over-year percentage increase | 21 % | 19 % | 24 % | 24 % | 23 % | 36 % | 34 % | 35 % |

(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 Quarters**
**(In millions)**

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | $ 2,226 | $ 2,383 | $ 2,269 | $ 3,066 | $ 4,158 | $ 2,364 | $ 2,514 | $ 2,594 |
| Short-term investments | 1,007 | 917 | 635 | 1,144 | 378 | 747 | 557 | 461 |
| Accounts receivable, net | 1,496 | 1,950 | 2,965 | 1,343 | 2,116 | 2,852 | 3,629 | 2,045 |
| Short-term financing receivables, net | 755 | 737 | 715 | 737 | 672 | 591 | 592 | 606 |
| Short-term deferred contract costs | 376 | 387 | 419 | 415 | 424 | 454 | 544 | 544 |
| Prepaid expenses and other current assets | 480 | 525 | 520 | 605 | 621 | 705 | 807 | 1,200 |
| Total current assets | 6,340 | 6,899 | 7,523 | 7,310 | 8,369 | 7,713 | 8,643 | 7,450 |
| Property and equipment, net | 358 | 367 | 387 | 394 | 485 | 506 | 523 | 602 |
| Operating lease right-of-use assets | 373 | 357 | 347 | 353 | 368 | 678 | 700 | 688 |
| Long-term investments | 4,560 | 5,153 | 5,555 | 5,982 | 3,362 | 3,881 | 4,835 | 6,080 |
| Long-term financing receivables, net | 1,164 | 1,069 | 1,002 | 855 | 870 | 779 | 944 | 791 |
| Long-term deferred contract costs | 523 | 528 | 586 | 546 | 526 | 551 | 667 | 617 |
| Goodwill | 4,051 | 4,051 | 4,567 | 4,567 | 6,931 | 21,902 | 22,010 | 22,559 |
| Intangible assets, net | 771 | 730 | 763 | 723 | 1,249 | 7,283 | 7,017 | 6,869 |
| Deferred tax assets | 2,447 | 2,452 | 2,424 | 2,416 | 2,392 | 2,380 | 2,443 | 2,728 |
| Other assets | 365 | 397 | 422 | 390 | 427 | 593 | 678 | 726 |
| Total assets | $ 20,952 | $ 22,003 | $ 23,576 | $ 23,536 | $ 24,979 | $ 46,266 | $ 48,460 | $ 49,110 |
| **Liabilities and stockholders' equity** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | $ 149 | $ 235 | $ 232 | $ 223 | $ 262 | $ 293 | $ 290 | $ 306 |
| Accrued compensation | 492 | 506 | 608 | 398 | 562 | 680 | 1,048 | 590 |
| Accrued and other liabilities | 777 | 825 | 846 | 665 | 937 | 760 | 838 | 800 |
| Deferred revenue | 5,600 | 5,757 | 6,302 | 6,132 | 6,248 | 7,113 | 7,747 | 7,730 |
| Short-term convertible senior notes | 534 | 383 | — | — | — | 160 | — | 1,930 |
| Total current liabilities | 7,552 | 7,706 | 7,988 | 7,418 | 8,009 | 9,006 | 9,923 | 11,356 |
| Long-term convertible senior notes | — | — | — | — | — | 1,192 | 1,774 | — |
| Long-term deferred revenue | 5,663 | 5,817 | 6,450 | 6,098 | 6,181 | 6,492 | 7,009 | 6,859 |
| Deferred tax liabilities | 116 | 26 | 89 | 96 | 75 | 259 | 251 | 219 |
| Long-term operating lease liabilities | 363 | 346 | 338 | 346 | 372 | 719 | 726 | 711 |
| Other long-term liabilities | 883 | 878 | 887 | 913 | 949 | 930 | 1,285 | 1,300 |
| Total liabilities | 14,577 | 14,773 | 15,752 | 14,871 | 15,586 | 18,598 | 20,968 | 20,445 |
| Stockholders' equity: | | | | | | | | |
| Preferred stock | — | — | — | — | — | — | — | — |
| Common stock and additional paid-in capital | 4,421 | 4,952 | 5,292 | 5,780 | 6,097 | 24,608 | 24,772 | 25,505 |
| Accumulated other comprehensive income (loss) | (14) | 48 | 48 | 67 | 46 | (13) | (71) | (113) |
| Retained earnings | 1,968 | 2,230 | 2,484 | 2,818 | 3,250 | 3,073 | 2,791 | 3,273 |
| Total stockholders' equity | 6,375 | 7,230 | 7,824 | 8,665 | 9,393 | 27,668 | 27,492 | 28,665 |
| Total liabilities and stockholders' equity | $ 20,952 | $ 22,003 | $ 23,576 | $ 23,536 | $ 24,979 | $ 46,266 | $ 48,460 | $ 49,110 |

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

| | Q225 | Q325 | Q425 | Q126 | Q226 | Q326 | Q426 | Q127 |
|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | | |
| Net income (loss) | $ 267 | $ 262 | $ 254 | $ 334 | $ 432 | $ (177) | $ (282) | $ 482 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | | | |
| Share-based compensation for equity-based awards | 320 | 326 | 354 | 370 | 301 | 643 | 460 | 596 |
| Deferred income taxes | (180) | (125) | 92 | 9 | 5 | 24 | (57) | (306) |
| Depreciation and amortization | 87 | 88 | 84 | 89 | 91 | 334 | 341 | 347 |
| Amortization of deferred contract costs | 115 | 119 | 137 | 126 | 135 | 149 | 180 | 185 |
| Amortization of debt issuance costs | 1 | — | — | — | — | — | — | — |
| Change in fair value of convertible senior notes and capped calls | — | — | — | — | — | 38 | 524 | 141 |
| Change in fair value of contingent consideration liability | 10 | 4 | (155) | (13) | 3 | (110) | 3 | 2 |
| Reduction of operating lease right-of-use assets | 16 | 16 | 17 | 18 | 17 | 19 | 21 | 22 |
| Amortization of investment premiums, net of accretion of purchase discounts | (11) | (9) | (6) | (7) | (45) | (1) | (1) | — |
| Unrealized foreign currency exchange (gains) losses, net | — | — | — | — | — | 9 | (8) | (9) |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | | | | | | |
| Accounts receivable, net | (363) | (454) | (1,014) | 1,622 | (758) | (423) | (776) | 1,586 |
| Financing receivables, net | (22) | 113 | 89 | 125 | 50 | 172 | (166) | 139 |
| Deferred contract costs | (114) | (135) | (227) | (82) | (124) | (204) | (385) | (135) |
| Prepaid expenses and other assets | 93 | (21) | 20 | (33) | (12) | (2) | (92) | (470) |
| Accounts payable | (64) | 86 | (12) | (2) | 42 | 10 | (7) | 16 |
| Accrued compensation | 138 | 14 | 100 | (210) | 163 | 5 | 369 | (455) |
| Accrued and other liabilities | 95 | 33 | 113 | (53) | 76 | (12) | 84 | (39) |
| Deferred revenue | 169 | 311 | 1,175 | (522) | 178 | 397 | 1,149 | (173) |
| Net cash provided by operating activities | 557 | 628 | 1,021 | 1,771 | 554 | 871 | 1,357 | 1,929 |
| **Cash flows from investing activities** | | | | | | | | |
| Purchases of investments | (1,072) | (1,089) | (875) | (1,401) | (524) | (496) | (1,273) | (1,537) |
| Proceeds from sales of investments | 354 | 185 | 367 | 30 | 2,786 | 583 | 90 | 69 |
| Proceeds from maturities of investments | 384 | 455 | 387 | 474 | 1,135 | 215 | 380 | 279 |
| Business acquisitions, net of cash and restricted cash acquired | 1 | — | (555) | (2) | (2,576) | (1,985) | (100) | (624) |
| Purchases of property, equipment, and other assets | (48) | (68) | (87) | (84) | (170) | (83) | (103) | (87) |
| Net cash provided by (used in) investing activities | (381) | (517) | (763) | (983) | 651 | (1,766) | (1,006) | (1,900) |
| **Cash flows from financing activities** | | | | | | | | |
| Repayments and settlement of conversions of convertible senior notes | (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 | 37 | 203 | 10 | 130 | 8 | 126 | 1 | 117 |
| Payments for taxes related to net share settlement of equity awards | (156) | (5) | (1) | (1) | (108) | (16) | (1) | (3) |
| Payments of contingent consideration liability | — | — | — | (121) | (14) | (19) | (37) | (64) |
| Net cash provided by (used in) financing activities | (232) | 47 | (374) | 8 | (114) | (899) | (197) | 50 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | — | — | — | — | — | 2 | (5) | 1 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | (56) | 158 | (116) | 796 | 1,091 | (1,792) | 149 | 80 |
| Cash, cash equivalents, and restricted cash - beginning of period | 2,293 | 2,237 | 2,395 | 2,279 | 3,075 | 4,166 | 2,374 | 2,523 |
| Cash, cash equivalents, and restricted cash - end of period | $ 2,237 | $ 2,395 | $ 2,279 | $ 3,075 | $ 4,166 | $ 2,374 | $ 2,523 | $ 2,603 |
| **Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets** | | | | | | | | |
| Cash and cash equivalents | $ 2,226 | $ 2,383 | $ 2,269 | $ 3,066 | $ 4,158 | $ 2,364 | $ 2,514 | $ 2,594 |
| Restricted cash included in prepaid expenses and other current assets | 11 | 12 | 10 | 9 | 4 | 6 | 5 | 5 |
| Restricted cash included in other assets | — | — | — | — | 4 | 4 | 4 | 4 |
| Total cash, cash equivalents, and restricted cash | $ 2,237 | $ 2,395 | $ 2,279 | $ 3,075 | $ 4,166 | $ 2,374 | $ 2,523 | $ 2,603 |