

## **Non-GAAP Financial Measures and Other Key Metrics**

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

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

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

	FY20	FY21	FY22
Revenue:			
Product	\$ 1,064.2	\$ 1,120.3	\$ 1,363.1
Subscription and support	2,344.2	3,135.8	4,138.4
Total revenue	<u>3,408.4</u>	<u>4,256.1</u>	<u>5,501.5</u>
Cost of revenue:			
Product	294.4	308.5	455.5
Subscription and support	705.1	966.4	1,263.2
Total cost of revenue	<u>999.5</u>	<u>1,274.9</u>	<u>1,718.7</u>
Total gross profit	2,408.9	2,981.2	3,782.8
<i>Product gross margin</i>	72.3 %	72.5 %	66.6 %
<i>Subscription and support gross margin</i>	69.9 %	69.2 %	69.5 %
<i>Total gross margin</i>	70.7 %	70.0 %	68.8 %
Operating expenses:			
Research and development	768.1	1,140.4	1,417.7
Sales and marketing	1,520.2	1,753.8	2,148.9
General and administrative	299.6	391.1	405.0
Total operating expenses	<u>2,587.9</u>	<u>3,285.3</u>	<u>3,971.6</u>
Operating loss	(179.0)	(304.1)	(188.8)
Interest expense	(88.7)	(163.3)	(27.4)
Other income, net	35.9	2.4	9.0
Loss before income taxes	<u>(231.8)</u>	<u>(465.0)</u>	<u>(207.2)</u>
Provision for income taxes	35.2	33.9	59.8
Net loss	<u>\$ (267.0)</u>	<u>\$ (498.9)</u>	<u>\$ (267.0)</u>

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

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
Revenue:								
Product	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1
Subscription and support	708.7	762.2	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4
Total revenue	946.0	1,016.9	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5
Cost of revenue:								
Product	62.2	75.6	81.9	88.8	88.9	97.8	126.0	142.8
Subscription and support	215.6	232.0	248.7	270.1	291.7	307.5	314.5	349.5
Total cost of revenue	277.8	307.6	330.6	358.9	380.6	405.3	440.5	492.3
Total gross profit	668.2	709.3	743.3	860.4	866.8	911.6	946.2	1,058.2
<i>Product gross margin</i>	73.8 %	70.3 %	71.7 %	73.8 %	69.9 %	68.2 %	64.2 %	65.0 %
<i>Subscription and support gross margin</i>	69.6 %	69.6 %	68.3 %	69.3 %	69.4 %	69.5 %	69.6 %	69.4 %
<i>Total gross margin</i>	70.6 %	69.8 %	69.2 %	70.6 %	69.5 %	69.2 %	68.2 %	68.2 %
Operating expenses:								
Research and development	237.4	266.7	311.0	325.3	339.5	359.0	355.4	363.8
Sales and marketing	388.6	427.4	448.0	489.8	505.9	528.8	543.6	570.6
General and administrative	86.7	104.0	94.7	105.7	104.1	97.7	94.8	108.4
Total operating expenses	712.7	798.1	853.7	920.8	949.5	985.5	993.8	1,042.8
Operating income (loss)	(44.5)	(88.8)	(110.4)	(60.4)	(82.7)	(73.9)	(47.6)	15.4
Interest expense	(40.2)	(40.7)	(41.0)	(41.4)	(6.9)	(6.8)	(6.8)	(6.9)
Other income (expense), net	2.4	(0.5)	1.0	(0.5)	(1.6)	(0.1)	1.9	8.8
Income (loss) before income taxes	(82.3)	(130.0)	(150.4)	(102.3)	(91.2)	(80.8)	(52.5)	17.3
Provision for (benefit from) income taxes	9.9	12.3	(5.3)	17.0	12.4	12.7	20.7	14.0
Net income (loss)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3

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

	FY20	FY21	FY22
Revenue:			
Product	\$ 1,064.2	\$ 1,120.3	\$ 1,363.1
Subscription and support	2,344.2	3,135.8	4,138.4
Total revenue	3,408.4	4,256.1	5,501.5
Cost of revenue:			
Product	284.8	294.8	441.2
Subscription and support	548.5	759.9	1,011.3
Total cost of revenue	833.3	1,054.7	1,452.5
Total gross profit	2,575.1	3,201.4	4,049.0
<i>Product gross margin</i>	73.2 %	73.7 %	67.6 %
<i>Subscription and support gross margin</i>	76.6 %	75.8 %	75.6 %
<i>Total gross margin</i>	75.6 %	75.2 %	73.6 %
Operating expenses:			
Research and development	487.9	701.2	926.3
Sales and marketing	1,290.0	1,452.1	1,805.9
General and administrative	198.1	245.8	274.0
Total operating expenses	1,976.0	2,399.1	3,006.2
Operating income	599.1	802.3	1,042.8
Interest expense	(14.8)	(20.4)	(20.2)
Other income, net	37.0	4.8	6.3
Income before income taxes	621.3	786.7	1,028.9
Provision for income taxes	136.7	173.0	226.4
Net income	\$ 484.6	\$ 613.7	\$ 802.5

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

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
Revenue:								
Product	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1
Subscription and support	708.7	762.2	785.0	879.9	951.9	1,008.9	1,035.2	1,142.4
Total revenue	946.0	1,016.9	1,073.9	1,219.3	1,247.4	1,316.9	1,386.7	1,550.5
Cost of revenue:								
Product	58.9	72.1	78.4	85.4	85.4	94.2	122.3	139.3
Subscription and support	170.3	179.5	194.0	216.1	234.0	247.7	254.1	275.5
Total cost of revenue	229.2	251.6	272.4	301.5	319.4	341.9	376.4	414.8
Total gross profit	716.8	765.3	801.5	917.8	928.0	975.0	1,010.3	1,135.7
<i>Product gross margin</i>	75.2 %	71.7 %	72.9 %	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %
<i>Subscription and support gross margin</i>	76.0 %	76.4 %	75.3 %	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %
<i>Total gross margin</i>	75.8 %	75.3 %	74.6 %	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %
Operating expenses:								
Research and development	141.1	159.5	189.0	211.6	211.2	228.7	236.4	250.0
Sales and marketing	318.9	348.3	368.8	416.1	423.9	438.8	456.8	486.4
General and administrative	51.4	55.7	61.4	77.3	68.9	64.8	64.2	76.1
Total operating expenses	511.4	563.5	619.2	705.0	704.0	732.3	757.4	812.5
Operating income	205.4	201.8	182.3	212.8	224.0	242.7	252.9	323.2
Interest expense	(5.1)	(5.2)	(5.1)	(5.0)	(5.1)	(5.0)	(5.0)	(5.1)
Other income (expense), net	2.3	1.2	1.6	(0.3)	(0.5)	(0.6)	(0.4)	7.8
Income before income taxes	202.6	197.8	178.8	207.5	218.4	237.1	247.5	325.9
Provision for income taxes	44.5	43.6	39.3	45.6	48.1	52.1	54.4	71.8
Net income	\$ 158.1	\$ 154.2	\$ 139.5	\$ 161.9	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	FY20	FY21	FY22
<b>GAAP to Non-GAAP Reconciliations</b>			
GAAP product gross profit	\$ 769.8	\$ 811.8	\$ 907.6
Share-based compensation-related charges	6.0	6.6	7.2
Litigation-related charges <sup>(1)</sup>	3.6	7.1	7.1
Non-GAAP product gross profit	<u>\$ 779.4</u>	<u>\$ 825.5</u>	<u>\$ 921.9</u>
Non-GAAP product gross margin	<u>73.2 %</u>	<u>73.7 %</u>	<u>67.6 %</u>
GAAP subscription and support gross profit	\$ 1,639.1	\$ 2,169.4	\$ 2,875.2
Share-based compensation-related charges	87.9	109.1	133.8
Amortization expense of acquired intangible assets	68.7	97.4	104.1
Restructuring and other costs <sup>(2)</sup>	—	—	14.0
Non-GAAP subscription and support gross profit	<u>\$ 1,795.7</u>	<u>\$ 2,375.9</u>	<u>\$ 3,127.1</u>
Non-GAAP subscription and support gross margin	<u>76.6 %</u>	<u>75.8 %</u>	<u>75.6 %</u>
GAAP total gross profit	\$ 2,408.9	\$ 2,981.2	\$ 3,782.8
Share-based compensation-related charges	93.9	115.7	141.0
Amortization expense of acquired intangible assets	68.7	97.4	104.1
Litigation-related charges <sup>(1)</sup>	3.6	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	—	—	14.0
Non-GAAP total gross profit	<u>\$ 2,575.1</u>	<u>\$ 3,201.4</u>	<u>\$ 4,049.0</u>
Non-GAAP gross margin	<u>75.6 %</u>	<u>75.2 %</u>	<u>73.6 %</u>
GAAP research and development expense	\$ 768.1	\$ 1,140.4	\$ 1,417.7
Share-based compensation-related charges	280.2	439.2	489.1
Restructuring and other costs <sup>(2)</sup>	—	—	2.3
Non-GAAP research and development expense	<u>\$ 487.9</u>	<u>\$ 701.2</u>	<u>\$ 926.3</u>
Non-GAAP research and development expense as a percentage of revenue	<u>14.3 %</u>	<u>16.5 %</u>	<u>16.8 %</u>
GAAP sales and marketing expense	\$ 1,520.2	\$ 1,753.8	\$ 2,148.9
Share-based compensation-related charges	222.5	282.4	321.3
Amortization expense of acquired intangible assets	7.7	19.3	21.7
Non-GAAP sales and marketing expense	<u>\$ 1,290.0</u>	<u>\$ 1,452.1</u>	<u>\$ 1,805.9</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>37.9 %</u>	<u>34.0 %</u>	<u>32.8 %</u>
GAAP general and administrative expense	\$ 299.6	\$ 391.1	\$ 405.0
Share-based compensation-related charges	88.9	99.2	120.6
Acquisition-related costs <sup>(3)</sup>	15.7	46.1	5.5
Restructuring and other costs <sup>(2)</sup>	(3.1)	—	4.9
Non-GAAP general and administrative expense	<u>\$ 198.1</u>	<u>\$ 245.8</u>	<u>\$ 274.0</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>5.8 %</u>	<u>5.8 %</u>	<u>5.0 %</u>

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

(2) Consists of manufacturing related charges, (gain) loss on the closure of certain office facilities, and other costs.

(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 and Calculation of Other Key Metrics - Fiscal Years (Continued)**

(In millions, except percentages and per share amounts)

	FY20	FY21	FY22
GAAP total operating expense	\$2,587.9	\$3,285.3	\$3,971.6
Share-based compensation-related charges	591.6	820.8	931.0
Acquisition-related costs <sup>(1)</sup>	15.7	46.1	5.5
Amortization expense of acquired intangible assets	7.7	19.3	21.7
Restructuring and other costs <sup>(2)</sup>	(3.1)	—	7.2
Non-GAAP total operating expense	<u>\$1,976.0</u>	<u>\$2,399.1</u>	<u>\$3,006.2</u>
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<u>58.0 %</u>	<u>56.3 %</u>	<u>54.6 %</u>
GAAP operating loss	\$ (179.0)	\$ (304.1)	\$ (188.8)
Share-based compensation-related charges	685.5	936.5	1,072.0
Acquisition-related costs <sup>(1)</sup>	15.7	46.1	5.5
Amortization expense of acquired intangible assets	76.4	116.7	125.8
Litigation-related charges <sup>(3)</sup>	3.6	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	(3.1)	—	21.2
Non-GAAP operating income	<u>\$ 599.1</u>	<u>\$ 802.3</u>	<u>\$1,042.8</u>
<i>Non-GAAP operating margin</i>	<u>17.6 %</u>	<u>18.9 %</u>	<u>19.0 %</u>
GAAP interest expense	\$ (88.7)	\$ (163.3)	\$ (27.4)
Non-cash charges related to convertible notes <sup>(4)</sup>	73.9	142.9	7.2
Non-GAAP interest expense	<u>\$ (14.8)</u>	<u>\$ (20.4)</u>	<u>\$ (20.2)</u>
<i>Non-GAAP interest expense as a percentage of revenue</i>	<u>(0.4)%</u>	<u>(0.5)%</u>	<u>(0.4)%</u>
GAAP other income, net	\$ 35.9	\$ 2.4	\$ 9.0
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	2.4	(2.7)
Non-GAAP other income, net	<u>\$ 37.0</u>	<u>\$ 4.8</u>	<u>\$ 6.3</u>
<i>Non-GAAP other income, net as a percentage of revenue</i>	<u>1.1 %</u>	<u>0.1 %</u>	<u>0.1 %</u>
GAAP loss before income taxes	\$ (231.8)	\$ (465.0)	\$ (207.2)
Share-based compensation-related charges	685.5	936.5	1,072.0
Acquisition-related costs <sup>(1)</sup>	15.7	46.1	5.5
Amortization expense of acquired intangible assets	76.4	116.7	125.8
Litigation-related charges <sup>(3)</sup>	3.6	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	(3.1)	—	21.2
Non-cash charges related to convertible notes <sup>(4)</sup>	73.9	142.9	7.2
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	2.4	(2.7)
Non-GAAP income before income taxes	<u>\$ 621.3</u>	<u>\$ 786.7</u>	<u>\$1,028.9</u>

(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 manufacturing related charges, (gain) loss on the closure of certain office facilities, and other costs.

(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 Years (Continued)**

(In millions, except percentages and per share amounts)

	FY20	FY21	FY22
GAAP provision for income taxes	\$ 35.2	\$ 33.9	\$ 59.8
Income tax and other tax adjustments related to the above	101.5	139.1	166.6
Non-GAAP provision for income taxes	<u>\$ 136.7</u>	<u>\$ 173.0</u>	<u>\$ 226.4</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net loss	\$ (267.0)	\$ (498.9)	\$ (267.0)
Share-based compensation-related charges	685.5	936.5	1,072.0
Acquisition-related costs <sup>(1)</sup>	15.7	46.1	5.5
Amortization expense of acquired intangible assets	76.4	116.7	125.8
Litigation-related charges <sup>(2)</sup>	3.6	7.1	7.1
Restructuring and other costs <sup>(3)</sup>	(3.1)	—	21.2
Non-cash charges related to convertible notes <sup>(4)</sup>	73.9	142.9	7.2
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	2.4	(2.7)
Income tax and other tax adjustments related to the above	(101.5)	(139.1)	(166.6)
Non-GAAP net income	<u>\$ 484.6</u>	<u>\$ 613.7</u>	<u>\$ 802.5</u>
GAAP net loss per share, diluted	\$ (2.76)	\$ (5.18)	\$ (2.71)
Share-based compensation-related charges	6.96	9.50	10.29
Acquisition-related costs <sup>(1)</sup>	0.16	0.48	0.06
Amortization expense of acquired intangible assets	0.79	1.21	1.28
Litigation-related charges <sup>(2)</sup>	0.04	0.07	0.07
Restructuring and other costs <sup>(3)</sup>	(0.03)	—	0.22
Non-cash charges related to convertible notes <sup>(4)</sup>	0.76	1.48	0.07
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	0.02	(0.03)
Income tax and other tax adjustments related to the above	(1.05)	(1.44)	(1.69)
Non-GAAP net income per share, diluted	<u>\$ 4.88</u>	<u>\$ 6.14</u>	<u>\$ 7.56</u>
GAAP weighted-average shares used to compute net loss per share, diluted	96.9	96.4	98.5
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	2.4	3.5	7.6
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>99.3</u>	<u>99.9</u>	<u>106.1</u>

(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.

(3) Consists of manufacturing related charges, (gain) loss on the closure of certain office facilities, and other costs.

(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 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 Years (Continued)**

(In millions, except percentages and per share amounts)

	FY20	FY21	FY22
Net cash provided by operating activities	\$ 1,035.7	\$ 1,503.0	\$ 1,984.7
Less: purchases of property, equipment, and other assets	214.4	116.0	192.8
Free cash flow (non-GAAP)	\$ 821.3	\$ 1,387.0	\$ 1,791.9
Add: capital expenditures for new headquarters <sup>(1)</sup>	94.3	—	38.9
Add: repayments of convertible senior notes attributable to debt discount	—	0.1	—
Add: litigation related payment <sup>(2)</sup>	50.0	—	—
Less: cash payments related to landlord lease amendment <sup>(3)</sup>	(2.0)	—	—
Adjusted free cash flow (non-GAAP)	<u>\$ 967.6</u>	<u>\$ 1,387.1</u>	<u>\$ 1,830.8</u>
Net cash provided by (used in) investing activities	<u>\$ 288.0</u>	<u>\$ (1,480.6)</u>	<u>\$ (933.4)</u>
Net cash provided by (used in) financing activities	<u>\$ 673.0</u>	<u>\$ (1,104.0)</u>	<u>\$ (806.6)</u>
Free cash flow margin (non-GAAP)	<u>24.1 %</u>	<u>32.6 %</u>	<u>32.6 %</u>
Adjusted free cash flow margin (non-GAAP)	<u>28.4 %</u>	<u>32.6 %</u>	<u>33.3 %</u>

**Other Key Metrics - Calculation of Billings**

Total revenue	\$ 3,408.4	\$ 4,256.1	\$ 5,501.5
Add: change in total deferred revenue, net of acquired deferred revenue	893.3	1,196.1	1,970.0
Total billings	<u>\$ 4,301.7</u>	<u>\$ 5,452.2</u>	<u>\$ 7,471.5</u>
Product revenue	\$ 1,064.2	\$ 1,120.3	\$ 1,363.1
Add: change in product deferred revenue	4.2	14.6	(10.9)
Product billings	<u>\$ 1,068.4</u>	<u>\$ 1,134.9</u>	<u>\$ 1,352.2</u>
Subscription revenue	\$ 1,405.3	\$ 1,898.8	\$ 2,539.0
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	614.5	710.0	1,352.1
Subscription billings	<u>\$ 2,019.8</u>	<u>\$ 2,608.8</u>	<u>\$ 3,891.1</u>
Support revenue	\$ 938.9	\$ 1,237.0	\$ 1,599.4
Add: change in support deferred revenue, net of acquired support deferred revenue	274.6	471.5	628.8
Support billings	<u>\$ 1,213.5</u>	<u>\$ 1,708.5</u>	<u>\$ 2,228.2</u>

(1) Consists of capital expenditures for our headquarters including a land purchase of \$51.7 million in Q3'20 and \$38.9 million in Q2'22.

(2) Consists of a one-time payment in Q3'20 related to covenant not to sue.

(3) During Q1'18, we received an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for subsequent periods reflects adjustments for related rental payments made during the respective periods.

**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)

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 175.1	\$ 179.1	\$ 207.0	\$ 250.6	\$ 206.6	\$ 210.2	\$ 225.5	\$ 265.3
Share-based compensation-related charges	1.5	1.7	1.7	1.7	1.7	1.8	1.9	1.8
Litigation-related charges <sup>(1)</sup>	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Non-GAAP product gross profit	\$ 178.4	\$ 182.6	\$ 210.5	\$ 254.0	\$ 210.1	\$ 213.8	\$ 229.2	\$ 268.8
Non-GAAP product gross margin	75.2 %	71.7 %	72.9 %	74.8 %	71.1 %	69.4 %	65.2 %	65.9 %
GAAP subscription and support gross profit	\$ 493.1	\$ 530.2	\$ 536.3	\$ 609.8	\$ 660.2	\$ 701.4	\$ 720.7	\$ 792.9
Share-based compensation-related charges	25.1	28.0	28.1	27.9	31.5	33.7	34.4	34.2
Amortization expense of acquired intangible assets	20.2	24.5	26.6	26.1	26.2	26.1	26.0	25.8
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	14.0
Non-GAAP subscription and support gross profit	\$ 538.4	\$ 582.7	\$ 591.0	\$ 663.8	\$ 717.9	\$ 761.2	\$ 781.1	\$ 866.9
Non-GAAP subscription and support gross margin	76.0 %	76.4 %	75.3 %	75.4 %	75.4 %	75.4 %	75.5 %	75.9 %
GAAP total gross profit	\$ 668.2	\$ 709.3	\$ 743.3	\$ 860.4	\$ 866.8	\$ 911.6	\$ 946.2	\$1,058.2
Share-based compensation-related charges	26.6	29.7	29.8	29.6	33.2	35.5	36.3	36.0
Amortization expense of acquired intangible assets	20.2	24.5	26.6	26.1	26.2	26.1	26.0	25.8
Litigation-related charges <sup>(1)</sup>	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	14.0
Non-GAAP total gross profit	\$ 716.8	\$ 765.3	\$ 801.5	\$ 917.8	\$ 928.0	\$ 975.0	\$1,010.3	\$1,135.7
Non-GAAP gross margin	75.8 %	75.3 %	74.6 %	75.3 %	74.4 %	74.0 %	72.9 %	73.2 %
GAAP research and development expense	\$ 237.4	\$ 266.7	\$ 311.0	\$ 325.3	\$ 339.5	\$ 359.0	\$ 355.4	\$ 363.8
Share-based compensation-related charges	96.3	107.2	122.0	113.7	128.3	130.3	119.0	111.5
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	2.3
Non-GAAP research and development expense	\$ 141.1	\$ 159.5	\$ 189.0	\$ 211.6	\$ 211.2	\$ 228.7	\$ 236.4	\$ 250.0
Non-GAAP research and development expense as a percentage of revenue	14.9 %	15.7 %	17.6 %	17.4 %	16.9 %	17.4 %	17.0 %	16.1 %
GAAP sales and marketing expense	\$ 388.6	\$ 427.4	\$ 448.0	\$ 489.8	\$ 505.9	\$ 528.8	\$ 543.6	\$ 570.6
Share-based compensation-related charges	66.4	74.0	73.8	68.2	76.6	84.6	81.3	78.8
Amortization expense of acquired intangible assets	3.3	5.1	5.4	5.5	5.4	5.4	5.5	5.4
Non-GAAP sales and marketing expense	\$ 318.9	\$ 348.3	\$ 368.8	\$ 416.1	\$ 423.9	\$ 438.8	\$ 456.8	\$ 486.4
Non-GAAP sales and marketing expense as a percentage of revenue	33.8 %	34.3 %	34.3 %	34.1 %	34.0 %	33.3 %	33.1 %	31.4 %
GAAP general and administrative expense	\$ 86.7	\$ 104.0	\$ 94.7	\$ 105.7	\$ 104.1	\$ 97.7	\$ 94.8	\$ 108.4
Share-based compensation-related charges	22.2	27.7	21.6	27.7	32.1	32.9	30.6	25.0
Acquisition-related costs <sup>(3)</sup>	13.1	20.6	11.7	0.7	3.1	—	—	2.4
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	4.9
Non-GAAP general and administrative expense	\$ 51.4	\$ 55.7	\$ 61.4	\$ 77.3	\$ 68.9	\$ 64.8	\$ 64.2	\$ 76.1
Non-GAAP general and administrative expense as a percentage of revenue	5.4 %	5.5 %	5.7 %	6.3 %	5.5 %	4.9 %	4.6 %	4.9 %

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

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

(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 and Calculation of Other Key Metrics - Fiscal Quarters (Continued)**

(In millions, except percentages and per share amounts)

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
GAAP total operating expense	\$ 712.7	\$ 798.1	\$ 853.7	\$ 920.8	\$ 949.5	\$ 985.5	\$ 993.8	\$1,042.8
Share-based compensation-related charges	184.9	208.9	217.4	209.6	237.0	247.8	230.9	215.3
Acquisition-related costs <sup>(1)</sup>	13.1	20.6	11.7	0.7	3.1	—	—	2.4
Amortization expense of acquired intangible assets	3.3	5.1	5.4	5.5	5.4	5.4	5.5	5.4
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	7.2
Non-GAAP total operating expense	\$ 511.4	\$ 563.5	\$ 619.2	\$ 705.0	\$ 704.0	\$ 732.3	\$ 757.4	\$ 812.5
Non-GAAP total operating expense as a percentage of revenue	54.1 %	55.5 %	57.6 %	57.8 %	56.4 %	55.6 %	54.7 %	52.4 %
GAAP operating income (loss)	\$ (44.5)	\$ (88.8)	\$ (110.4)	\$ (60.4)	\$ (82.7)	\$ (73.9)	\$ (47.6)	\$ 15.4
Share-based compensation-related charges	211.5	238.6	247.2	239.2	270.2	283.3	267.2	251.3
Acquisition-related costs <sup>(1)</sup>	13.1	20.6	11.7	0.7	3.1	—	—	2.4
Amortization expense of acquired intangible assets	23.5	29.6	32.0	31.6	31.6	31.5	31.5	31.2
Litigation-related charges <sup>(3)</sup>	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	21.2
Non-GAAP operating income	\$ 205.4	\$ 201.8	\$ 182.3	\$ 212.8	\$ 224.0	\$ 242.7	\$ 252.9	\$ 323.2
Non-GAAP operating margin	21.7 %	19.8 %	17.0 %	17.5 %	18.0 %	18.4 %	18.2 %	20.8 %
GAAP interest expense	\$ (40.2)	\$ (40.7)	\$ (41.0)	\$ (41.4)	\$ (6.9)	\$ (6.8)	\$ (6.8)	\$ (6.9)
Non-cash charges related to convertible notes <sup>(4)</sup>	35.1	35.5	35.9	36.4	1.8	1.8	1.8	1.8
Non-GAAP interest expense	\$ (5.1)	\$ (5.2)	\$ (5.1)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.0)	\$ (5.1)
Non-GAAP interest expense as a percentage of revenue	(0.5)%	(0.5)%	(0.5)%	(0.4)%	(0.4)%	(0.4)%	(0.4)%	(0.3)%
GAAP other income (expense), net	\$ 2.4	\$ (0.5)	\$ 1.0	\$ (0.5)	\$ (1.6)	\$ (0.1)	\$ 1.9	\$ 8.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.1)	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)
Non-GAAP other income (expense), net	\$ 2.3	\$ 1.2	\$ 1.6	\$ (0.3)	\$ (0.5)	\$ (0.6)	\$ (0.4)	\$ 7.8
Non-GAAP other income (expense), net as a percentage of revenue	0.2 %	0.1 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.5 %
GAAP income (loss) before income taxes	\$ (82.3)	\$ (130.0)	\$ (150.4)	\$ (102.3)	\$ (91.2)	\$ (80.8)	\$ (52.5)	\$ 17.3
Share-based compensation-related charges	211.5	238.6	247.2	239.2	270.2	283.3	267.2	251.3
Acquisition-related costs <sup>(1)</sup>	13.1	20.6	11.7	0.7	3.1	—	—	2.4
Amortization expense of acquired intangible assets	23.5	29.6	32.0	31.6	31.6	31.5	31.5	31.2
Litigation-related charges <sup>(3)</sup>	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Restructuring and other costs <sup>(2)</sup>	—	—	—	—	—	—	—	21.2
Non-cash charges related to convertible notes <sup>(4)</sup>	35.1	35.5	35.9	36.4	1.8	1.8	1.8	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.1)	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)
Non-GAAP income before income taxes	\$ 202.6	\$ 197.8	\$ 178.8	\$ 207.5	\$ 218.4	\$ 237.1	\$ 247.5	\$ 325.9

(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 manufacturing related charges, a loss on the closure of an office facility, and other costs.

(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 (Continued)**

(In millions, except percentages and per share amounts)

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
GAAP provision for (benefit from) income taxes	\$ 9.9	\$ 12.3	\$ (5.3)	\$ 17.0	\$ 12.4	\$ 12.7	\$ 20.7	\$ 14.0
Income tax and other tax adjustments related to the above	34.6	31.3	44.6	28.6	35.7	39.4	33.7	57.8
Non-GAAP provision for income taxes	<u>\$ 44.5</u>	<u>\$ 43.6</u>	<u>\$ 39.3</u>	<u>\$ 45.6</u>	<u>\$ 48.1</u>	<u>\$ 52.1</u>	<u>\$ 54.4</u>	<u>\$ 71.8</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 income (loss)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3
Share-based compensation-related charges	211.5	238.6	247.2	239.2	270.2	283.3	267.2	251.3
Acquisition-related costs <sup>(1)</sup>	13.1	20.6	11.7	0.7	3.1	—	—	2.4
Amortization expense of acquired intangible assets	23.5	29.6	32.0	31.6	31.6	31.5	31.5	31.2
Litigation-related charges <sup>(2)</sup>	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Restructuring and other costs <sup>(3)</sup>	—	—	—	—	—	—	—	21.2
Non-cash charges related to convertible notes <sup>(4)</sup>	35.1	35.5	35.9	36.4	1.8	1.8	1.8	1.8
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.1)	1.7	0.6	0.2	1.1	(0.5)	(2.3)	(1.0)
Income tax and other tax adjustments related to the above	(34.6)	(31.3)	(44.6)	(28.6)	(35.7)	(39.4)	(33.7)	(57.8)
Non-GAAP net income	<u>\$ 158.1</u>	<u>\$ 154.2</u>	<u>\$ 139.5</u>	<u>\$ 161.9</u>	<u>\$ 170.3</u>	<u>\$ 185.0</u>	<u>\$ 193.1</u>	<u>\$ 254.1</u>
GAAP net income (loss) per share, diluted	\$ (0.97)	\$ (1.48)	\$ (1.50)	\$ (1.23)	\$ (1.06)	\$ (0.95)	\$ (0.74)	\$ 0.03
Share-based compensation-related charges	2.17	2.43	2.49	2.39	2.67	2.74	2.53	2.36
Acquisition-related costs <sup>(1)</sup>	0.14	0.21	0.12	0.01	0.03	0.00	0.00	0.02
Amortization expense of acquired intangible assets	0.25	0.31	0.33	0.33	0.32	0.32	0.32	0.28
Litigation-related charges <sup>(2)</sup>	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Restructuring and other costs <sup>(3)</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Non-cash charges related to convertible notes <sup>(4)</sup>	0.37	0.37	0.37	0.37	0.02	0.02	0.02	0.02
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.02	0.01	0.00	0.01	(0.01)	(0.02)	(0.01)
Income tax and other tax adjustments related to the above	(0.36)	(0.33)	(0.46)	(0.29)	(0.37)	(0.40)	(0.34)	(0.52)
Non-GAAP net income per share, diluted	<u>\$ 1.62</u>	<u>\$ 1.55</u>	<u>\$ 1.38</u>	<u>\$ 1.60</u>	<u>\$ 1.64</u>	<u>\$ 1.74</u>	<u>\$ 1.79</u>	<u>\$ 2.39</u>
GAAP weighted-average shares used to compute net loss per share, diluted	95.5	95.9	96.9	97.2	97.6	98.2	98.9	112.1
Weighted-average effect of potentially dilutive securities <sup>(5)</sup>	2.2	3.7	4.1	4.2	6.3	8.1	8.9	(5.7)
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>97.7</u>	<u>99.6</u>	<u>101.0</u>	<u>101.4</u>	<u>103.9</u>	<u>106.3</u>	<u>107.8</u>	<u>106.4</u>

(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.

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

(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 dilutive effect of employee equity incentive plan awards and our convertible senior notes outstanding and related warrant agreements except for Q4'22, 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 (Continued)**

(In millions, except percentages and per share amounts)

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
Net cash provided by operating activities	\$ 534.9	\$ 364.5	\$ 277.8	\$ 325.8	\$ 588.9	\$ 482.6	\$ 389.5	\$ 523.7
Less: purchases of property, equipment, and other assets	29.6	32.1	26.9	27.4	34.6	80.7	38.3	39.2
Free cash flow (non-GAAP)	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.4	\$ 554.3	\$ 401.9	\$ 351.2	\$ 484.5
Add: capital expenditures for headquarters <sup>(1)</sup>	—	—	—	—	—	38.9	—	—
Add: repayments of convertible senior notes attributable to debt discount	—	—	—	0.1	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.5	\$ 554.3	\$ 440.8	\$ 351.2	\$ 484.5
Net cash provided by (used in) investing activities	\$ (886.2)	\$ (384.4)	\$ (207.6)	\$ (2.4)	\$ (229.9)	\$ (274.3)	\$ 42.9	\$ (472.1)
Net cash provided by (used in) financing activities	\$ (464.5)	\$ (5.4)	\$ (298.5)	\$ (335.6)	\$ 38.7	\$ (558.5)	\$ 66.3	\$ (353.1)
Free cash flow margin (non-GAAP)	53.4 %	32.7 %	23.4 %	24.5 %	44.4 %	30.5 %	25.3 %	31.2 %
Adjusted free cash flow margin (non-GAAP)	53.4 %	32.7 %	23.4 %	24.5 %	44.4 %	33.5 %	25.3 %	31.2 %

**Other Key Metrics - Calculation of Billings**

Total revenue	\$ 946.0	\$1,016.9	\$1,073.9	\$1,219.3	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5
Add: change in total deferred revenue, net of acquired deferred revenue	136.8	197.8	212.5	649.0	134.2	291.0	410.2	1,134.6
Total billings	\$1,082.8	\$1,214.7	\$1,286.4	\$1,868.3	\$1,381.6	\$1,607.9	\$1,796.9	\$2,685.1

(1) Consists of a land purchase of \$38.9 million.

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

	FY20	FY21	FY22
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,958.0	\$ 1,874.2	\$ 2,118.5
Short-term investments	789.8	1,026.9	1,516.0
Accounts receivable, net	1,037.1	1,240.4	2,142.5
Short-term deferred contract costs	206.0	276.5	317.7
Prepaid expenses and other current assets	138.3	229.3	320.2
Total current assets	5,129.2	4,647.3	6,414.9
Property and equipment, net	348.1	318.4	357.8
Operating lease right-of-use assets	258.7	262.9	242.0
Long-term investments	554.4	888.3	1,051.9
Long-term deferred contract costs	422.3	494.6	550.1
Goodwill	1,812.9	2,710.1	2,747.7
Intangible assets, net	358.2	498.6	384.5
Other assets	181.6	421.4	504.7
Total assets	<u>\$ 9,065.4</u>	<u>\$ 10,241.6</u>	<u>\$ 12,253.6</u>
<b>Liabilities, temporary equity, and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 63.6	\$ 56.9	\$ 128.0
Accrued compensation	322.2	430.6	461.1
Accrued and other liabilities	256.8	329.4	399.2
Deferred revenue	2,049.1	2,741.9	3,641.2
Convertible senior notes, net	—	1,557.9	3,676.8
Total current liabilities	2,691.7	5,116.7	8,306.3
Convertible senior notes, net	3,084.1	1,668.1	—
Long-term deferred revenue	1,761.1	2,282.1	3,352.8
Long-term operating lease liabilities	336.6	313.4	276.1
Other long-term liabilities	90.1	97.7	108.4
Total liabilities	7,963.6	9,478.0	12,043.6
Temporary equity	—	129.1	—
Stockholders' equity:			
Preferred stock	—	—	—
Common stock and additional paid-in capital	2,259.2	2,311.2	1,932.7
Accumulated other comprehensive income (loss)	10.5	(9.9)	(55.6)
Accumulated deficit	(1,167.9)	(1,666.8)	(1,667.1)
Total stockholders' equity	1,101.8	634.5	210.0
Total liabilities, temporary equity, and stockholders' equity	<u>\$ 9,065.4</u>	<u>\$ 10,241.6</u>	<u>\$ 12,253.6</u>

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

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 2,142.0	\$ 2,113.2	\$ 1,886.1	\$ 1,874.2	\$ 2,272.9	\$ 1,922.7	\$ 2,419.9	\$ 2,118.5
Short-term investments	1,075.6	1,058.0	1,059.3	1,026.9	1,188.5	1,417.6	1,454.7	1,516.0
Accounts receivable, net	675.5	669.2	766.8	1,240.4	812.1	952.2	1,240.6	2,142.5
Short-term deferred contract costs	213.0	224.4	235.0	276.5	272.9	278.1	286.8	317.7
Prepaid expenses and other current assets	194.8	211.0	193.7	229.3	292.7	298.0	295.6	320.2
<b>Total current assets</b>	<b>4,300.9</b>	<b>4,275.8</b>	<b>4,140.9</b>	<b>4,647.3</b>	<b>4,839.1</b>	<b>4,868.6</b>	<b>5,697.6</b>	<b>6,414.9</b>
Property and equipment, net	337.9	330.7	322.7	318.4	324.3	362.7	355.6	357.8
Operating lease right-of-use assets	251.2	252.1	258.7	262.9	251.8	238.8	239.9	242.0
Long-term investments	873.2	857.1	885.4	888.3	898.8	851.0	714.7	1,051.9
Long-term deferred contract costs	408.8	410.5	420.1	494.6	476.1	472.1	480.3	550.1
Goodwill	1,968.6	2,583.5	2,713.1	2,710.1	2,732.3	2,731.3	2,731.3	2,747.7
Intangible assets, net	388.8	541.1	530.3	498.6	471.3	443.9	412.1	384.5
Other assets	197.1	237.6	290.9	421.4	432.7	432.1	468.5	504.7
<b>Total assets</b>	<b>\$ 8,726.5</b>	<b>\$ 9,488.4</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>
<b>Liabilities, temporary equity, and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 48.5	\$ 44.7	\$ 71.8	\$ 56.9	\$ 95.3	\$ 120.4	\$ 108.0	\$ 128.0
Accrued compensation	188.4	261.0	252.8	430.6	250.8	329.9	365.2	461.1
Accrued and other liabilities	260.7	255.3	261.5	329.4	324.6	324.0	375.4	399.2
Deferred revenue	2,137.5	2,289.7	2,421.2	2,741.9	2,801.6	2,958.2	3,152.9	3,641.2
Convertible senior notes, net	—	1,525.6	—	1,557.9	3,672.1	3,673.9	3,675.7	3,676.8
<b>Total current liabilities</b>	<b>2,635.1</b>	<b>4,376.3</b>	<b>3,007.3</b>	<b>5,116.7</b>	<b>7,144.4</b>	<b>7,406.4</b>	<b>7,677.2</b>	<b>8,306.3</b>
Convertible senior notes, net	3,119.2	1,629.1	3,190.6	1,668.1	—	—	—	—
Long-term deferred revenue	1,809.3	1,872.7	1,953.8	2,282.1	2,356.6	2,491.0	2,706.5	3,352.8
Long-term operating lease liabilities	323.9	317.9	317.7	313.4	299.5	282.4	275.7	276.1
Other long-term liabilities	92.0	93.9	95.5	97.7	107.0	102.9	103.0	108.4
<b>Total liabilities</b>	<b>7,979.5</b>	<b>8,289.9</b>	<b>8,564.9</b>	<b>9,478.0</b>	<b>9,907.5</b>	<b>10,282.7</b>	<b>10,762.4</b>	<b>12,043.6</b>
Temporary equity	—	161.2	—	129.1	—	—	—	—
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,003.9	2,429.8	2,541.1	2,311.2	2,033.9	1,745.2	2,066.3	1,932.7
Accumulated other comprehensive income (loss)	3.2	9.9	3.6	(9.9)	(11.3)	(30.2)	(58.3)	(55.6)
Accumulated deficit	(1,260.1)	(1,402.4)	(1,547.5)	(1,666.8)	(1,503.7)	(1,597.2)	(1,670.4)	(1,667.1)
<b>Total stockholders' equity</b>	<b>747.0</b>	<b>1,037.3</b>	<b>997.2</b>	<b>634.5</b>	<b>518.9</b>	<b>117.8</b>	<b>337.6</b>	<b>210.0</b>
<b>Total liabilities, temporary equity, and stockholders' equity</b>	<b>\$ 8,726.5</b>	<b>\$ 9,488.4</b>	<b>\$ 9,562.1</b>	<b>\$ 10,241.6</b>	<b>\$ 10,426.4</b>	<b>\$ 10,400.5</b>	<b>\$ 11,100.0</b>	<b>\$ 12,253.6</b>

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

	FY20	FY21	FY22
<b>Cash flows from operating activities</b>			
Net loss	\$ (267.0)	\$ (498.9)	\$ (267.0)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Share-based compensation for equity-based awards	658.4	894.5	1,011.1
Depreciation and amortization	206.1	260.4	282.6
Gain related to facility exit	(3.1)	—	—
Amortization of deferred contract costs	254.4	298.0	362.1
Amortization of debt discount and debt issuance costs	73.9	142.9	7.2
Reduction of operating lease right-of-use assets	47.4	44.5	54.4
Amortization of investment premiums, net of accretion of purchase discounts	(6.2)	13.1	13.5
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	(435.6)	(172.4)	(902.0)
Deferred contract costs	(407.4)	(440.8)	(458.8)
Prepaid expenses and other assets	(1.6)	(299.1)	(141.0)
Accounts payable	(12.8)	(11.8)	69.3
Accrued compensation	75.7	105.1	30.4
Accrued and other liabilities	(39.8)	(28.5)	(47.1)
Deferred revenue	893.3	1,196.1	1,970.0
Net cash provided by operating activities <sup>(1)</sup>	1,035.7	1,503.0	1,984.7
<b>Cash flows from investing activities</b>			
Purchases of investments	(1,180.8)	(1,958.9)	(2,271.7)
Proceeds from sales of investments	314.0	131.1	449.2
Proceeds from maturities of investments	1,952.7	1,240.5	1,118.9
Business acquisitions, net of cash acquired	(583.5)	(777.3)	(37.0)
Purchases of property, equipment, and other assets	(214.4)	(116.0)	(192.8)
Net cash provided by (used in) investing activities	288.0	(1,480.6)	(933.4)
<b>Cash flows from financing activities</b>			
Repayments of convertible senior notes attributable to principal and equity component	—	(0.9)	(0.6)
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	(1,198.1)	(1,178.1)	(892.3)
Proceeds from sales of shares through employee equity incentive plans	84.0	104.0	136.6
Payments for taxes related to net share settlement of equity awards	(22.7)	(28.8)	(50.3)
Payment of deferred consideration related to prior year business acquisition	(1.3)	—	—
Net cash provided by (used in) financing activities	673.0	(1,104.0)	(806.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,996.7	(1,081.6)	244.7
Cash, cash equivalents, and restricted cash - beginning of period	965.0	2,961.7	1,880.1
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,961.7</u>	<u>\$1,880.1</u>	<u>\$2,124.8</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>			
Cash and cash equivalents	\$2,958.0	\$1,874.2	\$2,118.5
Restricted cash included in prepaid expenses and other current assets	2.8	5.4	6.3
Restricted cash included in other assets	0.9	0.5	—
Total cash, cash equivalents, and restricted cash	<u>\$2,961.7</u>	<u>\$1,880.1</u>	<u>\$2,124.8</u>

(1) Cash provided by operating activities during FY'18 included the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements.

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

	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	205.8	225.6	233.1	230.0	259.1	265.1	247.3	239.6
Depreciation and amortization	58.0	64.9	68.7	68.8	69.0	69.7	71.4	72.5
Amortization of deferred contract costs	65.8	68.6	73.9	89.7	85.9	86.1	89.1	101.0
Amortization of debt discount and debt issuance costs	35.1	35.5	35.9	36.4	1.8	1.8	1.8	1.8
Reduction of operating lease right-of-use assets	10.0	10.7	11.9	11.9	12.7	12.4	12.4	16.9
Amortization of investment premiums, net of accretion of purchase discounts	2.7	3.2	3.3	3.9	3.6	3.7	3.2	3.0
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	382.3	16.4	(97.4)	(473.7)	428.4	(140.1)	(288.4)	(901.9)
Deferred contract costs	(59.3)	(81.7)	(94.1)	(205.7)	(63.8)	(87.4)	(105.9)	(201.7)
Prepaid expenses and other assets	(37.6)	(61.8)	(36.1)	(163.6)	(72.8)	(0.1)	(26.0)	(42.1)
Accounts payable	(17.7)	(5.9)	27.0	(15.2)	37.6	22.2	(8.2)	17.7
Accrued compensation	(134.8)	70.6	(8.5)	177.8	(179.8)	79.0	35.4	95.8
Accrued and other liabilities	(20.0)	(37.1)	(7.3)	35.9	(23.4)	(27.3)	20.4	(16.8)
Deferred revenue	136.8	197.8	212.5	649.0	134.2	291.0	410.2	1,134.6
Net cash provided by operating activities	534.9	364.5	277.8	325.8	588.9	482.6	389.5	523.7
<b>Cash flows from investing activities</b>								
Purchases of investments	(829.7)	(282.8)	(381.6)	(464.8)	(439.1)	(616.2)	(241.1)	(975.3)
Proceeds from sales of investments	—	—	36.7	94.4	36.1	246.1	7.0	160.0
Proceeds from maturities of investments	198.2	335.9	311.0	395.4	225.1	176.5	315.3	402.0
Business acquisitions, net of cash acquired	(225.1)	(405.4)	(146.8)	—	(17.4)	—	—	(19.6)
Purchases of property, equipment, and other assets	(29.6)	(32.1)	(26.9)	(27.4)	(34.6)	(80.7)	(38.3)	(39.2)
Net cash provided by (used in) investing activities	(886.2)	(384.4)	(207.6)	(2.4)	(229.9)	(274.3)	42.9	(472.1)
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes attributable to principal and equity component	—	—	—	(0.9)	—	—	—	(0.6)
Payments for debt issuance costs	(0.2)	—	—	—	—	—	—	—
Repurchases of common stock	(500.0)	—	(350.0)	(328.1)	—	(550.0)	—	(342.3)
Proceeds from sales of shares through employee equity incentive plans	45.4	0.3	58.0	0.3	58.7	0.1	77.5	0.3
Payments for taxes related to net share settlement of equity awards	(9.7)	(5.7)	(6.5)	(6.9)	(20.0)	(8.6)	(11.2)	(10.5)
Net cash provided by (used in) financing activities	(464.5)	(5.4)	(298.5)	(335.6)	38.7	(558.5)	66.3	(353.1)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(815.8)	(25.3)	(228.3)	(12.2)	397.7	(350.2)	498.7	(301.5)
Cash, cash equivalents, and restricted cash - beginning of period	2,961.7	2,145.9	2,120.6	1,892.3	1,880.1	2,277.8	1,927.6	2,426.3
Cash, cash equivalents, and restricted cash - end of period	\$2,145.9	\$2,120.6	\$1,892.3	\$1,880.1	\$2,277.8	\$1,927.6	\$2,426.3	\$2,124.8
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$2,142.0	\$2,113.2	\$1,886.1	\$1,874.2	\$2,272.9	\$1,922.7	\$2,419.9	\$2,118.5
Restricted cash included in prepaid expenses and other current assets	2.9	3.8	5.2	5.4	4.4	4.9	6.4	6.3
Restricted cash included in other assets	1.0	3.6	1.0	0.5	0.5	—	—	—
Total cash, cash equivalents, and restricted cash	\$2,145.9	\$2,120.6	\$1,892.3	\$1,880.1	\$2,277.8	\$1,927.6	\$2,426.3	\$2,124.8