



Q2 Fiscal Year 2021 Earnings Call



February 22, 2021

Safe Harbor

This presentation may contain “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act that are based on our management’s beliefs and assumptions and on information currently available to management, including statements regarding Palo Alto Networks’ expectations regarding the effects of the SolarStorm attack, growth drivers, introduction of new offerings, our intention to continue investing in Cloud & AI and to transition customers to software models, our expectations on the closing of our pending acquisition of Bridgecrew, Inc. and the impact, financial contribution and successful integration of such acquisition, our financial guidance for the third quarter of fiscal 2021 and our expectations for the remainder of fiscal year 2021 regarding total billings, Next-Gen Security ARR, total revenue, product revenue, non-GAAP operating margin, non-GAAP EPS and adjusted free cash flow margin, expectations for fiscal 2021 Network Security billings, revenue, non-GAAP gross margin, non-GAAP operating margin, and adjusted free cash flow margin, our expectations for fiscal 2021 Cloud & AI ARR, revenue, non-GAAP gross margin, non-GAAP operating margin, and adjusted free cash flow margin, our expectations regarding improvement in gross margins and operating margins, our expectations regarding going from 2 speedboats to 6 focused efforts in fiscal 2022, finalizing the filing needed for an equity structure for the ClaiSec business and the development of a vehicle for employees to invest in such equity and our commitment to be carbon neutral by 2030. Many of these assumptions relate to matters that are beyond our control and changing rapidly, including, but not limited to, the timeframes for and severity of social distancing and other mitigation requirements, the impact of COVID-19 on our customers’ purchasing decisions and the length of our sales cycles, particularly for customers in certain industries highly affected by COVID-19.

There are a significant number of factors that could cause actual results to differ materially from forward-looking statements made in this presentation, including: developments and changes in general market, political, economic, and business conditions; the duration and global impact of COVID-19; risks associated with managing our growth; the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; delays in the development or release of new subscription offerings; our competition; rapidly evolving technological developments in the market for network security products and subscription and support offerings; our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner; length of sales cycles; our share repurchase program, which may not be fully consummated or enhance shareholder value, and any share repurchases which could affect the price of our common stock. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks’ most recent Quarterly Report on Form 10-Q filed for the fiscal year ended November 19, 2020, which is available on our website at investors.paloaltonetworks.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based on our current beliefs and on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made or to update the reasons why actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

All information in this presentation is as of February 22, 2021. This presentation contains non-GAAP financial measures and key metrics relating to the company’s past and expected future performance. We have not reconciled diluted non-GAAP net income per share guidance to GAAP net income (loss) per diluted share because we do not provide guidance on GAAP net income (loss) and would not be able to present the various reconciling cash and non-cash items between GAAP net income (loss) and non-GAAP net income, including share-based compensation expense, without unreasonable effort. Reconciliations of historical non-GAAP measures can be found in the Appendix. You can also find information regarding our use of non-GAAP financial measures in our earnings release dated February 22, 2021.

Welcome

Expect net incremental tailwinds from SolarStorm attack

- Customers have increased focus on their cybersecurity posture
- Over 1,000 assessment requests of our **SolarStorm Rapid Response program**



SolarStorm Rapid Assessment

- Free assessment to help identify exposure
- Joint report from Crypsis & Expanse



SolarStorm Cybersecure Engagement

- If Phase 1 identifies IOCs, engage Crypsis for Incident Response to help contain and recover
- 2 months of Cortex XDR and Expanse



Strong execution and momentum in the business

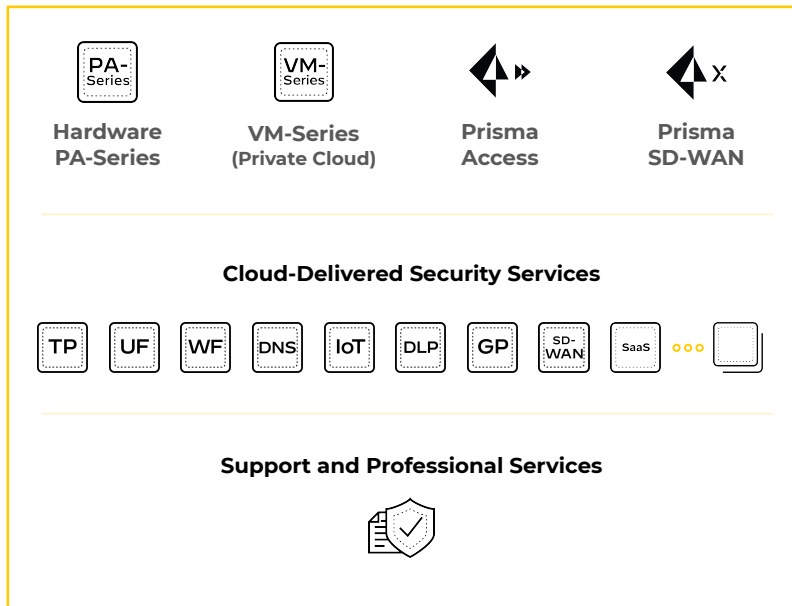
	Q2'21 Guidance (as of 11/16/20)	Q2'21 Actual	
Total Billings ¹	\$1,170M-\$1,190M 17%-19% yr/yr	\$1,215M 22% yr/yr	
Total Revenue	\$975M-\$990M 19%-21% yr/yr	\$1,017M 25% yr/yr	
Gross Margin (Non-GAAP)		75.3% -110 bps yr/yr	
Op Margin (Non-GAAP)		19.8% +190 bps yr/yr	
EPS (Non-GAAP)	\$1.42-\$1.44	\$1.55 +\$0.36 yr/yr	
Adj. FCF Margin (Non-GAAP)		32.7%	

¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue. Reconciliations of historical non-GAAP measures can be found in the Appendix. Fiscal year ending on July 31.

Last quarter, we provided additional transparency into our business

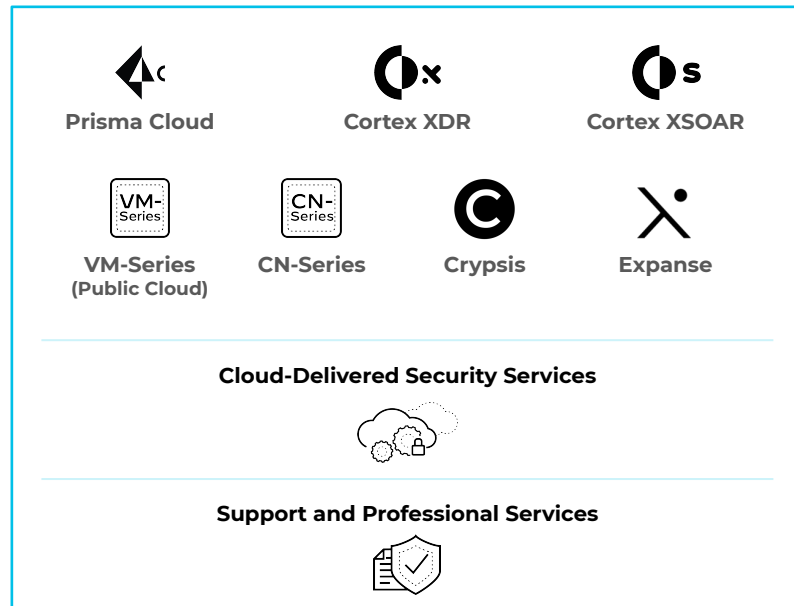
Network Security (NetSec)

Firewalls, subscriptions and support across form factors



Cloud & AI (ClaiSec)

Security in the cloud and automation & analytics through AI



Network Security (NetSec)

Firewalls, subscriptions and support across form factors



Hardware
PA-Series



VM-Series
(Private Cloud)



Prisma
Access



Prisma
SD-WAN

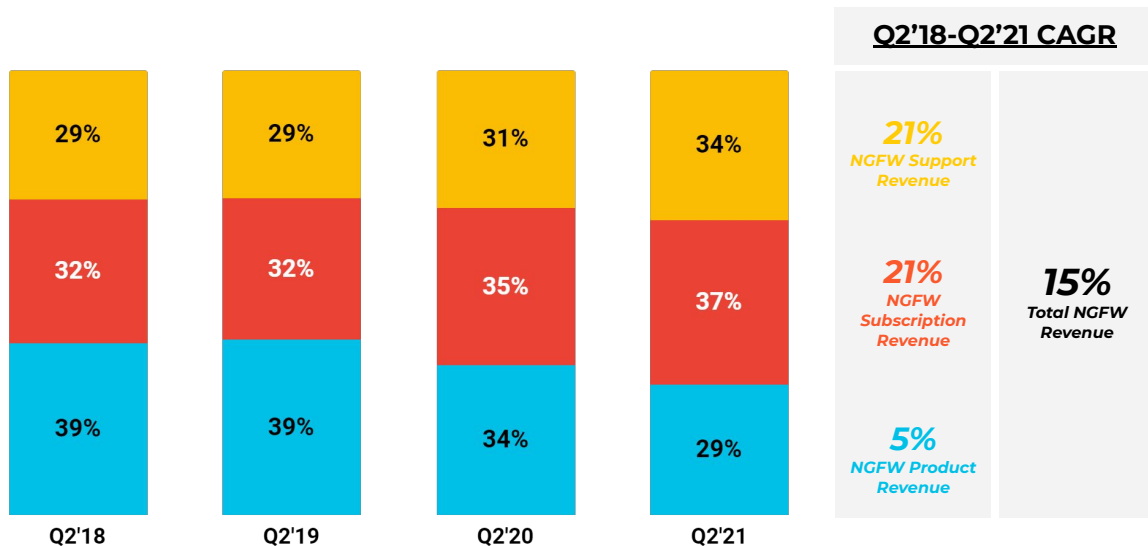
Deeper Dive Into NetSec



Support and Professional Services



Our hardware network security transformation continues



■ NGFW Product Revenue as % of total NGFW Revenue ■ NGFW Subscription Revenue as a % of total NGFW Revenue ■ NGFW Support Revenue as % of total NGFW Revenue

Drivers for sustained growth

Cloud-delivered security subscription offerings have **doubled from 4 to 8** in the last two years

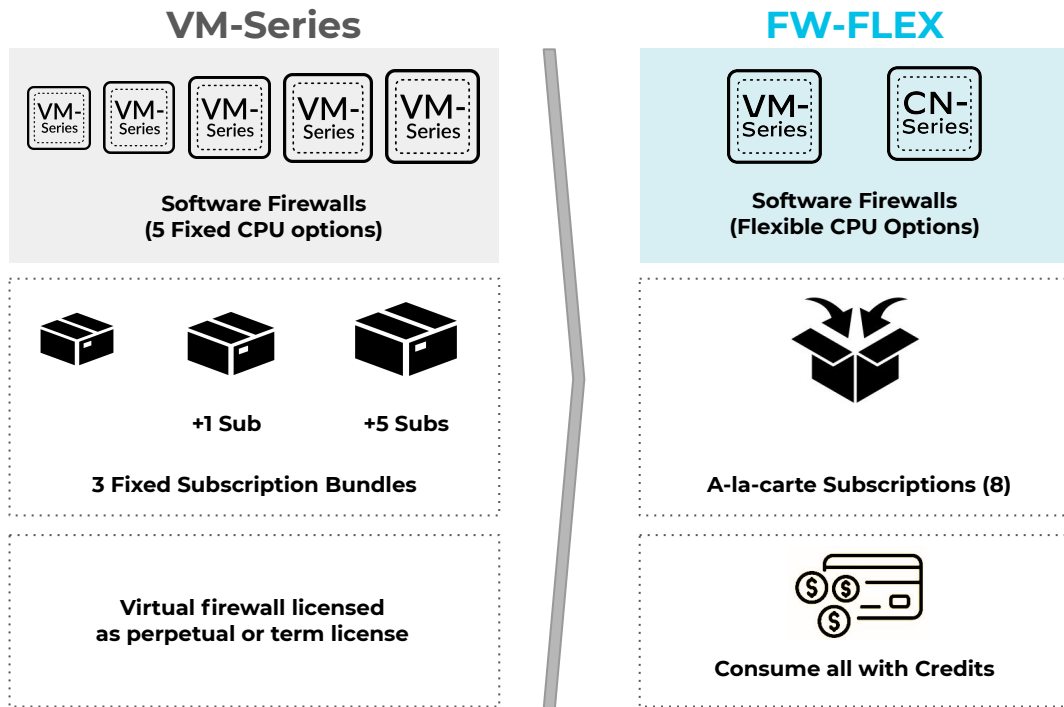
Nearly **5,000 DNS customers¹**, up from approximately 3,000 in Q4'20

Introduced a higher level of support last year - **Platinum Support**

¹Total customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Strong growth in VMs - Launched FW-FLEX

Transitioning VM-Series customers to FW-FLEX



Performance

VM-Series (private cloud) billings is up **>60%** year over year in 1H'21

~11,000 software firewall (VM-Series and CN-Series) customers¹, up ~2,500 customers year over year

Approximately half of VM-Series and CN-Series customer¹ adds are **net new logos**

¹Total customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Prisma Access 2.0 is industry leading - accelerating momentum



Prisma Access - Full Security Platform in the Cloud

- **Secures web & non-web apps** - 53% of remote workforce threats are for non-web apps¹
- **ML powered security**
 - Supports NGFW-aaS, ZTNA, SWG, CASB, DLP, IoT
 - SWG includes new proxy option
- **Cloud UI** with built-in security assessments
- **Self-healing Digital Experience Management (DEM)**
- **Low latency, highly scalable** infrastructure
- **Complete SASE offering**
 - Seamless integration of Prisma SD-WAN
 - CloudBlades for third party integration (ex. RBI)



Momentum

- Closed largest deal in history, an **8-figure** deal
- Nearly **1,000** Prisma Access customers², up by **>100%** year over year
- **30%** of F100 are Prisma Access customers²
- **>100%** yr/yr growth in billings, strength across all geographies

¹ Palo Alto Networks, 2021 analysis of more than 500 enterprise customers using Prisma Access

² Total customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Economics of software transformation will allow for continued growth in Network Security

Financial impact to Palo Alto Networks based on key use cases

NGFW vs VM-Series

Local retail store security use case

VM-Series revenue is

~1x

vs an NGFW deal after 5 years

- VM-Series FW Flex is primarily a ratable subscription model vs upfront with physical firewalls

NGFW vs Prisma Access

Typical branch office use case

Prisma Access revenue is

~2x

vs an NGFW deal after 5 years

- Prisma Access revenue is ratable vs upfront with physical firewalls
- Early stage in our SASE solution with lower, but improving margins

Examples based on our internal use-case analysis and may not be true in all cases.

Cloud & AI (ClaiSec)

Security in the cloud and automation & analytics through AI



Prisma Cloud



Cortex XDR



Cortex XSOAR



VM-Series
(Public Cloud)



CN-Series



Crypsis



Expande

Update on ClaiSec



Support and Professional Services



Cortex continues to penetrate G2000 and Fortune 100 customers

Q2'21 highlights:

- **Cortex XDR's Behavioral Threat Protection instantly blocked a SolarStorm attack** on Palo Alto Networks
- Cortex XDR named a **Strategic Leader** in AV-Comparatives Endpoint Prevention and Response Evaluation¹
- Achieved **FedRAMP Moderate Authorization** for Cortex XDR and Data Lake

66%

of the **Fortune 100** are Cortex customers², up from 65% in Q1'21

35%

of the **Global 2000** are Cortex customers², up from 34% in Q1'21

¹ AV-Comparatives Endpoint Prevention and Response (EPR) 2020.

² Total customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Prisma Cloud > 2000 Customers, multi-module strategy initiated

Q2'21 Highlights:

- Closed **largest Prisma Cloud deal**, an 8 figure deal after launching the platform 2 years ago
- Achieved **FedRAMP Moderate Authorization** for Prisma Cloud
- **50%** of Prisma Cloud customers¹ use both CSPM & CWPP², up from 45% in Q1'21
- **2.5B** cloud workloads³ protected by Prisma Cloud, up from 1.8B in Q1'21

74%

of the **Fortune 100** are Prisma Cloud customers¹, up from 70% in Q1'21

21%

of the **Global 2000** are Prisma Cloud customers¹, up from 20% in Q1'21

¹ Total customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

² CSPM = Cloud Security Posture Management, CWPP = Cloud Workload Protection

³ Cloud resources include primarily hosts, containers, S3 buckets, security groups, and virtual private clouds.

Fiscal year ending on July 31.

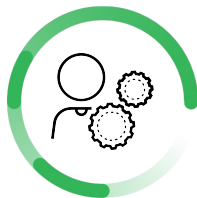
Our fourth bet in cloud security

“Shift left”: 4-5x better security¹



Developers

(26+ million²)



DevOps



Security Teams

(~3 million³)

**Infrastructure as Code: 25% more efficient
application deployment⁴**

- Millions of developers using dozens of development tools create millions of alerts / tickets at run-time
- Integrating cloud security left to right will improve security **and** speed up deployments
- Bridgecrew* recognized the need for “shift left” security and pioneered an approach to Infrastructure as Code designed for developers

*We have entered into a definitive agreement to acquire Bridgecrew. We expect the acquisition to close in the third quarter of fiscal 2021.

¹ IBM Systems Sciences Institute reported that the cost to fix an error found after product release was 4-5x as much as one uncovered during design

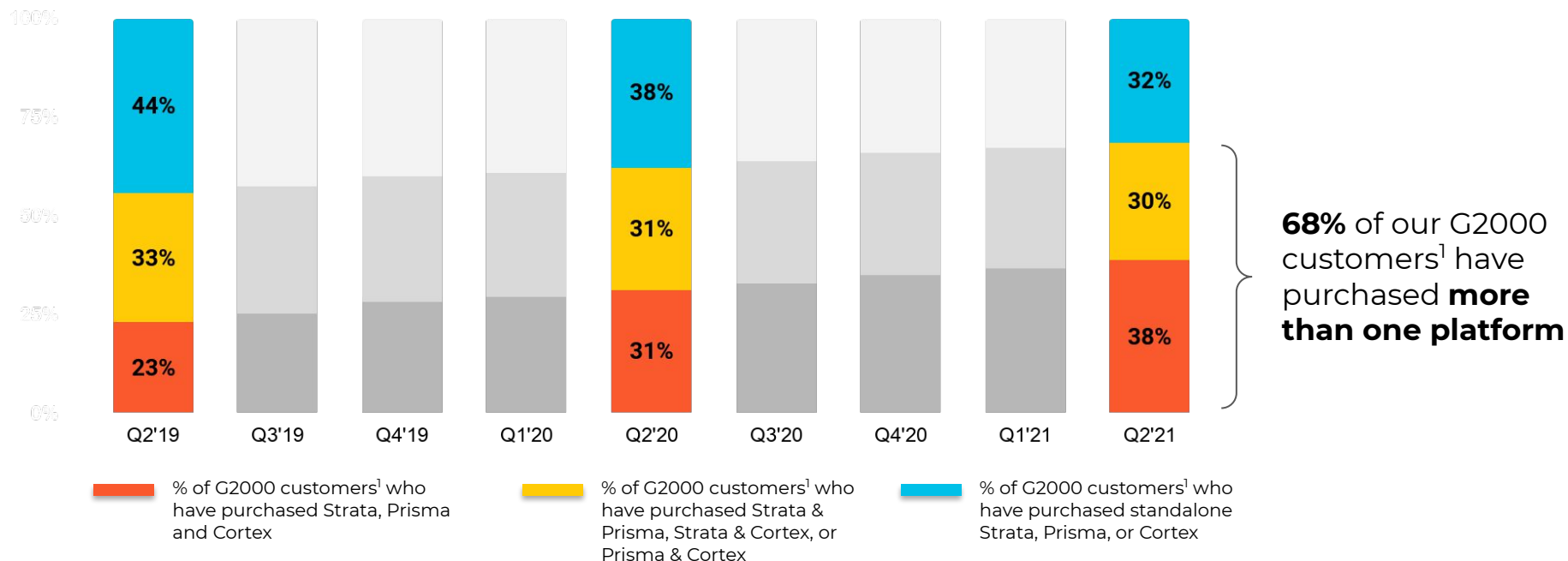
² Evans Data Corporation, 2019

³ Cybersecurity Workforce Study from (ISC)², 2019

⁴ Gartner, Market Guide for Infrastructure Automation Tools, May 2020

Power of One (PANW) - Agility of Two (NetSec & ClaiSec)

Palo Alto Networks Global 2000 customers¹ are increasingly buying across Strata, Prisma, and Cortex



¹ Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services. Fiscal year ending on July 31.

Raising guidance for the full year

	FY 2021 Guidance as of 11/16/20	FY 2021 Guidance as of 2/22/21
Total Billings ¹	\$5.08B - \$5.13B 18%-19% yr/yr	\$5.13B - \$5.18B 19%-20% yr/yr
Next-Gen Security ARR ²	~\$1.15B 77% yr/yr	~\$1.15B 77% yr/yr
Total Revenue	\$4.09B - \$4.14B 20%+ yr/yr	\$4.15B - \$4.20B 22%-23% yr/yr
Product Revenue	Flat yr/yr	Flat yr/yr
Op Margin (Non-GAAP)	+50 bps yr/yr	+50 bps yr/yr
EPS (Non-GAAP)	\$5.70 - \$5.80	\$5.80 - \$5.90
Adj. FCF Margin (Non-GAAP)	~29%	~29%

¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

²ARR = Annual Recurring Revenue; Next-Gen Security ARR is annualized revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.
Fiscal year ending on July 31.

Raising outlook for NetSec, showing free cash flow

	FwaaP + Services & Support = Network Security			NGS - software firewalls = Cloud & AI		Palo Alto Networks		
	FY'20	FY'21 (as of 11/16/20)	FY'21 (as of 2/22/21)	FY'20	FY'21	FY'20	FY'21 (as of 11/16/20)	FY'21 (midpoint of guide as of 2/22/21)
Billings¹		15% yr/yr	16% yr/yr			\$4,302M 23% yr/yr	\$5,105M 19% yr/yr	\$5,155M 20% yr/yr
ARR²				\$388M	\$735M 89% yr/yr			
Revenue³	\$3,090M	\$3,510M 14% yr/yr	\$3,570M 16% yr/yr	\$318M	\$605M 90% yr/yr	\$3,408M 18% yr/yr	\$4,115M 21% yr/yr	\$4,175M 22% yr/yr
Gross Margin (Non-GAAP)⁴	77%		77% +50 bps yr/yr	63%	61% -270 bps yr/yr	76%		75% -70 bps yr/yr
Op Margin (Non-GAAP)⁴	28%		29% +130 bps yr/yr	-80%	-45% +3520 bps yr/yr	18%		18% +50 bps yr/yr
Adj. FCF Margin (Non-GAAP)⁴	38%		41% +310 bps yr/yr	-59%	-43% +1630 bps yr/yr	28%		29% +60 bps yr/yr
Lifetime Customers⁵	>73,000		>78,000 (as of Q2'21)	>8,000	>9,000 (as of Q2'21)	>75,000		>80,000 (as of Q2'21)

¹ Billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

² ARR = Annual Recurring Revenue; ARR is annualized revenue of all active contracts as of the final day of the reporting period.

³ Cloud & AI revenue includes professional services revenue of approximately \$3M and \$70m in FY'20 and FY'21 respectively.

⁴ For a reconciliation of FY'20 non-GAAP financial measures, see Appendix. A reconciliation of FY'21 non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.

⁵ Customers represent all customers acquired since inception. A customer is defined as an account that has purchased products and services excluding not-for-resale services.

Fiscal year ending on July 31.

Exciting News: NetSec and ClaiSec

- Going from 3 speedboats to 2 business areas with 6 focused efforts in FY'22:
 - NetSec: Firewalls including VMs, SASE, and our growing Security Subscriptions
 - ClaiSec: Cortex, Prisma Cloud, and Incident Response Services
- With the consent of our Board of Directors, we are finalizing the filing needed for an equity structure for the ClaiSec business
- The Board also approved the development of a vehicle for employees to invest in such ClaiSec equity

Palo Alto Networks is committed to the environment

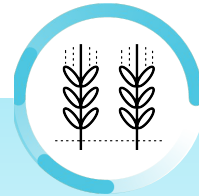
Be Carbon Neutral by 2030



100% Renewable
Energy for global
offices



Reduce emissions
aligned to the Science
Based Targets initiative



Invest in high quality
Carbon Offset
programs

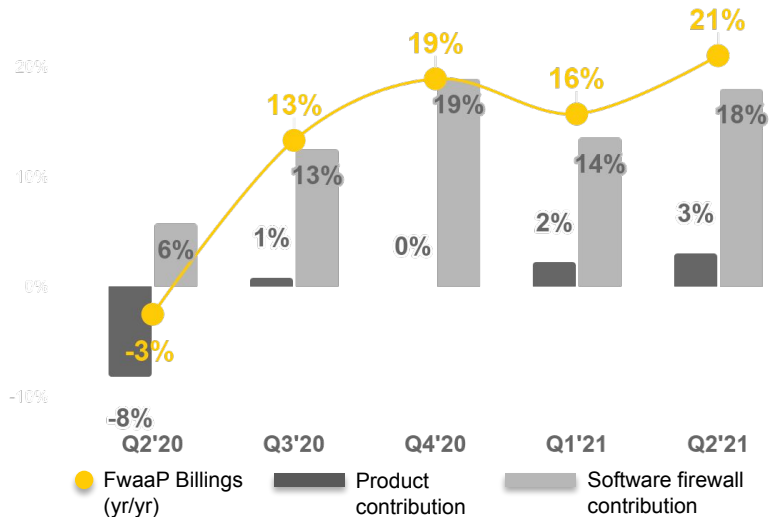
- Engage with coalitions and standard bodies such as Carbon Disclosure Project (CDP), Task Force on Climate-related Financial Disclosures (TCFD) and others
- Advocate for environmental stewardship through Green Teams and external partners
- Transparently demonstrate progress over time

* Commitment announced and actions launched effective February 2021. Read our full commitment on our [website](#).

Financial Overview

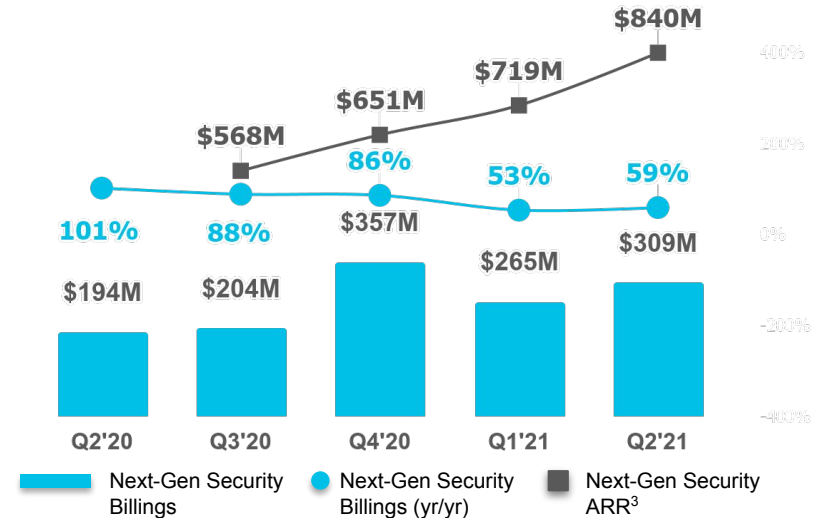
FwaaP and NGS Billings highlight our transition to software and SaaS

Firewall as a Platform¹ Billings Growth



- Highlights transition from HW to SW form factors
- SW is of higher quality & increases revenue visibility

Next-Gen Security Billings²



- Durable and fast growing SaaS business
- NGS now represents 25% of total billings

¹ Firewall as a Platform billings is a key financial and operating metric defined as publicly reported product billings, together with total amount invoiced and billed for Prisma Access offering, and the ratable portion of VM-Series and CloudGenix offerings, during the period stated.

² Next-Gen Security (NGS) billings is a key financial and operating metric. Prior to Q2'21, NGS billings was defined as the total amount invoiced and billed during the period stated for Prisma and Cortex offerings inclusive of the VM-Series and related services; for Q2'21, NGS billings is defined as total revenue plus change in total deferred revenue, net of total acquired deferred revenue for Prisma and Cortex offerings inclusive of the VM-Series and related services and for Q2'21, NGS billings under the former definition was \$306M.

³ ARR = Annual Recurring Revenue; Next-Gen Security ARR is annualized revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services.

Note: Firewall as a Platform and Next-Gen Security both include VM-Series, Prisma Access, and CloudGenix.

Fiscal year ending on July 31.

Q2 Fiscal 2021 Financial Summary

	Q2'21 Guidance (as of 11/16/20)	Q2'21 Actual	
Total Billings ¹	\$1,170M-\$1,190M 17%-19% yr/yr	\$1,215M 22% yr/yr	
Remaining Performance Obligation		\$4.6B 41% yr/yr	
Total Revenue	\$975M-\$990M 19%-21% yr/yr	\$1,017M 25% yr/yr	
Gross Margin (Non-GAAP)		75.3% -110 bps yr/yr	
Op Margin (Non-GAAP)		19.8% +190 bps yr/yr	
EPS (Non-GAAP)	\$1.42-\$1.44	\$1.55 +\$0.36 yr/yr	
Adj. FCF Margin (Non-GAAP)		32.7%	

¹Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue. For a reconciliation of non-GAAP financial metrics to the corresponding GAAP measures see Appendix. Fiscal year ending on July 31.

Guidance

Q3 Fiscal 2021 Guidance

	Q3'21
Total Billings	\$1.22B - \$1.24B 20%-22% yr/yr
Total Revenue	\$1.05B - \$1.06B 21%-22% yr/yr
EPS (Non-GAAP) ¹	\$1.27 - \$1.29 using 100 to 102 million shares

Modeling Points

- Q3'21 non-GAAP¹ effective tax rate: 22%
- Q3'21 capital expenditures of \$30M – \$35M
- Includes expected net impact from proposed acquisition of Bridgecrew

¹A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measure has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Fiscal Year 2021 Guidance

	FY 2021 Guidance as of 11/16/20	FY 2021 Guidance as of 2/22/21
Total Billings ¹	\$5.08B - \$5.13B 18%-19% yr/yr	\$5.13B - \$5.18B 19%-20% yr/yr
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Fiscal year ending on July 31.

Q&A

Appendix

Calculation of Billings

\$ In millions

Billings:	Q220	Q320	Q420	Q121	Q221	FY'20
Total revenue	\$816.7	\$869.4	\$950.4	\$946.0	\$1,016.9	\$3,408.4
Add: change in total deferred revenue, net of acquired deferred revenue	182.2	146.0	439.6	136.8	197.8	893.3
Total billings	\$998.9	\$1,015.4	\$1,390.0	\$1,082.8	\$1,214.7	\$4,301.7

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Gross Margin

\$ In millions

Non-GAAP total gross profit and gross margin:	Q220		Q221	
	\$	%	\$	%
GAAP total gross profit and gross margin	\$583.6	71.5%	\$709.3	69.8%
Share-based compensation-related charges	24.0	2.9%	29.7	2.9%
Amortization expense of acquired intangible assets	16.1	2.0%	24.5	2.4%
Litigation-related charges ⁽¹⁾	-	0.0%	1.8	0.2%
Non-GAAP total gross profit and gross margin	\$623.7	76.4%	\$765.3	75.3%

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue. Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – Operating Margin

\$ In millions

Non-GAAP Operating Income and Operating Margin:	Q220		Q221	
	\$	%	\$	%
GAAP operating loss and operating margin	(\$52.9)	-6.5%	(\$88.8)	-8.7%
Share-based compensation-related charges	177.0	21.7%	238.6	23.4%
Acquisition-related costs ⁽¹⁾	7.0	0.9%	20.6	2.0%
Amortization expense of acquired intangible assets	17.8	2.2%	29.6	2.9%
Litigation-related charges ⁽²⁾	-	0.0%	1.8	0.2%
Gain related to facility exit ⁽³⁾	(3.1)	-0.4%	-	0.0%
Non-GAAP operating income and operating margin	\$145.8	17.9%	\$201.8	19.8%

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

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations – EPS

Non-GAAP net income per share, diluted:	Q220	Q221
GAAP net loss per share, diluted	(\$0.75)	(\$1.48)
Share-based compensation-related charges	1.77	2.43
Acquisition-related cost ⁽¹⁾	0.07	0.21
Amortization expense of acquired intangibles assets	0.18	0.31
Litigation-related charges ⁽²⁾	-	0.02
Gain related to facility exit ⁽³⁾	(0.03)	-
Non-cash charges related to convertible notes ⁽⁴⁾	0.16	0.37
Foreign currency loss associated with non-GAAP adjustments	0.01	0.02
Income tax and other tax adjustments related to the above	(0.22)	(0.33)
Non-GAAP net income per share, diluted	\$1.19	\$1.55

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

⁽⁴⁾ Consists primarily of non-cash interest expense related to our convertible senior notes.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation – Adjusted Free Cash Flow

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	Q220	Q221
Net cash provided by operating activities	\$306.9	\$364.5
Less: purchases of property, equipment, and other assets	49.1	32.1
Free cash flow (non-GAAP)	\$257.8	\$332.4
Add: capital expenditures for new headquarters ⁽¹⁾	17.8	-
Adjusted free cash flow (non-GAAP)	\$275.6	\$332.4
Free cash flow margin (non-GAAP)	31.6 %	32.7 %
Adjusted free cash flow margin (non-GAAP)	33.7 %	32.7 %

⁽¹⁾ Consists of capital expenditures for new headquarters.
Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Gross Margin FY'20

\$ In millions

Non-GAAP total gross profit and gross margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20	
	\$	%	\$	%	\$	%
GAAP total gross profit and gross margin	\$2,282.1	73.8%	\$126.8	39.9%	\$2,408.9	70.7%
Share-based compensation-related charges	79.8	2.6%	14.1	4.4%	93.9	2.8%
Amortization expense of acquired intangible assets	8.0	0.3%	60.7	19.1%	68.7	2.0%
Litigation-related charges ⁽¹⁾	3.6	0.1%	-	0.0%	3.6	0.1%
Non-GAAP total gross profit and gross margin	\$2,373.5	76.8%	\$201.6	63.4%	\$2,575.1	75.6%

⁽¹⁾ Consists of the amortization of intellectual property licenses and covenant not to sue. Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation - Operating Margin FY'20

\$ In millions

Non-GAAP operating income (loss) and operating margin	Network Security FY'20		Cloud & AI FY'20		Total FY'20	
	\$	%	\$	%	\$	%
GAAP operating income (loss) and operating margin	\$336.8	10.9%	(\$515.8)	-162.2%	(\$179.0)	-5.3%
Share-based compensation-related charges	499.5	16.2%	186.0	58.5%	685.5	20.1%
Acquisition-related costs ⁽¹⁾	6.4	0.2%	9.3	2.9%	15.7	0.5%
Amortization expense of acquired intangible assets	9.3	0.3%	67.1	21.1%	76.4	2.2%
Litigation-related charges ⁽²⁾	3.6	0.1%	-	0.0%	3.6	0.1%
Gain related to facility exit ⁽³⁾	(2.8)	-0.1%	(0.3)	-0.1%	(3.1)	-0.1%
Non-GAAP operating income (loss) and operating margin	\$852.8	27.6%	(\$253.7)	-79.8%	\$599.1	17.6%

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

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliation – Adjusted Free Cash Flow FY'20

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	Network Security FY'20	Cloud & AI FY'20	Corporate FY'20	Total FY'20
Net cash provided by operating activities	\$1,201.5	(\$150.1)	(\$15.7)	\$1,035.7
Less: purchases of property, equipment, and other assets	116.5	46.2	51.7	214.4
Free cash flow (non-GAAP)	\$1,085.0	(\$196.3)	(\$67.4)	\$821.3
Add: capital expenditures for new headquarters ⁽¹⁾	35.1	7.5	51.7	94.3
Add: litigation related payment ⁽²⁾	50.0	-	-	50.0
Less: cash reimbursement (payments), net related to landlord lease amendment ⁽³⁾	(1.6)	(0.4)	-	(2.0)
Adjusted free cash flow (non-GAAP)	\$1,171.7	(\$188.4)	(\$15.7)	\$967.6
Free cash flow margin (non-GAAP)	35.1 %	-61.7%	-	24.1 %
Adjusted free cash flow margin (non-GAAP)	37.9 %	-59.3%	-	28.4 %

⁽¹⁾ Consists of capital expenditures for new headquarters.

⁽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 the periods presented reflects adjustments for these increased rental payments made during the respective periods.

Fiscal year ends on July 31.

Thank you

