

## **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)

	FY21	FY22	FY23
Revenue:			
Product	\$ 1,120.3	\$ 1,363.1	\$ 1,578.4
Subscription and support	3,135.8	4,138.4	5,314.3
Total revenue	4,256.1	5,501.5	6,892.7
Cost of revenue:			
Product	308.5	455.5	418.3
Subscription and support	966.4	1,263.2	1,491.4
Total cost of revenue	1,274.9	1,718.7	1,909.7
Total gross profit	2,981.2	3,782.8	4,983.0
<i>Product gross margin</i>	72.5 %	66.6 %	73.5 %
<i>Subscription and support gross margin</i>	69.2 %	69.5 %	71.9 %
<i>Total gross margin</i>	70.0 %	68.8 %	72.3 %
Operating expenses:			
Research and development	1,140.4	1,417.7	1,604.0
Sales and marketing	1,753.8	2,148.9	2,544.0
General and administrative	391.1	405.0	447.7
Total operating expenses	3,285.3	3,971.6	4,595.7
Operating income (loss)	(304.1)	(188.8)	387.3
Interest expense	(163.3)	(27.4)	(27.2)
Other income, net	2.4	9.0	206.2
Income (loss) before income taxes	(465.0)	(207.2)	566.3
Provision for income taxes	33.9	59.8	126.6
Net income (loss)	\$ (498.9)	\$ (267.0)	\$ 439.7

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

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
Revenue:								
Product	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4
Subscription and support	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9
Total revenue	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3
Cost of revenue:								
Product	88.9	97.8	126.0	142.8	120.1	100.5	93.4	104.3
Subscription and support	291.7	307.5	314.5	349.5	341.8	365.7	381.4	402.5
Total cost of revenue	380.6	405.3	440.5	492.3	461.9	466.2	474.8	506.8
Total gross profit	866.8	911.6	946.2	1,058.2	1,101.5	1,188.9	1,246.1	1,446.5
<i>Product gross margin</i>	69.9 %	68.2 %	64.2 %	65.0 %	63.6 %	71.5 %	75.9 %	79.4 %
<i>Subscription and support gross margin</i>	69.4 %	69.5 %	69.6 %	69.4 %	72.3 %	71.9 %	71.4 %	72.2 %
<i>Total gross margin</i>	69.5 %	69.2 %	68.2 %	68.2 %	70.5 %	71.8 %	72.4 %	74.1 %
Operating expenses:								
Research and development	339.5	359.0	355.4	363.8	371.8	404.1	413.7	414.4
Sales and marketing	505.9	528.8	543.6	570.6	615.0	625.5	639.5	664.0
General and administrative	104.1	97.7	94.8	108.4	99.5	119.4	114.2	114.6
Total operating expenses	949.5	985.5	993.8	1,042.8	1,086.3	1,149.0	1,167.4	1,193.0
Operating income (loss)	(82.7)	(73.9)	(47.6)	15.4	15.2	39.9	78.7	253.5
Interest expense	(6.9)	(6.8)	(6.8)	(6.9)	(6.8)	(6.9)	(7.8)	(5.7)
Other income (expense), net	(1.6)	(0.1)	1.9	8.8	26.0	51.4	60.1	68.7
Income (loss) before income taxes	(91.2)	(80.8)	(52.5)	17.3	34.4	84.4	131.0	316.5
Provision for income taxes	12.4	12.7	20.7	14.0	14.4	0.2	23.2	88.8
Net income (loss)	<u>\$ (103.6)</u>	<u>\$ (93.5)</u>	<u>\$ (73.2)</u>	<u>\$ 3.3</u>	<u>\$ 20.0</u>	<u>\$ 84.2</u>	<u>\$ 107.8</u>	<u>\$ 227.7</u>

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

	FY21	FY22	FY23
Revenue:			
Product	\$ 1,120.3	\$ 1,363.1	\$ 1,578.4
Subscription and support	3,135.8	4,138.4	5,314.3
Total revenue	4,256.1	5,501.5	6,892.7
Cost of revenue:			
Product	294.8	441.2	403.9
Subscription and support	759.9	1,011.3	1,258.5
Total cost of revenue	1,054.7	1,452.5	1,662.4
Total gross profit	3,201.4	4,049.0	5,230.3
<i>Product gross margin</i>	73.7 %	67.6 %	74.4 %
<i>Subscription and support gross margin</i>	75.8 %	75.6 %	76.3 %
<i>Total gross margin</i>	75.2 %	73.6 %	75.9 %
Operating expenses:			
Research and development	701.2	926.3	1,097.4
Sales and marketing	1,452.1	1,805.9	2,168.0
General and administrative	245.8	274.0	305.0
Total operating expenses	2,399.1	3,006.2	3,570.4
Operating income	802.3	1,042.8	1,659.9
Interest expense	(20.4)	(20.2)	(20.4)
Other income, net	4.8	6.3	206.7
Income before income taxes	786.7	1,028.9	1,846.2
Provision for income taxes	173.0	226.4	406.2
Net income	\$ 613.7	\$ 802.5	\$ 1,440.0

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

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
Revenue:								
Product	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4
Subscription and support	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9
Total revenue	1,247.4	1,316.9	1,386.7	1,550.5	1,563.4	1,655.1	1,720.9	1,953.3
Cost of revenue:								
Product	85.4	94.2	122.3	139.3	116.5	96.9	89.7	100.8
Subscription and support	234.0	247.7	254.1	275.5	285.2	309.1	321.0	343.2
Total cost of revenue	319.4	341.9	376.4	414.8	401.7	406.0	410.7	444.0
Total gross profit	928.0	975.0	1,010.3	1,135.7	1,161.7	1,249.1	1,310.2	1,509.3
<i>Product gross margin</i>	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %	72.5 %	76.9 %	80.1 %
<i>Subscription and support gross margin</i>	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %	76.3 %	75.9 %	76.3 %
<i>Total gross margin</i>	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %	75.5 %	76.1 %	77.3 %
Operating expenses:								
Research and development	211.2	228.7	236.4	250.0	251.4	270.1	281.4	294.5
Sales and marketing	423.9	438.8	456.8	486.4	518.8	527.7	547.4	574.1
General and administrative	68.9	64.8	64.2	76.1	69.1	74.5	74.7	86.7
Total operating expenses	704.0	732.3	757.4	812.5	839.3	872.3	903.5	955.3
Operating income	224.0	242.7	252.9	323.2	322.4	376.8	406.7	554.0
Interest expense	(5.1)	(5.0)	(5.0)	(5.1)	(5.0)	(5.2)	(6.0)	(4.2)
Other income (expense), net	(0.5)	(0.6)	(0.4)	7.8	24.2	53.7	60.1	68.7
Income before income taxes	218.4	237.1	247.5	325.9	341.6	425.3	460.8	618.5
Provision for income taxes	48.1	52.1	54.4	71.8	75.2	93.6	101.4	136.0
Net income	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	FY21	FY22	FY23
<b>GAAP to Non-GAAP Reconciliations</b>			
GAAP product gross profit	\$ 811.8	\$ 907.6	\$ 1,160.1
Share-based compensation-related charges	6.6	7.2	7.3
Litigation-related charges <sup>(1)</sup>	7.1	7.1	7.1
Non-GAAP product gross profit	<u>\$ 825.5</u>	<u>\$ 921.9</u>	<u>\$ 1,174.5</u>
<i>Non-GAAP product gross margin</i>	<u>73.7 %</u>	<u>67.6 %</u>	<u>74.4 %</u>
GAAP subscription and support gross profit	\$ 2,169.4	\$ 2,875.2	\$ 3,822.9
Share-based compensation-related charges	109.1	133.8	153.1
Amortization expense of acquired intangible assets	97.4	104.1	81.5
Restructuring and other costs <sup>(2)</sup>	—	14.0	(1.7)
Non-GAAP subscription and support gross profit	<u>\$ 2,375.9</u>	<u>\$ 3,127.1</u>	<u>\$ 4,055.8</u>
<i>Non-GAAP subscription and support gross margin</i>	<u>75.8 %</u>	<u>75.6 %</u>	<u>76.3 %</u>
GAAP total gross profit	\$ 2,981.2	\$ 3,782.8	\$ 4,983.0
Share-based compensation-related charges	115.7	141.0	160.4
Amortization expense of acquired intangible assets	97.4	104.1	81.5
Litigation-related charges <sup>(1)</sup>	7.1	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	—	14.0	(1.7)
Non-GAAP total gross profit	<u>\$ 3,201.4</u>	<u>\$ 4,049.0</u>	<u>\$ 5,230.3</u>
<i>Non-GAAP gross margin</i>	<u>75.2 %</u>	<u>73.6 %</u>	<u>75.9 %</u>
GAAP research and development expense	\$ 1,140.4	\$ 1,417.7	\$ 1,604.0
Share-based compensation-related charges	439.2	489.1	507.1
Restructuring and other costs <sup>(2)</sup>	—	2.3	(0.5)
Non-GAAP research and development expense	<u>\$ 701.2</u>	<u>\$ 926.3</u>	<u>\$ 1,097.4</u>
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<u>16.5 %</u>	<u>16.8 %</u>	<u>15.9 %</u>
GAAP sales and marketing expense	\$ 1,753.8	\$ 2,148.9	\$ 2,544.0
Share-based compensation-related charges	282.4	321.3	354.4
Amortization expense of acquired intangible assets	19.3	21.7	21.6
Non-GAAP sales and marketing expense	<u>\$ 1,452.1</u>	<u>\$ 1,805.9</u>	<u>\$ 2,168.0</u>
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<u>34.0 %</u>	<u>32.8 %</u>	<u>31.5 %</u>
GAAP general and administrative expense	\$ 391.1	\$ 405.0	\$ 447.7
Share-based compensation-related charges	99.2	120.6	123.2
Acquisition-related costs <sup>(3)</sup>	46.1	5.5	19.5
Restructuring and other costs <sup>(2)</sup>	—	4.9	—
Non-GAAP general and administrative expense	<u>\$ 245.8</u>	<u>\$ 274.0</u>	<u>\$ 305.0</u>
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	<u>5.8 %</u>	<u>5.0 %</u>	<u>4.4 %</u>

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

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

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

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

	FY21	FY22	FY23
GAAP total operating expense	\$3,285.3	\$3,971.6	\$4,595.7
Share-based compensation-related charges	820.8	931.0	984.7
Acquisition-related costs <sup>(1)</sup>	46.1	5.5	19.5
Amortization expense of acquired intangible assets	19.3	21.7	21.6
Restructuring and other costs <sup>(2)</sup>	—	7.2	(0.5)
Non-GAAP total operating expense	<u>\$2,399.1</u>	<u>\$3,006.2</u>	<u>\$3,570.4</u>
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<u>56.3 %</u>	<u>54.6 %</u>	<u>51.8 %</u>
GAAP operating income (loss)	\$ (304.1)	\$ (188.8)	\$ 387.3
Share-based compensation-related charges	936.5	1,072.0	1,145.1
Acquisition-related costs <sup>(1)</sup>	46.1	5.5	19.5
Amortization expense of acquired intangible assets	116.7	125.8	103.1
Litigation-related charges <sup>(3)</sup>	7.1	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	—	21.2	(2.2)
Non-GAAP operating income	<u>\$ 802.3</u>	<u>\$1,042.8</u>	<u>\$1,659.9</u>
<i>Non-GAAP operating margin</i>	<u>18.9 %</u>	<u>19.0 %</u>	<u>24.1 %</u>
GAAP interest expense	\$ (163.3)	\$ (27.4)	\$ (27.2)
Non-cash charges related to convertible notes <sup>(4)</sup>	142.9	7.2	6.8
Non-GAAP interest expense	<u>\$ (20.4)</u>	<u>\$ (20.2)</u>	<u>\$ (20.4)</u>
<i>Non-GAAP interest expense as a percentage of revenue</i>	<u>(0.5)%</u>	<u>(0.4)%</u>	<u>(0.3)%</u>
GAAP other income, net	\$ 2.4	\$ 9.0	\$ 206.2
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	(2.7)	0.5
Non-GAAP other income, net	<u>\$ 4.8</u>	<u>\$ 6.3</u>	<u>\$ 206.7</u>
<i>Non-GAAP other income, net as a percentage of revenue</i>	<u>0.1 %</u>	<u>0.1 %</u>	<u>3.0 %</u>
GAAP income (loss) before income taxes	\$ (465.0)	\$ (207.2)	\$ 566.3
Share-based compensation-related charges	936.5	1,072.0	1,145.1
Acquisition-related costs <sup>(1)</sup>	46.1	5.5	19.5
Amortization expense of acquired intangible assets	116.7	125.8	103.1
Litigation-related charges <sup>(3)</sup>	7.1	7.1	7.1
Restructuring and other costs <sup>(2)</sup>	—	21.2	(2.2)
Non-cash charges related to convertible notes <sup>(4)</sup>	142.9	7.2	6.8
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	(2.7)	0.5
Non-GAAP income before income taxes	<u>\$ 786.7</u>	<u>\$1,028.9</u>	<u>\$1,846.2</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, loss on the closure of an office facility, other costs, and related adjustments.

(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, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics - Fiscal Years (Continued)**

(In millions, except percentages and per share amounts)

	FY21	FY22	FY23
GAAP provision for income taxes	\$ 33.9	\$ 59.8	\$ 126.6
Income tax and other tax adjustments <sup>(1)</sup>	139.1	166.6	279.6
Non-GAAP provision for income taxes	<u>\$ 173.0</u>	<u>\$ 226.4</u>	<u>\$ 406.2</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net income (loss)	\$ (498.9)	\$ (267.0)	\$ 439.7
Share-based compensation-related charges	936.5	1,072.0	1,145.1
Acquisition-related costs <sup>(2)</sup>	46.1	5.5	19.5
Amortization expense of acquired intangible assets	116.7	125.8	103.1
Litigation-related charges <sup>(3)</sup>	7.1	7.1	7.1
Restructuring and other costs <sup>(4)</sup>	—	21.2	(2.2)
Non-cash charges related to convertible notes <sup>(5)</sup>	142.9	7.2	6.8
Foreign currency (gain) loss associated with non-GAAP adjustments	2.4	(2.7)	0.5
Income tax and other tax adjustments <sup>(1)</sup>	(139.1)	(166.6)	(279.6)
Non-GAAP net income	<u>\$ 613.7</u>	<u>\$ 802.5</u>	<u>\$ 1,440.0</u>
GAAP net income (loss) per share, diluted	\$ (1.73)	\$ (0.90)	\$ 1.28
Share-based compensation-related charges	3.18	3.42	3.59
Acquisition-related costs <sup>(2)</sup>	0.16	0.02	0.06
Amortization expense of acquired intangible assets	0.40	0.43	0.30
Litigation-related charges <sup>(3)</sup>	0.02	0.02	0.02
Restructuring and other costs <sup>(4)</sup>	—	0.08	(0.01)
Non-cash charges related to convertible notes <sup>(5)</sup>	0.49	0.02	0.02
Foreign currency (gain) loss associated with non-GAAP adjustments	0.01	(0.01)	—
Income tax and other tax adjustments <sup>(1)</sup>	(0.48)	(0.56)	(0.82)
Non-GAAP net income per share, diluted	<u>\$ 2.05</u>	<u>\$ 2.52</u>	<u>\$ 4.44</u>
GAAP weighted-average shares used to compute net income (loss) per share, diluted	289.1	295.6	342.3
Weighted-average dilutive effect of potentially dilutive securities <sup>(6)</sup>	17.0	40.0	—
Weighted-average anti-dilutive impact of note hedge agreements	(6.4)	(17.4)	(17.9)
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>299.7</u>	<u>318.2</u>	<u>324.4</u>

- (1) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In FY'23, it included tax benefits from releases of tax reserves related to uncertain tax positions resulting from tax settlements.
- (2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies.
- (3) Consists of the amortization of intellectual property licenses and covenant not to sue.
- (4) Consists of manufacturing related charges, loss on the closure of an office facility, other costs, and related adjustments.
- (5) 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.
- (6) Consists of potentially dilutive effect of employee equity incentive plan awards and convertible senior notes outstanding and related warrants 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, Disaggregation of Revenue by Type, and Calculation of Other Key Metrics -**  
**Fiscal Years (Continued)**  
(In millions, except percentages and per share amounts)

	FY21	FY22	FY23
Net cash provided by operating activities	\$ 1,503.0	\$ 1,984.7	\$ 2,777.5
Less: purchases of property, equipment, and other assets	116.0	192.8	146.3
Free cash flow (non-GAAP)	<u>\$ 1,387.0</u>	<u>\$ 1,791.9</u>	<u>\$ 2,631.2</u>
Add: capital expenditures for headquarters <sup>(1)</sup>	—	38.9	—
Add: cash payment related to tax settlement	—	—	39.8
Add: repayments of convertible senior notes attributable to debt discount	0.1	—	—
Adjusted free cash flow (non-GAAP)	<u>\$ 1,387.1</u>	<u>\$ 1,830.8</u>	<u>\$ 2,671.0</u>
Net cash used in investing activities	<u>\$ (1,480.6)</u>	<u>\$ (933.4)</u>	<u>\$ (2,033.8)</u>
Net cash used in financing activities	<u>\$ (1,104.0)</u>	<u>\$ (806.6)</u>	<u>\$ (1,726.3)</u>
Free cash flow margin (non-GAAP)	<u>32.6 %</u>	<u>32.6 %</u>	<u>38.2 %</u>
Adjusted free cash flow margin (non-GAAP)	<u>32.6 %</u>	<u>33.3 %</u>	<u>38.8 %</u>

**Disaggregation of Revenue by Type**

Revenue:			
Product	1,120.3	1,363.1	1,578.4
Subscription and support			
Subscription	1,898.8	2,539.0	3,335.4
Support	1,237.0	1,599.4	1,978.9
Total subscription and support	<u>3,135.8</u>	<u>4,138.4</u>	<u>5,314.3</u>
Total revenue	<u>4,256.1</u>	<u>5,501.5</u>	<u>6,892.7</u>

**Other Key Metrics - Calculation of Billings**

Total revenue	\$ 4,256.1	\$ 5,501.5	\$ 6,892.7
Add: change in total deferred revenue, net of acquired deferred revenue	1,196.1	1,970.0	2,301.7
Total billings	<u>\$ 5,452.2</u>	<u>\$ 7,471.5</u>	<u>\$ 9,194.4</u>
Product revenue	\$ 1,120.3	\$ 1,363.1	\$ 1,578.4
Add: change in product deferred revenue	14.6	(10.9)	22.4
Product billings	<u>\$ 1,134.9</u>	<u>\$ 1,352.2</u>	<u>\$ 1,600.8</u>
Subscription revenue	\$ 1,898.8	\$ 2,539.0	\$ 3,335.4
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	710.0	1,352.1	1,626.3
Subscription billings	<u>\$ 2,608.8</u>	<u>\$ 3,891.1</u>	<u>\$ 4,961.7</u>
Support revenue	\$ 1,237.0	\$ 1,599.4	\$ 1,978.9
Add: change in support deferred revenue, net of acquired support deferred revenue	471.5	628.8	653.0
Support billings	<u>\$ 1,708.5</u>	<u>\$ 2,228.2</u>	<u>\$ 2,631.9</u>

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

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
<b>GAAP to Non-GAAP Reconciliations</b>								
GAAP product gross profit	\$ 206.6	\$ 210.2	\$ 225.5	\$ 265.3	\$ 209.9	\$ 252.4	\$ 294.7	\$ 403.1
Share-based compensation-related charges	1.7	1.8	1.9	1.8	1.8	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	\$ 210.1	\$ 213.8	\$ 229.2	\$ 268.8	\$ 213.5	\$ 256.0	\$ 298.4	\$ 406.6
Non-GAAP product gross margin	71.1 %	69.4 %	65.2 %	65.9 %	64.7 %	72.5 %	76.9 %	80.1 %
GAAP subscription and support gross profit	\$ 660.2	\$ 701.4	\$ 720.7	\$ 792.9	\$ 891.6	\$ 936.5	\$ 951.4	\$1,043.4
Share-based compensation-related charges	31.5	33.7	34.4	34.2	35.0	37.6	40.5	40.0
Amortization expense of acquired intangible assets	26.2	26.1	26.0	25.8	23.3	19.0	19.9	19.3
Restructuring and other costs <sup>(2)</sup>	—	—	—	14.0	(1.7)	—	—	—
Non-GAAP subscription and support gross profit	\$ 717.9	\$ 761.2	\$ 781.1	\$ 866.9	\$ 948.2	\$ 993.1	\$1,011.8	\$1,102.7
Non-GAAP subscription and support gross margin	75.4 %	75.4 %	75.5 %	75.9 %	76.9 %	76.3 %	75.9 %	76.3 %
GAAP total gross profit	\$ 866.8	\$ 911.6	\$ 946.2	\$1,058.2	\$1,101.5	\$1,188.9	\$1,246.1	\$1,446.5
Share-based compensation-related charges	33.2	35.5	36.3	36.0	36.8	39.4	42.4	41.8
Amortization expense of acquired intangible assets	26.2	26.1	26.0	25.8	23.3	19.0	19.9	19.3
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	(1.7)	—	—	—
Non-GAAP total gross profit	\$ 928.0	\$ 975.0	\$1,010.3	\$1,135.7	\$1,161.7	\$1,249.1	\$1,310.2	\$1,509.3
Non-GAAP gross margin	74.4 %	74.0 %	72.9 %	73.2 %	74.3 %	75.5 %	76.1 %	77.3 %
GAAP research and development expense	\$ 339.5	\$ 359.0	\$ 355.4	\$ 363.8	\$ 371.8	\$ 404.1	\$ 413.7	\$ 414.4
Share-based compensation-related charges	128.3	130.3	119.0	111.5	120.9	134.0	132.3	119.9
Restructuring and other costs <sup>(2)</sup>	—	—	—	2.3	(0.5)	—	—	—
Non-GAAP research and development expense	\$ 211.2	\$ 228.7	\$ 236.4	\$ 250.0	\$ 251.4	\$ 270.1	\$ 281.4	\$ 294.5
Non-GAAP research and development expense as a percentage of revenue	16.9 %	17.4 %	17.0 %	16.1 %	16.1 %	16.3 %	16.4 %	15.1 %
GAAP sales and marketing expense	\$ 505.9	\$ 528.8	\$ 543.6	\$ 570.6	\$ 615.0	\$ 625.5	\$ 639.5	\$ 664.0
Share-based compensation-related charges	76.6	84.6	81.3	78.8	90.8	92.4	86.7	84.5
Amortization expense of acquired intangible assets	5.4	5.4	5.5	5.4	5.4	5.4	5.4	5.4
Non-GAAP sales and marketing expense	\$ 423.9	\$ 438.8	\$ 456.8	\$ 486.4	\$ 518.8	\$ 527.7	\$ 547.4	\$ 574.1
Non-GAAP sales and marketing expense as a percentage of revenue	34.0 %	33.3 %	33.1 %	31.4 %	33.2 %	31.9 %	31.8 %	29.4 %
GAAP general and administrative expense	\$ 104.1	\$ 97.7	\$ 94.8	\$ 108.4	\$ 99.5	\$ 119.4	\$ 114.2	\$ 114.6
Share-based compensation-related charges	32.1	32.9	30.6	25.0	30.4	32.8	32.1	27.9
Acquisition-related costs <sup>(3)</sup>	3.1	—	—	2.4	—	12.1	7.4	—
Restructuring and other costs <sup>(2)</sup>	—	—	—	4.9	—	—	—	—
Non-GAAP general and administrative expense	\$ 68.9	\$ 64.8	\$ 64.2	\$ 76.1	\$ 69.1	\$ 74.5	\$ 74.7	\$ 86.7
Non-GAAP general and administrative expense as a percentage of revenue	5.5 %	4.9 %	4.6 %	4.9 %	4.4 %	4.5 %	4.3 %	4.4 %

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

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

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

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
GAAP total operating expense	\$ 949.5	\$ 985.5	\$ 993.8	\$ 1,042.8	\$ 1,086.3	\$ 1,149.0	\$ 1,167.4	\$ 1,193.0
Share-based compensation-related charges	237.0	247.8	230.9	215.3	242.1	259.2	251.1	232.3
Acquisition-related costs <sup>(1)</sup>	3.1	—	—	2.4	—	12.1	7.4	—
Amortization expense of acquired intangible assets	5.4	5.4	5.5	5.4	5.4	5.4	5.4	5.4
Restructuring and other costs <sup>(2)</sup>	—	—	—	7.2	(0.5)	—	—	—
Non-GAAP total operating expense	\$ 704.0	\$ 732.3	\$ 757.4	\$ 812.5	\$ 839.3	\$ 872.3	\$ 903.5	\$ 955.3
Non-GAAP total operating expense as a percentage of revenue	56.4 %	55.6 %	54.7 %	52.4 %	53.7 %	52.7 %	52.5 %	48.9 %
GAAP operating income (loss)	\$ (82.7)	\$ (73.9)	\$ (47.6)	\$ 15.4	\$ 15.2	\$ 39.9	\$ 78.7	\$ 253.5
Share-based compensation-related charges	270.2	283.3	267.2	251.3	278.9	298.6	293.5	274.1
Acquisition-related costs <sup>(1)</sup>	3.1	—	—	2.4	—	12.1	7.4	—
Amortization expense of acquired intangible assets	31.6	31.5	31.5	31.2	28.7	24.4	25.3	24.7
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	(2.2)	—	—	—
Non-GAAP operating income	\$ 224.0	\$ 242.7	\$ 252.9	\$ 323.2	\$ 322.4	\$ 376.8	\$ 406.7	\$ 554.0
Non-GAAP operating margin	18.0 %	18.4 %	18.2 %	20.8 %	20.6 %	22.8 %	23.6 %	28.4 %
GAAP interest expense	\$ (6.9)	\$ (6.8)	\$ (6.8)	\$ (6.9)	\$ (6.8)	\$ (6.9)	\$ (7.8)	\$ (5.7)
Non-cash charges related to convertible notes <sup>(4)</sup>	1.8	1.8	1.8	1.8	1.8	1.7	1.8	1.5
Non-GAAP interest expense	\$ (5.1)	\$ (5.0)	\$ (5.0)	\$ (5.1)	\$ (5.0)	\$ (5.2)	\$ (6.0)	\$ (4.2)
Non-GAAP interest expense as a percentage of revenue	(0.4)%	(0.4)%	(0.4)%	(0.3)%	(0.3)%	(0.3)%	(0.3)%	(0.2)%
GAAP other income (expense), net	\$ (1.6)	\$ (0.1)	\$ 1.9	\$ 8.8	\$ 26.0	\$ 51.4	\$ 60.1	\$ 68.7
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—	—
Non-GAAP other income (expense), net	\$ (0.5)	\$ (0.6)	\$ (0.4)	\$ 7.8	\$ 24.2	\$ 53.7	\$ 60.1	\$ 68.7
Non-GAAP other income (expense), net as a percentage of revenue	0.0 %	0.0 %	0.0 %	0.5 %	1.5 %	3.2 %	3.5 %	3.5 %
GAAP income (loss) before income taxes	\$ (91.2)	\$ (80.8)	\$ (52.5)	\$ 17.3	\$ 34.4	\$ 84.4	\$ 131.0	\$ 316.5
Share-based compensation-related charges	270.2	283.3	267.2	251.3	278.9	298.6	293.5	274.1
Acquisition-related costs <sup>(1)</sup>	3.1	—	—	2.4	—	12.1	7.4	—
Amortization expense of acquired intangible assets	31.6	31.5	31.5	31.2	28.7	24.4	25.3	24.7
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	(2.2)	—	—	—
Non-cash charges related to convertible notes <sup>(4)</sup>	1.8	1.8	1.8	1.8	1.8	1.7	1.8	1.5
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—	—
Non-GAAP income before income taxes	\$ 218.4	\$ 237.1	\$ 247.5	\$ 325.9	\$ 341.6	\$ 425.3	\$ 460.8	\$ 618.5

(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, loss on the closure of an office facility, other costs, and related adjustments.

(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 issuance costs related to our convertible senior notes.

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
GAAP provision for income taxes	\$ 12.4	\$ 12.7	\$ 20.7	\$ 14.0	\$ 14.4	\$ 0.2	\$ 23.2	\$ 88.8
Income tax and other tax adjustments <sup>(1)</sup>	35.7	39.4	33.7	57.8	60.8	93.4	78.2	47.2
Non-GAAP provision for income taxes	\$ 48.1	\$ 52.1	\$ 54.4	\$ 71.8	\$ 75.2	\$ 93.6	\$ 101.4	\$ 136.0
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net income (loss)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7
Share-based compensation-related charges	270.2	283.3	267.2	251.3	278.9	298.6	293.5	274.1
Acquisition-related costs <sup>(2)</sup>	3.1	—	—	2.4	—	12.1	7.4	—
Amortization expense of acquired intangible assets	31.6	31.5	31.5	31.2	28.7	24.4	25.3	24.7
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>(4)</sup>	—	—	—	21.2	(2.2)	—	—	—
Non-cash charges related to convertible notes <sup>(5)</sup>	1.8	1.8	1.8	1.8	1.8	1.7	1.8	1.5
Foreign currency (gain) loss associated with non-GAAP adjustments	1.1	(0.5)	(2.3)	(1.0)	(1.8)	2.3	—	—
Income tax and other tax adjustments <sup>(1)</sup>	(35.7)	(39.4)	(33.7)	(57.8)	(60.8)	(93.4)	(78.2)	(47.2)
Non-GAAP net income	\$ 170.3	\$ 185.0	\$ 193.1	\$ 254.1	\$ 266.4	\$ 331.7	\$ 359.4	\$ 482.5
GAAP net income (loss) per share, diluted	\$ (0.35)	\$ (0.32)	\$ (0.25)	\$ 0.01	\$ 0.06	\$ 0.25	\$ 0.31	\$ 0.64
Share-based compensation-related charges	0.88	0.90	0.84	0.78	0.87	0.94	0.91	0.86
Acquisition-related costs <sup>(2)</sup>	0.01	0.00	0.00	0.01	0.00	0.04	0.02	0.00
Amortization expense of acquired intangible assets	0.11	0.11	0.11	0.09	0.08	0.07	0.07	0.07
Litigation-related charges <sup>(3)</sup>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Restructuring and other costs <sup>(4)</sup>	0.00	0.00	0.00	0.06	(0.01)	0.00	0.00	0.00
Non-cash charges related to convertible notes <sup>(5)</sup>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	0.00	(0.01)	0.00	(0.01)	0.01	0.00	0.00
Income tax and other tax adjustments <sup>(1)</sup>	(0.12)	(0.13)	(0.11)	(0.17)	(0.18)	(0.28)	(0.23)	(0.13)
Non-GAAP net income per share, diluted	\$ 0.55	\$ 0.58	\$ 0.60	\$ 0.80	\$ 0.83	\$ 1.05	\$ 1.10	\$ 1.44
GAAP weighted-average shares used to compute net income (loss) per share, diluted	292.9	294.5	296.7	336.2	338.4	331.6	344.7	354.5
Weighted-average dilutive effect of potentially dilutive securities <sup>(6)</sup>	33.8	42.4	46.4	—	—	—	—	—
Weighted-average anti-dilutive impact of note hedge agreements	(15.0)	(18.0)	(19.7)	(17.0)	(17.8)	(15.2)	(19.3)	(19.3)
Non-GAAP weighted-average shares used to compute net income per share, diluted	311.7	318.9	323.4	319.2	320.6	316.4	325.4	335.2

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

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

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

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

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

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

**Palo Alto Networks, Inc.**

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

(In millions, except percentages and per share amounts)

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
Net cash provided by operating activities	\$ 588.9	\$ 482.6	\$ 389.5	\$ 523.7	\$ 1,236.7	\$ 694.6	\$ 432.1	\$ 414.1
Less: purchases of property, equipment, and other assets	34.6	80.7	38.3	39.2	39.6	38.3	31.2	37.2
Free cash flow (non-GAAP)	\$ 554.3	\$ 401.9	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 656.3	\$ 400.9	\$ 376.9
Add: capital expenditures for headquarters <sup>(1)</sup>	—	38.9	—	—	—	—	—	—
Add: cash payment related to tax settlement	—	—	—	—	—	28.9	—	10.9
Adjusted free cash flow (non-GAAP)	\$ 554.3	\$ 440.8	\$ 351.2	\$ 484.5	\$ 1,197.1	\$ 685.2	\$ 400.9	\$ 387.8
Net cash provided by (used in) investing activities	\$ (229.9)	\$ (274.3)	\$ 42.9	\$ (472.1)	\$ (1,319.8)	\$ (1,164.5)	\$ 87.9	\$ 362.6
Net cash provided by (used in) financing activities	\$ 38.7	\$ (558.5)	\$ 66.3	\$ (353.1)	\$ 31.1	\$ (250.8)	\$ 128.2	\$ (1,634.8)
Free cash flow margin (non-GAAP)	44.4 %	30.5 %	25.3 %	31.2 %	76.6 %	39.7 %	23.3 %	19.3 %
Adjusted free cash flow margin (non-GAAP)	44.4 %	33.5 %	25.3 %	31.2 %	76.6 %	41.4 %	23.3 %	19.9 %

**Disaggregation of Revenue by Type**

Revenue:

Product	\$ 295.5	\$ 308.0	\$ 351.5	\$ 408.1	\$ 330.0	\$ 352.9	\$ 388.1	\$ 507.4
Subscription and support								
Subscription	578.8	618.0	639.8	702.4	764.0	815.4	838.1	917.9
Support	373.1	390.9	395.4	440.0	469.4	486.8	494.7	528.0
Total subscription and support	951.9	1,008.9	1,035.2	1,142.4	1,233.4	1,302.2	1,332.8	1,445.9
Total revenue	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1	\$1,720.9	\$1,953.3

**Other Key Metrics - Calculation of Billings**

Total revenue	\$1,247.4	\$1,316.9	\$1,386.7	\$1,550.5	\$1,563.4	\$1,655.1	\$1,720.9	\$1,953.3
Add: change in total deferred revenue, net of acquired deferred revenue	134.2	291.0	410.2	1,134.6	185.6	374.0	535.3	1,206.8
Total billings	\$1,381.6	\$1,607.9	\$1,796.9	\$2,685.1	\$1,749.0	\$2,029.1	\$2,256.2	\$3,160.1

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

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

	FY21	FY22	FY23
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,874.2	\$ 2,118.5	\$ 1,135.3
Short-term investments	1,026.9	1,516.0	1,254.7
Accounts receivable, net	1,240.4	2,142.5	2,463.2
Short-term financing receivables, net	79.0	111.3	388.8
Short-term deferred contract costs	276.5	317.7	339.2
Prepaid expenses and other current assets	150.3	208.9	466.8
Total current assets	<u>4,647.3</u>	<u>6,414.9</u>	<u>6,048.0</u>
Property and equipment, net	318.4	357.8	354.5
Operating lease right-of-use assets	262.9	242.0	263.3
Long-term investments	888.3	1,051.9	3,047.9
Long-term financing receivables, net	194.3	192.1	653.3
Long-term deferred contract costs	494.6	550.1	547.1
Goodwill	2,710.1	2,747.7	2,926.8
Intangible assets, net	498.6	384.5	315.4
Other assets	227.1	312.6	344.8
Total assets	<u>\$ 10,241.6</u>	<u>\$ 12,253.6</u>	<u>\$ 14,501.1</u>
<b>Liabilities, temporary equity, and stockholders' equity</b>			
Current liabilities:			
Accounts payable	\$ 56.9	\$ 128.0	\$ 132.3
Accrued compensation	430.6	461.1	548.3
Accrued and other liabilities	329.4	399.2	390.8
Deferred revenue	2,741.9	3,641.2	4,674.6
Convertible senior notes, net	1,557.9	3,676.8	1,991.5
Total current liabilities	<u>5,116.7</u>	<u>8,306.3</u>	<u>7,737.5</u>
Convertible senior notes, net	1,668.1	—	—
Long-term deferred revenue	2,282.1	3,352.8	4,621.8
Long-term operating lease liabilities	313.4	276.1	279.2
Other long-term liabilities	97.7	108.4	114.2
Total liabilities	<u>9,478.0</u>	<u>12,043.6</u>	<u>12,752.7</u>
Temporary equity	129.1	—	—
Stockholders' equity:			
Preferred stock	—	—	—
Common stock and additional paid-in capital	2,311.2	1,932.7	3,019.0
Accumulated other comprehensive loss	(9.9)	(55.6)	(43.2)
Accumulated deficit	(1,666.8)	(1,667.1)	(1,227.4)
Total stockholders' equity	<u>634.5</u>	<u>210.0</u>	<u>1,748.4</u>
Total liabilities, temporary equity, and stockholders' equity	<u>\$ 10,241.6</u>	<u>\$ 12,253.6</u>	<u>\$ 14,501.1</u>

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

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 2,272.9	\$ 1,922.7	\$ 2,419.9	\$ 2,118.5	\$ 2,067.2	\$ 1,346.3	\$ 1,992.9	\$ 1,135.3
Short-term investments	1,188.5	1,417.6	1,454.7	1,516.0	1,736.5	2,000.6	1,965.3	1,254.7
Accounts receivable, net	812.1	952.2	1,240.6	2,142.5	1,238.1	1,278.1	1,443.6	2,463.2
Short-term financing receivables, net	103.9	112.9	116.8	111.3	153.7	171.8	245.2	388.8
Short-term deferred contract costs	272.9	278.1	286.8	317.7	310.6	313.4	317.3	339.2
Prepaid expenses and other current assets	188.8	185.1	178.8	208.9	227.4	295.6	449.3	466.8
Total current assets	4,839.1	4,868.6	5,697.6	6,414.9	5,733.5	5,405.8	6,413.6	6,048.0
Property and equipment, net	324.3	362.7	355.6	357.8	353.7	344.7	341.7	354.5
Operating lease right-of-use assets	251.8	238.8	239.9	242.0	260.4	251.1	248.3	263.3
Long-term investments	898.8	851.0	714.7	1,051.9	2,094.7	2,820.6	2,709.8	3,047.9
Long-term financing receivables, net	197.8	175.8	177.3	192.1	162.1	218.1	390.4	653.3
Long-term deferred contract costs	476.1	472.1	480.3	550.1	520.3	511.3	503.6	547.1
Goodwill	2,732.3	2,731.3	2,731.3	2,747.7	2,747.7	2,912.3	2,926.8	2,926.8
Intangible assets, net	471.3	443.9	412.1	384.5	355.4	361.7	340.6	315.4
Other assets	234.9	256.3	291.2	312.6	316.0	337.8	295.7	344.8
Total assets	\$ 10,426.4	\$ 10,400.5	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 95.3	\$ 120.4	\$ 108.0	\$ 128.0	\$ 125.9	\$ 128.3	\$ 91.6	\$ 132.3
Accrued compensation	250.8	329.9	365.2	461.1	268.9	395.1	344.7	548.3
Accrued and other liabilities	324.6	324.0	375.4	399.2	380.4	328.9	376.1	390.8
Deferred revenue	2,801.6	2,958.2	3,152.9	3,641.2	3,741.3	3,942.5	4,146.7	4,674.6
Convertible senior notes, net	3,672.1	3,673.9	3,675.7	3,676.8	3,678.6	3,680.3	3,682.1	1,991.5
Total current liabilities	7,144.4	7,406.4	7,677.2	8,306.3	8,195.1	8,475.1	8,641.2	7,737.5
Long-term deferred revenue	2,356.6	2,491.0	2,706.5	3,352.8	3,438.3	3,611.5	3,942.9	4,621.8
Long-term operating lease liabilities	299.5	282.4	275.7	276.1	283.1	274.2	264.5	279.2
Other long-term liabilities	107.0	102.9	103.0	108.4	119.3	73.6	89.5	114.2
Total liabilities	9,907.5	10,282.7	10,762.4	12,043.6	12,035.8	12,434.4	12,938.1	12,752.7
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,033.9	1,745.2	2,066.3	1,932.7	2,266.2	2,303.0	2,708.2	3,019.0
Accumulated other comprehensive loss	(11.3)	(30.2)	(58.3)	(55.6)	(111.1)	(11.1)	(20.7)	(43.2)
Accumulated deficit	(1,503.7)	(1,597.2)	(1,670.4)	(1,667.1)	(1,647.1)	(1,562.9)	(1,455.1)	(1,227.4)
Total stockholders' equity	518.9	117.8	337.6	210.0	508.0	729.0	1,232.4	1,748.4
Total liabilities and stockholders' equity	\$ 10,426.4	\$ 10,400.5	\$ 11,100.0	\$ 12,253.6	\$ 12,543.8	\$ 13,163.4	\$ 14,170.5	\$ 14,501.1

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

	FY21	FY22	FY23
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (498.9)	\$ (267.0)	\$ 439.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation for equity-based awards	894.5	1,011.1	1,074.5
Depreciation and amortization	260.4	282.6	282.2
Amortization of deferred contract costs	298.0	362.1	413.4
Amortization of debt discount and debt issuance costs	142.9	7.2	6.7
Reduction of operating lease right-of-use assets	44.5	54.4	49.9
Amortization of investment premiums, net of accretion of purchase discounts	13.1	13.5	(52.2)
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	(172.4)	(902.0)	(320.3)
Financing receivables, net	(272.6)	(30.1)	(738.7)
Deferred contract costs	(440.8)	(458.8)	(431.9)
Prepaid expenses and other assets	(26.5)	(110.9)	(265.3)
Accounts payable	(11.8)	69.3	1.0
Accrued compensation	105.1	30.4	84.4
Accrued and other liabilities	(28.5)	(47.1)	(67.6)
Deferred revenue	1,196.1	1,970.0	2,301.7
Net cash provided by operating activities	1,503.0	1,984.7	2,777.5
<b>Cash flows from investing activities</b>			
Purchases of investments	(1,958.9)	(2,271.7)	(5,460.4)
Proceeds from sales of investments	131.1	449.2	965.9
Proceeds from maturities of investments	1,240.5	1,118.9	2,811.5
Business acquisitions, net of cash acquired	(777.3)	(37.0)	(204.5)
Purchases of property, equipment, and other assets	(116.0)	(192.8)	(146.3)
Net cash used in investing activities	(1,480.6)	(933.4)	(2,033.8)
<b>Cash flows from financing activities</b>			
Repayments of convertible senior notes attributable to principal and equity component	(0.9)	(0.6)	(1,692.0)
Payments for debt issuance costs	(0.2)	—	—
Repurchases of common stock	(1,178.1)	(892.3)	(272.7)
Proceeds from sales of shares through employee equity incentive plans	104.0	136.6	258.8
Payments for taxes related to net share settlement of equity awards	(28.8)	(50.3)	(20.4)
Net cash used in financing activities	(1,104.0)	(806.6)	(1,726.3)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,081.6)	244.7	(982.6)
Cash, cash equivalents, and restricted cash - beginning of period	2,961.7	1,880.1	2,124.8
Cash, cash equivalents, and restricted cash - end of period	<u>\$1,880.1</u>	<u>\$2,124.8</u>	<u>\$1,142.2</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>			
Cash and cash equivalents	\$1,874.2	\$2,118.5	\$1,135.3
Restricted cash included in prepaid expenses and other current assets	5.4	6.3	6.9
Restricted cash included in other assets	0.5	—	—
Total cash, cash equivalents, and restricted cash	<u>\$1,880.1</u>	<u>\$2,124.8</u>	<u>\$1,142.2</u>

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

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (103.6)	\$ (93.5)	\$ (73.2)	\$ 3.3	\$ 20.0	\$ 84.2	\$ 107.8	\$ 227.7
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Share-based compensation for equity-based awards	259.1	265.1	247.3	239.6	266.0	283.3	271.0	254.2
Depreciation and amortization	69.0	69.7	71.4	72.5	70.7	69.9	72.3	69.3
Amortization of deferred contract costs	85.9	86.1	89.1	101.0	97.0	99.0	101.4	116.0
Amortization of debt discount and debt issuance costs	1.8	1.8	1.8	1.8	1.8	1.7	1.8	1.4
Reduction of operating lease right-of-use assets	12.7	12.4	12.4	16.9	12.1	12.5	12.1	13.2
Amortization of investment premiums, net of accretion of purchase discounts	3.6	3.7	3.2	3.0	1.7	(16.0)	(20.1)	(17.8)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	428.4	(140.1)	(288.4)	(901.9)	904.4	(39.8)	(165.3)	(1,019.6)
Financing receivables, net	(28.4)	13.0	(5.4)	(9.3)	(12.4)	(74.1)	(245.7)	(406.5)
Deferred contract costs	(63.8)	(87.4)	(105.9)	(201.7)	(60.1)	(92.8)	(97.6)	(181.4)
Prepaid expenses and other assets	(44.4)	(13.1)	(20.6)	(32.8)	(28.7)	(44.4)	(91.0)	(101.2)
Accounts payable	37.6	22.2	(8.2)	17.7	(1.0)	1.7	(37.0)	37.3
Accrued compensation	(179.8)	79.0	35.4	95.8	(192.3)	124.0	(50.9)	203.6
Accrued and other liabilities	(23.4)	(27.3)	20.4	(16.8)	(28.1)	(88.6)	38.0	11.1
Deferred revenue	134.2	291.0	410.2	1,134.6	185.6	374.0	535.3	1,206.8
Net cash provided by operating activities	588.9	482.6	389.5	523.7	1,236.7	694.6	432.1	414.1
<b>Cash flows from investing activities</b>								
Purchases of investments	(439.1)	(616.2)	(241.1)	(975.3)	(2,112.8)	(1,606.5)	(742.1)	(999.0)
Proceeds from sales of investments	36.1	246.1	7.0	160.0	485.0	14.6	375.4	90.9
Proceeds from maturities of investments	225.1	176.5	315.3	402.0	347.6	651.3	504.7	1,307.9
Business acquisitions, net of cash acquired	(17.4)	—	—	(19.6)	—	(185.6)	(18.9)	—
Purchases of property, equipment, and other assets	(34.6)	(80.7)	(38.3)	(39.2)	(39.6)	(38.3)	(31.2)	(37.2)
Net cash provided by (used in) investing activities	(229.9)	(274.3)	42.9	(472.1)	(1,319.8)	(1,164.5)	87.9	362.6
<b>Cash flows from financing activities</b>								
Repayments of convertible senior notes attributable to principal and equity component	—	—	—	(0.6)	—	—	—	(1,692.0)
Repurchases of common stock	—	(550.0)	—	(342.3)	(22.7)	(250.0)	—	—
Proceeds from sales of shares through employee equity incentive plans	58.7	0.1	77.5	0.3	67.7	0.7	130.3	60.1
Payments for taxes related to net share settlement of equity awards	(20.0)	(8.6)	(11.2)	(10.5)	(13.9)	(1.5)	(2.1)	(2.9)
Net cash provided by (used in) financing activities	38.7	(558.5)	66.3	(353.1)	31.1	(250.8)	128.2	(1,634.8)
Net increase (decrease) in cash, cash equivalents, and restricted cash	397.7	(350.2)	498.7	(301.5)	(52.0)	(720.7)	648.2	(858.1)
Cash, cash equivalents, and restricted cash - beginning of period	1,880.1	2,277.8	1,927.6	2,426.3	2,124.8	2,072.8	1,352.1	2,000.3
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>	<u>\$1,142.2</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b>								
Cash and cash equivalents	\$2,272.9	\$1,922.7	\$2,419.9	\$2,118.5	\$2,067.2	\$1,346.3	\$1,992.9	\$1,135.3
Restricted cash included in prepaid expenses and other current assets	4.4	4.9	6.4	6.3	5.6	5.8	7.4	6.9
Restricted cash included in other assets	0.5	—	—	—	—	—	—	—
Total cash, cash equivalents, and restricted cash	<u>\$2,277.8</u>	<u>\$1,927.6</u>	<u>\$2,426.3</u>	<u>\$2,124.8</u>	<u>\$2,072.8</u>	<u>\$1,352.1</u>	<u>\$2,000.3</u>	<u>\$1,142.2</u>