

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

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

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

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

|  | <b>Q320</b> | <b>Q420</b> | <b>Q121</b> | <b>Q221</b> | <b>Q321</b> | <b>Q421</b> | <b>Q122</b> | <b>Q222</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue:                                     |             |             |             |             |             |             |             |             |
| Product                                      | \$ 280.9    | \$ 305.6    | \$ 237.3    | \$ 254.7    | \$ 288.9    | \$ 339.4    | \$ 295.5    | \$ 308.0    |
| Subscription and support                     | 588.5       | 644.8       | 708.7       | 762.2       | 785.0       | 879.9       | 951.9       | 1,008.9     |
| Total revenue                                | 869.4       | 950.4       | 946.0       | 1,016.9     | 1,073.9     | 1,219.3     | 1,247.4     | 1,316.9     |
| Cost of revenue:                             |             |             |             |             |             |             |             |             |
| Product                                      | 73.3        | 87.3        | 62.2        | 75.6        | 81.9        | 88.8        | 88.9        | 97.8        |
| Subscription and support                     | 185.0       | 203.1       | 215.6       | 232.0       | 248.7       | 270.1       | 291.7       | 307.5       |
| Total cost of revenue                        | 258.3       | 290.4       | 277.8       | 307.6       | 330.6       | 358.9       | 380.6       | 405.3       |
| Total gross profit                           | 611.1       | 660.0       | 668.2       | 709.3       | 743.3       | 860.4       | 866.8       | 911.6       |
| <i>Product gross margin</i>                  | 73.9 %      | 71.4 %      | 73.8 %      | 70.3 %      | 71.7 %      | 73.8 %      | 69.9 %      | 68.2 %      |
| <i>Subscription and support gross margin</i> | 68.6 %      | 68.5 %      | 69.6 %      | 69.6 %      | 68.3 %      | 69.3 %      | 69.4 %      | 69.5 %      |
| <i>Total gross margin</i>                    | 70.3 %      | 69.4 %      | 70.6 %      | 69.8 %      | 69.2 %      | 70.6 %      | 69.5 %      | 69.2 %      |
| Operating expenses:                          |             |             |             |             |             |             |             |             |
| Research and development                     | 196.3       | 215.9       | 237.4       | 266.7       | 311.0       | 325.3       | 339.5       | 359.0       |
| Sales and marketing                          | 388.4       | 391.2       | 388.6       | 427.4       | 448.0       | 489.8       | 505.9       | 528.8       |
| General and administrative                   | 82.9        | 70.7        | 86.7        | 104.0       | 94.7        | 105.7       | 104.1       | 97.7        |
| Total operating expenses                     | 667.6       | 677.8       | 712.7       | 798.1       | 853.7       | 920.8       | 949.5       | 985.5       |
| Operating loss                               | (56.5)      | (17.8)      | (44.5)      | (88.8)      | (110.4)     | (60.4)      | (82.7)      | (73.9)      |
| Interest expense                             | (19.4)      | (31.4)      | (40.2)      | (40.7)      | (41.0)      | (41.4)      | (6.9)       | (6.8)       |
| Other income (expense), net                  | 8.1         | 0.8         | 2.4         | (0.5)       | 1.0         | (0.5)       | (1.6)       | (0.1)       |
| Loss before income taxes                     | (67.8)      | (48.4)      | (82.3)      | (130.0)     | (150.4)     | (102.3)     | (91.2)      | (80.8)      |
| Provision for (benefit from) income taxes    | 7.0         | 10.5        | 9.9         | 12.3        | (5.3)       | 17.0        | 12.4        | 12.7        |
| Net loss                                     | \$ (74.8)   | \$ (58.9)   | \$ (92.2)   | \$ (142.3)  | \$ (145.1)  | \$ (119.3)  | \$ (103.6)  | \$ (93.5)   |

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

|  | Q320     | Q420     | Q121     | Q221     | Q321     | Q421     | Q122     | Q222     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenue:                                     |          |          |          |          |          |          |          |          |
| Product                                      | \$ 280.9 | \$ 305.6 | \$ 237.3 | \$ 254.7 | \$ 288.9 | \$ 339.4 | \$ 295.5 | \$ 308.0 |
| Subscription and support                     | 588.5    | 644.8    | 708.7    | 762.2    | 785.0    | 879.9    | 951.9    | 1,008.9  |
| Total revenue                                | 869.4    | 950.4    | 946.0    | 1,016.9  | 1,073.9  | 1,219.3  | 1,247.4  | 1,316.9  |
| Cost of revenue:                             |          |          |          |          |          |          |          |          |
| Product                                      | 70.0     | 83.9     | 58.9     | 72.1     | 78.4     | 85.4     | 85.4     | 94.2     |
| Subscription and support                     | 145.7    | 160.0    | 170.3    | 179.5    | 194.0    | 216.1    | 234.0    | 247.7    |
| Total cost of revenue                        | 215.7    | 243.9    | 229.2    | 251.6    | 272.4    | 301.5    | 319.4    | 341.9    |
| Total gross profit                           | 653.7    | 706.5    | 716.8    | 765.3    | 801.5    | 917.8    | 928.0    | 975.0    |
| <i>Product gross margin</i>                  | 75.1 %   | 72.5 %   | 75.2 %   | 71.7 %   | 72.9 %   | 74.8 %   | 71.1 %   | 69.4 %   |
| <i>Subscription and support gross margin</i> | 75.2 %   | 75.2 %   | 76.0 %   | 76.4 %   | 75.3 %   | 75.4 %   | 75.4 %   | 75.4 %   |
| <i>Total gross margin</i>                    | 75.2 %   | 74.3 %   | 75.8 %   | 75.3 %   | 74.6 %   | 75.3 %   | 74.4 %   | 74.0 %   |
| Operating expenses:                          |          |          |          |          |          |          |          |          |
| Research and development                     | 127.0    | 137.4    | 141.1    | 159.5    | 189.0    | 211.6    | 211.2    | 228.7    |
| Sales and marketing                          | 329.0    | 326.9    | 318.9    | 348.3    | 368.8    | 416.1    | 423.9    | 438.8    |
| General and administrative                   | 54.8     | 53.8     | 51.4     | 55.7     | 61.4     | 77.3     | 68.9     | 64.8     |
| Total operating expenses                     | 510.8    | 518.1    | 511.4    | 563.5    | 619.2    | 705.0    | 704.0    | 732.3    |
| Operating income                             | 142.9    | 188.4    | 205.4    | 201.8    | 182.3    | 212.8    | 224.0    | 242.7    |
| Interest expense                             | (3.6)    | (4.5)    | (5.1)    | (5.2)    | (5.1)    | (5.0)    | (5.1)    | (5.0)    |
| Other income (expense), net                  | 7.5      | 2.0      | 2.3      | 1.2      | 1.6      | (0.3)    | (0.5)    | (0.6)    |
| Income before income taxes                   | 146.8    | 185.9    | 202.6    | 197.8    | 178.8    | 207.5    | 218.4    | 237.1    |
| Provision for income taxes                   | 32.2     | 41.0     | 44.5     | 43.6     | 39.3     | 45.6     | 48.1     | 52.1     |
| Net income                                   | \$ 114.6 | \$ 144.9 | \$ 158.1 | \$ 154.2 | \$ 139.5 | \$ 161.9 | \$ 170.3 | \$ 185.0 |

**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)

|  | Q320     | Q420     | Q121     | Q221     | Q321     | Q421     | Q122     | Q222     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>GAAP to Non-GAAP Reconciliations</b>                                |          |          |          |          |          |          |          |          |
| GAAP product gross profit  | \$ 207.6 | \$ 218.3 | \$ 175.1 | \$ 179.1 | \$ 207.0 | \$ 250.6 | \$ 206.6 | \$ 210.2 |
| Share-based compensation-related charges                               | 1.5      | 1.6      | 1.5      | 1.7      | 1.7      | 1.7      | 1.7      | 1.8      |
| Litigation-related charges <sup>(1)</sup>                              | 1.8      | 1.8      | 1.8      | 1.8      | 1.8      | 1.7      | 1.8      | 1.8      |
| Non-GAAP product gross profit  | \$ 210.9 | \$ 221.7 | \$ 178.4 | \$ 182.6 | \$ 210.5 | \$ 254.0 | \$ 210.1 | \$ 213.8 |
| Non-GAAP product gross margin  | 75.1 %   | 72.5 %   | 75.2 %   | 71.7 %   | 72.9 %   | 74.8 %   | 71.1 %   | 69.4 %   |
| GAAP subscription and support gross profit                             | \$ 403.5 | \$ 441.7 | \$ 493.1 | \$ 530.2 | \$ 536.3 | \$ 609.8 | \$ 660.2 | \$ 701.4 |
| Share-based compensation-related charges                               | 21.9     | 23.1     | 25.1     | 28.0     | 28.1     | 27.9     | 31.5     | 33.7     |
| Amortization expense of acquired intangible assets                     | 17.4     | 20.0     | 20.2     | 24.5     | 26.6     | 26.1     | 26.2     | 26.1     |
| Non-GAAP subscription and support gross profit                         | \$ 442.8 | \$ 484.8 | \$ 538.4 | \$ 582.7 | \$ 591.0 | \$ 663.8 | \$ 717.9 | \$ 761.2 |
| Non-GAAP subscription and support gross margin                         | 75.2 %   | 75.2 %   | 76.0 %   | 76.4 %   | 75.3 %   | 75.4 %   | 75.4 %   | 75.4 %   |
| GAAP total gross profit  | \$ 611.1 | \$ 660.0 | \$ 668.2 | \$ 709.3 | \$ 743.3 | \$ 860.4 | \$ 866.8 | \$ 911.6 |
| Share-based compensation-related charges                               | 23.4     | 24.7     | 26.6     | 29.7     | 29.8     | 29.6     | 33.2     | 35.5     |
| Amortization expense of acquired intangible assets                     | 17.4     | 20.0     | 20.2     | 24.5     | 26.6     | 26.1     | 26.2     | 26.1     |
| Litigation-related charges <sup>(1)</sup>                              | 1.8      | 1.8      | 1.8      | 1.8      | 1.8      | 1.7      | 1.8      | 1.8      |
| Non-GAAP total gross profit  | \$ 653.7 | \$ 706.5 | \$ 716.8 | \$ 765.3 | \$ 801.5 | \$ 917.8 | \$ 928.0 | \$ 975.0 |
| Non-GAAP gross margin  | 75.2 %   | 74.3 %   | 75.8 %   | 75.3 %   | 74.6 %   | 75.3 %   | 74.4 %   | 74.0 %   |
| GAAP research and development expense                                  | \$ 196.3 | \$ 215.9 | \$ 237.4 | \$ 266.7 | \$ 311.0 | \$ 325.3 | \$ 339.5 | \$ 359.0 |
| Share-based compensation-related charges                               | 69.3     | 78.5     | 96.3     | 107.2    | 122.0    | 113.7    | 128.3    | 130.3    |
| Non-GAAP research and development expense                              | \$ 127.0 | \$ 137.4 | \$ 141.1 | \$ 159.5 | \$ 189.0 | \$ 211.6 | \$ 211.2 | \$ 228.7 |
| Non-GAAP research and development expense as a percentage of revenue   | 14.6 %   | 14.5 %   | 14.9 %   | 15.7 %   | 17.6 %   | 17.4 %   | 16.9 %   | 17.4 %   |
| GAAP sales and marketing expense                                       | \$ 388.4 | \$ 391.2 | \$ 388.6 | \$ 427.4 | \$ 448.0 | \$ 489.8 | \$ 505.9 | \$ 528.8 |
| Share-based compensation-related charges                               | 57.6     | 61.6     | 66.4     | 74.0     | 73.8     | 68.2     | 76.6     | 84.6     |
| Amortization expense of acquired intangible assets                     | 1.8      | 2.7      | 3.3      | 5.1      | 5.4      | 5.5      | 5.4      | 5.4      |
| Non-GAAP sales and marketing expense                                   | \$ 329.0 | \$ 326.9 | \$ 318.9 | \$ 348.3 | \$ 368.8 | \$ 416.1 | \$ 423.9 | \$ 438.8 |
| Non-GAAP sales and marketing expense as a percentage of revenue        | 37.9 %   | 34.3 %   | 33.8 %   | 34.3 %   | 34.3 %   | 34.1 %   | 34.0 %   | 33.3 %   |
| GAAP general and administrative expense                                | \$ 82.9  | \$ 70.7  | \$ 86.7  | \$ 104.0 | \$ 94.7  | \$ 105.7 | \$ 104.1 | \$ 97.7  |
| Share-based compensation-related charges                               | 23.2     | 16.5     | 22.2     | 27.7     | 21.6     | 27.7     | 32.1     | 32.9     |
| Acquisition-related costs <sup>(2)</sup>                               | 4.9      | 0.4      | 13.1     | 20.6     | 11.7     | 0.7      | 3.1      | —        |
| Non-GAAP general and administrative expense                            | \$ 54.8  | \$ 53.8  | \$ 51.4  | \$ 55.7  | \$ 61.4  | \$ 77.3  | \$ 68.9  | \$ 64.8  |
| Non-GAAP general and administrative expense as a percentage of revenue | 6.3 %    | 5.7 %    | 5.4 %    | 5.5 %    | 5.7 %    | 6.3 %    | 5.5 %    | 4.9 %    |

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

(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.

**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)

|   | Q320      | Q420      | Q121      | Q221       | Q321       | Q421       | Q122      | Q222      |
|---|-----------|-----------|-----------|------------|------------|------------|-----------|-----------|
| GAAP total operating expense                                      | \$ 667.6  | \$ 677.8  | \$ 712.7  | \$ 798.1   | \$ 853.7   | \$ 920.8   | \$ 949.5  | \$ 985.5  |
| Share-based compensation-related charges                          | 150.1     | 156.6     | 184.9     | 208.9      | 217.4      | 209.6      | 237.0     | 247.8     |
| Acquisition-related costs <sup>(1)</sup>                          | 4.9       | 0.4       | 13.1      | 20.6       | 11.7       | 0.7        | 3.1       | —         |
| Amortization expense of acquired intangible assets                | 1.8       | 2.7       | 3.3       | 5.1        | 5.4        | 5.5        | 5.4       | 5.4       |
| Non-GAAP total operating expense                                  | \$ 510.8  | \$ 518.1  | \$ 511.4  | \$ 563.5   | \$ 619.2   | \$ 705.0   | \$ 704.0  | \$ 732.3  |
| Non-GAAP total operating expense as a percentage of revenue       | 58.8 %    | 54.5 %    | 54.1 %    | 55.5 %     | 57.6 %     | 57.8 %     | 56.4 %    | 55.6 %    |
| GAAP operating loss   | \$ (56.5) | \$ (17.8) | \$ (44.5) | \$ (88.8)  | \$ (110.4) | \$ (60.4)  | \$ (82.7) | \$ (73.9) |
| Share-based compensation-related charges                          | 173.5     | 181.3     | 211.5     | 238.6      | 247.2      | 239.2      | 270.2     | 283.3     |
| Acquisition-related costs <sup>(1)</sup>                          | 4.9       | 0.4       | 13.1      | 20.6       | 11.7       | 0.7        | 3.1       | —         |
| Amortization expense of acquired intangible assets                | 19.2      | 22.7      | 23.5      | 29.6       | 32.0       | 31.6       | 31.6      | 31.5      |
| Litigation-related charges <sup>(2)</sup>                         | 1.8       | 1.8       | 1.8       | 1.8        | 1.8        | 1.7        | 1.8       | 1.8       |
| Non-GAAP operating income   | \$ 142.9  | \$ 188.4  | \$ 205.4  | \$ 201.8   | \$ 182.3   | \$ 212.8   | \$ 224.0  | \$ 242.7  |
| Non-GAAP operating margin   | 16.4 %    | 19.8 %    | 21.7 %    | 19.8 %     | 17.0 %     | 17.5 %     | 18.0 %    | 18.4 %    |
| GAAP interest expense   | \$ (19.4) | \$ (31.4) | \$ (40.2) | \$ (40.7)  | \$ (41.0)  | \$ (41.4)  | \$ (6.9)  | \$ (6.8)  |
| Non-cash charges related to convertible notes <sup>(3)</sup>      | 15.8      | 26.9      | 35.1      | 35.5       | 35.9       | 36.4       | 1.8       | 1.8       |
| Non-GAAP interest expense   | \$ (3.6)  | \$ (4.5)  | \$ (5.1)  | \$ (5.2)   | \$ (5.1)   | \$ (5.0)   | \$ (5.1)  | \$ (5.0)  |
| Non-GAAP interest expense as a percentage of revenue              | (0.4)%    | (0.5)%    | (0.5)%    | (0.5)%     | (0.5)%     | (0.4)%     | (0.4)%    | (0.4)%    |
| GAAP other income (expense), net                                  | \$ 8.1    | \$ 0.8    | \$ 2.4    | \$ (0.5)   | \$ 1.0     | \$ (0.5)   | \$ (1.6)  | \$ (0.1)  |
| Foreign currency (gain) loss associated with non-GAAP adjustments | (0.6)     | 1.2       | (0.1)     | 1.7        | 0.6        | 0.2        | 1.1       | (0.5)     |
| Non-GAAP other income (expense), net                              | \$ 7.5    | \$ 2.0    | \$ 2.3    | \$ 1.2     | \$ 1.6     | \$ (0.3)   | \$ (0.5)  | \$ (0.6)  |
| Non-GAAP other income (expense), net as a percentage of revenue   | 0.9 %     | 0.2 %     | 0.2 %     | 0.1 %      | 0.1 %      | 0.0 %      | 0.0 %     | 0.0 %     |
| GAAP loss before income taxes                                     | \$ (67.8) | \$ (48.4) | \$ (82.3) | \$ (130.0) | \$ (150.4) | \$ (102.3) | \$ (91.2) | \$ (80.8) |
| Share-based compensation-related charges                          | 173.5     | 181.3     | 211.5     | 238.6      | 247.2      | 239.2      | 270.2     | 283.3     |
| Acquisition-related costs <sup>(1)</sup>                          | 4.9       | 0.4       | 13.1      | 20.6       | 11.7       | 0.7        | 3.1       | —         |
| Amortization expense of acquired intangible assets                | 19.2      | 22.7      | 23.5      | 29.6       | 32.0       | 31.6       | 31.6      | 31.5      |
| Litigation-related charges <sup>(2)</sup>                         | 1.8       | 1.8       | 1.8       | 1.8        | 1.8        | 1.7        | 1.8       | 1.8       |
| Non-cash charges related to convertible notes <sup>(3)</sup>      | 15.8      | 26.9      | 35.1      | 35.5       | 35.9       | 36.4       | 1.8       | 1.8       |
| Foreign currency (gain) loss associated with non-GAAP adjustments | (0.6)     | 1.2       | (0.1)     | 1.7        | 0.6        | 0.2        | 1.1       | (0.5)     |
| Non-GAAP income before income taxes                               | \$ 146.8  | \$ 185.9  | \$ 202.6  | \$ 197.8   | \$ 178.8   | \$ 207.5   | \$ 218.4  | \$ 237.1  |

(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 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**

(In millions, except percentages and per share amounts)

|  | Q320            | Q420            | Q121            | Q221            | Q321            | Q421            | Q122            | Q222            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| GAAP provision for (benefit from) income taxes                                 | \$ 7.0          | \$ 10.5         | \$ 9.9          | \$ 12.3         | \$ (5.3)        | \$ 17.0         | \$ 12.4         | \$ 12.7         |
| Income tax and other tax adjustments related to the above                      | 25.2            | 30.5            | 34.6            | 31.3            | 44.6            | 28.6            | 35.7            | 39.4            |
| Non-GAAP provision for income taxes  | <u>\$ 32.2</u>  | <u>\$ 41.0</u>  | <u>\$ 44.5</u>  | <u>\$ 43.6</u>  | <u>\$ 39.3</u>  | <u>\$ 45.6</u>  | <u>\$ 48.1</u>  | <u>\$ 52.1</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 loss  | \$ (74.8)       | \$ (58.9)       | \$ (92.2)       | \$ (142.3)      | \$ (145.1)      | \$ (119.3)      | \$ (103.6)      | \$ (93.5)       |
| Share-based compensation-related charges                                       | 173.5           | 181.3           | 211.5           | 238.6           | 247.2           | 239.2           | 270.2           | 283.3           |
| Acquisition-related costs <sup>(1)</sup>                                       | 4.9             | 0.4             | 13.1            | 20.6            | 11.7            | 0.7             | 3.1             | —               |
| Amortization expense of acquired intangible assets                             | 19.2            | 22.7            | 23.5            | 29.6            | 32.0            | 31.6            | 31.6            | 31.5            |
| Litigation-related charges <sup>(2)</sup>                                      | 1.8             | 1.8             | 1.8             | 1.8             | 1.8             | 1.7             | 1.8             | 1.8             |
| Non-cash charges related to convertible notes <sup>(3)</sup>                   | 15.8            | 26.9            | 35.1            | 35.5            | 35.9            | 36.4            | 1.8             | 1.8             |
| Foreign currency (gain) loss associated with non-GAAP adjustments              | (0.6)           | 1.2             | (0.1)           | 1.7             | 0.6             | 0.2             | 1.1             | (0.5)           |
| Income tax and other tax adjustments related to the above                      | (25.2)          | (30.5)          | (34.6)          | (31.3)          | (44.6)          | (28.6)          | (35.7)          | (39.4)          |
| Non-GAAP net income  | <u>\$ 114.6</u> | <u>\$ 144.9</u> | <u>\$ 158.1</u> | <u>\$ 154.2</u> | <u>\$ 139.5</u> | <u>\$ 161.9</u> | <u>\$ 170.3</u> | <u>\$ 185.0</u> |
| GAAP net loss per share, diluted   | \$ (0.77)       | \$ (0.61)       | \$ (0.97)       | \$ (1.48)       | \$ (1.50)       | \$ (1.23)       | \$ (1.06)       | \$ (0.95)       |
| Share-based compensation-related charges                                       | 1.78            | 1.86            | 2.17            | 2.43            | 2.49            | 2.39            | 2.67            | 2.74            |
| Acquisition-related costs <sup>(1)</sup>                                       | 0.05            | 0.00            | 0.14            | 0.21            | 0.12            | 0.01            | 0.03            | 0.00            |
| Amortization expense of acquired intangible assets                             | 0.20            | 0.24            | 0.25            | 0.31            | 0.33            | 0.33            | 0.32            | 0.32            |
| Litigation-related charges <sup>(2)</sup>                                      | 0.02            | 0.02            | 0.02            | 0.02            | 0.02            | 0.02            | 0.02            | 0.02            |
| Non-cash charges related to convertible notes <sup>(3)</sup>                   | 0.16            | 0.28            | 0.37            | 0.37            | 0.37            | 0.37            | 0.02            | 0.02            |
| Foreign currency (gain) loss associated with non-GAAP adjustments              | (0.01)          | 0.01            | 0.00            | 0.02            | 0.01            | 0.00            | 0.01            | (0.01)          |
| Income tax and other tax adjustments related to the above                      | (0.26)          | (0.32)          | (0.36)          | (0.33)          | (0.46)          | (0.29)          | (0.37)          | (0.40)          |
| Non-GAAP net income per share, diluted   | <u>\$ 1.17</u>  | <u>\$ 1.48</u>  | <u>\$ 1.62</u>  | <u>\$ 1.55</u>  | <u>\$ 1.38</u>  | <u>\$ 1.60</u>  | <u>\$ 1.64</u>  | <u>\$ 1.74</u>  |
| GAAP weighted-average shares used to compute net loss per share, diluted       | 96.7            | 96.0            | 95.5            | 95.9            | 96.9            | 97.2            | 97.6            | 98.2            |
| Weighted-average effect of potentially dilutive securities <sup>(4)</sup>      | 1.1             | 2.2             | 2.2             | 3.7             | 4.1             | 4.2             | 6.3             | 8.1             |
| Non-GAAP weighted-average shares used to compute net income per share, diluted | <u>97.8</u>     | <u>98.2</u>     | <u>97.7</u>     | <u>99.6</u>     | <u>101.0</u>    | <u>101.4</u>    | <u>103.9</u>    | <u>106.3</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 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.

(4) Our potentially dilutive securities include the potentially 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 Quarters**

(In millions, except percentages and per share amounts)

|   | Q320       | Q420       | Q121       | Q221       | Q321       | Q421       | Q122       | Q222       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Net cash provided by operating activities                                 | \$ 169.9   | \$ 333.7   | \$ 534.9   | \$ 364.5   | \$ 277.8   | \$ 325.8   | \$ 588.9   | \$ 482.6   |
| Less: purchases of property, equipment, and other assets                  | 86.3       | 31.8       | 29.6       | 32.1       | 26.9       | 27.4       | 34.6       | 80.7       |
| Free cash flow (non-GAAP)   | \$ 83.6    | \$ 301.9   | \$ 505.3   | \$ 332.4   | \$ 250.9   | \$ 298.4   | \$ 554.3   | \$ 401.9   |
| Add: capital expenditures for headquarters <sup>(1)</sup>                 | 53.8       | —          | —          | —          | —          | —          | —          | 38.9       |
| Add: repayments of convertible senior notes attributable to debt discount | —          | —          | —          | —          | —          | 0.1        | —          | —          |
| Add: litigation-related payment <sup>(2)</sup>                            | 50.0       | —          | —          | —          | —          | —          | —          | —          |
| Adjusted free cash flow (non-GAAP)  | \$ 187.4   | \$ 301.9   | \$ 505.3   | \$ 332.4   | \$ 250.9   | \$ 298.5   | \$ 554.3   | \$ 440.8   |
| Net cash provided by (used in) investing activities                       | \$ 274.7   | \$ (667.6) | \$ (886.2) | \$ (384.4) | \$ (207.6) | \$ (2.4)   | \$ (229.9) | \$ (274.3) |
| Net cash provided by (used in) financing activities                       | \$ (959.3) | \$ 1,805.5 | \$ (464.5) | \$ (5.4)   | \$ (298.5) | \$ (335.6) | \$ 38.7    | \$ (558.5) |
| Free cash flow margin (non-GAAP)  | 9.6 %      | 31.8 %     | 53.4 %     | 32.7 %     | 23.4 %     | 24.5 %     | 44.4 %     | 30.5 %     |
| Adjusted free cash flow margin (non-GAAP)                                 | 21.6 %     | 31.8 %     | 53.4 %     | 32.7 %     | 23.4 %     | 24.5 %     | 44.4 %     | 33.5 %     |

**Other Key Metrics - Calculation of Billings**

|   |           |           |           |            |            |            |            |            |
|---|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| Total revenue   | \$ 869.4  | \$ 950.4  | \$ 946.0  | \$ 1,016.9 | \$ 1,073.9 | \$ 1,219.3 | \$ 1,247.4 | \$ 1,316.9 |
| Add: change in total deferred revenue, net of acquired deferred revenue | 146.0     | 439.6     | 136.8     | 197.8      | 212.5      | 649.0      | 134.2      | 291.0      |
| Total billings  | \$1,015.4 | \$1,390.0 | \$1,082.8 | \$1,214.7  | \$1,286.4  | \$1,868.3  | \$1,381.6  | \$1,607.9  |

(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.

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

|   | <u>1H FY21</u>    | <u>1H FY22</u>    |
|---|-------------------|-------------------|
| Total revenue   | \$ 1,962.9        | \$ 2,564.3        |
| Add: change in total deferred revenue, net of acquired deferred revenue                     | 334.6             | 425.2             |
| Total billings  | <u>\$ 2,297.5</u> | <u>\$ 2,989.5</u> |
| Product revenue   | \$ 492.0          | \$ 603.5          |
| Add: change in product deferred revenue   | 2.6               | (6.8)             |
| Product billings  | <u>\$ 494.6</u>   | <u>\$ 596.7</u>   |
| Subscription revenue  | \$ 889.7          | \$ 1,196.8        |
| Add: change in subscription deferred revenue, net of acquired subscription deferred revenue | 179.8             | 279.4             |
| Subscription billings   | <u>\$ 1,069.5</u> | <u>\$ 1,476.2</u> |
| Support revenue   | \$ 581.2          | \$ 764.0          |
| Add: change in support deferred revenue, net of acquired support deferred revenue           | 152.2             | 152.6             |
| Support billings  | <u>\$ 733.4</u>   | <u>\$ 916.6</u>   |



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

|  | Q320              | Q420              | Q121              | Q221              | Q321              | Q421               | Q122               | Q222               |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| <b>Assets</b>  |                   |                   |                   |                   |                   |                    |                    |                    |
| Current assets:  |                   |                   |                   |                   |                   |                    |                    |                    |
| Cash and cash equivalents  | \$ 1,484.7        | \$ 2,958.0        | \$ 2,142.0        | \$ 2,113.2        | \$ 1,886.1        | \$ 1,874.2         | \$ 2,272.9         | \$ 1,922.7         |
| Short-term investments   | 554.1             | 789.8             | 1,075.6           | 1,058.0           | 1,059.3           | 1,026.9            | 1,188.5            | 1,417.6            |
| Accounts receivable, net   | 668.8             | 1,037.1           | 675.5             | 669.2             | 766.8             | 1,240.4            | 812.1              | 952.2              |
| Short-term deferred contract costs                                   | 173.7             | 206.0             | 213.0             | 224.4             | 235.0             | 276.5              | 272.9              | 278.1              |
| Prepaid expenses and other current assets                            | 132.7             | 138.3             | 194.8             | 211.0             | 193.7             | 229.3              | 292.7              | 298.0              |
| <b>Total current assets</b>  | <b>3,014.0</b>    | <b>5,129.2</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>     |
| Property and equipment, net  | 357.2             | 348.1             | 337.9             | 330.7             | 322.7             | 318.4              | 324.3              | 362.7              |
| Operating lease right-of-use assets                                  | 263.8             | 258.7             | 251.2             | 252.1             | 258.7             | 262.9              | 251.8              | 238.8              |
| Long-term investments  | 151.2             | 554.4             | 873.2             | 857.1             | 885.4             | 888.3              | 898.8              | 851.0              |
| Long-term deferred contract costs                                    | 343.6             | 422.3             | 408.8             | 410.5             | 420.1             | 494.6              | 476.1              | 472.1              |
| Goodwill   | 1,812.9           | 1,812.9           | 1,968.6           | 2,583.5           | 2,713.1           | 2,710.1            | 2,732.3            | 2,731.3            |
| Intangible assets, net   | 380.6             | 358.2             | 388.8             | 541.1             | 530.3             | 498.6              | 471.3              | 443.9              |
| Other assets   | 178.5             | 181.6             | 197.1             | 237.6             | 290.9             | 421.4              | 432.7              | 432.1              |
| <b>Total assets</b>  | <b>\$ 6,501.8</b> | <b>\$ 9,065.4</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>Liabilities, temporary equity, and stockholders' equity</b>       |                   |                   |                   |                   |                   |                    |                    |                    |
| Current liabilities:   |                   |                   |                   |                   |                   |                    |                    |                    |
| Accounts payable   | \$ 52.3           | \$ 63.6           | \$ 48.5           | \$ 44.7           | \$ 71.8           | \$ 56.9            | \$ 95.3            | \$ 120.4           |
| Accrued compensation   | 174.9             | 322.2             | 188.4             | 261.0             | 252.8             | 430.6              | 250.8              | 329.9              |
| Accrued and other liabilities  | 253.9             | 256.8             | 260.7             | 255.3             | 261.5             | 329.4              | 324.6              | 324.0              |
| Deferred revenue   | 1,854.6           | 2,049.1           | 2,137.5           | 2,289.7           | 2,421.2           | 2,741.9            | 2,801.6            | 2,958.2            |
| Convertible senior notes, net  | —                 | —                 | —                 | 1,525.6           | —                 | 1,557.9            | 3,672.1            | 3,673.9            |
| <b>Total current liabilities</b>                                     | <b>2,335.7</b>    | <b>2,691.7</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>     |
| Convertible senior notes, net  | 1,477.0           | 3,084.1           | 3,119.2           | 1,629.1           | 3,190.6           | 1,668.1            | —                  | —                  |
| Long-term deferred revenue   | 1,516.0           | 1,761.1           | 1,809.3           | 1,872.7           | 1,953.8           | 2,282.1            | 2,356.6            | 2,491.0            |
| Long-term operating lease liabilities                                | 344.6             | 336.6             | 323.9             | 317.9             | 317.7             | 313.4              | 299.5              | 282.4              |
| Other long-term liabilities  | 83.8              | 90.1              | 92.0              | 93.9              | 95.5              | 97.7               | 107.0              | 102.9              |
| Temporary equity   | —                 | —                 | —                 | 161.2             | —                 | 129.1              | —                  | —                  |
| Stockholders' equity:  |                   |                   |                   |                   |                   |                    |                    |                    |
| Preferred stock  | —                 | —                 | —                 | —                 | —                 | —                  | —                  | —                  |
| Common stock and additional paid-in capital                          | 1,855.7           | 2,259.2           | 2,003.9           | 2,429.8           | 2,541.1           | 2,311.2            | 2,033.9            | 1,745.2            |
| Accumulated other comprehensive income (loss)                        | (2.0)             | 10.5              | 3.2               | 9.9               | 3.6               | (9.9)              | (11.3)             | (30.2)             |
| Accumulated deficit  | (1,109.0)         | (1,167.9)         | (1,260.1)         | (1,402.4)         | (1,547.5)         | (1,666.8)          | (1,503.7)          | (1,597.2)          |
| <b>Total stockholders' equity</b>                                    | <b>744.7</b>      | <b>1,101.8</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>Total liabilities, temporary equity, and stockholders' equity</b> | <b>\$ 6,501.8</b> | <b>\$ 9,065.4</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> |

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

|   | Q320      | Q420      | Q121      | Q221       | Q321       | Q421       | Q122       | Q222      |
|---|-----------|-----------|-----------|------------|------------|------------|------------|-----------|
| <b>Cash flows from operating activities</b>   |           |           |           |            |            |            |            |           |
| Net loss  | \$ (74.8) | \$ (58.9) | \$ (92.2) | \$ (142.3) | \$ (145.1) | \$ (119.3) | \$ (103.6) | \$ (93.5) |
| Adjustments to reconcile net loss to net cash provided by operating activities:                                   |           |           |           |            |            |            |            |           |
| Share-based compensation for equity-based awards  | 165.8     | 174.2     | 205.8     | 225.6      | 233.1      | 230.0      | 259.1      | 265.1     |
| Depreciation and amortization   | 53.2      | 60.5      | 58.0      | 64.9       | 68.7       | 68.8       | 69.0       | 69.7      |
| Amortization of deferred contract costs   | 60.5      | 83.0      | 65.8      | 68.6       | 73.9       | 89.7       | 85.9       | 86.1      |
| Amortization of debt discount and debt issuance costs   | 15.8      | 26.9      | 35.1      | 35.5       | 35.9       | 36.4       | 1.8        | 1.8       |
| Amortization of operating lease right-of-use assets   | 13.1      | 13.2      | 10.0      | 10.7       | 11.9       | 11.9       | 12.7       | 12.4      |
| Amortization of investment premiums, net of accretion of purchase discounts                                       | (1.6)     | —         | 2.7       | 3.2        | 3.3        | 3.9        | 3.6        | 3.7       |
| 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  | (110.3)   | (368.4)   | 382.3     | 16.4       | (97.4)     | (473.7)    | 428.4      | (140.1)   |
| Deferred contract costs   | (86.0)    | (194.0)   | (59.3)    | (81.7)     | (94.1)     | (205.7)    | (63.8)     | (87.4)    |
| Prepaid expenses and other assets   | 19.5      | (7.0)     | (37.6)    | (61.8)     | (36.1)     | (163.6)    | (72.8)     | (0.1)     |
| Accounts payable  | (5.5)     | 10.0      | (17.7)    | (5.9)      | 27.0       | (15.2)     | 37.6       | 22.2      |
| Accrued compensation  | (10.5)    | 147.3     | (134.8)   | 70.6       | (8.5)      | 177.8      | (179.8)    | 79.0      |
| Accrued and other liabilities   | (15.3)    | 7.3       | (20.0)    | (37.1)     | (7.3)      | 35.9       | (23.4)     | (27.3)    |
| Deferred revenue  | 146.0     | 439.6     | 136.8     | 197.8      | 212.5      | 649.0      | 134.2      | 291.0     |
| Net cash provided by operating activities   | 169.9     | 333.7     | 534.9     | 364.5      | 277.8      | 325.8      | 588.9      | 482.6     |
| <b>Cash flows from investing activities</b>   |           |           |           |            |            |            |            |           |
| Purchases of investments  | (12.2)    | (885.3)   | (829.7)   | (282.8)    | (381.6)    | (464.8)    | (439.1)    | (616.2)   |
| Proceeds from sales of investments  | 309.7     | 3.2       | —         | —          | 36.7       | 94.4       | 36.1       | 246.1     |
| Proceeds from maturities of investments   | 451.3     | 246.3     | 198.2     | 335.9      | 311.0      | 395.4      | 225.1      | 176.5     |
| Business acquisitions, net of cash acquired   | (387.8)   | —         | (225.1)   | (405.4)    | (146.8)    | —          | (17.4)     | —         |
| Purchases of property, equipment, and other assets  | (86.3)    | (31.8)    | (29.6)    | (32.1)     | (26.9)     | (27.4)     | (34.6)     | (80.7)    |
| Net cash provided by (used in) investing activities   | 274.7     | (667.6)   | (886.2)   | (384.4)    | (207.6)    | (2.4)      | (229.9)    | (274.3)   |
| <b>Cash flows from financing activities</b>   |           |           |           |            |            |            |            |           |
| Repayments of convertible senior notes attributable to principal and equity component                             | —         | —         | —         | —          | —          | (0.9)      | —          | —         |
| 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   | (1,000.0) | —         | (500.0)   | —          | (350.0)    | (328.1)    | —          | (550.0)   |
| Proceeds from sales of shares through employee equity incentive plans   | 46.8      | 0.3       | 45.4      | 0.3        | 58.0       | 0.3        | 58.7       | 0.1       |
| Payments for taxes related to net share settlement of equity awards   | (4.8)     | (5.9)     | (9.7)     | (5.7)      | (6.5)      | (6.9)      | (20.0)     | (8.6)     |
| Payment of deferred consideration related to prior year business acquisition                                      | (1.3)     | —         | —         | —          | —          | —          | —          | —         |
| Net cash provided by (used in) financing activities   | (959.3)   | 1,805.5   | (464.5)   | (5.4)      | (298.5)    | (335.6)    | 38.7       | (558.5)   |
| Net increase (decrease) in cash, cash equivalents, and restricted cash  | (514.7)   | 1,471.6   | (815.8)   | (25.3)     | (228.3)    | (12.2)     | 397.7      | (350.2)   |
| Cash, cash equivalents, and restricted cash - beginning of period   | 2,004.8   | 1,490.1   | 2,961.7   | 2,145.9    | 2,120.6    | 1,892.3    | 1,880.1    | 2,277.8   |
| Cash, cash equivalents, and restricted cash - end of period   | \$1,490.1 | \$2,961.7 | \$2,145.9 | \$2,120.6  | \$1,892.3  | \$1,880.1  | \$2,277.8  | \$1,927.6 |
| <b>Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets</b> |           |           |           |            |            |            |            |           |
| Cash and cash equivalents   | \$1,484.7 | \$2,958.0 | \$2,142.0 | \$2,113.2  | \$1,886.1  | \$1,874.2  | \$2,272.9  | \$1,922.7 |
| Restricted cash included in prepaid expenses and other current assets   | 2.7       | 2.8       | 2.9       | 3.8        | 5.2        | 5.4        | 4.4        | 4.9       |
| Restricted cash included in other assets  | 2.7       | 0.9       | 1.0       | 3.6        | 1.0        | 0.5        | 0.5        | —         |
| Total cash, cash equivalents, and restricted cash   | \$1,490.1 | \$2,961.7 | \$2,145.9 | \$2,120.6  | \$1,892.3  | \$1,880.1  | \$2,277.8  | \$1,927.6 |