

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)

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Revenue:								
Product	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434	\$ 514
Subscription and support	1,594	1,709	1,785	1,836	1,836	1,962	2,040	2,080
Total revenue	1,985	2,189	2,139	2,257	2,289	2,536	2,474	2,594
Cost of revenue:								
Product	77	105	75	101	101	136	89	115
Subscription and support	436	469	479	498	518	543	549	570
Total cost of revenue	513	574	554	599	619	679	638	685
Total gross profit	1,472	1,615	1,585	1,658	1,670	1,857	1,836	1,909
<i>Product gross margin</i>	80.1 %	78.2 %	78.8 %	76.0 %	77.8 %	76.3 %	79.5 %	77.6 %
<i>Subscription and support gross margin</i>	72.7 %	72.6 %	73.2 %	72.9 %	71.8 %	72.3 %	73.1 %	72.6 %
<i>Total gross margin</i>	74.1 %	73.8 %	74.1 %	73.5 %	72.9 %	73.2 %	74.2 %	73.6 %
Operating expenses:								
Research and development	458	495	481	505	494	504	528	511
Sales and marketing	718	742	720	758	793	829	820	823
General and administrative	119	140	98	154	164	27	179	178
Total operating expenses	1,295	1,377	1,299	1,417	1,451	1,360	1,527	1,512
Operating income	177	238	286	241	219	497	309	397
Interest expense	(2)	—	(1)	(1)	(1)	—	—	—
Other income, net	76	81	83	85	93	95	103	152
Income before income taxes	251	319	368	325	311	592	412	549
Provision for (benefit from) income taxes	(28)	(39)	17	58	49	338	78	117
Net income	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334	\$ 432

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

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Revenue:								
Product	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434	\$ 514
Subscription and support	1,594	1,709	1,785	1,836	1,836	1,962	2,040	2,080
Total revenue	1,985	2,189	2,139	2,257	2,289	2,536	2,474	2,594
Cost of revenue:								
Product	74	102	72	98	98	133	86	112
Subscription and support	370	405	413	430	451	481	486	507
Total cost of revenue	444	507	485	528	549	614	572	619
Total gross profit	1,541	1,682	1,654	1,729	1,740	1,922	1,902	1,975
<i>Product gross margin</i>	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %	80.2 %	78.2 %
<i>Subscription and support gross margin</i>	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %	76.2 %	75.6 %
<i>Total gross margin</i>	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %	76.9 %	76.1 %
Operating expenses:								
Research and development	320	351	338	356	353	359	370	390
Sales and marketing	632	660	626	649	679	709	699	708
General and administrative	81	83	74	83	81	86	87	92
Total operating expenses	1,033	1,094	1,038	1,088	1,113	1,154	1,156	1,190
Operating income	508	588	616	641	627	768	746	785
Interest expense	(1)	—	(1)	—	(1)	—	—	—
Other income, net	76	81	83	85	93	95	103	152
Income before income taxes	583	669	698	726	719	863	849	937
Provision for income taxes	128	147	153	160	158	190	187	205
Net income	\$ 455	\$ 522	\$ 545	\$ 566	\$ 561	\$ 673	\$ 662	\$ 732

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters

(In millions, except percentages and per share amounts)

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 314	\$ 375	\$ 279	\$ 320	\$ 352	\$ 438	\$ 345	\$ 399
Share-based compensation-related charges	2	1	1	1	2	1	1	1
Litigation-related charges ⁽¹⁾	1	2	2	2	1	2	2	2
Non-GAAP product gross profit	\$ 317	\$ 378	\$ 282	\$ 323	\$ 355	\$ 441	\$ 348	\$ 402
Non-GAAP product gross margin	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %	80.2 %	78.2 %
GAAP subscription and support gross profit	\$ 1,158	\$ 1,240	\$ 1,306	\$ 1,338	\$ 1,318	\$ 1,419	\$ 1,491	\$ 1,510
Share-based compensation-related charges	38	37	37	39	39	39	38	39
Amortization expense of acquired intangible assets	28	27	29	29	28	23	25	24
Non-GAAP subscription and support gross profit	\$ 1,224	\$ 1,304	\$ 1,372	\$ 1,406	\$ 1,385	\$ 1,481	\$ 1,554	\$ 1,573
Non-GAAP subscription and support gross margin	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %	76.2 %	75.6 %
GAAP total gross profit	\$ 1,472	\$ 1,615	\$ 1,585	\$ 1,658	\$ 1,670	\$ 1,857	\$ 1,836	\$ 1,909
Share-based compensation-related charges	40	38	38	40	41	40	39	40
Amortization expense of acquired intangible assets	28	27	29	29	28	23	25	24
Litigation-related charges ⁽¹⁾	1	2	2	2	1	2	2	2
Non-GAAP total gross profit	\$ 1,541	\$ 1,682	\$ 1,654	\$ 1,729	\$ 1,740	\$ 1,922	\$ 1,902	\$ 1,975
Non-GAAP gross margin	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %	76.9 %	76.1 %
GAAP research and development expense	\$ 458	\$ 495	\$ 481	\$ 505	\$ 494	\$ 504	\$ 528	\$ 511
Share-based compensation-related charges	138	144	143	149	141	145	158	121
Non-GAAP research and development expense	\$ 320	\$ 351	\$ 338	\$ 356	\$ 353	\$ 359	\$ 370	\$ 390
Non-GAAP research and development expense as a percentage of revenue	16.1 %	16.0 %	15.8 %	15.8 %	15.4 %	14.1 %	15.0 %	15.0 %
GAAP sales and marketing expense	\$ 718	\$ 742	\$ 720	\$ 758	\$ 793	\$ 829	\$ 820	\$ 823
Share-based compensation-related charges	81	76	82	95	99	106	107	101
Amortization expense of acquired intangible assets	5	6	12	14	15	14	14	14
Non-GAAP sales and marketing expense	\$ 632	\$ 660	\$ 626	\$ 649	\$ 679	\$ 709	\$ 699	\$ 708
Non-GAAP sales and marketing expense as a percentage of revenue	31.8 %	30.1 %	29.3 %	28.7 %	29.7 %	28.0 %	28.2 %	27.3 %
GAAP general and administrative expense	\$ 119	\$ 140	\$ 98	\$ 154	\$ 164	\$ 27	\$ 179	\$ 178
Share-based compensation-related charges	31	30	52	60	74	81	83	59
Acquisition-related costs ⁽²⁾	3	3	15	10	7	(142)	5	24
Litigation-related charges ⁽¹⁾	4	24	(43)	1	2	2	4	3
Non-GAAP general and administrative expense	\$ 81	\$ 83	\$ 74	\$ 83	\$ 81	\$ 86	\$ 87	\$ 92
Non-GAAP general and administrative expense as a percentage of revenue	4.1 %	3.8 %	3.4 %	3.7 %	3.5 %	3.4 %	3.5 %	3.5 %

(1) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q4'24 and Q2'26.

(2) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 and Q2'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
GAAP total operating expense	\$ 1,295	\$ 1,377	\$ 1,299	\$ 1,417	\$ 1,451	\$ 1,360	\$ 1,527	\$ 1,512
Share-based compensation-related charges	250	250	277	304	314	332	348	281
Acquisition-related costs ⁽¹⁾	3	3	15	10	7	(142)	5	24
Amortization expense of acquired intangible assets	5	6	12	14	15	14	14	14
Litigation-related charges ⁽²⁾	4	24	(43)	1	2	2	4	3
Non-GAAP total operating expense	<u>\$ 1,033</u>	<u>\$ 1,094</u>	<u>\$ 1,038</u>	<u>\$ 1,088</u>	<u>\$ 1,113</u>	<u>\$ 1,154</u>	<u>\$ 1,156</u>	<u>\$ 1,190</u>
Non-GAAP total operating expense as a percentage of revenue	<u>52.0 %</u>	<u>49.9 %</u>	<u>48.5 %</u>	<u>48.2 %</u>	<u>48.6 %</u>	<u>45.5 %</u>	<u>46.7 %</u>	<u>45.8 %</u>
GAAP operating income	\$ 177	\$ 238	\$ 286	\$ 241	\$ 219	\$ 497	\$ 309	\$ 397
Share-based compensation-related charges	290	288	315	344	355	372	387	321
Acquisition-related costs ⁽¹⁾	3	3	15	10	7	(142)	5	24
Amortization expense of acquired intangible assets	33	33	41	43	43	37	39	38
Litigation-related charges ⁽²⁾	5	26	(41)	3	3	4	6	5
Non-GAAP operating income	<u>\$ 508</u>	<u>\$ 588</u>	<u>\$ 616</u>	<u>\$ 641</u>	<u>\$ 627</u>	<u>\$ 768</u>	<u>\$ 746</u>	<u>\$ 785</u>
Non-GAAP operating margin	<u>25.6 %</u>	<u>26.9 %</u>	<u>28.8 %</u>	<u>28.4 %</u>	<u>27.4 %</u>	<u>30.3 %</u>	<u>30.2 %</u>	<u>30.3 %</u>
GAAP interest expense	\$ (2)	\$ —	\$ (1)	\$ (1)	\$ (1)	\$ —	\$ —	\$ —
Non-cash charges related to convertible notes ⁽³⁾	1	—	—	1	—	—	—	—
Non-GAAP interest expense	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Non-GAAP interest expense as a percentage of revenue	<u>(0.1)%</u>	<u>0.0 %</u>						
GAAP income before income taxes	\$ 251	\$ 319	\$ 368	\$ 325	\$ 311	\$ 592	\$ 412	\$ 549
Share-based compensation-related charges	290	288	315	344	355	372	387	321
Acquisition-related costs ⁽¹⁾	3	3	15	10	7	(142)	5	24
Amortization expense of acquired intangible assets	33	33	41	43	43	37	39	38
Litigation-related charges ⁽²⁾	5	26	(41)	3	3	4	6	5
Non-cash charges related to convertible notes ⁽³⁾	1	—	—	1	—	—	—	—
Non-GAAP income before income taxes	<u>\$ 583</u>	<u>\$ 669</u>	<u>\$ 698</u>	<u>\$ 726</u>	<u>\$ 719</u>	<u>\$ 863</u>	<u>\$ 849</u>	<u>\$ 937</u>
GAAP provision for (benefit from) income taxes	\$ (28)	\$ (39)	\$ 17	\$ 58	\$ 49	\$ 338	\$ 78	\$ 117
Income tax and other tax adjustments ⁽⁴⁾	156	186	136	102	109	(148)	109	88
Non-GAAP provision for income taxes	<u>\$ 128</u>	<u>\$ 147</u>	<u>\$ 153</u>	<u>\$ 160</u>	<u>\$ 158</u>	<u>\$ 190</u>	<u>\$ 187</u>	<u>\$ 205</u>
Non-GAAP effective tax rate	<u>22.0 %</u>							

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 and Q2'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q4'24 and Q2'26.

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

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q3'24 and Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
GAAP net income	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334	\$ 432
Share-based compensation-related charges	290	288	315	344	355	372	387	321
Acquisition-related costs ⁽¹⁾	3	3	15	10	7	(142)	5	24
Amortization expense of acquired intangible assets	33	33	41	43	43	37	39	38
Litigation-related charges ⁽²⁾	5	26	(41)	3	3	4	6	5
Non-cash charges related to convertible notes ⁽³⁾	1	—	—	1	—	—	—	—
Income tax and other tax adjustments ⁽⁴⁾	(156)	(186)	(136)	(102)	(109)	148	(109)	(88)
Non-GAAP net income	\$ 455	\$ 522	\$ 545	\$ 566	\$ 561	\$ 673	\$ 662	\$ 732
GAAP net income per share, diluted	\$ 0.39	\$ 0.51	\$ 0.49	\$ 0.38	\$ 0.37	\$ 0.36	\$ 0.47	\$ 0.61
Share-based compensation-related charges	0.43	0.41	0.46	0.50	0.52	0.53	0.53	0.45
Acquisition-related costs ⁽¹⁾	0.00	0.00	0.02	0.01	0.01	(0.20)	0.01	0.03
Amortization expense of acquired intangible assets	0.05	0.05	0.06	0.06	0.06	0.05	0.06	0.05
Litigation-related charges ⁽²⁾	0.01	0.04	(0.06)	0.00	0.00	0.00	0.01	0.01
Non-cash charges related to convertible notes ⁽³⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax and other tax adjustments ⁽⁴⁾	(0.22)	(0.26)	(0.19)	(0.14)	(0.16)	0.21	(0.15)	(0.12)
Non-GAAP net income per share, diluted	\$ 0.66	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.80	\$ 0.95	\$ 0.93	\$ 1.03
GAAP weighted-average shares used to compute net income per share, diluted	709	708	709	709	707	709	709	711
Weighted-average anti-dilutive impact of note hedge agreements	(19)	(15)	(12)	(9)	(6)	(2)	—	—
Non-GAAP weighted-average shares used to compute net income per share, diluted	690	693	697	700	701	707	709	711

(1) Consists of acquisition transaction costs, share-based compensation related to the cash settlement of certain equity awards, change in fair value of contingent consideration liability, and costs to terminate certain employment, operating lease, and other contracts of the acquired companies. In Q1'26 and Q2'26, also includes integration costs related to our acquisition of CyberArk Software Ltd.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue, and legal contingency charges (credit). Also includes litigation settlement charges in Q4'24 and Q2'26.

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

(4) Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 22%. In Q3'24 and Q4'24, it included a tax benefit from a release of our valuation allowance on U.S. federal, U.S. states other than California, and United Kingdom deferred tax assets. In Q4'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Quarters (Continued)

(In millions, except percentages and per share amounts)

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Net cash provided by operating activities	\$ 529	\$ 513	\$ 1,510	\$ 557	\$ 628	\$ 1,021	\$ 1,771	\$ 554
Less: purchases of property, equipment, and other assets	37	48	44	48	68	87	84	170
Free cash flow (non-GAAP)	\$ 492	\$ 465	\$ 1,466	\$ 509	\$ 560	\$ 934	\$ 1,687	\$ 384
Add: capital expenditures for headquarters ⁽¹⁾	—	—	—	—	—	—	—	91
Add: capital expenditures for certain corporate assets ⁽²⁾	—	—	—	—	18	20	15	15
Add: payments of acquisition-related costs ⁽³⁾	—	—	—	—	—	—	11	8
Add: litigation-related payment ⁽⁴⁾	—	20	—	—	—	—	—	4
Adjusted free cash flow (non-GAAP)	\$ 492	\$ 485	\$ 1,466	\$ 509	\$ 578	\$ 954	\$ 1,713	\$ 502
Net cash provided by (used in) investing activities	\$ 113	\$ (169)	\$ (544)	\$ (381)	\$ (517)	\$ (763)	\$ (983)	\$ 651
Net cash provided by (used in) financing activities	\$ (1,049)	\$ (179)	\$ (220)	\$ (232)	\$ 47	\$ (374)	\$ 8	\$ (114)
Free cash flow margin (non-GAAP)	24.8 %	21.3 %	68.5 %	22.6 %	24.5 %	36.8 %	68.2 %	14.8 %
Adjusted free cash flow margin (non-GAAP)	24.8 %	22.2 %	68.5 %	22.6 %	25.3 %	37.6 %	69.2 %	19.4 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 391	\$ 480	\$ 354	\$ 421	\$ 453	\$ 574	\$ 434	\$ 514
Subscription and support								
Subscription	1,046	1,127	1,192	1,233	1,234	1,315	1,364	1,404
Support	548	582	593	603	602	647	676	676
Total subscription and support	1,594	1,709	1,785	1,836	1,836	1,962	2,040	2,080
Total revenue	\$ 1,985	\$ 2,189	\$ 2,139	\$ 2,257	\$ 2,289	\$ 2,536	\$ 2,474	\$ 2,594

(1) Consists of a land purchase of \$91 million.

(2) Consists of a one-time purchase of a corporate asset which is expected to be paid through September 2026.

(3) Consists of payments of acquisition-related costs in connection with our acquisition of CyberArk Software Ltd.

(4) Consists of non-recurring litigation settlement payments in Q4'24 and Q2'26.

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

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Next-Generation Security Annualized Recurring Revenue ⁽¹⁾	\$ 3.79	\$ 4.22	\$ 4.52	\$ 4.78	\$ 5.09	\$ 5.58	\$ 5.85	\$ 6.33
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	47 %	43 %	40 %	37 %	34 %	32 %	29 %	33 %
Remaining performance obligations	\$ 11.3	\$ 12.7	\$ 12.6	\$ 13.0	\$ 13.5	\$ 15.8	\$ 15.5	\$ 16.0
Remaining performance obligations year-over-year percentage increase	23 %	20 %	20 %	21 %	19 %	24 %	24 %	23 %

(1) Our Next-Generation Security Annualized Recurring Revenue ("NGS ARR") represents the annualized allocated revenue of all active contracts as of the final day of the reporting period related to all product, subscription and support offerings, excluding revenue from hardware products, and legacy attached subscriptions, support offerings and professional services.

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

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,374	\$ 1,535	\$ 2,283	\$ 2,226	\$ 2,383	\$ 2,269	\$ 3,066	\$ 4,158
Short-term investments	1,517	1,044	1,108	1,007	917	635	1,144	378
Accounts receivable, net	1,715	2,619	1,133	1,496	1,950	2,965	1,343	2,116
Short-term financing receivables, net	572	726	805	755	737	715	737	672
Short-term deferred contract costs	337	369	368	376	387	419	415	424
Prepaid expenses and other current assets	404	557	546	480	525	520	605	621
Total current assets	5,919	6,850	6,243	6,340	6,899	7,523	7,310	8,369
Property and equipment, net	350	361	361	358	367	387	394	485
Operating lease right-of-use assets	370	386	389	373	357	347	353	368
Long-term investments	3,504	4,173	4,120	4,560	5,153	5,555	5,982	3,362
Long-term financing receivables, net	883	1,182	1,092	1,164	1,069	1,002	855	870
Long-term deferred contract costs	511	562	532	523	528	586	546	526
Goodwill	3,373	3,350	4,051	4,051	4,051	4,567	4,567	6,931
Intangible assets, net	408	375	810	771	730	763	723	1,249
Deferred tax assets	2,292	2,399	2,397	2,447	2,452	2,424	2,416	2,392
Other assets	321	353	380	365	397	422	390	427
Total assets	\$ 17,931	\$ 19,991	\$ 20,375	\$ 20,952	\$ 22,003	\$ 23,576	\$ 23,536	\$ 24,979
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 109	\$ 116	\$ 212	\$ 149	\$ 235	\$ 232	\$ 223	\$ 262
Accrued compensation	386	555	354	492	506	608	398	562
Accrued and other liabilities	413	507	683	777	825	846	665	937
Deferred revenue	5,015	5,541	5,508	5,600	5,757	6,302	6,132	6,248
Convertible senior notes, net	1,162	964	646	534	383	—	—	—
Total current liabilities	7,085	7,683	7,403	7,552	7,706	7,988	7,418	8,009
Long-term deferred revenue	5,153	5,939	5,586	5,663	5,817	6,450	6,098	6,181
Deferred tax liabilities	503	388	251	116	26	89	96	75
Long-term operating lease liabilities	370	381	380	363	346	338	346	372
Other long-term liabilities	352	431	843	883	878	887	913	949
Total liabilities	13,463	14,822	14,463	14,577	14,773	15,752	14,871	15,586
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	3,531	3,821	4,215	4,421	4,952	5,292	5,780	6,097
Accumulated other comprehensive income (loss)	(55)	(2)	(4)	(14)	48	48	67	46
Retained earnings	992	1,350	1,701	1,968	2,230	2,484	2,818	3,250
Total stockholders' equity	4,468	5,169	5,912	6,375	7,230	7,824	8,665	9,393
Total liabilities and stockholders' equity	\$ 17,931	\$ 19,991	\$ 20,375	\$ 20,952	\$ 22,003	\$ 23,576	\$ 23,536	\$ 24,979

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

	Q324	Q424	Q125	Q225	Q325	Q425	Q126	Q226
Cash flows from operating activities								
Net income	\$ 279	\$ 358	\$ 351	\$ 267	\$ 262	\$ 254	\$ 334	\$ 432
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	264	269	295	320	326	354	370	301
Deferred income taxes	(127)	(216)	(137)	(180)	(125)	92	9	5
Depreciation and amortization	74	77	84	87	88	84	89	91
Amortization of deferred contract costs	110	122	110	115	119	137	126	135
Amortization of debt issuance costs	1	—	—	1	—	—	—	—
Change in fair value of contingent consideration liability	—	—	6	10	4	(155)	(13)	3
Reduction of operating lease right-of-use assets	15	15	16	16	16	17	18	17
Amortization of investment premiums, net of accretion of purchase discounts	(16)	(13)	(15)	(11)	(9)	(6)	(7)	(45)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	181	(904)	1,486	(363)	(454)	(1,014)	1,622	(758)
Financing receivables, net	(369)	(453)	11	(22)	113	89	125	50
Deferred contract costs	(126)	(205)	(79)	(114)	(135)	(227)	(82)	(124)
Prepaid expenses and other assets	1	(181)	(4)	93	(21)	20	(33)	(12)
Accounts payable	(68)	5	97	(64)	86	(12)	(2)	42
Accrued compensation	(67)	169	(201)	138	14	100	(210)	163
Accrued and other liabilities	27	158	(94)	95	33	113	(53)	76
Deferred revenue	350	1,312	(416)	169	311	1,175	(522)	178
Net cash provided by operating activities	529	513	1,510	557	628	1,021	1,771	554
Cash flows from investing activities								
Purchases of investments	(475)	(1,065)	(660)	(1,072)	(1,089)	(875)	(1,401)	(524)
Proceeds from sales of investments	69	455	291	354	185	367	30	2,786
Proceeds from maturities of investments	556	489	369	384	455	387	474	1,135
Business acquisitions, net of cash and restricted cash acquired	—	—	(500)	1	—	(555)	(2)	(2,576)
Purchases of property, equipment, and other assets	(37)	(48)	(44)	(48)	(68)	(87)	(84)	(170)
Net cash provided by (used in) investing activities	113	(169)	(544)	(381)	(517)	(763)	(983)	651
Cash flows from financing activities								
Repayments of convertible senior notes	(662)	(199)	(319)	(113)	(151)	(383)	—	—
Repurchases of common stock	(500)	—	—	—	—	—	—	—
Proceeds from sales of shares through employee equity incentive plans	116	24	121	37	203	10	130	8
Payments for taxes related to net share settlement of equity awards	(3)	(4)	(22)	(156)	(5)	(1)	(1)	(108)
Payments of contingent consideration liability	—	—	—	—	—	—	(121)	(14)
Net cash provided by (used in) financing activities	(1,049)	(179)	(220)	(232)	47	(374)	8	(114)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(407)	165	746	(56)	158	(116)	796	1,091
Cash, cash equivalents, and restricted cash - beginning of period	1,789	1,382	1,547	2,293	2,237	2,395	2,279	3,075
Cash, cash equivalents, and restricted cash - end of period	\$ 1,382	\$ 1,547	\$ 2,293	\$ 2,237	\$ 2,395	\$ 2,279	\$ 3,075	\$ 4,166
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$ 1,374	\$ 1,535	\$ 2,283	\$ 2,226	\$ 2,383	\$ 2,269	\$ 3,066	\$ 4,158
Restricted cash included in prepaid expenses and other current assets	8	12	10	11	12	10	9	4
Restricted cash included in other assets	—	—	—	—	—	—	—	4
Total cash, cash equivalents, and restricted cash	\$ 1,382	\$ 1,547	\$ 2,293	\$ 2,237	\$ 2,395	\$ 2,279	\$ 3,075	\$ 4,166