

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.

After the close of trading on December 12, 2024, we effected a two-for-one stock split. All share and per-share amounts presented have been retroactively adjusted to reflect the stock split.

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

	FY23	FY24	FY25
Revenue:			
Product	\$ 1,578.4	\$ 1,603.3	\$ 1,801.9
Subscription and support	5,314.3	6,424.2	7,419.6
Total revenue	<u>6,892.7</u>	<u>8,027.5</u>	<u>9,221.5</u>
Cost of revenue:			
Product	418.3	348.2	413.2
Subscription and support	1,491.4	1,711.0	2,038.4
Total cost of revenue	<u>1,909.7</u>	<u>2,059.2</u>	<u>2,451.6</u>
Total gross profit	4,983.0	5,968.3	6,769.9
<i>Product gross margin</i>	73.5 %	78.3 %	77.1 %
<i>Subscription and support gross margin</i>	71.9 %	73.4 %	72.5 %
<i>Total gross margin</i>	72.3 %	74.3 %	73.4 %
Operating expenses:			
Research and development	1,604.0	1,809.4	1,984.1
Sales and marketing	2,544.0	2,794.5	3,100.2
General and administrative	447.7	680.5	442.7
Total operating expenses	<u>4,595.7</u>	<u>5,284.4</u>	<u>5,527.0</u>
Operating income	387.3	683.9	1,242.9
Interest expense	(27.2)	(8.3)	(3.0)
Other income, net	206.2	312.7	355.8
Income before income taxes	566.3	988.3	1,595.7
Provision for (benefit from) income taxes	126.6	(1,589.3)	461.8
Net income	<u>\$ 439.7</u>	<u>\$ 2,577.6</u>	<u>\$ 1,133.9</u>

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

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Revenue:								
Product	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7	\$ 573.9
Subscription and support	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3	1,962.4
Total revenue	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4	2,289.0	2,536.3
Cost of revenue:								
Product	77.4	88.2	77.9	104.7	75.0	101.3	100.7	136.2
Subscription and support	395.4	410.9	435.7	469.0	479.1	497.9	518.6	542.8
Total cost of revenue	472.8	499.1	513.6	573.7	554.1	599.2	619.3	679.0
Total gross profit	1,405.3	1,476.0	1,471.2	1,615.8	1,584.7	1,658.2	1,669.7	1,857.3
<i>Product gross margin</i>	77.3 %	77.4 %	80.1 %	78.2 %	78.8 %	76.0 %	77.8 %	76.3 %
<i>Subscription and support gross margin</i>	74.3 %	74.1 %	72.7 %	72.6 %	73.2 %	72.9 %	71.8 %	72.3 %
<i>Total gross margin</i>	74.8 %	74.7 %	74.1 %	73.8 %	74.1 %	73.5 %	72.9 %	73.2 %
Operating expenses:								
Research and development	409.5	447.9	457.2	494.8	480.4	505.7	494.5	503.5
Sales and marketing	660.5	673.0	718.7	742.3	720.1	758.3	792.5	829.3
General and administrative	120.1	301.5	118.6	140.3	97.7	153.8	163.9	27.3
Total operating expenses	1,190.1	1,422.4	1,294.5	1,377.4	1,298.2	1,417.8	1,450.9	1,360.1
Operating income	215.2	53.6	176.7	238.4	286.5	240.4	218.8	497.2
Interest expense	(2.9)	(2.8)	(2.3)	(0.3)	(1.2)	(0.9)	(0.7)	(0.2)
Other income, net	70.3	84.7	76.8	80.9	83.3	85.3	92.4	94.8
Income before income taxes	282.6	135.5	251.2	319.0	368.6	324.8	310.5	591.8
Provision for (benefit from) income taxes	88.4	(1,611.4)	(27.6)	(38.7)	17.9	57.5	48.4	338.0
Net income	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1	\$ 253.8

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

	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>
Revenue:			
Product	\$ 1,578.4	\$ 1,603.3	\$ 1,801.9
Subscription and support	5,314.3	6,424.2	7,419.6
Total revenue	<u>6,892.7</u>	<u>8,027.5</u>	<u>9,221.5</u>
Cost of revenue:			
Product	403.9	334.8	400.6
Subscription and support	1,258.5	1,463.5	1,775.6
Total cost of revenue	<u>1,662.4</u>	<u>1,798.3</u>	<u>2,176.2</u>
Total gross profit	5,230.3	6,229.2	7,045.3
<i>Product gross margin</i>	<i>74.4 %</i>	<i>79.1 %</i>	<i>77.8 %</i>
<i>Subscription and support gross margin</i>	<i>76.3 %</i>	<i>77.2 %</i>	<i>76.1 %</i>
<i>Total gross margin</i>	<i>75.9 %</i>	<i>77.6 %</i>	<i>76.4 %</i>
Operating expenses:			
Research and development	1,097.4	1,258.2	1,406.1
Sales and marketing	2,168.0	2,449.1	2,663.2
General and administrative	305.0	332.2	324.1
Total operating expenses	<u>3,570.4</u>	<u>4,039.5</u>	<u>4,393.4</u>
Operating income	1,659.9	2,189.7	2,651.9
Interest expense	(20.4)	(4.8)	(1.9)
Other income, net	206.7	312.7	355.8
Income before income taxes	<u>1,846.2</u>	<u>2,497.6</u>	<u>3,005.8</u>
Provision for income taxes	406.2	549.5	661.3
Net income	<u>\$ 1,440.0</u>	<u>\$ 1,948.1</u>	<u>\$ 2,344.5</u>

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

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Revenue:								
Product	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7	\$ 573.9
Subscription and support	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3	1,962.4
Total revenue	1,878.1	1,975.1	1,984.8	2,189.5	2,138.8	2,257.4	2,289.0	2,536.3
Cost of revenue:								
Product	73.8	84.8	74.4	101.8	71.8	98.2	97.6	133.0
Subscription and support	338.5	349.8	370.0	405.2	413.3	430.5	450.9	480.9
Total cost of revenue	412.3	434.6	444.4	507.0	485.1	528.7	548.5	613.9
Total gross profit	1,465.8	1,540.5	1,540.4	1,682.5	1,653.7	1,728.7	1,740.5	1,922.4
<i>Product gross margin</i>	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %
<i>Subscription and support gross margin</i>	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %
<i>Total gross margin</i>	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %
Operating expenses:								
Research and development	285.6	302.0	319.8	350.8	338.0	356.5	352.9	358.7
Sales and marketing	571.2	586.0	631.8	660.1	626.0	648.9	679.3	709.0
General and administrative	79.7	88.3	80.9	83.3	73.5	82.9	81.2	86.5
Total operating expenses	936.5	976.3	1,032.5	1,094.2	1,037.5	1,088.3	1,113.4	1,154.2
Operating income	529.3	564.2	507.9	588.3	616.2	640.4	627.1	768.2
Interest expense	(1.9)	(1.7)	(1.5)	0.3	(0.7)	(0.6)	(0.5)	(0.1)
Other income, net	70.3	84.7	76.8	80.9	83.3	85.3	92.4	94.8
Income before income taxes	597.7	647.2	583.2	669.5	698.8	725.1	719.0	862.9
Provision for income taxes	131.4	142.5	128.3	147.3	153.9	159.4	158.1	189.9
Net income	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7	\$ 560.9	\$ 673.0

Palo Alto Networks, Inc.

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

(In millions, except percentages and per share amounts)

	FY23	FY24	FY25
GAAP to Non-GAAP Reconciliations			
GAAP product gross profit	\$ 1,160.1	\$ 1,255.1	\$ 1,388.7
Share-based compensation-related charges	7.3	6.3	5.5
Litigation-related charges ⁽¹⁾	7.1	7.1	7.1
Non-GAAP product gross profit	<u>\$ 1,174.5</u>	<u>\$ 1,268.5</u>	<u>\$ 1,401.3</u>
Non-GAAP product gross margin	<u>74.4 %</u>	<u>79.1 %</u>	<u>77.8 %</u>
GAAP subscription and support gross profit	\$ 3,822.9	\$ 4,713.2	\$ 5,381.2
Share-based compensation-related charges	153.1	150.7	153.7
Amortization expense of acquired intangible assets	81.5	96.8	109.1
Restructuring and other costs ⁽²⁾	(1.7)	—	—
Non-GAAP subscription and support gross profit	<u>\$ 4,055.8</u>	<u>\$ 4,960.7</u>	<u>\$ 5,644.0</u>
Non-GAAP subscription and support gross margin	<u>76.3 %</u>	<u>77.2 %</u>	<u>76.1 %</u>
GAAP total gross profit	\$ 4,983.0	\$ 5,968.3	\$ 6,769.9
Share-based compensation-related charges	160.4	157.0	159.2
Amortization expense of acquired intangible assets	81.5	96.8	109.1
Litigation-related charges ⁽¹⁾	7.1	7.1	7.1
Restructuring and other costs ⁽²⁾	(1.7)	—	—
Non-GAAP total gross profit	<u>\$ 5,230.3</u>	<u>\$ 6,229.2</u>	<u>\$ 7,045.3</u>
Non-GAAP gross margin	<u>75.9 %</u>	<u>77.6 %</u>	<u>76.4 %</u>
GAAP research and development expense	\$ 1,604.0	\$ 1,809.4	\$ 1,984.1
Share-based compensation-related charges	507.1	551.2	578.0
Restructuring and other costs ⁽²⁾	(0.5)	—	—
Non-GAAP research and development expense	<u>\$ 1,097.4</u>	<u>\$ 1,258.2</u>	<u>\$ 1,406.1</u>
Non-GAAP research and development expense as a percentage of revenue	<u>15.9 %</u>	<u>15.7 %</u>	<u>15.2 %</u>
GAAP sales and marketing expense	\$ 2,544.0	\$ 2,794.5	\$ 3,100.2
Share-based compensation-related charges	354.4	323.2	382.0
Acquisition-related costs ⁽³⁾	—	—	0.1
Amortization expense of acquired intangible assets	21.6	22.2	54.9
Non-GAAP sales and marketing expense	<u>\$ 2,168.0</u>	<u>\$ 2,449.1</u>	<u>\$ 2,663.2</u>
Non-GAAP sales and marketing expense as a percentage of revenue	<u>31.5 %</u>	<u>30.5 %</u>	<u>28.9 %</u>
GAAP general and administrative expense	\$ 447.7	\$ 680.5	\$ 442.7
Share-based compensation-related charges	123.2	130.3	267.2
Acquisition-related costs ⁽³⁾	19.5	13.6	(109.8)
Litigation-related charges ⁽¹⁾	—	204.4	(38.8)
Non-GAAP general and administrative expense	<u>\$ 305.0</u>	<u>\$ 332.2</u>	<u>\$ 324.1</u>
Non-GAAP general and administrative expense as a percentage of revenue	<u>4.4 %</u>	<u>4.1 %</u>	<u>3.5 %</u>

(1) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge and a litigation settlement charge in FY'24, and a legal contingency credit in FY'25.

(2) Consists of adjustments to restructuring and other costs.

(3) 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.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY23	FY24	FY25
GAAP total operating expense	\$ 4,595.7	\$ 5,284.4	\$ 5,527.0
Share-based compensation-related charges	984.7	1,004.7	1,227.2
Acquisition-related costs ⁽¹⁾	19.5	13.6	(109.7)
Amortization expense of acquired intangible assets	21.6	22.2	54.9
Litigation-related charges ⁽²⁾	—	204.4	(38.8)
Restructuring and other costs ⁽³⁾	(0.5)	—	—
Non-GAAP total operating expense	<u>\$ 3,570.4</u>	<u>\$ 4,039.5</u>	<u>\$ 4,393.4</u>
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<u>51.8 %</u>	<u>50.3 %</u>	<u>47.6 %</u>
GAAP operating income	\$ 387.3	\$ 683.9	\$ 1,242.9
Share-based compensation-related charges	1,145.1	1,161.7	1,386.4
Acquisition-related costs ⁽¹⁾	19.5	13.6	(109.7)
Amortization expense of acquired intangible assets	103.1	119.0	164.0
Litigation-related charges ⁽²⁾	7.1	211.5	(31.7)
Restructuring and other costs ⁽³⁾	(2.2)	—	—
Non-GAAP operating income	<u>\$ 1,659.9</u>	<u>\$ 2,189.7</u>	<u>\$ 2,651.9</u>
<i>Non-GAAP operating margin</i>	<u>24.1 %</u>	<u>27.3 %</u>	<u>28.8 %</u>
GAAP interest expense	\$ (27.2)	\$ (8.3)	\$ (3.0)
Non-cash charges related to convertible notes ⁽⁴⁾	6.8	3.5	1.1
Non-GAAP interest expense	<u>\$ (20.4)</u>	<u>\$ (4.8)</u>	<u>\$ (1.9)</u>
<i>Non-GAAP interest expense as a percentage of revenue</i>	<u>(0.3)%</u>	<u>(0.1)%</u>	<u>0.0 %</u>
GAAP other income, net	\$ 206.2	\$ 312.7	\$ 355.8
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	—	—
Non-GAAP other income, net	<u>\$ 206.7</u>	<u>\$ 312.7</u>	<u>\$ 355.8</u>
<i>Non-GAAP other income, net as a percentage of revenue</i>	<u>3.0 %</u>	<u>3.9 %</u>	<u>3.9 %</u>
GAAP income before income taxes	\$ 566.3	\$ 988.3	\$ 1,595.7
Share-based compensation-related charges	1,145.1	1,161.7	1,386.4
Acquisition-related costs ⁽¹⁾	19.5	13.6	(109.7)
Amortization expense of acquired intangible assets	103.1	119.0	164.0
Litigation-related charges ⁽²⁾	7.1	211.5	(31.7)
Restructuring and other costs ⁽³⁾	(2.2)	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	6.8	3.5	1.1
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	—	—
Non-GAAP income before income taxes	<u>\$ 1,846.2</u>	<u>\$ 2,497.6</u>	<u>\$ 3,005.8</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.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge and a litigation settlement charge in FY'24, and a legal contingency credit in FY'25.

(3) Consists of adjustments to restructuring and other costs.

(4) Consists 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 and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY23	FY24	FY25
GAAP provision for (benefit from) income taxes	\$ 126.6	\$ (1,589.3)	\$ 461.8
Income tax and other tax adjustments ⁽¹⁾	279.6	2,138.8	199.5
Non-GAAP provision for income taxes	<u>\$ 406.2</u>	<u>\$ 549.5</u>	<u>\$ 661.3</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net income	\$ 439.7	\$ 2,577.6	\$ 1,133.9
Share-based compensation-related charges	1,145.1	1,161.7	1,386.4
Acquisition-related costs ⁽²⁾	19.5	13.6	(109.7)
Amortization expense of acquired intangible assets	103.1	119.0	164.0
Litigation-related charges ⁽³⁾	7.1	211.5	(31.7)
Restructuring and other costs ⁽⁴⁾	(2.2)	—	—
Non-cash charges related to convertible notes ⁽⁵⁾	6.8	3.5	1.1
Foreign currency (gain) loss associated with non-GAAP adjustments	0.5	—	—
Income tax and other tax adjustments ⁽¹⁾	(279.6)	(2,138.8)	(199.5)
Non-GAAP net income	<u>\$ 1,440.0</u>	<u>\$ 1,948.1</u>	<u>\$ 2,344.5</u>
GAAP net income per share, diluted	\$ 0.64	\$ 3.64	\$ 1.60
Share-based compensation-related charges	1.79	1.73	1.98
Acquisition-related costs ⁽²⁾	0.03	0.02	(0.15)
Amortization expense of acquired intangible assets	0.15	0.17	0.23
Litigation-related charges ⁽³⁾	0.01	0.30	(0.04)
Restructuring and other costs ⁽⁴⁾	0.00	—	—
Non-cash charges related to convertible notes ⁽⁵⁾	0.01	0.00	0.00
Foreign currency (gain) loss associated with non-GAAP adjustments	0.00	—	—
Income tax and other tax adjustments ⁽¹⁾	(0.41)	(3.02)	(0.28)
Non-GAAP net income per share, diluted	<u>\$ 2.22</u>	<u>\$ 2.84</u>	<u>\$ 3.34</u>
GAAP weighted-average shares used to compute net income per share, diluted	684.5	707.9	709.3
Weighted-average anti-dilutive impact of note hedge agreements	(35.7)	(20.7)	(7.3)
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>648.8</u>	<u>687.2</u>	<u>702.0</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. In FY'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 FY'25, it included a one-time deferred tax provision adjustment relating to the enactment of One Big Beautiful Bill.
- (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.
- (3) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge and a litigation settlement charge in FY'24, and a legal contingency credit in FY'25.
- (4) Consists of adjustments to restructuring and other costs.
- (5) Consists 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 and Disaggregation of Revenue by Type - Fiscal Years (Continued)
(In millions, except percentages and per share amounts)

	FY23	FY24	FY25
Net cash provided by operating activities	\$ 2,777.5	\$ 3,257.6	\$ 3,716.0
Less: purchases of property, equipment, and other assets	146.3	156.8	246.2
Free cash flow (non-GAAP)	\$ 2,631.2	\$ 3,100.8	\$ 3,469.8
Add: capital expenditures for certain corporate assets ⁽¹⁾	—	—	38.0
Add: cash payment related to tax settlement	39.8	—	—
Add: litigation-related payment ⁽²⁾	—	20.0	—
Adjusted free cash flow (non-GAAP)	<u>\$ 2,671.0</u>	<u>\$ 3,120.8</u>	<u>\$ 3,507.8</u>
Net cash used in investing activities	<u>\$ (2,033.8)</u>	<u>\$ (1,509.9)</u>	<u>\$ (2,204.7)</u>
Net cash used in financing activities	<u>\$ (1,726.3)</u>	<u>\$ (1,343.1)</u>	<u>\$ (778.9)</u>
Free cash flow margin (non-GAAP)	<u>38.2 %</u>	<u>38.6 %</u>	<u>37.6 %</u>
Adjusted free cash flow margin (non-GAAP)	<u>38.8 %</u>	<u>38.9 %</u>	<u>38.0 %</u>

Disaggregation of Revenue by Type

Revenue:			
Product	1,578.4	1,603.3	1,801.9
Subscription and support			
Subscription	3,335.4	4,188.5	4,974.4
Support	1,978.9	2,235.7	2,445.2
Total subscription and support	<u>5,314.3</u>	<u>6,424.2</u>	<u>7,419.6</u>
Total revenue	<u>6,892.7</u>	<u>8,027.5</u>	<u>9,221.5</u>

(1) Consists of a one-time purchase of a corporate asset which is expected to be paid through the second half of calendar year 2026.

(2) Consists of a one-time payment in Q4'24 to settle a litigation-related matter.

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)

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 263.7	\$ 302.5	\$ 313.1	\$ 375.8	\$ 278.8	\$ 320.2	\$ 352.0	\$ 437.7
Share-based compensation-related charges	1.8	1.6	1.7	1.2	1.4	1.3	1.3	1.5
Litigation-related charges ⁽¹⁾	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Non-GAAP product gross profit	\$ 267.3	\$ 305.9	\$ 316.6	\$ 378.7	\$ 282.0	\$ 323.3	\$ 355.1	\$ 440.9
Non-GAAP product gross margin	78.4 %	78.3 %	81.0 %	78.8 %	79.7 %	76.7 %	78.4 %	76.8 %
GAAP subscription and support gross profit	\$1,141.6	\$1,173.5	\$1,158.1	\$1,240.0	\$1,305.9	\$1,338.0	\$1,317.7	\$1,419.6
Share-based compensation-related charges	37.8	38.6	38.0	36.3	36.7	38.4	39.6	39.0
Amortization expense of acquired intangible assets	19.1	22.5	27.7	27.5	29.1	29.0	28.1	22.9
Non-GAAP subscription and support gross profit	\$1,198.5	\$1,234.6	\$1,223.8	\$1,303.8	\$1,371.7	\$1,405.4	\$1,385.4	\$1,481.5
Non-GAAP subscription and support gross margin	78.0 %	77.9 %	76.8 %	76.3 %	76.8 %	76.6 %	75.4 %	75.5 %
GAAP total gross profit	\$1,405.3	\$1,476.0	\$1,471.2	\$1,615.8	\$1,584.7	\$1,658.2	\$1,669.7	\$1,857.3
Share-based compensation-related charges	39.6	40.2	39.7	37.5	38.1	39.7	40.9	40.5
Amortization expense of acquired intangible assets	19.1	22.5	27.7	27.5	29.1	29.0	28.1	22.9
Litigation-related charges ⁽¹⁾	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.7
Non-GAAP total gross profit	\$1,465.8	\$1,540.5	\$1,540.4	\$1,682.5	\$1,653.7	\$1,728.7	\$1,740.5	\$1,922.4
Non-GAAP gross margin	78.0 %	78.0 %	77.6 %	76.8 %	77.3 %	76.6 %	76.0 %	75.8 %
GAAP research and development expense	\$ 409.5	\$ 447.9	\$ 457.2	\$ 494.8	\$ 480.4	\$ 505.7	\$ 494.5	\$ 503.5
Share-based compensation-related charges	123.9	145.9	137.4	144.0	142.4	149.2	141.6	144.8
Non-GAAP research and development expense	\$ 285.6	\$ 302.0	\$ 319.8	\$ 350.8	\$ 338.0	\$ 356.5	\$ 352.9	\$ 358.7
Non-GAAP research and development expense as a percentage of revenue	15.2 %	15.3 %	16.1 %	16.0 %	15.8 %	15.8 %	15.4 %	14.1 %
GAAP sales and marketing expense	\$ 660.5	\$ 673.0	\$ 718.7	\$ 742.3	\$ 720.1	\$ 758.3	\$ 792.5	\$ 829.3
Share-based compensation-related charges	83.9	81.6	81.7	76.0	82.5	94.6	98.7	106.2
Acquisition-related costs ⁽²⁾	—	—	—	—	—	—	—	0.1
Amortization expense of acquired intangible assets	5.4	5.4	5.2	6.2	11.6	14.8	14.5	14.0
Non-GAAP sales and marketing expense	\$ 571.2	\$ 586.0	\$ 631.8	\$ 660.1	\$ 626.0	\$ 648.9	\$ 679.3	\$ 709.0
Non-GAAP sales and marketing expense as a percentage of revenue	30.4 %	29.6 %	31.8 %	30.1 %	29.3 %	28.7 %	29.7 %	28.0 %
GAAP general and administrative expense	\$ 120.1	\$ 301.5	\$ 118.6	\$ 140.3	\$ 97.7	\$ 153.8	\$ 163.9	\$ 27.3
Share-based compensation-related charges	40.4	29.1	31.2	29.6	52.1	59.8	74.1	81.2
Acquisition-related costs ⁽²⁾	—	7.3	2.8	3.5	15.1	9.7	7.3	(141.9)
Litigation-related charges ⁽¹⁾	—	176.8	3.7	23.9	(43.0)	1.4	1.3	1.5
Non-GAAP general and administrative expense	\$ 79.7	\$ 88.3	\$ 80.9	\$ 83.3	\$ 73.5	\$ 82.9	\$ 81.2	\$ 86.5
Non-GAAP general and administrative expense as a percentage of revenue	4.2 %	4.5 %	4.1 %	3.8 %	3.4 %	3.7 %	3.5 %	3.4 %

(1) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q4'25, and a litigation settlement charge in Q4'24.

(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.

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)

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
GAAP total operating expense	\$1,190.1	\$1,422.4	\$1,294.5	\$1,377.4	\$1,298.2	\$1,417.8	\$1,450.9	\$1,360.1
Share-based compensation-related charges	248.2	256.6	250.3	249.6	277.0	303.6	314.4	332.2
Acquisition-related costs ⁽¹⁾	—	7.3	2.8	3.5	15.1	9.7	7.3	(141.8)
Amortization expense of acquired intangible assets	5.4	5.4	5.2	6.2	11.6	14.8	14.5	14.0
Litigation-related charges ⁽²⁾	—	176.8	3.7	23.9	(43.0)	1.4	1.3	1.5
Non-GAAP total operating expense	<u>\$ 936.5</u>	<u>\$ 976.3</u>	<u>\$ 1,032.5</u>	<u>\$ 1,094.2</u>	<u>\$ 1,037.5</u>	<u>\$ 1,088.3</u>	<u>\$ 1,113.4</u>	<u>\$ 1,154.2</u>
Non-GAAP total operating expense as a percentage of revenue	<u>49.8 %</u>	<u>49.4 %</u>	<u>52.0 %</u>	<u>49.9 %</u>	<u>48.5 %</u>	<u>48.2 %</u>	<u>48.6 %</u>	<u>45.5 %</u>
GAAP operating income	\$ 215.2	\$ 53.6	\$ 176.7	\$ 238.4	\$ 286.5	\$ 240.4	\$ 218.8	\$ 497.2
Share-based compensation-related charges	287.8	296.8	290.0	287.1	315.1	343.3	355.3	372.7
Acquisition-related costs ⁽¹⁾	—	7.3	2.8	3.5	15.1	9.7	7.3	(141.8)
Amortization expense of acquired intangible assets	24.5	27.9	32.9	33.7	40.7	43.8	42.6	36.9
Litigation-related charges ⁽²⁾	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1	3.2
Non-GAAP operating income	<u>\$ 529.3</u>	<u>\$ 564.2</u>	<u>\$ 507.9</u>	<u>\$ 588.3</u>	<u>\$ 616.2</u>	<u>\$ 640.4</u>	<u>\$ 627.1</u>	<u>\$ 768.2</u>
Non-GAAP operating margin	<u>28.2 %</u>	<u>28.6 %</u>	<u>25.6 %</u>	<u>26.9 %</u>	<u>28.8 %</u>	<u>28.4 %</u>	<u>27.4 %</u>	<u>30.3 %</u>
GAAP interest expense	\$ (2.9)	\$ (2.8)	\$ (2.3)	\$ (0.3)	\$ (1.2)	\$ (0.9)	\$ (0.7)	\$ (0.2)
Non-cash charges related to convertible notes ⁽³⁾	1.0	1.1	0.8	0.6	0.5	0.3	0.2	0.1
Non-GAAP interest expense	<u>\$ (1.9)</u>	<u>\$ (1.7)</u>	<u>\$ (1.5)</u>	<u>\$ 0.3</u>	<u>\$ (0.7)</u>	<u>\$ (0.6)</u>	<u>\$ (0.5)</u>	<u>\$ (0.1)</u>
Non-GAAP interest expense as a percentage of revenue	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>(0.1)%</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</u>
GAAP income before income taxes	\$ 282.6	\$ 135.5	\$ 251.2	\$ 319.0	\$ 368.6	\$ 324.8	\$ 310.5	\$ 591.8
Share-based compensation-related charges	287.8	296.8	290.0	287.1	315.1	343.3	355.3	372.7
Acquisition-related costs ⁽¹⁾	—	7.3	2.8	3.5	15.1	9.7	7.3	(141.8)
Amortization expense of acquired intangible assets	24.5	27.9	32.9	33.7	40.7	43.8	42.6	36.9
Litigation-related charges ⁽²⁾	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1	3.2
Non-cash charges related to convertible notes ⁽³⁾	1.0	1.1	0.8	0.6	0.5	0.3	0.2	0.1
Non-GAAP income before income taxes	<u>\$ 597.7</u>	<u>\$ 647.2</u>	<u>\$ 583.2</u>	<u>\$ 669.5</u>	<u>\$ 698.8</u>	<u>\$ 725.1</u>	<u>\$ 719.0</u>	<u>\$ 862.9</u>
GAAP provision for (benefit from) income taxes	\$ 88.4	\$(1,611.4)	\$ (27.6)	\$ (38.7)	\$ 17.9	\$ 57.5	\$ 48.4	\$ 338.0
Income tax and other tax adjustments ⁽⁴⁾	43.0	1,753.9	155.9	186.0	136.0	101.9	109.7	(148.1)
Non-GAAP provision for income taxes	<u>\$ 131.4</u>	<u>\$ 142.5</u>	<u>\$ 128.3</u>	<u>\$ 147.3</u>	<u>\$ 153.9</u>	<u>\$ 159.4</u>	<u>\$ 158.1</u>	<u>\$ 189.9</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>

(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.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q4'25, and a litigation settlement charge in Q4'24.

(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 Q2'24 through 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)

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
GAAP net income	\$ 194.2	\$ 1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1	\$ 253.8
Share-based compensation-related charges	287.8	296.8	290.0	287.1	315.1	343.3	355.3	372.7
Acquisition-related costs ⁽¹⁾	—	7.3	2.8	3.5	15.1	9.7	7.3	(141.8)
Amortization expense of acquired intangible assets	24.5	27.9	32.9	33.7	40.7	43.8	42.6	36.9
Litigation-related charges ⁽²⁾	1.8	178.6	5.5	25.6	(41.2)	3.2	3.1	3.2
Non-cash charges related to convertible notes ⁽³⁾	1.0	1.1	0.8	0.6	0.5	0.3	0.2	0.1
Income tax and other tax adjustments ⁽⁴⁾	(43.0)	(1,753.9)	(155.9)	(186.0)	(136.0)	(101.9)	(109.7)	148.1
Non-GAAP net income	\$ 466.3	\$ 504.7	\$ 454.9	\$ 522.2	\$ 544.9	\$ 565.7	\$ 560.9	\$ 673.0
GAAP net income per share, diluted	\$ 0.28	\$ 2.44	\$ 0.39	\$ 0.51	\$ 0.49	\$ 0.38	\$ 0.37	\$ 0.36
Share-based compensation-related charges	0.43	0.44	0.43	0.41	0.46	0.50	0.52	0.53
Acquisition-related costs ⁽¹⁾	—	0.01	0.00	0.00	0.02	0.01	0.01	(0.20)
Amortization expense of acquired intangible assets	0.04	0.04	0.05	0.05	0.06	0.06	0.06	0.05
Litigation-related charges ⁽²⁾	0.00	0.25	0.01	0.04	(0.06)	0.00	0.00	0.00
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⁾	(0.06)	(2.45)	(0.22)	(0.26)	(0.19)	(0.14)	(0.16)	0.21
Non-GAAP net income per share, diluted	\$ 0.69	\$ 0.73	\$ 0.66	\$ 0.75	\$ 0.78	\$ 0.81	\$ 0.80	\$ 0.95
GAAP weighted-average shares used to compute net income per share, diluted	699.6	715.0	709.3	707.8	709.0	709.0	707.4	709.0
Weighted-average anti-dilutive impact of note hedge agreements	(23.2)	(25.9)	(19.1)	(14.7)	(11.8)	(8.7)	(6.6)	(2.1)
Non-GAAP weighted-average shares used to compute net income per share, diluted	676.4	689.1	690.2	693.1	697.2	700.3	700.8	706.9

(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.

(2) Consists of the amortization of intellectual property licenses and covenant not to sue. Also includes a legal contingency charge (credit) in Q2'24 through Q4'25, and a litigation settlement charge in Q4'24.

(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 Q2'24 through 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)

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Net cash provided by operating activities	\$1,526.0	\$ 690.0	\$ 528.9	\$ 512.7	\$1,509.6	\$ 556.9	\$ 628.7	\$1,020.8
Less: purchases of property, equipment, and other assets	36.8	35.2	37.4	47.4	44.1	47.5	68.3	86.3
Free cash flow (non-GAAP)	\$1,489.2	\$ 654.8	\$ 491.5	\$ 465.3	\$1,465.5	\$ 509.4	\$ 560.4	\$ 934.5
Add: capital expenditures for certain corporate assets ⁽¹⁾	—	—	—	—	—	—	18.0	20.0
Add: litigation-related payment ⁽²⁾	—	—	—	20.0	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$1,489.2	\$ 654.8	\$ 491.5	\$ 485.3	\$1,465.5	\$ 509.4	\$ 578.4	\$ 954.5
Net cash provided by (used in) investing activities	\$ (129.0)	\$ (1,325.5)	\$ 113.1	\$ (168.5)	\$ (543.8)	\$ (380.8)	\$ (517.6)	\$ (762.5)
Net cash provided by (used in) financing activities	\$ (41.8)	\$ (72.6)	\$ (1,049.4)	\$ (179.3)	\$ (219.7)	\$ (232.2)	\$ 47.1	\$ (374.1)
Free cash flow margin (non-GAAP)	79.3 %	33.2 %	24.8 %	21.3 %	68.5 %	22.6 %	24.5 %	36.8 %
Adjusted free cash flow margin (non-GAAP)	79.3 %	33.2 %	24.8 %	22.2 %	68.5 %	22.6 %	25.3 %	37.6 %

Disaggregation of Revenue by Type

Revenue:

Product	\$ 341.1	\$ 390.7	\$ 391.0	\$ 480.5	\$ 353.8	\$ 421.5	\$ 452.7	\$ 573.9
Subscription and support								
Subscription	988.3	1,027.1	1,045.6	1,127.5	1,191.8	1,233.2	1,234.4	1,315.0
Support	548.7	557.3	548.2	581.5	593.2	602.7	601.9	647.4
Total subscription and support	1,537.0	1,584.4	1,593.8	1,709.0	1,785.0	1,835.9	1,836.3	1,962.4
Total revenue	\$1,878.1	\$1,975.1	\$1,984.8	\$2,189.5	\$2,138.8	\$2,257.4	\$2,289.0	\$2,536.3

(1) Consists of a one-time purchase of a corporate asset which is expected to be paid through the second half of calendar year 2026.

(2) Consists of a one-time payment in Q4'24 to settle a litigation-related matter.

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

	FY23	FY24	FY25
Next-Generation Security Annualized Recurring Revenue ⁽¹⁾	\$ 2.95	\$ 4.22	\$ 5.58
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	56 %	43 %	32 %
Remaining performance obligations	\$ 10.6	\$ 12.7	\$ 15.8
Remaining performance obligations year-over-year percentage increase	30 %	20 %	24 %

(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.
Other Key Metrics - Fiscal Quarters
(In billions, except percentages)

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Next-Generation Security Annualized Recurring Revenue ⁽¹⁾	\$ 3.23	\$ 3.49	\$ 3.79	\$ 4.22	\$ 4.52	\$ 4.78	\$ 5.09	\$ 5.58
Next-Generation Security Annualized Recurring Revenue year-over-year percentage increase	53 %	50 %	47 %	43 %	40 %	37 %	34 %	32 %
Remaining performance obligations	\$ 10.4	\$ 10.8	\$ 11.3	\$ 12.7	\$ 12.6	\$ 13.0	\$ 13.5	\$ 15.8
Remaining performance obligations year-over-year percentage increase	26 %	22 %	23 %	20 %	20 %	21 %	19 %	24 %

(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 Years
(In millions)

	FY23	FY24	FY25
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,135.3	\$ 1,535.2	\$ 2,268.6
Short-term investments	1,254.7	1,043.6	634.6
Accounts receivable, net	2,463.2	2,618.6	2,965.0
Short-term financing receivables, net	388.8	725.9	714.6
Short-term deferred contract costs	339.2	369.0	419.5
Prepaid expenses and other current assets	466.8	557.4	520.5
Total current assets	<u>6,048.0</u>	<u>6,849.7</u>	<u>7,522.8</u>
Property and equipment, net	354.5	361.1	387.3
Operating lease right-of-use assets	263.3	385.9	347.0
Long-term investments	3,047.9	4,173.2	5,555.6
Long-term financing receivables, net	653.3	1,182.1	1,002.3
Long-term deferred contract costs	547.1	562.0	585.9
Goodwill	2,926.8	3,350.1	4,566.6
Intangible assets, net	315.4	374.9	762.7
Deferred tax assets	23.1	2,399.0	2,424.2
Other assets	321.7	352.9	421.8
Total assets	<u>\$ 14,501.1</u>	<u>\$ 19,990.9</u>	<u>\$ 23,576.2</u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 132.3	\$ 116.3	\$ 232.2
Accrued compensation	548.3	554.7	607.6
Accrued and other liabilities	390.8	506.7	846.0
Deferred revenue	4,674.6	5,541.1	6,302.2
Convertible senior notes, net	1,991.5	963.9	—
Total current liabilities	<u>7,737.5</u>	<u>7,682.7</u>	<u>7,988.0</u>
Long-term deferred revenue	4,621.8	5,939.4	6,449.7
Deferred tax liabilities	28.1	387.7	89.1
Long-term operating lease liabilities	279.2	380.5	338.2
Other long-term liabilities	86.1	430.9	886.8
Total liabilities	<u>12,752.7</u>	<u>14,821.2</u>	<u>15,751.8</u>
Stockholders' equity:			
Preferred stock	—	—	—
Common stock and additional paid-in capital	3,019.0	3,821.1	5,291.9
Accumulated other comprehensive income (loss)	(43.2)	(1.6)	48.4
Retained earnings (accumulated deficit)	(1,227.4)	1,350.2	2,484.1
Total stockholders' equity	<u>1,748.4</u>	<u>5,169.7</u>	<u>7,824.4</u>
Total liabilities and stockholders' equity	<u>\$ 14,501.1</u>	<u>\$ 19,990.9</u>	<u>\$ 23,576.2</u>

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

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,491.4	\$ 1,782.5	\$ 1,373.7	\$ 1,535.2	\$ 2,282.8	\$ 2,226.3	\$ 2,383.4	\$ 2,268.6
Short-term investments	1,402.4	1,588.5	1,516.7	1,043.6	1,108.2	1,006.6	916.8	634.6
Accounts receivable, net	1,413.0	1,896.3	1,715.4	2,618.6	1,132.9	1,495.5	1,950.0	2,965.0
Short-term financing receivables, net	445.9	445.5	572.3	725.9	805.1	754.9	737.3	714.6
Short-term deferred contract costs	328.7	328.0	337.0	369.0	367.6	376.1	387.1	419.5
Prepaid expenses and other current assets	396.2	405.9	403.7	557.4	546.1	480.4	524.4	520.5
Total current assets	6,477.6	6,446.7	5,918.8	6,849.7	6,242.7	6,339.8	6,899.0	7,522.8
Property and equipment, net	352.6	352.3	350.3	361.1	361.0	358.2	367.0	387.3
Operating lease right-of-use assets	274.3	355.8	369.7	385.9	389.0	372.9	357.3	347.0
Long-term investments	2,988.9	3,619.6	3,504.4	4,173.2	4,119.7	4,559.8	5,152.3	5,555.6
Long-term financing receivables, net	639.8	639.9	882.5	1,182.1	1,092.2	1,163.8	1,068.9	1,002.3
Long-term deferred contract costs	515.4	504.6	511.2	562.0	531.9	523.4	528.2	585.9
Goodwill	2,926.8	3,372.7	3,372.7	3,350.1	4,050.8	4,050.8	4,050.8	4,566.6
Intangible assets, net	290.5	440.1	407.9	374.9	809.6	771.4	730.2	762.7
Deferred tax assets	25.4	2,234.3	2,291.9	2,399.0	2,397.5	2,446.9	2,452.2	2,424.2
Other assets	317.2	326.0	321.4	352.9	380.2	364.7	396.9	421.8
Total assets	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7	\$ 22,002.8	\$ 23,576.2
Liabilities and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 131.8	\$ 178.8	\$ 108.9	\$ 116.3	\$ 211.6	\$ 149.3	\$ 234.8	\$ 232.2
Accrued compensation	331.4	452.6	385.9	554.7	354.5	491.6	506.2	607.6
Accrued and other liabilities	371.5	394.2	412.6	506.7	683.1	777.6	824.6	846.0
Deferred revenue	4,732.0	4,918.1	5,014.9	5,541.1	5,507.7	5,599.9	5,756.8	6,302.2
Convertible senior notes, net	1,946.7	1,821.8	1,162.5	963.9	645.8	533.8	383.2	—
Total current liabilities	7,513.4	7,765.5	7,084.8	7,682.7	7,402.7	7,552.2	7,705.6	7,988.0
Long-term deferred revenue	4,710.8	4,900.3	5,152.7	5,939.4	5,585.9	5,662.5	5,816.8	6,449.7
Deferred tax liabilities	30.1	588.5	503.0	387.7	250.8	116.1	26.2	89.1
Long-term operating lease liabilities	275.8	362.7	369.8	380.5	379.6	363.0	345.7	338.2
Other long-term liabilities	107.9	317.8	352.7	430.9	843.8	882.6	878.0	886.8
Total liabilities	12,638.0	13,934.8	13,463.0	14,821.2	14,462.8	14,576.4	14,772.3	15,751.8
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	3,296.7	3,650.0	3,530.7	3,821.1	4,214.9	4,421.0	4,952.2	5,291.9
Accumulated other comprehensive income (loss)	(93.0)	(6.5)	(55.4)	(1.6)	(4.0)	(13.9)	48.0	48.4
Retained earnings (accumulated deficit)	(1,033.2)	713.7	992.5	1,350.2	1,700.9	1,968.2	2,230.3	2,484.1
Total stockholders' equity	2,170.5	4,357.2	4,467.8	5,169.7	5,911.8	6,375.3	7,230.5	7,824.4
Total liabilities and stockholders' equity	\$ 14,808.5	\$ 18,292.0	\$ 17,930.8	\$ 19,990.9	\$ 20,374.6	\$ 20,951.7	\$ 22,002.8	\$ 23,576.2

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

	FY23	FY24	FY25
Cash flows from operating activities			
Net income	\$ 439.7	\$ 2,577.6	\$ 1,133.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation for equity-based awards	1,074.5	1,075.4	1,295.1
Deferred income taxes	12.5	(2,033.7)	(349.9)
Depreciation and amortization	282.2	283.3	343.4
Amortization of deferred contract costs	413.4	446.0	480.6
Amortization of debt issuance costs	6.7	3.5	1.1
Change in fair value of contingent consideration liability	—	—	(135.3)
Reduction of operating lease right-of-use assets	49.9	55.3	65.4
Amortization of investment premiums, net of accretion of purchase discounts	(52.2)	(60.1)	(41.1)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(320.3)	(154.3)	(345.3)
Financing receivables, net	(738.7)	(865.9)	191.1
Deferred contract costs	(431.9)	(489.3)	(555.0)
Prepaid expenses and other assets	(270.6)	(134.1)	88.3
Accounts payable	1.0	(15.0)	106.8
Accrued compensation	84.4	3.8	51.3
Accrued and other liabilities	(74.8)	384.5	147.5
Deferred revenue	2,301.7	2,180.6	1,238.1
Net cash provided by operating activities	2,777.5	3,257.6	3,716.0
Cash flows from investing activities			
Purchases of investments	(5,460.4)	(3,551.3)	(3,695.9)
Proceeds from sales of investments	965.9	956.2	1,196.9
Proceeds from maturities of investments	2,811.5	1,852.6	1,594.9
Business acquisitions, net of cash and restricted cash acquired	(204.5)	(610.6)	(1,054.4)
Purchases of property, equipment, and other assets	(146.3)	(156.8)	(246.2)
Net cash used in investing activities	(2,033.8)	(1,509.9)	(2,204.7)
Cash flows from financing activities			
Repayments of convertible senior notes	(1,692.0)	(1,033.7)	(965.6)
Repurchases of common stock	(272.7)	(566.7)	—
Proceeds from sales of shares through employee equity incentive plans	258.8	283.9	370.5
Payments for taxes related to net share settlement of equity awards	(20.4)	(26.6)	(183.8)
Net cash used in financing activities	(1,726.3)	(1,343.1)	(778.9)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(982.6)	404.6	732.4
Cash, cash equivalents, and restricted cash - beginning of period	2,124.8	1,142.2	1,546.8
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 1,142.2</u>	<u>\$ 1,546.8</u>	<u>\$ 2,279.2</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets			
Cash and cash equivalents	\$ 1,135.3	\$ 1,535.2	\$ 2,268.6
Restricted cash included in prepaid expenses and other current assets	6.9	11.6	10.6
Total cash, cash equivalents, and restricted cash	<u>\$ 1,142.2</u>	<u>\$ 1,546.8</u>	<u>\$ 2,279.2</u>

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

	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
Cash flows from operating activities								
Net income	\$ 194.2	\$1,746.9	\$ 278.8	\$ 357.7	\$ 350.7	\$ 267.3	\$ 262.1	\$ 253.8
Adjustments to reconcile net income to net cash provided by operating activities:								
Share-based compensation for equity-based awards	271.0	272.0	263.5	268.9	294.3	320.5	325.9	354.4
Deferred income taxes	(0.3)	(1,691.0)	(127.0)	(215.4)	(137.4)	(179.4)	(124.7)	91.6
Depreciation and amortization	64.3	68.6	74.3	76.1	83.9	87.6	88.1	83.8
Amortization of deferred contract costs	105.5	108.9	110.3	121.3	110.4	114.6	119.1	136.5
Amortization of debt issuance costs	1.0	1.1	0.8	0.6	0.5	0.3	0.2	0.1
Change in fair value of contingent consideration liability	—	—	—	—	6.3	9.7	4.3	(155.6)
Reduction of operating lease right-of-use assets	12.4	13.7	14.6	14.6	16.0	16.0	16.1	17.3
Amortization of investment premiums, net of accretion of purchase discounts	(14.7)	(16.2)	(15.6)	(13.6)	(15.0)	(10.8)	(9.4)	(5.9)
Changes in operating assets and liabilities, net of effects of acquisitions:								
Accounts receivable, net	1,050.2	(482.2)	180.9	(903.2)	1,485.7	(362.6)	(454.5)	(1,013.9)
Financing receivables, net	(43.6)	0.3	(369.4)	(453.2)	10.7	(21.4)	112.5	89.3
Deferred contract costs	(63.3)	(96.0)	(125.9)	(204.1)	(78.9)	(114.6)	(134.9)	(226.6)
Prepaid expenses and other assets	54.0	(8.1)	1.3	(181.3)	(3.6)	92.5	(21.1)	20.5
Accounts payable	(0.4)	47.7	(67.8)	5.5	96.8	(63.4)	85.3	(11.9)
Accrued compensation	(216.9)	118.6	(66.7)	168.8	(200.2)	137.1	14.6	99.8
Accrued and other liabilities	(33.8)	233.6	27.6	157.1	(94.0)	94.7	33.9	112.9
Deferred revenue	146.4	372.1	349.2	1,312.9	(416.6)	168.8	311.2	1,174.7
Net cash provided by operating activities	1,526.0	690.0	528.9	512.7	1,509.6	556.9	628.7	1,020.8
Cash flows from investing activities								
Purchases of investments	(854.7)	(1,156.7)	(475.1)	(1,064.8)	(660.0)	(1,072.1)	(1,089.1)	(874.7)
Proceeds from sales of investments	304.6	126.6	69.6	455.4	291.3	353.6	185.0	367.0
Proceeds from maturities of investments	457.9	350.4	556.0	488.3	369.0	384.7	454.8	386.4
Business acquisitions, net of cash and restricted cash acquired	—	(610.6)	—	—	(500.0)	0.5	—	(554.9)
Purchases of property, equipment, and other assets	(36.8)	(35.2)	(37.4)	(47.4)	(44.1)	(47.5)	(68.3)	(86.3)
Net cash provided by (used in) investing activities	(129.0)	(1,325.5)	113.1	(168.5)	(543.8)	(380.8)	(517.6)	(762.5)
Cash flows from financing activities								
Repayments of convertible senior notes	(46.0)	(126.3)	(661.8)	(199.6)	(319.0)	(112.4)	(150.9)	(383.3)
Repurchases of common stock	(66.7)	—	(500.0)	—	—	—	—	—
Proceeds from sales of shares through employee equity incentive plans	86.4	57.5	115.8	24.2	120.7	36.6	203.3	9.9
Payments for taxes related to net share settlement of equity awards	(15.5)	(3.8)	(3.4)	(3.9)	(21.4)	(156.4)	(5.3)	(0.7)
Net cash provided by (used in) financing activities	(41.8)	(72.6)	(1,049.4)	(179.3)	(219.7)	(232.2)	47.1	(374.1)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,355.2	(708.1)	(407.4)	164.9	746.1	(56.1)	158.2	(115.8)
Cash, cash equivalents, and restricted cash - beginning of period	1,142.2	2,497.4	1,789.3	1,381.9	1,546.8	2,292.9	2,236.8	2,395.0
Cash, cash equivalents, and restricted cash - end of period	<u>\$2,497.4</u>	<u>\$1,789.3</u>	<u>\$1,381.9</u>	<u>\$1,546.8</u>	<u>\$2,292.9</u>	<u>\$2,236.8</u>	<u>\$2,395.0</u>	<u>\$2,279.2</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$2,491.4	\$1,782.5	\$1,373.7	\$1,535.2	\$2,282.8	\$2,226.3	\$2,383.4	\$2,268.6
Restricted cash included in prepaid expenses and other current assets	6.0	6.3	8.2	11.6	10.1	10.5	11.6	10.6
Restricted cash included in other assets	—	0.5	—	—	—	—	—	—
Total cash, cash equivalents, and restricted cash	<u>\$2,497.4</u>	<u>\$1,789.3</u>	<u>\$1,381.9</u>	<u>\$1,546.8</u>	<u>\$2,292.9</u>	<u>\$2,236.8</u>	<u>\$2,395.0</u>	<u>\$2,279.2</u>