

Non-GAAP Financial Measures and Other Key Metrics

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

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

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

	FY19	FY20	FY21
Revenue:			
Product	\$ 1,096.2	\$ 1,064.2	\$ 1,120.3
Subscription and support	1,803.4	2,344.2	3,135.8
Total revenue	<u>2,899.6</u>	<u>3,408.4</u>	<u>4,256.1</u>
Cost of revenue:			
Product	315.9	294.4	308.5
Subscription and support	492.5	705.1	966.4
Total cost of revenue	<u>808.4</u>	<u>999.5</u>	<u>1,274.9</u>
Total gross profit	2,091.2	2,408.9	2,981.2
<i>Product gross margin</i>	71.2 %	72.3 %	72.5 %
<i>Subscription and support gross margin</i>	72.7 %	69.9 %	69.2 %
<i>Total gross margin</i>	72.1 %	70.7 %	70.0 %
Operating expenses:			
Research and development	539.5	768.1	1,140.4
Sales and marketing	1,344.0	1,520.2	1,753.8
General and administrative	261.8	299.6	391.1
Total operating expenses	<u>2,145.3</u>	<u>2,587.9</u>	<u>3,285.3</u>
Operating loss	(54.1)	(179.0)	(304.1)
Interest expense	(83.9)	(88.7)	(163.3)
Other income, net	63.4	35.9	2.4
Loss before income taxes	<u>(74.6)</u>	<u>(231.8)</u>	<u>(465.0)</u>
Provision for income taxes	7.3	35.2	33.9
Net loss	<u>\$ (81.9)</u>	<u>\$ (267.0)</u>	<u>\$ (498.9)</u>

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

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
Revenue:								
Product	\$ 231.2	\$ 246.5	\$ 280.9	\$ 305.6	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4
Subscription and support	540.7	570.2	588.5	644.8	708.7	762.2	785.0	879.9
Total revenue	771.9	816.7	869.4	950.4	946.0	1,016.9	1,073.9	1,219.3
Cost of revenue:								
Product	65.1	68.7	73.3	87.3	62.2	75.6	81.9	88.8
Subscription and support	152.6	164.4	185.0	203.1	215.6	232.0	248.7	270.1
Total cost of revenue	217.7	233.1	258.3	290.4	277.8	307.6	330.6	358.9
Total gross profit	554.2	583.6	611.1	660.0	668.2	709.3	743.3	860.4
<i>Product gross margin</i>	71.8 %	72.1 %	73.9 %	71.4 %	73.8 %	70.3 %	71.7 %	73.8 %
<i>Subscription and support gross margin</i>	71.8 %	71.2 %	68.6 %	68.5 %	69.6 %	69.6 %	68.3 %	69.3 %
<i>Total gross margin</i>	71.8 %	71.5 %	70.3 %	69.4 %	70.6 %	69.8 %	69.2 %	70.6 %
Operating expenses:								
Research and development	170.5	185.4	196.3	215.9	237.4	266.7	311.0	325.3
Sales and marketing	365.7	374.9	388.4	391.2	388.6	427.4	448.0	489.8
General and administrative	69.8	76.2	82.9	70.7	86.7	104.0	94.7	105.7
Total operating expenses	606.0	636.5	667.6	677.8	712.7	798.1	853.7	920.8
Operating loss	(51.8)	(52.9)	(56.5)	(17.8)	(44.5)	(88.8)	(110.4)	(60.4)
Interest expense	(18.9)	(19.0)	(19.4)	(31.4)	(40.2)	(40.7)	(41.0)	(41.4)
Other income (expense), net	16.2	10.8	8.1	0.8	2.4	(0.5)	1.0	(0.5)
Loss before income taxes	(54.5)	(61.1)	(67.8)	(48.4)	(82.3)	(130.0)	(150.4)	(102.3)
Provision for (benefit from) income taxes	5.1	12.6	7.0	10.5	9.9	12.3	(5.3)	17.0
Net loss	\$ (59.6)	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)

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

	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
Revenue:			
Product	\$ 1,096.2	\$ 1,064.2	\$ 1,120.3
Subscription and support	1,803.4	2,344.2	3,135.8
Total revenue	<u>2,899.6</u>	<u>3,408.4</u>	<u>4,256.1</u>
Cost of revenue:			
Product	299.7	284.8	294.8
Subscription and support	373.9	548.5	759.9
Total cost of revenue	<u>673.6</u>	<u>833.3</u>	<u>1,054.7</u>
Total gross profit	2,226.0	2,575.1	3,201.4
<i>Product gross margin</i>	72.7 %	73.2 %	73.7 %
<i>Subscription and support gross margin</i>	79.3 %	76.6 %	75.8 %
<i>Total gross margin</i>	76.8 %	75.6 %	75.2 %
Operating expenses:			
Research and development	347.8	487.9	701.2
Sales and marketing	1,101.1	1,290.0	1,452.1
General and administrative	139.9	198.1	245.8
Total operating expenses	<u>1,588.8</u>	<u>1,976.0</u>	<u>2,399.1</u>
Operating income	637.2	599.1	802.3
Interest expense	(13.7)	(14.8)	(20.4)
Other income, net	68.1	37.0	4.8
Income before income taxes	<u>691.6</u>	<u>621.3</u>	<u>786.7</u>
Provision for income taxes	152.2	136.7	173.0
Net income	<u>\$ 539.4</u>	<u>\$ 484.6</u>	<u>\$ 613.7</u>

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

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
Revenue:								
Product	\$ 231.2	\$ 246.5	\$ 280.9	\$ 305.6	\$ 237.3	\$ 254.7	\$ 288.9	\$ 339.4
Subscription and support	540.7	570.2	588.5	644.8	708.7	762.2	785.0	879.9
Total revenue	771.9	816.7	869.4	950.4	946.0	1,016.9	1,073.9	1,219.3
Cost of revenue:								
Product	63.7	67.2	70.0	83.9	58.9	72.1	78.4	85.4
Subscription and support	117.0	125.8	145.7	160.0	170.3	179.5	194.0	216.1
Total cost of revenue	180.7	193.0	215.7	243.9	229.2	251.6	272.4	301.5
Total gross profit	591.2	623.7	653.7	706.5	716.8	765.3	801.5	917.8
<i>Product gross margin</i>	72.4 %	72.7 %	75.1 %	72.5 %	75.2 %	71.7 %	72.9 %	74.8 %
<i>Subscription and support gross margin</i>	78.4 %	77.9 %	75.2 %	75.2 %	76.0 %	76.4 %	75.3 %	75.4 %
<i>Total gross margin</i>	76.6 %	76.4 %	75.2 %	74.3 %	75.8 %	75.3 %	74.6 %	75.3 %
Operating expenses:								
Research and development	107.5	116.0	127.0	137.4	141.1	159.5	189.0	211.6
Sales and marketing	319.4	314.7	329.0	326.9	318.9	348.3	368.8	416.1
General and administrative	42.3	47.2	54.8	53.8	51.4	55.7	61.4	77.3
Total operating expenses	469.2	477.9	510.8	518.1	511.4	563.5	619.2	705.0
Operating income	122.0	145.8	142.9	188.4	205.4	201.8	182.3	212.8
Interest expense	(3.4)	(3.3)	(3.6)	(4.5)	(5.1)	(5.2)	(5.1)	(5.0)
Other income (expense), net	15.7	11.8	7.5	2.0	2.3	1.2	1.6	(0.3)
Income before income taxes	134.3	154.3	146.8	185.9	202.6	197.8	178.8	207.5
Provision for income taxes	29.5	34.0	32.2	41.0	44.5	43.6	39.3	45.6
Net income	\$ 104.8	\$ 120.3	\$ 114.6	\$ 144.9	\$ 158.1	\$ 154.2	\$ 139.5	\$ 161.9

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Years

(In millions, except percentages and per share amounts)

	FY19	FY20	FY21
GAAP to Non-GAAP Reconciliations			
GAAP product gross profit	\$ 780.3	\$ 769.8	\$ 811.8
Share-based compensation-related charges	6.0	6.0	6.6
Litigation-related charges ⁽¹⁾	10.2	3.6	7.1
Non-GAAP product gross profit	<u>\$ 796.5</u>	<u>\$ 779.4</u>	<u>\$ 825.5</u>
<i>Non-GAAP product gross margin</i>	<u>72.7 %</u>	<u>73.2 %</u>	<u>73.7 %</u>
GAAP subscription and support gross profit	\$ 1,310.9	\$ 1,639.1	\$ 2,169.4
Share-based compensation-related charges	78.2	87.9	109.1
Amortization expense of acquired intangible assets	40.4	68.7	97.4
Non-GAAP subscription and support gross profit	<u>\$ 1,429.5</u>	<u>\$ 1,795.7</u>	<u>\$ 2,375.9</u>
<i>Non-GAAP subscription and support gross margin</i>	<u>79.3 %</u>	<u>76.6 %</u>	<u>75.8 %</u>
GAAP total gross profit	\$ 2,091.2	\$ 2,408.9	\$ 2,981.2
Share-based compensation-related charges	84.2	93.9	115.7
Amortization expense of acquired intangible assets	40.4	68.7	97.4
Litigation-related charges ⁽¹⁾	10.2	3.6	7.1
Non-GAAP total gross profit	<u>\$ 2,226.0</u>	<u>\$ 2,575.1</u>	<u>\$ 3,201.4</u>
<i>Non-GAAP gross margin</i>	<u>76.8 %</u>	<u>75.6 %</u>	<u>75.2 %</u>
GAAP research and development expense	\$ 539.5	\$ 768.1	\$ 1,140.4
Share-based compensation-related charges	191.7	280.2	439.2
Non-GAAP research and development expense	<u>\$ 347.8</u>	<u>\$ 487.9</u>	<u>\$ 701.2</u>
<i>Non-GAAP research and development expense as a percentage of revenue</i>	<u>12.0 %</u>	<u>14.3 %</u>	<u>16.5 %</u>
GAAP sales and marketing expense	\$ 1,344.0	\$ 1,520.2	\$ 1,753.8
Share-based compensation-related charges	230.3	222.5	282.4
Amortization expense of acquired intangible assets	12.6	7.7	19.3
Non-GAAP sales and marketing expense	<u>\$ 1,101.1</u>	<u>\$ 1,290.0</u>	<u>\$ 1,452.1</u>
<i>Non-GAAP sales and marketing expense as a percentage of revenue</i>	<u>38.0 %</u>	<u>37.9 %</u>	<u>34.0 %</u>
GAAP general and administrative expense	\$ 261.8	\$ 299.6	\$ 391.1
Share-based compensation-related charges	85.1	88.9	99.2
Acquisition-related costs ⁽²⁾	29.8	15.7	46.1
(Gain) loss related to facility exit ⁽³⁾	7.0	(3.1)	—
Non-GAAP general and administrative expense	<u>\$ 139.9</u>	<u>\$ 198.1</u>	<u>\$ 245.8</u>
<i>Non-GAAP general and administrative expense as a percentage of revenue</i>	<u>4.8 %</u>	<u>5.8 %</u>	<u>5.8 %</u>

(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.

(3) Consists of a cease-use loss of \$7 million related to the relocation of the company's headquarters in FY'19 and a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in FY'20.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Years

(In millions, except percentages and per share amounts)

	FY19	FY20	FY21
GAAP total operating expense	\$2,145.3	\$2,587.9	\$3,285.3
Share-based compensation-related charges	507.1	591.6	820.8
Acquisition-related costs ⁽¹⁾	29.8	15.7	46.1
Amortization expense of acquired intangible assets	12.6	7.7	19.3
(Gain) loss related to facility exit ⁽²⁾	7.0	(3.1)	—
Non-GAAP total operating expense	<u>\$1,588.8</u>	<u>\$1,976.0</u>	<u>\$2,399.1</u>
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<u>54.8 %</u>	<u>58.0 %</u>	<u>56.3 %</u>
GAAP operating loss	\$ (54.1)	\$ (179.0)	\$ (304.1)
Share-based compensation-related charges	591.3	685.5	936.5
Acquisition-related costs ⁽¹⁾	29.8	15.7	46.1
Amortization expense of acquired intangible assets	53.0	76.4	116.7
Litigation-related charges ⁽³⁾	10.2	3.6	7.1
(Gain) loss related to facility exit ⁽²⁾	7.0	(3.1)	—
Non-GAAP operating income	<u>\$ 637.2</u>	<u>\$ 599.1</u>	<u>\$ 802.3</u>
<i>Non-GAAP operating margin</i>	<u>22.0 %</u>	<u>17.6 %</u>	<u>18.9 %</u>
GAAP interest expense	\$ (83.9)	\$ (88.7)	\$ (163.3)
Non-cash charges related to convertible notes ⁽⁴⁾	70.2	73.9	142.9
Non-GAAP interest expense	<u>\$ (13.7)</u>	<u>\$ (14.8)</u>	<u>\$ (20.4)</u>
<i>Non-GAAP interest expense as a percentage of revenue</i>	<u>(0.5)%</u>	<u>(0.4)%</u>	<u>(0.5)%</u>
GAAP other income, net	\$ 63.4	\$ 35.9	\$ 2.4
Non-cash charges related to convertible notes ⁽⁴⁾	2.6	—	—
Foreign currency loss associated with non-GAAP adjustments	2.1	1.1	2.4
Non-GAAP other income, net	<u>\$ 68.1</u>	<u>\$ 37.0</u>	<u>\$ 4.8</u>
<i>Non-GAAP other income, net as a percentage of revenue</i>	<u>2.3 %</u>	<u>1.1 %</u>	<u>0.1 %</u>
GAAP loss before income taxes	\$ (74.6)	\$ (231.8)	\$ (465.0)
Share-based compensation-related charges	591.3	685.5	936.5
Acquisition-related costs ⁽¹⁾	29.8	15.7	46.1
Amortization expense of acquired intangible assets	53.0	76.4	116.7
Litigation-related charges ⁽³⁾	10.2	3.6	7.1
(Gain) loss related to facility exit ⁽²⁾	7.0	(3.1)	—
Non-cash charges related to convertible notes ⁽⁴⁾	72.8	73.9	142.9
Foreign currency loss associated with non-GAAP adjustments	2.1	1.1	2.4
Non-GAAP income before income taxes	<u>\$ 691.6</u>	<u>\$ 621.3</u>	<u>\$ 786.7</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 a cease-use loss of \$7 million related to the relocation of the company's headquarters in FY'19 and a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in FY'20.

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

(4) Consists primarily of non-cash interest expense related to our convertible senior notes. Also includes non-cash loss of \$2.6 million in FY'19 related to early conversions of our convertible notes during the period.

Palo Alto Networks, Inc.

GAAP to Non-GAAP Reconciliations and Calculation of Other Key Metrics - Fiscal Years

(In millions, except percentages and per share amounts)

	FY19	FY20	FY21
GAAP provision for income taxes	\$ 7.3	\$ 35.2	\$ 33.9
Income tax and other tax adjustments related to the above	144.9	101.5	139.1
Non-GAAP provision for income taxes	<u>\$ 152.2</u>	<u>\$ 136.7</u>	<u>\$ 173.0</u>
Non-GAAP effective tax rate	<u>22.0 %</u>	<u>22.0 %</u>	<u>22.0 %</u>
GAAP net loss	\$ (81.9)	\$ (267.0)	\$ (498.9)
Share-based compensation-related charges	591.3	685.5	936.5
Acquisition-related costs ⁽¹⁾	29.8	15.7	46.1
Amortization expense of acquired intangible assets	53.0	76.4	116.7
Litigation-related charges ⁽²⁾	10.2	3.6	7.1
(Gain) loss related to facility exit ⁽³⁾	7.0	(3.1)	—
Non-cash charges related to convertible notes ⁽⁴⁾	72.8	73.9	142.9
Foreign currency loss associated with non-GAAP adjustments	2.1	1.1	2.4
Income tax and other tax adjustments related to the above	(144.9)	(101.5)	(139.1)
Non-GAAP net income	<u>\$ 539.4</u>	<u>\$ 484.6</u>	<u>\$ 613.7</u>
GAAP net loss per share, diluted	\$ (0.87)	\$ (2.76)	\$ (5.18)
Share-based compensation-related charges	6.00	6.96	9.50
Acquisition-related costs ⁽¹⁾	0.32	0.16	0.48
Amortization expense of acquired intangible assets	0.56	0.79	1.21
Litigation-related charges ⁽²⁾	0.11	0.04	0.07
(Gain) loss related to facility exit ⁽³⁾	0.07	(0.03)	—
Non-cash charges related to convertible notes ⁽⁴⁾	0.77	0.76	1.48
Foreign currency loss associated with non-GAAP adjustments	0.02	0.01	0.02
Income tax and other tax adjustments related to the above	(1.53)	(1.05)	(1.44)
Non-GAAP net income per share, diluted	<u>\$ 5.45</u>	<u>\$ 4.88</u>	<u>\$ 6.14</u>
GAAP weighted-average shares used to compute net loss per share, diluted	94.5	96.9	96.4
Weighted-average effect of potentially dilutive securities ⁽⁵⁾	4.5	2.4	3.5
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>99.0</u>	<u>99.3</u>	<u>99.9</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 of a cease-use loss of \$7 million related to the relocation of the company's headquarters in FY'19 and a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in FY'20.

(4) Consists primarily of non-cash interest expense related to our convertible senior notes. Also includes non-cash loss of \$2.6 million in FY'19 related to early conversions of our convertible notes during the period.

(5) 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 Years

(In millions, except percentages and per share amounts)

	FY19	FY20	FY21
Net cash provided by operating activities	\$ 1,055.6	\$ 1,035.7	\$ 1,503.0
Less: purchases of property, equipment, and other assets	131.2	214.4	116.0
Free cash flow (non-GAAP)	\$ 924.4	\$ 821.3	\$ 1,387.0
Add: capital expenditures for new headquarters ⁽¹⁾	28.4	94.3	—
Add: repayments of convertible senior notes attributable to debt discount	97.6	—	0.1
Add: litigation related payment ⁽²⁾	—	50.0	—
Less: cash payments related to landlord lease amendment ⁽³⁾	(14.8)	(2.0)	—
Adjusted free cash flow (non-GAAP)	<u>\$ 1,065.2</u>	<u>\$ 967.6</u>	<u>\$ 1,387.1</u>
Net cash provided by (used in) investing activities	<u>\$ (1,825.9)</u>	<u>\$ 288.0</u>	<u>\$ (1,480.6)</u>
Net cash provided by (used in) financing activities	<u>\$ (773.9)</u>	<u>\$ 673.0</u>	<u>\$ (1,104.0)</u>
Free cash flow margin (non-GAAP) ⁽³⁾	<u>31.9 %</u>	<u>24.1 %</u>	<u>32.6 %</u>
Adjusted free cash flow margin (non-GAAP) ⁽³⁾	<u>36.7 %</u>	<u>28.4 %</u>	<u>32.6 %</u>

Other Key Metrics - Calculation of Billings

Total revenue	\$ 2,899.6	\$ 3,408.4	\$ 4,256.1
Add: change in total deferred revenue, net of acquired deferred revenue	590.2	893.3	1,196.1
Total billings	<u>\$ 3,489.8</u>	<u>\$ 4,301.7</u>	<u>\$ 5,452.2</u>
Product revenue	\$ 1,096.2	\$ 1,064.2	\$ 1,120.3
Add: change in product deferred revenue	(0.2)	4.2	14.6
Product billings	<u>\$ 1,096.0</u>	<u>\$ 1,068.4</u>	<u>\$ 1,134.9</u>
Subscription revenue	\$ 1,032.7	\$ 1,405.3	\$ 1,898.8
Add: change in subscription deferred revenue, net of acquired subscription deferred revenue	413.7	614.5	710.0
Subscription billings	<u>\$ 1,446.4</u>	<u>\$ 2,019.8</u>	<u>\$ 2,608.8</u>
Support revenue	\$ 770.7	\$ 938.9	\$ 1,237.0
Add: change in support deferred revenue, net of acquired support deferred revenue	176.7	274.6	471.5
Support billings	<u>\$ 947.4</u>	<u>\$ 1,213.5</u>	<u>\$ 1,708.5</u>

(1) Consists of capital expenditures for new headquarters including a land purchase of \$51.7 million in Q3'20.

(2) Consists of a one-time payment in Q3'20 related to covenant not to sue.

(3) During Q1'18, we received an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for subsequent periods reflects adjustments for related rental payments made during the respective periods.

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)

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
GAAP to Non-GAAP Reconciliations								
GAAP product gross profit	\$ 166.1	\$ 177.8	\$ 207.6	\$ 218.3	\$ 175.1	\$ 179.1	\$ 207.0	\$ 250.6
Share-based compensation-related charges	1.4	1.5	1.5	1.6	1.5	1.7	1.7	1.7
Litigation-related charges ⁽¹⁾	—	—	1.8	1.8	1.8	1.8	1.8	1.7
Non-GAAP product gross profit	\$ 167.5	\$ 179.3	\$ 210.9	\$ 221.7	\$ 178.4	\$ 182.6	\$ 210.5	\$ 254.0
Non-GAAP product gross margin	72.4 %	72.7 %	75.1 %	72.5 %	75.2 %	71.7 %	72.9 %	74.8 %
GAAP subscription and support gross profit	\$ 388.1	\$ 405.8	\$ 403.5	\$ 441.7	\$ 493.1	\$ 530.2	\$ 536.3	\$ 609.8
Share-based compensation-related charges	20.4	22.5	21.9	23.1	25.1	28.0	28.1	27.9
Amortization expense of acquired intangible assets	15.2	16.1	17.4	20.0	20.2	24.5	26.6	26.1
Non-GAAP subscription and support gross profit	\$ 423.7	\$ 444.4	\$ 442.8	\$ 484.8	\$ 538.4	\$ 582.7	\$ 591.0	\$ 663.8
Non-GAAP subscription and support gross margin	78.4 %	77.9 %	75.2 %	75.2 %	76.0 %	76.4 %	75.3 %	75.4 %
GAAP total gross profit	\$ 554.2	\$ 583.6	\$ 611.1	\$ 660.0	\$ 668.2	\$ 709.3	\$ 743.3	\$ 860.4
Share-based compensation-related charges	21.8	24.0	23.4	24.7	26.6	29.7	29.8	29.6
Amortization expense of acquired intangible assets	15.2	16.1	17.4	20.0	20.2	24.5	26.6	26.1
Litigation-related charges ⁽¹⁾	—	—	1.8	1.8	1.8	1.8	1.8	1.7
Non-GAAP total gross profit	\$ 591.2	\$ 623.7	\$ 653.7	\$ 706.5	\$ 716.8	\$ 765.3	\$ 801.5	\$ 917.8
Non-GAAP gross margin	76.6 %	76.4 %	75.2 %	74.3 %	75.8 %	75.3 %	74.6 %	75.3 %
GAAP research and development expense	\$ 170.5	\$ 185.4	\$ 196.3	\$ 215.9	\$ 237.4	\$ 266.7	\$ 311.0	\$ 325.3
Share-based compensation-related charges	63.0	69.4	69.3	78.5	96.3	107.2	122.0	113.7
Non-GAAP research and development expense	\$ 107.5	\$ 116.0	\$ 127.0	\$ 137.4	\$ 141.1	\$ 159.5	\$ 189.0	\$ 211.6
Non-GAAP research and development expense as a percentage of revenue	13.9 %	14.2 %	14.6 %	14.5 %	14.9 %	15.7 %	17.6 %	17.4 %
GAAP sales and marketing expense	\$ 365.7	\$ 374.9	\$ 388.4	\$ 391.2	\$ 388.6	\$ 427.4	\$ 448.0	\$ 489.8
Share-based compensation-related charges	44.8	58.5	57.6	61.6	66.4	74.0	73.8	68.2
Amortization expense of acquired intangible assets	1.5	1.7	1.8	2.7	3.3	5.1	5.4	5.5
Non-GAAP sales and marketing expense	\$ 319.4	\$ 314.7	\$ 329.0	\$ 326.9	\$ 318.9	\$ 348.3	\$ 368.8	\$ 416.1
Non-GAAP sales and marketing expense as a percentage of revenue	41.4 %	38.5 %	37.9 %	34.3 %	33.8 %	34.3 %	34.3 %	34.1 %
GAAP general and administrative expense	\$ 69.8	\$ 76.2	\$ 82.9	\$ 70.7	\$ 86.7	\$ 104.0	\$ 94.7	\$ 105.7
Share-based compensation-related charges	24.1	25.1	23.2	16.5	22.2	27.7	21.6	27.7
Acquisition-related costs ⁽²⁾	3.4	7.0	4.9	0.4	13.1	20.6	11.7	0.7
Gain related to facility exit ⁽³⁾	—	(3.1)	—	—	—	—	—	—
Non-GAAP general and administrative expense	\$ 42.3	\$ 47.2	\$ 54.8	\$ 53.8	\$ 51.4	\$ 55.7	\$ 61.4	\$ 77.3
Non-GAAP general and administrative expense as a percentage of revenue	5.5 %	5.8 %	6.3 %	5.7 %	5.4 %	5.5 %	5.7 %	6.3 %

(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.

(3) Consists of a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in Q2'20.

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)

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
GAAP total operating expense	\$ 606.0	\$ 636.5	\$ 667.6	\$ 677.8	\$ 712.7	\$ 798.1	\$ 853.7	\$ 920.8
Share-based compensation-related charges	131.9	153.0	150.1	156.6	184.9	208.9	217.4	209.6
Acquisition-related costs ⁽¹⁾	3.4	7.0	4.9	0.4	13.1	20.6	11.7	0.7
Amortization expense of acquired intangible assets	1.5	1.7	1.8	2.7	3.3	5.1	5.4	5.5
Gain related to facility exit ⁽²⁾	—	(3.1)	—	—	—	—	—	—
Non-GAAP total operating expense	\$ 469.2	\$ 477.9	\$ 510.8	\$ 518.1	\$ 511.4	\$ 563.5	\$ 619.2	\$ 705.0
<i>Non-GAAP total operating expense as a percentage of revenue</i>	<i>60.8 %</i>	<i>58.5 %</i>	<i>58.8 %</i>	<i>54.5 %</i>	<i>54.1 %</i>	<i>55.5 %</i>	<i>57.6 %</i>	<i>57.8 %</i>
GAAP operating loss	\$ (51.8)	\$ (52.9)	\$ (56.5)	\$ (17.8)	\$ (44.5)	\$ (88.8)	\$ (110.4)	\$ (60.4)
Share-based compensation-related charges	153.7	177.0	173.5	181.3	211.5	238.6	247.2	239.2
Acquisition-related costs ⁽¹⁾	3.4	7.0	4.9	0.4	13.1	20.6	11.7	0.7
Amortization expense of acquired intangible assets	16.7	17.8	19.2	22.7	23.5	29.6	32.0	31.6
Litigation-related charges ⁽³⁾	—	—	1.8	1.8	1.8	1.8	1.8	1.7
Gain related to facility exit ⁽²⁾	—	(3.1)	—	—	—	—	—	—
Non-GAAP operating income	\$ 122.0	\$ 145.8	\$ 142.9	\$ 188.4	\$ 205.4	\$ 201.8	\$ 182.3	\$ 212.8
<i>Non-GAAP operating margin</i>	<i>15.8 %</i>	<i>17.9 %</i>	<i>16.4 %</i>	<i>19.8 %</i>	<i>21.7 %</i>	<i>19.8 %</i>	<i>17.0 %</i>	<i>17.5 %</i>
GAAP interest expense	\$ (18.9)	\$ (19.0)	\$ (19.4)	\$ (31.4)	\$ (40.2)	\$ (40.7)	\$ (41.0)	\$ (41.4)
Non-cash charges related to convertible notes ⁽⁴⁾	15.5	15.7	15.8	26.9	35.1	35.5	35.9	36.4
Non-GAAP interest expense	\$ (3.4)	\$ (3.3)	\$ (3.6)	\$ (4.5)	\$ (5.1)	\$ (5.2)	\$ (5.1)	\$ (5.0)
<i>Non-GAAP interest expense as a percentage of revenue</i>	<i>(0.4)%</i>	<i>(0.4)%</i>	<i>(0.4)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.5)%</i>	<i>(0.4)%</i>
GAAP other income (expense), net	\$ 16.2	\$ 10.8	\$ 8.1	\$ 0.8	\$ 2.4	\$ (0.5)	\$ 1.0	\$ (0.5)
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.5)	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2
Non-GAAP other income (expense), net	\$ 15.7	\$ 11.8	\$ 7.5	\$ 2.0	\$ 2.3	\$ 1.2	\$ 1.6	\$ (0.3)
<i>Non-GAAP other income (expense), net as a percentage of revenue</i>	<i>2.0 %</i>	<i>1.4 %</i>	<i>0.9 %</i>	<i>0.2 %</i>	<i>0.2 %</i>	<i>0.1 %</i>	<i>0.1 %</i>	<i>0.0 %</i>
GAAP loss before income taxes	\$ (54.5)	\$ (61.1)	\$ (67.8)	\$ (48.4)	\$ (82.3)	\$ (130.0)	\$ (150.4)	\$ (102.3)
Share-based compensation-related charges	153.7	177.0	173.5	181.3	211.5	238.6	247.2	239.2
Acquisition-related costs ⁽¹⁾	3.4	7.0	4.9	0.4	13.1	20.6	11.7	0.7
Amortization expense of acquired intangible assets	16.7	17.8	19.2	22.7	23.5	29.6	32.0	31.6
Litigation-related charges ⁽³⁾	—	—	1.8	1.8	1.8	1.8	1.8	1.7
Gain related to facility exit ⁽²⁾	—	(3.1)	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	15.5	15.7	15.8	26.9	35.1	35.5	35.9	36.4
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.5)	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2
Non-GAAP income before income taxes	\$ 134.3	\$ 154.3	\$ 146.8	\$ 185.9	\$ 202.6	\$ 197.8	\$ 178.8	\$ 207.5

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

(2) Consists of a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in Q2'20.

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

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

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)

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
GAAP provision for (benefit from) income taxes	\$ 5.1	\$ 12.6	\$ 7.0	\$ 10.5	\$ 9.9	\$ 12.3	\$ (5.3)	\$ 17.0
Income tax and other tax adjustments related to the above	24.4	21.4	25.2	30.5	34.6	31.3	44.6	28.6
Non-GAAP provision for income taxes	\$ 29.5	\$ 34.0	\$ 32.2	\$ 41.0	\$ 44.5	\$ 43.6	\$ 39.3	\$ 45.6
Non-GAAP effective tax rate	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %
GAAP net loss	\$ (59.6)	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)
Share-based compensation-related charges	153.7	177.0	173.5	181.3	211.5	238.6	247.2	239.2
Acquisition-related costs ⁽¹⁾	3.4	7.0	4.9	0.4	13.1	20.6	11.7	0.7
Amortization expense of acquired intangible assets	16.7	17.8	19.2	22.7	23.5	29.6	32.0	31.6
Litigation-related charges ⁽²⁾	—	—	1.8	1.8	1.8	1.8	1.8	1.7
Gain related to facility exit ⁽³⁾	—	(3.1)	—	—	—	—	—	—
Non-cash charges related to convertible notes ⁽⁴⁾	15.5	15.7	15.8	26.9	35.1	35.5	35.9	36.4
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.5)	1.0	(0.6)	1.2	(0.1)	1.7	0.6	0.2
Income tax and other tax adjustments related to the above	(24.4)	(21.4)	(25.2)	(30.5)	(34.6)	(31.3)	(44.6)	(28.6)
Non-GAAP net income	\$ 104.8	\$ 120.3	\$ 114.6	\$ 144.9	\$ 158.1	\$ 154.2	\$ 139.5	\$ 161.9
GAAP net loss per share, diluted	\$ (0.62)	\$ (0.75)	\$ (0.77)	\$ (0.61)	\$ (0.97)	\$ (1.48)	\$ (1.50)	\$ (1.23)
Share-based compensation-related charges	1.56	1.77	1.78	1.86	2.17	2.43	2.49	2.39
Acquisition-related costs ⁽¹⁾	0.04	0.07	0.05	0.00	0.14	0.21	0.12	0.01
Amortization expense of acquired intangible assets	0.17	0.18	0.20	0.24	0.25	0.31	0.33	0.33
Litigation-related charges ⁽²⁾	0.00	0.00	0.02	0.02	0.02	0.02	0.02	0.02
Gain related to facility exit ⁽³⁾	0.00	(0.03)	0.00	0.00	0.00	0.00	0.00	0.00
Non-cash charges related to convertible notes ⁽⁴⁾	0.16	0.16	0.16	0.28	0.37	0.37	0.37	0.37
Foreign currency (gain) loss associated with non-GAAP adjustments	(0.01)	0.01	(0.01)	0.01	0.00	0.02	0.01	0.00
Income tax and other tax adjustments related to the above	(0.25)	(0.22)	(0.26)	(0.32)	(0.36)	(0.33)	(0.46)	(0.29)
Non-GAAP net income per share, diluted	\$ 1.05	\$ 1.19	\$ 1.17	\$ 1.48	\$ 1.62	\$ 1.55	\$ 1.38	\$ 1.60
GAAP weighted-average shares used to compute net loss per share, diluted	96.6	98.3	96.7	96.0	95.5	95.9	96.9	97.2
Weighted-average effect of potentially dilutive securities ⁽⁵⁾	3.5	2.8	1.1	2.2	2.2	3.7	4.1	4.2
Non-GAAP weighted-average shares used to compute net income per share, diluted	100.1	101.1	97.8	98.2	97.7	99.6	101.0	101.4

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

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

(3) Consists of a gain of \$3.1 million related to the early termination of the company's previous headquarters leases in Q2'20.

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

(5) 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)

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
Net cash provided by operating activities	\$ 225.2	\$ 306.9	\$ 169.9	\$ 333.7	\$ 534.9	\$ 364.5	\$ 277.8	\$ 325.8
Less: purchases of property, equipment, and other assets	47.2	49.1	86.3	31.8	29.6	32.1	26.9	27.4
Free cash flow (non-GAAP)	\$ 178.0	\$ 257.8	\$ 83.6	\$ 301.9	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.4
Add: capital expenditures for new headquarters ⁽¹⁾	22.7	17.8	53.8	—	—	—	—	—
Add: repayments of convertible senior notes attributable to debt discount	—	—	—	—	—	—	—	0.1
Add: litigation-related payment ⁽²⁾	—	—	50.0	—	—	—	—	—
Less: cash payment related to landlord lease amendment ⁽³⁾	(2.0)	—	—	—	—	—	—	—
Adjusted free cash flow (non-GAAP)	\$ 202.7	\$ 275.6	\$ 187.4	\$ 301.9	\$ 505.3	\$ 332.4	\$ 250.9	\$ 298.5
Net cash provided by (used in) investing activities	\$ 244.5	\$ 436.4	\$ 274.7	\$ (667.6)	\$ (886.2)	\$ (384.4)	\$ (207.6)	\$ (2.4)
Net cash provided by (used in) financing activities	\$ (167.1)	\$ (6.1)	\$ (959.3)	\$ 1,805.5	\$ (464.5)	\$ (5.4)	\$ (298.5)	\$ (335.6)
Free cash flow margin (non-GAAP)	23.1 %	31.6 %	9.6 %	31.8 %	53.4 %	32.7 %	23.4 %	24.5 %
Adjusted free cash flow margin (non-GAAP)	26.3 %	33.7 %	21.6 %	31.8 %	53.4 %	32.7 %	23.4 %	24.5 %

Other Key Metrics - Calculation of Billings

Total revenue	\$ 771.9	\$ 816.7	\$ 869.4	\$ 950.4	\$ 946.0	\$ 1,016.9	\$ 1,073.9	\$ 1,219.3
Add: change in total deferred revenue, net of acquired deferred revenue	125.5	182.2	146.0	439.6	136.8	197.8	212.5	649.0
Total billings	\$ 897.4	\$ 998.9	\$ 1,015.4	\$ 1,390.0	\$ 1,082.8	\$ 1,214.7	\$ 1,286.4	\$ 1,868.3

(1) Consists of capital expenditures for new headquarters including a land purchase of \$51.7 million in Q3'20.

(2) Consists of a one-time payment in Q3'20 related to covenant not to sue.

(3) During Q1'18, we received an upfront cash reimbursement of \$38.2 million from our landlords in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements. Adjusted free cash flow for the periods presented reflects adjustments for these increased rental payments made during the respective periods.

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

	FY19	FY20	FY21
Assets			
Current assets:			
Cash and cash equivalents	\$ 961.4	\$ 2,958.0	\$ 1,874.2
Short-term investments	1,841.7	789.8	1,026.9
Accounts receivable, net	582.4	1,037.1	1,240.4
Short-term deferred contract costs	151.1	206.0	276.5
Prepaid expenses and other current assets	128.2	138.3	229.3
Total current assets	3,664.8	5,129.2	4,647.3
Property and equipment, net	296.0	348.1	318.4
Operating lease right-of-use assets	—	258.7	262.9
Long-term investments	575.4	554.4	888.3
Long-term deferred contract costs	324.2	422.3	494.6
Goodwill	1,352.3	1,812.9	2,710.1
Intangible assets, net	280.6	358.2	498.6
Other assets	98.9	181.6	421.4
Total assets	<u>\$ 6,592.2</u>	<u>\$ 9,065.4</u>	<u>\$ 10,241.6</u>
Liabilities, temporary equity, and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 73.3	\$ 63.6	\$ 56.9
Accrued compensation	235.5	322.2	430.6
Accrued and other liabilities	162.4	256.8	329.4
Deferred revenue	1,582.1	2,049.1	2,741.9
Convertible senior notes, net	—	—	1,557.9
Total current liabilities	2,053.3	2,691.7	5,116.7
Convertible senior notes, net	1,430.0	3,084.1	1,668.1
Long-term deferred revenue	1,306.6	1,761.1	2,282.1
Long-term operating lease liabilities	—	336.6	313.4
Other long-term liabilities	216.0	90.1	97.7
Temporary equity	—	—	129.1
Stockholders' equity:			
Preferred stock	—	—	—
Common stock and additional paid-in capital	2,490.9	2,259.2	2,311.2
Accumulated other comprehensive income (loss)	(3.7)	10.5	(9.9)
Accumulated deficit	(900.9)	(1,167.9)	(1,666.8)
Total stockholders' equity	1,586.3	1,101.8	634.5
Total liabilities, temporary equity, and stockholders' equity	<u>\$ 6,592.2</u>	<u>\$ 9,065.4</u>	<u>\$ 10,241.6</u>

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

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
Assets								
Current assets:								
Cash and cash equivalents	\$ 1,263.7	\$ 2,000.0	\$ 1,484.7	\$ 2,958.0	\$ 2,142.0	\$ 2,113.2	\$ 1,886.1	\$ 1,874.2
Short-term investments	1,597.5	1,133.9	554.1	789.8	1,075.6	1,058.0	1,059.3	1,026.9
Accounts receivable, net	499.2	540.3	668.8	1,037.1	675.5	669.2	766.8	1,240.4
Short-term deferred contract costs	155.4	164.6	173.7	206.0	213.0	224.4	235.0	276.5
Prepaid expenses and other current assets	134.0	139.4	132.7	138.3	194.8	211.0	193.7	229.3
Total current assets	3,649.8	3,978.2	3,014.0	5,129.2	4,300.9	4,275.8	4,140.9	4,647.3
Property and equipment, net	316.4	311.4	357.2	348.1	337.9	330.7	322.7	318.4
Operating lease right-of-use assets	282.6	270.0	263.8	258.7	251.2	252.1	258.7	262.9
Long-term investments	467.6	317.9	151.2	554.4	873.2	857.1	885.4	888.3
Long-term deferred contract costs	317.6	327.2	343.6	422.3	408.8	410.5	420.1	494.6
Goodwill	1,400.4	1,511.7	1,812.9	1,812.9	1,968.6	2,583.5	2,713.1	2,710.1
Intangible assets, net	284.1	290.0	380.6	358.2	388.8	541.1	530.3	498.6
Other assets	106.3	177.7	178.5	181.6	197.1	237.6	290.9	421.4
Total assets	\$ 6,824.8	\$ 7,184.1	\$ 6,501.8	\$ 9,065.4	\$ 8,726.5	\$ 9,488.4	\$ 9,562.1	\$ 10,241.6
Liabilities, temporary equity, and stockholders' equity								
Current liabilities:								
Accounts payable	\$ 74.7	\$ 55.4	\$ 52.3	\$ 63.6	\$ 48.5	\$ 44.7	\$ 71.8	\$ 56.9
Accrued compensation	125.7	175.2	174.9	322.2	188.4	261.0	252.8	430.6
Accrued and other liabilities	192.3	251.2	253.9	256.8	260.7	255.3	261.5	329.4
Deferred revenue	1,658.9	1,757.7	1,854.6	2,049.1	2,137.5	2,289.7	2,421.2	2,741.9
Convertible senior notes, net	—	—	—	—	—	1,525.6	—	1,557.9
Total current liabilities	2,051.6	2,239.5	2,335.7	2,691.7	2,635.1	4,376.3	3,007.3	5,116.7
Convertible senior notes, net	1,445.5	1,461.2	1,477.0	3,084.1	3,119.2	1,629.1	3,190.6	1,668.1
Long-term deferred revenue	1,357.1	1,440.8	1,516.0	1,761.1	1,809.3	1,872.7	1,953.8	2,282.1
Long-term operating lease liabilities	371.6	353.5	344.6	336.6	323.9	317.9	317.7	313.4
Other long-term liabilities	82.6	80.6	83.8	90.1	92.0	93.9	95.5	97.7
Temporary equity	—	—	—	—	—	161.2	—	129.1
Stockholders' equity:								
Preferred stock	—	—	—	—	—	—	—	—
Common stock and additional paid-in capital	2,477.5	2,644.5	1,855.7	2,259.2	2,003.9	2,429.8	2,541.1	2,311.2
Accumulated other comprehensive income (loss)	(0.6)	(1.8)	(2.0)	10.5	3.2	9.9	3.6	(9.9)
Accumulated deficit	(960.5)	(1,034.2)	(1,109.0)	(1,167.9)	(1,260.1)	(1,402.4)	(1,547.5)	(1,666.8)
Total stockholders' equity	1,516.4	1,608.5	744.7	1,101.8	747.0	1,037.3	997.2	634.5
Total liabilities, temporary equity, and stockholders' equity	\$ 6,824.8	\$ 7,184.1	\$ 6,501.8	\$ 9,065.4	\$ 8,726.5	\$ 9,488.4	\$ 9,562.1	\$ 10,241.6

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

	FY19	FY20	FY21
Cash flows from operating activities			
Net loss	\$ (81.9)	\$ (267.0)	\$ (498.9)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Share-based compensation for equity-based awards	567.7	658.4	894.5
Depreciation and amortization	153.8	206.1	260.4
(Gain) loss related to facility exit	7.0	(3.1)	—
Amortization of deferred contract costs	223.8	254.4	298.0
Amortization of debt discount and debt issuance costs	70.2	73.9	142.9
Amortization of operating lease right-of-use assets	—	47.4	44.5
Amortization of investment premiums, net of accretion of purchase discounts	(17.5)	(6.2)	13.1
Loss on conversions of convertible senior notes	2.6	—	—
Repayments of convertible senior notes attributable to debt discount	(97.6)	—	(0.1)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(108.7)	(435.6)	(172.4)
Deferred contract costs	(361.1)	(407.4)	(440.8)
Prepaid expenses and other assets	28.6	(1.6)	(299.1)
Accounts payable	32.3	(12.8)	(11.8)
Accrued compensation	66.8	75.7	105.1
Accrued and other liabilities	(20.6)	(39.8)	(28.5)
Deferred revenue	590.2	893.3	1,196.1
Net cash provided by operating activities ⁽¹⁾	1,055.6	1,035.7	1,503.0
Cash flows from investing activities			
Purchases of investments	(2,984.6)	(1,180.8)	(1,958.9)
Proceeds from sales of investments	6.5	314.0	131.1
Proceeds from maturities of investments	2,057.1	1,952.7	1,240.5
Business acquisitions, net of cash acquired	(773.7)	(583.5)	(777.3)
Purchases of property, equipment, and other assets	(131.2)	(214.4)	(116.0)
Net cash provided by (used in) investing activities	(1,825.9)	288.0	(1,480.6)
Cash flows from financing activities			
Repayments of convertible senior notes attributable to principal and equity component	(477.4)	—	(0.9)
Payments for debt issuance costs	(3.7)	—	(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	(330.0)	(1,198.1)	(1,178.1)
Proceeds from sales of shares through employee equity incentive plans	71.7	84.0	104.0
Payments for taxes related to net share settlement of equity awards	(33.2)	(22.7)	(28.8)
Payment of deferred consideration related to prior year business acquisition	(1.3)	(1.3)	—
Net cash provided by (used in) financing activities	(773.9)	673.0	(1,104.0)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,544.2)	1,996.7	(1,081.6)
Cash, cash equivalents, and restricted cash - beginning of period	2,509.2	965.0	2,961.7
Cash, cash equivalents, and restricted cash - end of period	<u>\$ 965.0</u>	<u>\$ 2,961.7</u>	<u>\$ 1,880.1</u>
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets			
Cash and cash equivalents	\$ 961.4	\$ 2,958.0	\$ 1,874.2
Restricted cash included in prepaid expenses and other current assets	1.9	2.8	5.4
Restricted cash included in other assets	1.7	0.9	0.5
Total cash, cash equivalents, and restricted cash	<u>\$ 965.0</u>	<u>\$ 2,961.7</u>	<u>\$ 1,880.1</u>

(1) Cash provided by operating activities during FY'18 included the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements.

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

	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421
Cash flows from operating activities								
Net loss	\$ (59.6)	\$ (73.7)	\$ (74.8)	\$ (58.9)	\$ (92.2)	\$ (142.3)	\$ (145.1)	\$ (119.3)
Adjustments to reconcile net loss to net cash provided by operating activities:								
Share-based compensation for equity-based awards	149.9	168.5	165.8	174.2	205.8	225.6	233.1	230.0
Depreciation and amortization	44.0	48.4	53.2	60.5	58.0	64.9	68.7	68.8
Gain related to facility exit	—	(3.1)	—	—	—	—	—	—
Amortization of deferred contract costs	55.6	55.3	60.5	83.0	65.8	68.6	73.9	89.7
Amortization of debt discount and debt issuance costs	15.5	15.7	15.8	26.9	35.1	35.5	35.9	36.4
Amortization of operating lease right-of-use assets	10.4	10.7	13.1	13.2	10.0	10.7	11.9	11.9
Amortization of investment premiums, net of accretion of purchase discounts	(3.2)	(1.4)	(1.6)	—	2.7	3.2	3.3	3.9
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	83.9	(40.8)	(110.3)	(368.4)	382.3	16.4	(97.4)	(473.7)
Deferred contract costs	(53.3)	(74.1)	(86.0)	(194.0)	(59.3)	(81.7)	(94.1)	(205.7)
Prepaid expenses and other assets	(5.9)	(8.2)	19.5	(7.0)	(37.6)	(61.8)	(36.1)	(163.6)
Accounts payable	(2.5)	(14.8)	(5.5)	10.0	(17.7)	(5.9)	27.0	(15.2)
Accrued compensation	(109.9)	48.8	(10.5)	147.3	(134.8)	70.6	(8.5)	177.8
Accrued and other liabilities	(25.2)	(6.6)	(15.3)	7.3	(20.0)	(37.1)	(7.3)	35.9
Deferred revenue	125.5	182.2	146.0	439.6	136.8	197.8	212.5	649.0
Net cash provided by operating activities ⁽¹⁾	225.2	306.9	169.9	333.7	534.9	364.5	277.8	325.8
Cash flows from investing activities								
Purchases of investments	(274.3)	(9.0)	(12.2)	(885.3)	(829.7)	(282.8)	(381.6)	(464.8)
Proceeds from sales of investments	—	1.1	309.7	3.2	—	—	36.7	94.4
Proceeds from maturities of investments	632.4	622.7	451.3	246.3	198.2	335.9	311.0	395.4
Business acquisitions, net of cash acquired	(66.4)	(129.3)	(387.8)	—	(225.1)	(405.4)	(146.8)	—
Purchases of property, equipment, and other assets	(47.2)	(49.1)	(86.3)	(31.8)	(29.6)	(32.1)	(26.9)	(27.4)
Net cash provided by (used in) investing activities	244.5	436.4	274.7	(667.6)	(886.2)	(384.4)	(207.6)	(2.4)
Cash flows from financing activities								
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	(198.1)	—	(1,000.0)	—	(500.0)	—	(350.0)	(328.1)
Proceeds from sales of shares through employee equity incentive plans	36.3	0.6	46.8	0.3	45.4	0.3	58.0	0.3
Payments for taxes related to net share settlement of equity awards	(5.3)	(6.7)	(4.8)	(5.9)	(9.7)	(5.7)	(6.5)	(6.9)
Payment of deferred consideration related to prior year business acquisition	—	—	(1.3)	—	—	—	—	—
Net cash provided by (used in) financing activities	(167.1)	(6.1)	(959.3)	1,805.5	(464.5)	(5.4)	(298.5)	(335.6)
Net increase (decrease) in cash, cash equivalents, and restricted cash	302.6	737.2	(514.7)	1,471.6	(815.8)	(25.3)	(228.3)	(12.2)
Cash, cash equivalents, and restricted cash - beginning of period	965.0	1,267.6	2,004.8	1,490.1	2,961.7	2,145.9	2,120.6	1,892.3
Cash, cash equivalents, and restricted cash - end of period	\$1,267.6	\$2,004.8	\$1,490.1	\$2,961.7	\$2,145.9	\$2,120.6	\$1,892.3	\$1,880.1
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets								
Cash and cash equivalents	\$1,263.7	\$2,000.0	\$1,484.7	\$2,958.0	\$2,142.0	\$2,113.2	\$1,886.1	\$1,874.2
Restricted cash included in prepaid expenses and other current assets	1.9	2.5	2.7	2.8	2.9	3.8	5.2	5.4
Restricted cash included in other assets	2.0	2.3	2.7	0.9	1.0	3.6	1.0	0.5
Total cash, cash equivalents, and restricted cash	\$1,267.6	\$2,004.8	\$1,490.1	\$2,961.7	\$2,145.9	\$2,120.6	\$1,892.3	\$1,880.1

(1) Cash provided by operating activities during FY'18 included the receipt of an upfront cash reimbursement of \$38.2 million from our landlords in Q1'18 in connection with the exercise of their option to amend the lease payment schedules and eliminate the rent holiday periods under certain of our lease agreements. The upfront cash reimbursement was applied against increased rental payments totaling \$38.2 million due in FY'18 through Q1'20 under the amended lease agreements.