



Q4 Fiscal Year 2023

Earnings Call & Medium Term Update

Q4 Fiscal Year 2023 Earnings Call

Safe Harbor

This presentation contains “forward-looking” statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements related to our financial guidance for the first quarter of fiscal 2024 and fiscal year 2024, our financial estimates for fiscal years 2023 through 2026, our modeling points, our strategic plans, our achievements, our growth rates and growth prospects, our estimates of market sizes and opportunities, the performance and benefits of our products, our product development expectations, anticipated trends, business and economic conditions and challenges, and other financial, operational and business expectations. Many of these assumptions relate to matters that are beyond our control and changing rapidly.

There are a significant number of factors that could cause actual results to differ materially from forward-looking statements made in this presentation, including: developments and changes in general market, political, economic, and business conditions; risks associated with managing our growth; risks associated with new product, subscription and support offerings; shifts in priorities or delays in the development or release of new product or subscription offerings, or the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products, subscription and support offerings; rapidly evolving technological developments in the market for security products, subscription and support offerings; our customers’ purchasing decisions and the length of sales cycles; our competition; our ability to attract and retain new customers; our ability as an organization to acquire and integrate other companies, products, or technologies in a successful manner; our debt repayment obligations; and our share repurchase program, which may not be fully consummated or enhance shareholder value, and any share repurchases which could affect the price of our common stock. Further information on these and other factors that could affect the forward-looking statements we make in this presentation can be found in the documents that we file with or furnish to the U.S. Securities and Exchange Commission, including Palo Alto Networks’ most recent Quarterly Report on Form 10-Q filed for the quarter ended April 30, 2023, which is available on our website at investors.paloaltonetworks.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this presentation are based on our current beliefs and on information available to management as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

All information in this presentation is as of August 18, 2023. This presentation contains non-GAAP financial measures and key metrics relating to the company's past and expected future performance. We have not reconciled diluted non-GAAP earnings per share guidance to GAAP earnings per diluted share, non-GAAP operating margin to GAAP operating margin or adjusted free cash flow margin guidance to GAAP net cash from operating activities because we do not provide guidance on GAAP net income (loss) or net cash from operating activities and would not be able to present the various reconciling cash and non-cash items between GAAP and non-GAAP financial measures, including share-based compensation expense, without unreasonable effort.

Nikesh Arora



CEO & Chairman

Q4 capped a strong year of execution

TOTAL REVENUE

\$1.95B

+26% y/y

OPERATING MARGIN (NON-GAAP)

28.4%

+760 bps y/y

DELIVERED AT OR ABOVE ALL INITIAL FY'23 GUIDANCE TARGETS

TOTAL BILLINGS

\$3.16B

+18% y/y

ADJ. FREE CASH FLOW (NON-GAAP)

\$388M

+46% y/y on trailing 12-month basis

REMAINING PERFORMANCE OBLIGATION

\$10.6B

+30% y/y

EPS (NON-GAAP)

\$1.44

+80% y/y

	GUIDANCE AS OF 8/22/22	ACTUAL RESULTS	
Total Billings ¹	\$8.95B - \$9.05B +20%-21% yr/yr	\$9.19B +23%yr/yr	
Total Revenue	\$6.85B - \$6.90B +25% yr/yr	\$6.89B +25% yr/yr	
EPS (Non-GAAP)	\$3.13 - \$3.17 ² +24%-26% yr/yr	\$4.44 +76% yr/yr	
Adj. FCF Margin (Non-GAAP)	33.5-34.5%	38.8%	

¹ Total billings is a key financial metric calculated as total revenue plus change in total deferred revenue, net of total acquired deferred revenue.

² Non-GAAP Earnings Per Share for period Q4'22 adjusted to reflect the effect of the stock split executed on September 13, 2022.

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort.

Fiscal year ending on July 31.

Continued strong demand for cybersecurity drove our NGS business

We achieved key milestones

SASE

>\$1B in FY'23 bookings



Cortex

>\$1B in FY'23 bookings



Prisma Cloud

>\$500M in ARR in Q4²



Q4'23 NGS ARR¹

\$2.95B

Q4'23 NGS ARR growth y/y

+56%

Net New NGS ARR q/q

+\$381M

Largest Net New ARR in PANW history

Largest Net New ARR of any pure-play cybersecurity company³

¹ ARR = Annualized Recurring Revenue. Next-Gen Security ARR is annualized allocated revenue of all active contracts as of the final day of the reporting period for Prisma and Cortex offerings inclusive of the VM-Series and related services, and certain cloud-delivered security services.

² Prisma Cloud ARR represents Annual Recurring Revenue for Prisma Cloud, VM-Series for Public Cloud, and CN-Series.

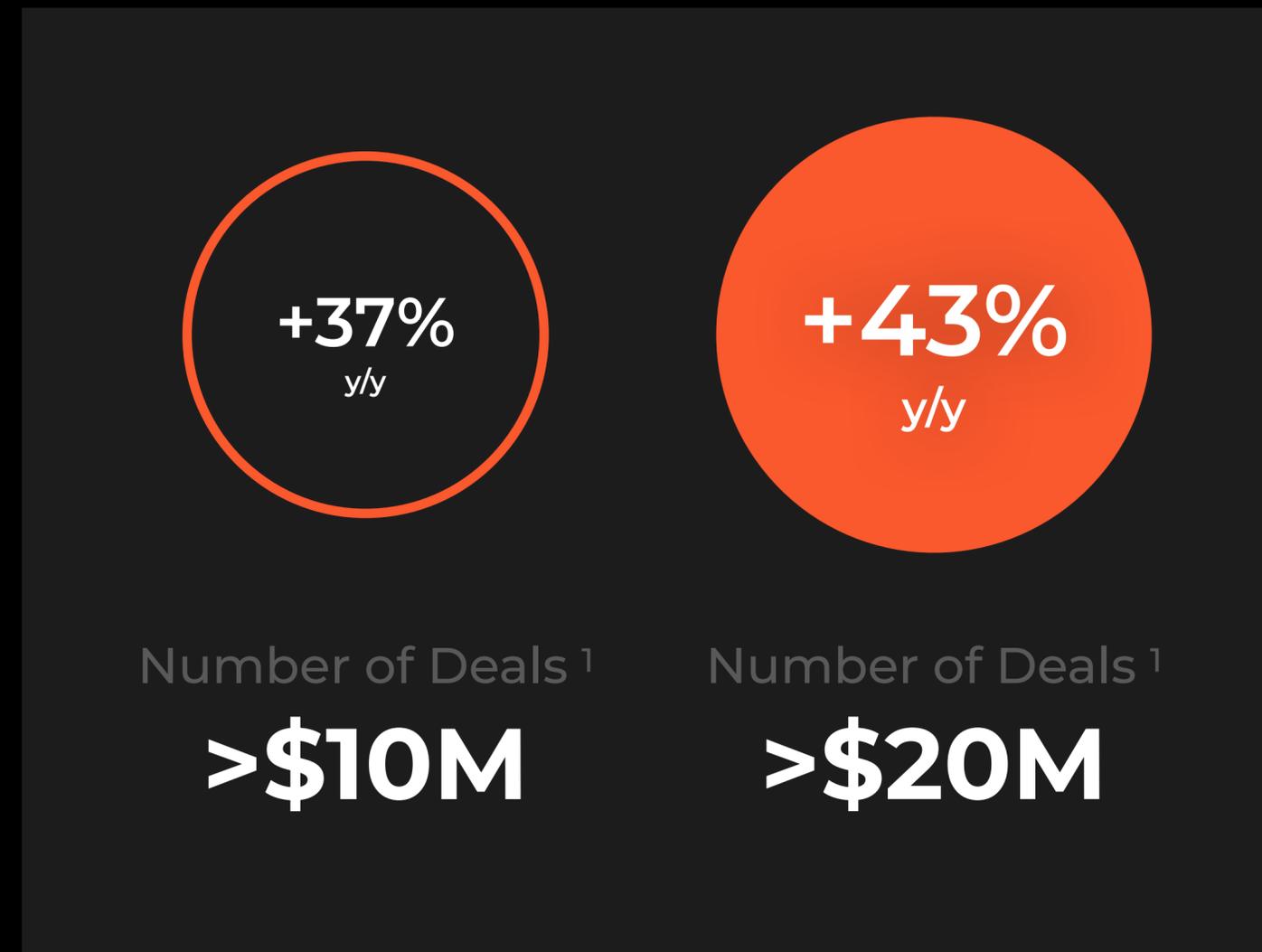
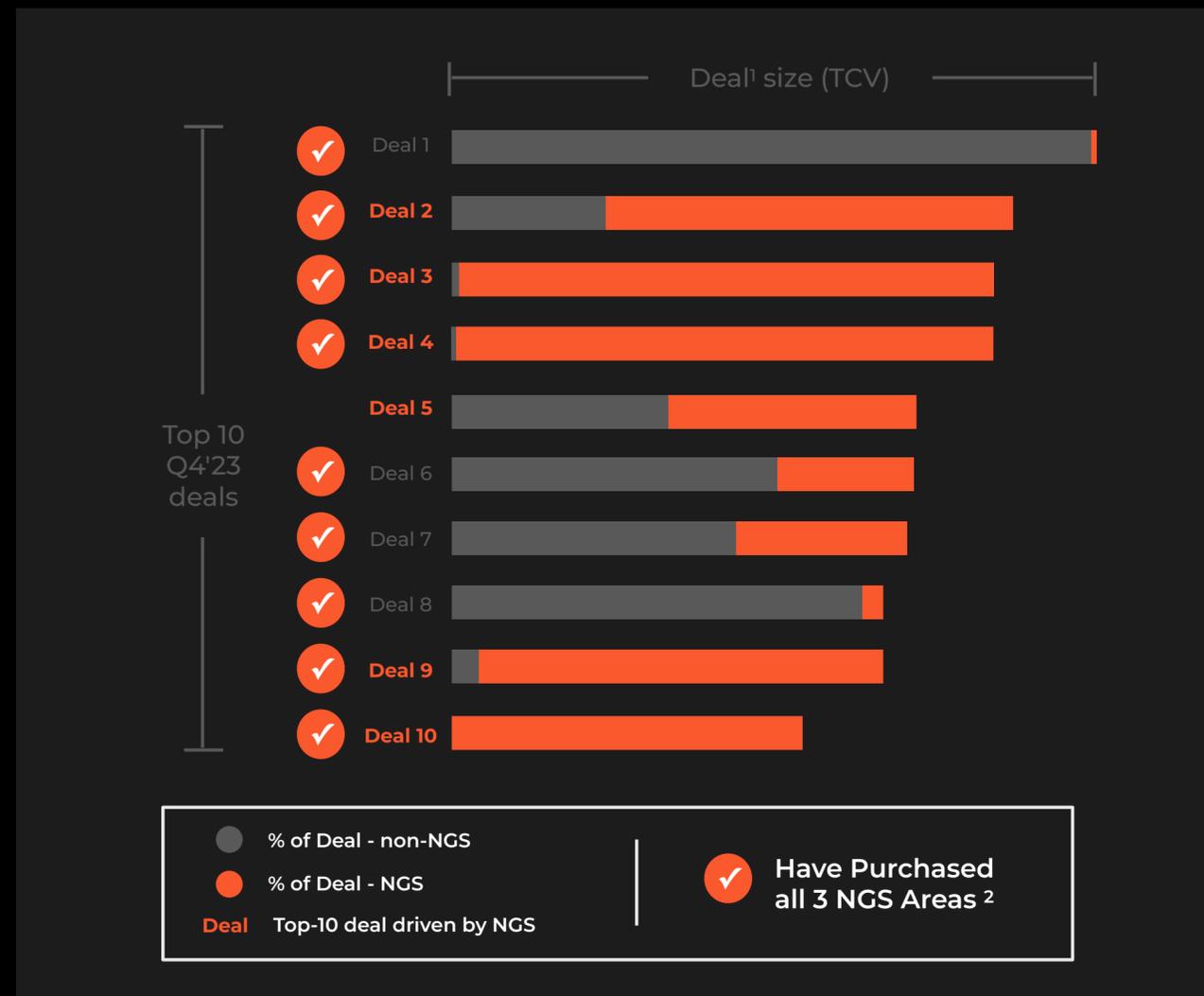
³ Largest publicly disclosed Net New ARR of any pure-play cybersecurity company.

Fiscal year ending on July 31.

Platformization continues to drive large deal momentum

Six out of top-10 deals were Driven by NGS

Large deal growth



¹ Deal represents the total bookings from a single customer, within the stated period.

² Have made a purchase of SASE, Cortex, and Prisma Cloud, life to date.



XSIAM traction amplifying Cortex trajectory



>\$200M

XSIAM Bookings within
first year of release

XSIAM Transactions are Large and Strategic

3-5 Year

customer commitments

>\$1M

Average ACV ¹

Driving MTTR ²
from days to
hours / minutes

Cortex Active Customers

>5K

+28% y/y

Q4'23 Average Cortex Deal Size

+50%

y/y

Driven by XDR customer adds and market-leading XSOAR

¹ Average ACV = Average Annual Contract Value for deals signed in Q4'23.

² MTTR = Median Time To Resolve (time from incident creation to incident resolution).

Fiscal year ending on July 31.



SASE continues to display strong performance

Q4'23 SASE ARR Growth

~60% y/y

FY'23 Bookings ¹

>\$1B

Marquee deals in Q4



\$43M

New win with a Business Consulting and Services Company



\$26M

Expansion with a US Technology Company



\$21M

Expansion with a European Food and Beverages company



\$11M

Expansion with a US Financial Services Company

Two new SASE leadership position

FORRESTER®

A **Leader** in Forrester Zero Trust Enterprise Wave

IDC

Leader in IDC ZTNA MarketScape

5

Total SASE & Zero Trust Category Leadership Positions

Increasing leadership recognition is contributing to our customer wins

¹ Prisma SASE includes Prisma Access and Prisma SD-WAN, PANOS SD-WAN and SaaS Security subscriptions.



SASE continues to display strong performance

Q4'23 SASE ARR Growth

FY'23 Bookings ¹

~60% y/y

>\$1B

BREAKING NEWS

Two new SASE

FORRESTER

A **Leader** in Forrester Zero Trust Enterprise Wave



Leader in IDC ZTNA MarketScape

Total SASE & Zero Trust Category Leadership Positions

5

Increasing leadership recognition is contributing to our customer wins

Marquee deals in Q4



\$43M

New win with a Business Consulting and Services Company



\$36M

Expansion with a US Technology Company



\$25M

Expansion with a European Food and Beverages company



\$11M

Expansion with a US Financial Services Company

Gartner®

Single Vendor SASE Magic Quadrant

Published: August 16th, 2023

¹ Prisma SASE includes Prisma Access and Prisma SD-WAN, PANOS SD-WAN and SaaS Security subscriptions.

Sustained credit consumption propels Prisma Cloud through \$500M in ARR¹

Growth in Q4'23
Prisma Cloud Credit
Consumption

+45%
y/y

Growth in multi-
module adoption
customers²

+31%
y/y
2+
modules

+57%
y/y
3+
modules

+179%
y/y
5+
modules

Extending Platform
Lead in Q4

Enhancing Cloud
Security capabilities

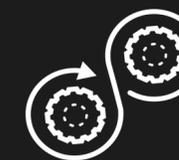


API Change
Detection



Agentless
CWP

Launched 11th module
based on Cider acquisition

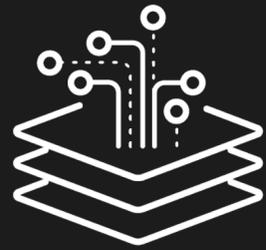


CI/CD
Security

¹ Prisma Cloud ARR represents Annual Recurring Revenue for Prisma Cloud, VM-Series for Public Cloud, and CN-Series.

² Multi-module adoption customers is based on customers with module adoption over the 90 day period ending 7/31/2023, and excludes any Prisma Cloud Compute only self-hosted customers.

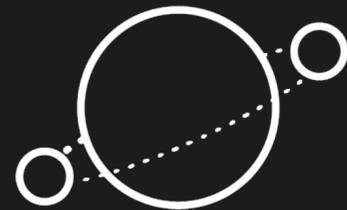
FY23: Successful execution through a tough macro environment



Platformization



Go to market transformation



Strong product innovation



Driving efficiency and leverage

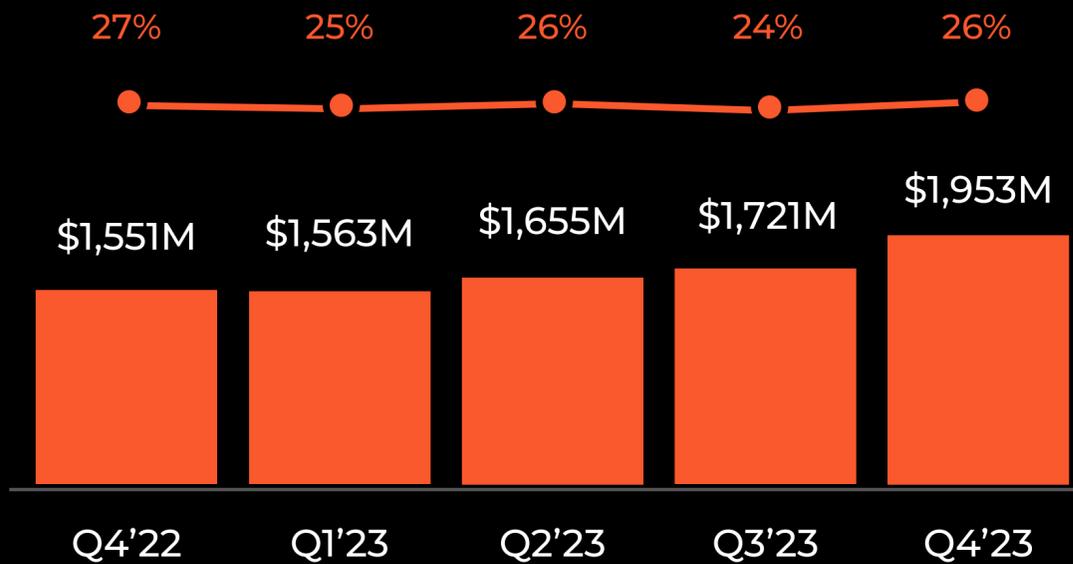
Dipak Golechha



Chief Financial Officer

Strong top-line growth at industry leading scale

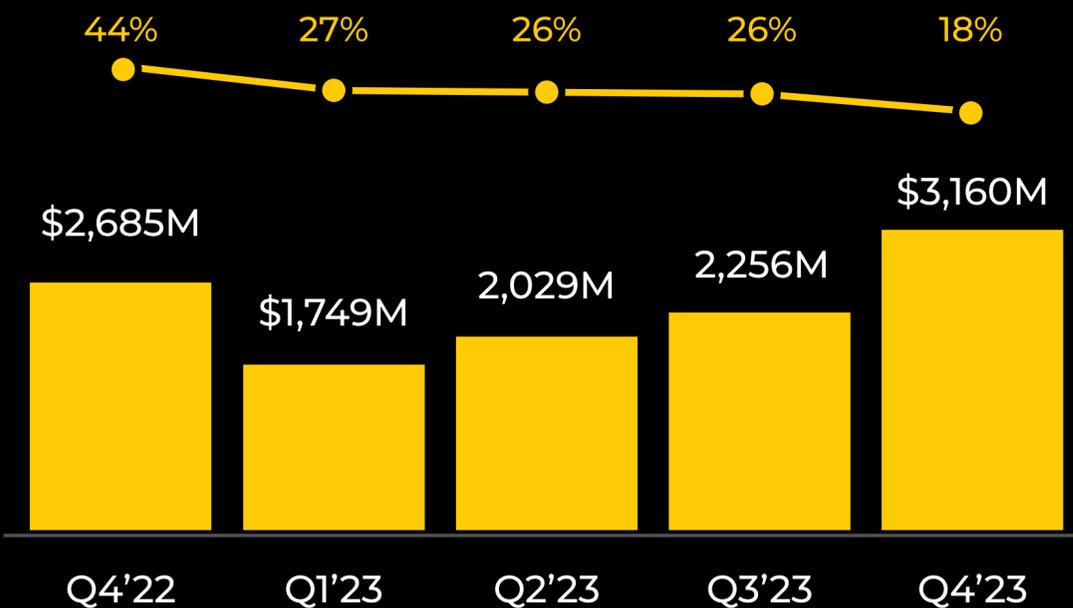
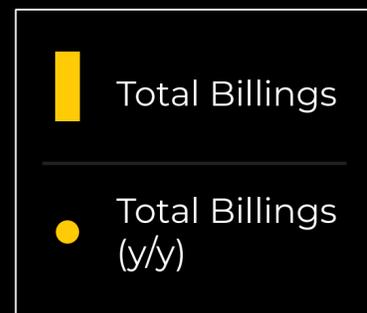
Total Revenue



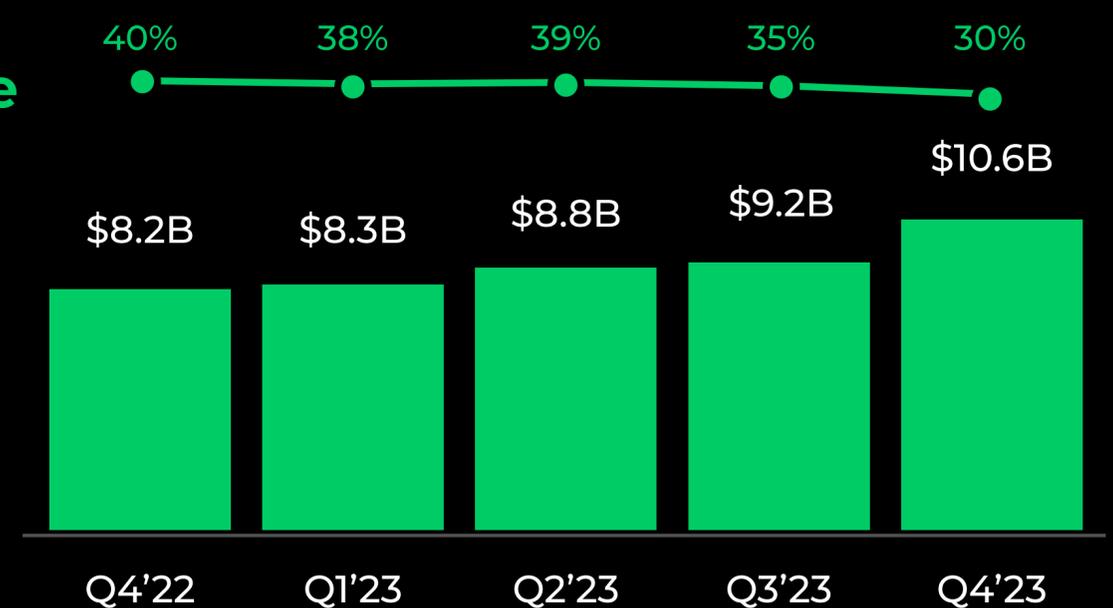
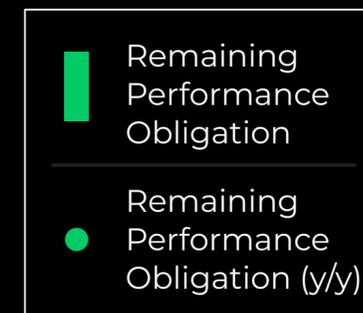
Next-Gen Security ARR



Total Billings



Remaining Performance Obligation

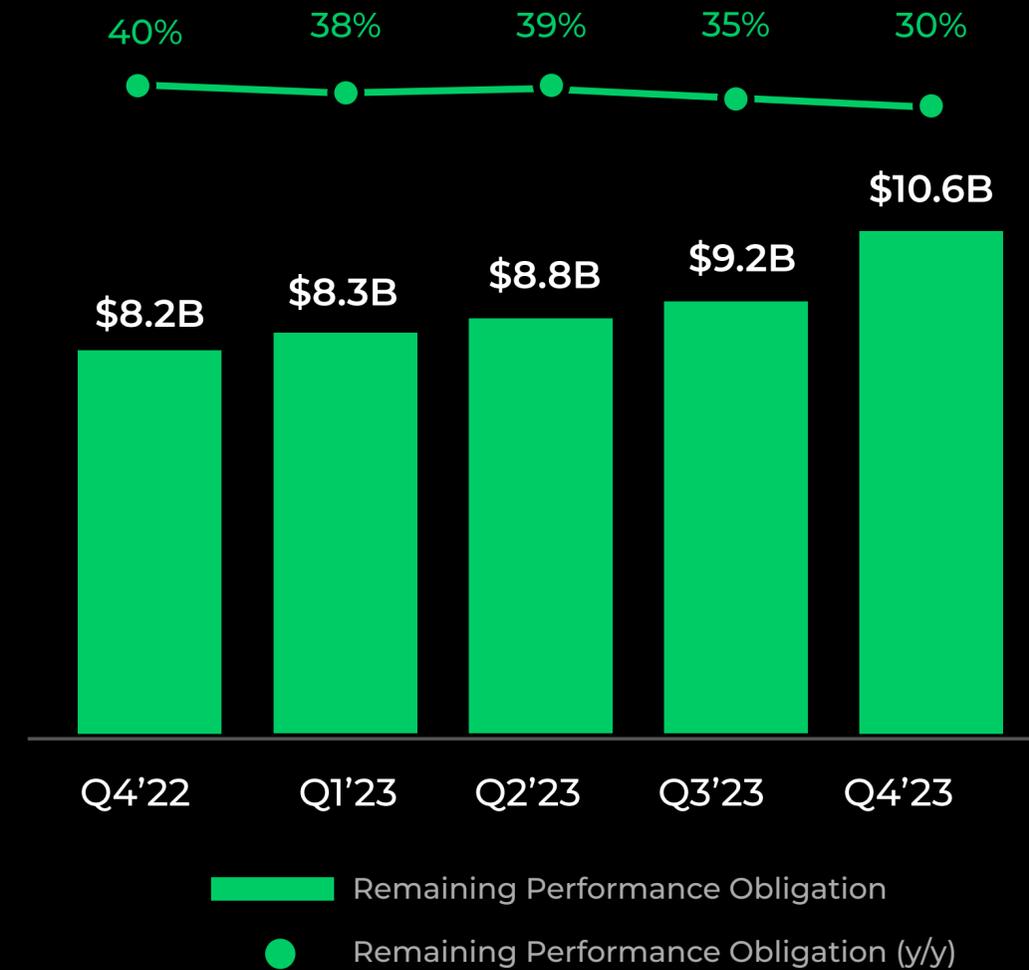


Managing through the impact of the rising cost of money

% of Bookings under Deferred Payment Plans ¹

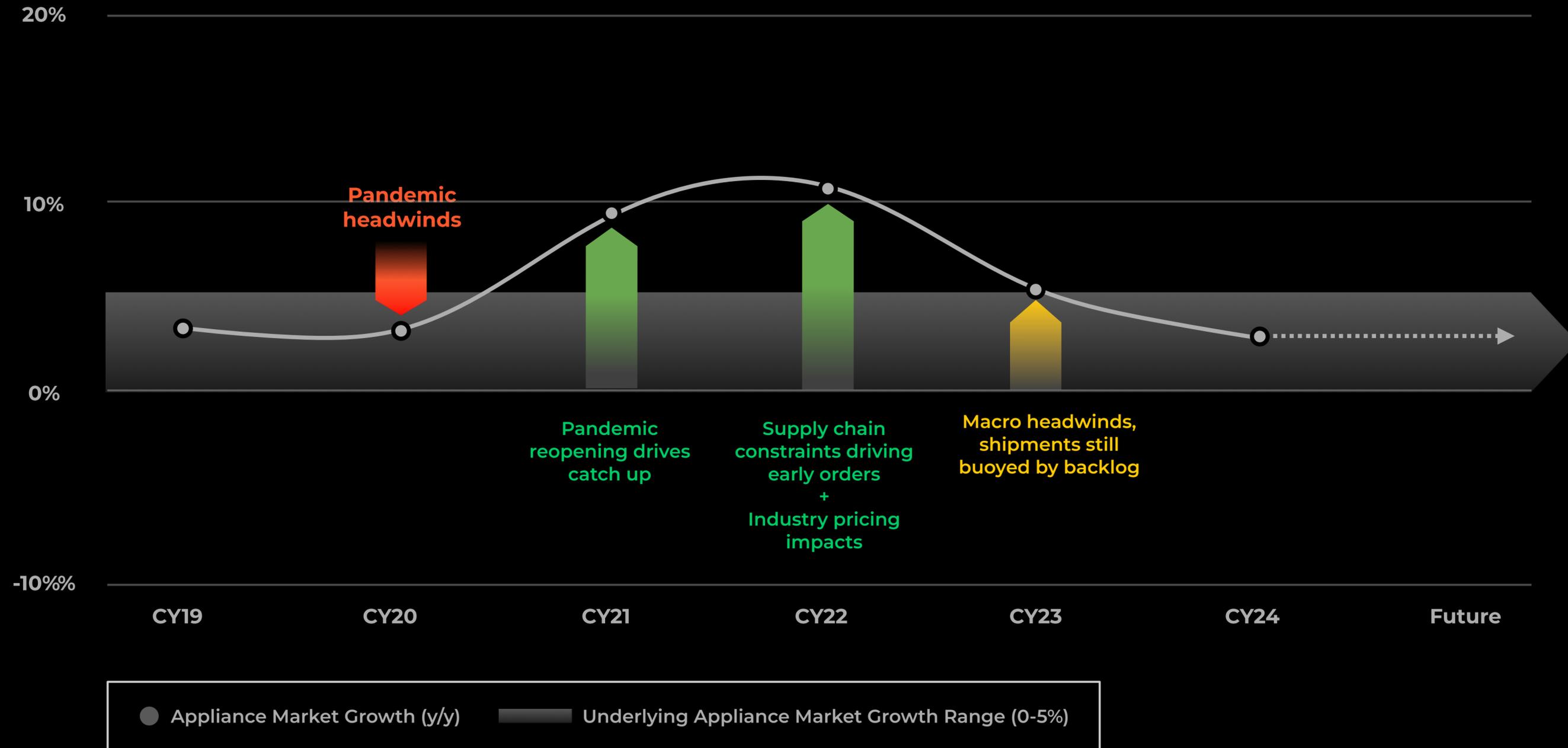


Remaining Performance Obligation



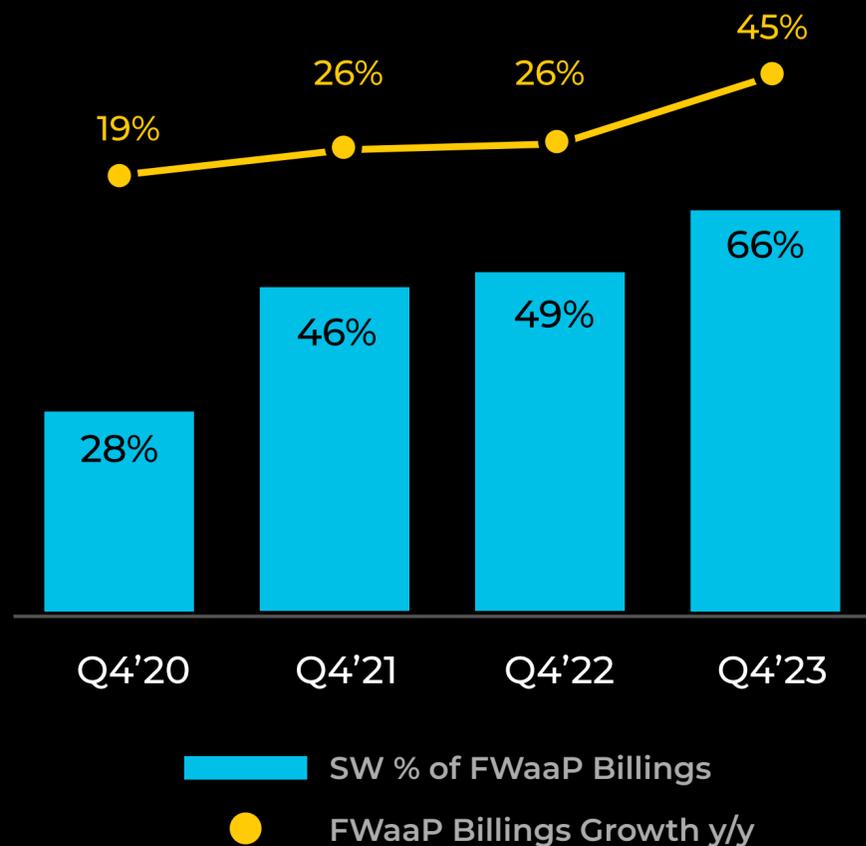
¹ Deferred payment plans include any deals under Billings Plans & Palo Alto Networks Financial Service Fiscal year ending on July 31.

Industry hardware growth trend is returning to expected baseline level

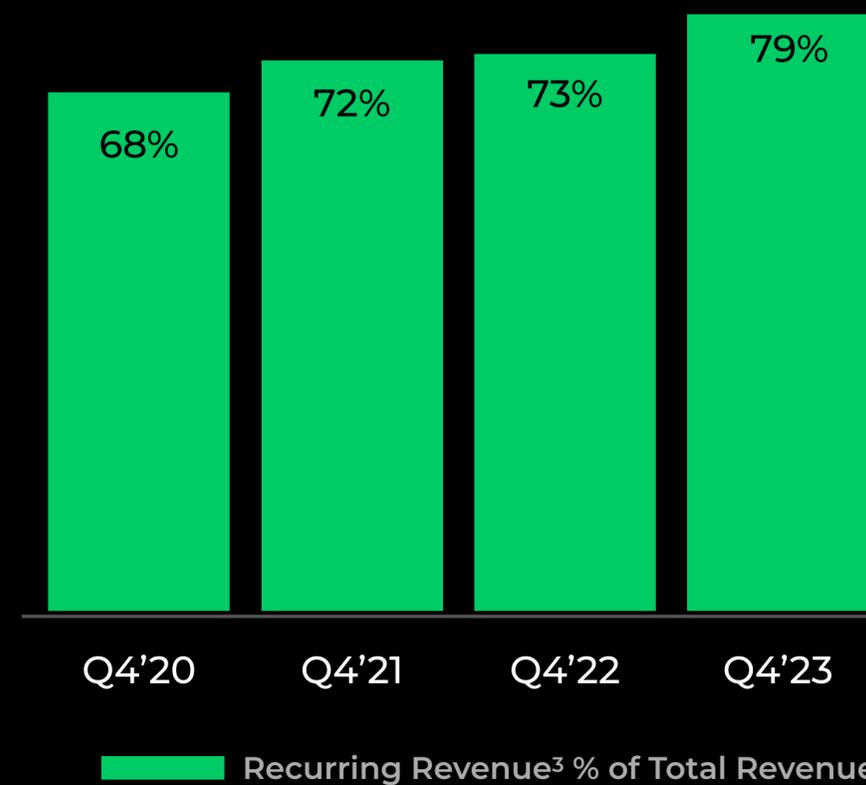


Software transition and NGS growth is driving more recurring revenue

FWaaP Billings Growth & SW as a % of FWaaP



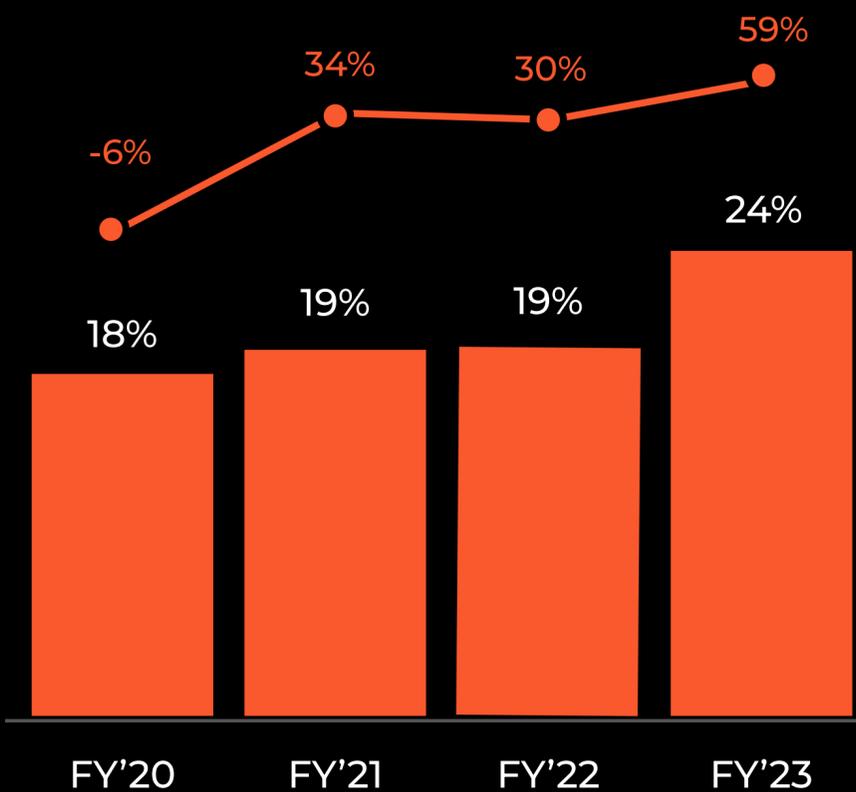
Recurring Revenue as a % of Total Revenue



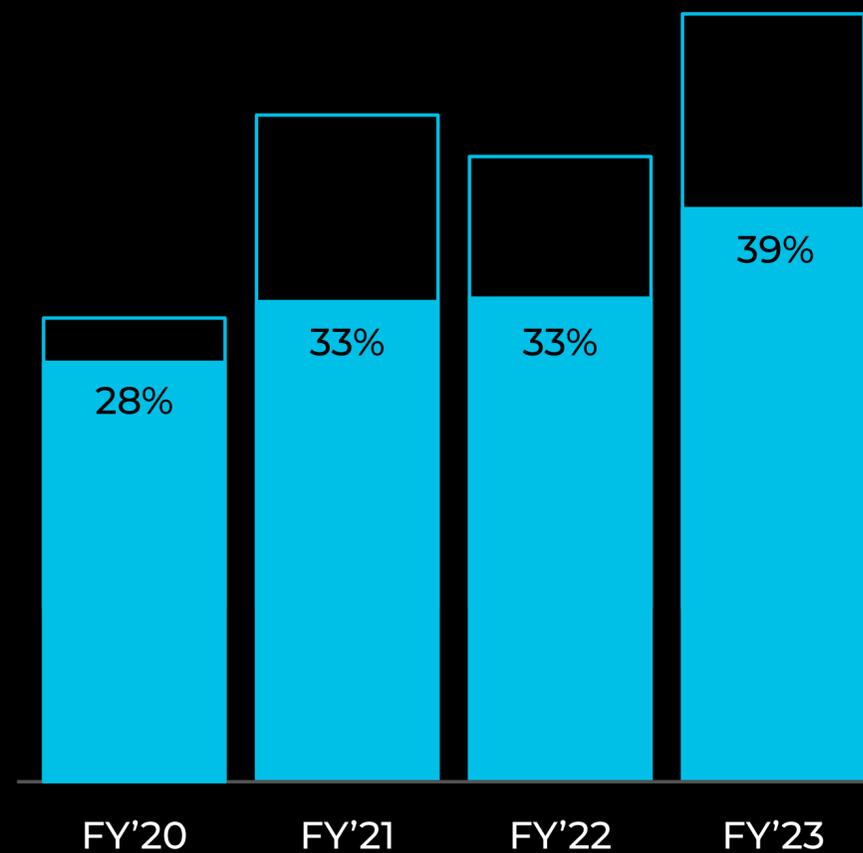
¹ Firewall as a Platform (FWaaP) billings is a key financial and operating metric defined as publicly reported product billings, together with the services billings for Prisma Access, VM-Series, and SD-WAN offerings, during the period stated.
² SW % of Total FWaaP billings is the billings for the Prisma Access and VM-series offerings, and the non-hardware portion of SD-WAN offerings, as a percentage of total Firewall as a Platform billings, during the period stated.
³ Recurring Revenue represents Total Revenue less hardware and professional services revenue.
 Fiscal year ending on July 31.

Profitability supporting a higher free cash flow baseline

Operating Income Growth & Margin (Non-GAAP)



Fiscal Year Adjusted Non-GAAP Free Cash Flow Margin



% of Bookings on Deferred Payment Plans¹



Operating Margin (Non-GAAP)

Operating Income Growth y/y (Non-GAAP)

Adjusted Non-GAAP Free Cash Flow Margin

Impact to adjusted non-GAAP Free Cash Flow Margin when removing the impact of Deferred Payment Plans

% of Bookings under deferred payment plans

¹ Deferred payment plans include any deals Billings Plans & Palo Alto Networks Financial Services. Fiscal year ending on July 31.

Q4 Results Summary

	Q4'23 Guidance (as of 5/23/23)	Q4'23 Actual	
Total Billings	\$3.15B-\$3.20B 17%-19% yr/yr	\$3.16B 18% yr/yr	
Total Revenue	\$1.937B-\$1.967B 25%-27% yr/yr	\$1.95B 26% yr/yr	
Product Revenue		\$507M 24% yr/yr	
Remaining Performance Obligation		\$10.6B 30% yr/yr	
Next-Gen Security ARR		\$2.95B 56% yr/yr	
Gross Margin (Non-GAAP)		77.3% +410 bps yr/yr	
Operating Income (Non-GAAP)		\$554M 71% yr/yr	
Operating Margin (Non-GAAP)		28.4% +760 bps yr/yr	
EPS (Non-GAAP)	\$1.26-\$1.30	\$1.44	
EPS (GAAP)		\$0.64	
Adj. Free Cash Flow (Non-GAAP)		\$388M	

Reconciliations of historical non-GAAP measures can be found in the Appendix.
Fiscal year ending on July 31.

Fiscal Year 2024 Guidance

	FY 2023 Actuals	FY 2024 Guidance as of 8/18/23
Total Billings	\$9.19B +23% yr/yr	\$10.9B - \$11.0B +19%-20% yr/yr
Next-Gen Security ARR	\$2.95B +56% yr/yr	\$3.95B - \$4.00B +34%-36% yr/yr
Total Revenue	\$6.89B +25% yr/yr	\$8.15B - \$8.20B +18%-19% yr/yr
Op Margin (Non-GAAP)	24.1%	25.0-25.5%
EPS (Non-GAAP)	\$4.44 +76% yr/yr	\$5.27 - \$5.40 +19%-22% yr/yr
Adj. FCF Margin (Non-GAAP)	38.8%	37-38%

A reconciliation of forward-looking non-GAAP financial measures to the corresponding GAAP measures has not been provided as it is not available without unreasonable effort. Fiscal year ending on July 31.

Q1 Fiscal 2024 Guidance

	Q1'24 Guidance as of 8/18/23
Total Billings	\$2.05B - \$2.08B 17%-19% yr/yr
Total Revenue	\$1.82B - \$1.85B 16%-18% yr/yr
EPS (Non-GAAP)	\$1.15 - \$1.17 39%-41% yr/yr

Modeling Points

Q1'24 and FY24 non-GAAP effective tax rate: 22%

Cash taxes for FY24 of \$230-280M

Q1'24 net interest and other income of \$50M – \$55M

Q1'24 diluted shares outstanding 336 – 339 million

FY24 diluted shares outstanding 338 – 343 million

Q1'24 capital expenditures of \$40M – \$45M

FY24 capital expenditures of \$160M – \$170M

Q&A



Appendix

Calculation of Billings

\$ In millions

Billings:	Q422	Q123	Q223	Q323	Q423	FY'22	FY'23
Total revenue	\$1,550.5	\$1,563.4	\$1,655.1	\$1,720.9	\$1,953.3	\$5,501.5	\$6,892.7
Add: change in total deferred revenue, net of acquired deferred revenue	1,134.6	185.6	374.0	535.3	1,206.8	1,970.0	2,301.7
Total billings	\$2,685.1	\$1,749.0	\$2,029.1	\$2,256.2	\$3,160.1	\$7,471.5	\$9,194.4

GAAP to Non-GAAP Reconciliations

Gross Margin

\$ In millions

Non-GAAP gross profit and gross margin:	Q422		Q423	
	\$	%	\$	%
GAAP gross profit and gross margin	\$1,058.2	68.2%	\$1,446.5	74.1%
Share-based compensation-related charges	36.0	2.3%	41.8	2.1%
Amortization expense of acquired intangible assets	25.8	1.7%	19.3	1.0%
Litigation-related charges ⁽¹⁾	1.7	0.1%	1.7	0.1%
Restructuring and other costs ⁽²⁾	14.0	0.9%	-	0.0%
Non-GAAP total gross profit and gross margin	\$1,135.7	73.2%	\$1,509.3	77.3%

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

² Consists of manufacturing related charges and other costs.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations

Operating Margin

\$ In millions

Non-GAAP operating income and operating margin:	Q422		Q423	
	\$	%	\$	%
GAAP operating income and operating margin	\$15.4	1.0%	\$253.5	13.0%
Share-based compensation-related charges	251.3	16.1%	274.1	14.0%
Acquisition-related costs ⁽¹⁾	2.4	0.2%	-	0.0%
Amortization expense of acquired intangible assets	31.2	2.0%	24.7	1.3%
Litigation-related charges ⁽²⁾	1.7	0.1%	1.7	0.1%
Restructuring and other costs ⁽³⁾	21.2	1.4%	-	0.0%
Non-GAAP operating income and operating margin	\$323.2	20.8%	\$554.0	28.4%

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

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

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

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations

Operating Margin

\$ In millions

Non-GAAP operating income and operating margin:	FY'20		FY'21		FY'22		FY'23	
	\$	%	\$	%	\$	%	\$	%
GAAP operating income (loss) and operating margin	(\$179.0)	-5.3%	(\$304.1)	-7.1%	(\$188.8)	-3.4%	\$387.3	5.6%
Share-based compensation-related charges	685.5	20.2%	936.5	22.0%	1,072.0	19.5%	1,145.1	16.6%
Acquisition-related costs ⁽¹⁾	15.7	0.5%	46.1	1.1%	5.5	0.1%	19.5	0.3%
Amortization expense of acquired intangible assets	76.4	2.2%	116.7	2.7%	125.8	2.3%	103.1	1.5%
Litigation-related charges ⁽²⁾	3.6	0.1%	7.1	0.2%	7.1	0.1%	7.1	0.1%
Restructuring and other costs ⁽³⁾	(3.1)	-0.1%	-	0.0%	21.2	0.4%	(2.2)	0.0%
Non-GAAP operating income and operating margin	\$599.1	17.6%	\$802.3	18.9%	\$1,042.8	19.0%	\$1,659.9	24.1%

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

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

(3) Consists of manufacturing related charges, (gain) loss on the closure of certain office facilities, other costs, and related adjustments.

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations

EPS

Non-GAAP net income per share, diluted:	Q422	Q123	Q223	Q323	Q423	FY'22	FY'23
GAAP net income (loss) per share, diluted	\$0.01	\$0.06	\$0.25	\$0.31	\$0.64	(\$0.90)	\$1.28
Share-based compensation-related charges	0.78	0.87	0.94	0.91	0.86	3.42	3.59
Acquisition-related cost ⁽¹⁾	0.01	0.00	0.04	0.02	0.00	0.02	0.06
Amortization expense of acquired intangibles assets	0.09	0.08	0.07	0.07	0.07	0.43	0.30
Litigation-related charges ⁽²⁾	0.01	0.01	0.01	0.01	0.00	0.02	0.02
Restructuring and other costs ⁽³⁾	0.06	(0.01)	0.00	0.00	0.00	0.08	(0.01)
Non-cash charges related to convertible notes ⁽⁴⁾	0.01	0.01	0.01	0.01	0.00	0.02	0.02
Foreign currency gain (loss) associated with non-GAAP adjustments	0.00	(0.01)	0.01	0.00	0.00	(0.01)	0.00
Income tax and other tax adjustments ⁽⁵⁾	(0.17)	(0.18)	(0.28)	(0.23)	(0.13)	(0.56)	(0.82)
Non-GAAP net income per share, diluted	\$0.80	\$0.83	\$1.05	\$1.10	\$1.44	\$2.52	\$4.44

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

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

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

Fiscal year ends on July 31.

GAAP to Non-GAAP Reconciliations

Adjusted Free Cash Flow

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	Q423
Net cash provided by operating activities	\$414.1
Less: purchases of property, equipment, and other assets	37.2
Free cash flow (non-GAAP)	\$376.9
Add: cash payment related to tax settlement	10.9
Adjusted free cash flow (non-GAAP)	\$387.8

GAAP to Non-GAAP Reconciliations

Adjusted Free Cash Flow

\$ In millions

Free cash flow and adjusted free cash flow (non-GAAP):	FY'20	FY'21	FY'22	FY'23
Net cash provided by operating activities	\$1,035.7	\$1,503.0	\$1,984.7	\$2,777.5
Less: purchases of property, equipment, and other assets	214.4	116.0	192.8	146.3
Free cash flow (non-GAAP)	\$821.3	\$1,387.0	\$1,791.9	\$2,631.2
Add: capital expenditures for headquarters ⁽¹⁾	94.3	-	38.9	-
Add: cash payment related to tax settlement	-	-	-	39.8
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)	\$967.6	\$1,387.1	\$1,830.8	\$2,671.0
<i>Adjusted free cash flow margin (non-GAAP)</i>	<i>28.4 %</i>	<i>32.6 %</i>	<i>33.3 %</i>	<i>38.8 %</i>

(1) Consists of capital expenditures for our headquarters including a land purchase of \$51.7 million in Q3'20 and \$38.9 million in Q2'22.

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

(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.

Fiscal year ends on July 31.