

Palo Alto Networks Inc  
Form 10-Q  
May 27, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35594

Palo Alto Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware 20-2530195  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

4401 Great America Parkway

Santa Clara, California 95054

(Address of principal executive office, including  
zip code)

(408) 753-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of May 17, 2016 was 89,602,652.



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## PART I

## ITEM 1. FINANCIAL STATEMENTS

## PALO ALTO NETWORKS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in millions, except per share data)

	April 30, 2016	July 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$550.0	\$375.8
Short-term investments	537.5	413.2
Accounts receivable, net of allowance for doubtful accounts of \$0.7 and \$0.7 at April 30, 2016 and July 31, 2015, respectively	267.6	212.4
Prepaid expenses and other current assets	91.1	72.6
Total current assets	1,446.2	1,074.0
Property and equipment, net	100.5	62.9
Long-term investments	682.9	538.8
Goodwill	163.5	163.5
Intangible assets, net	46.4	52.7
Other assets	67.5	73.3
Total assets	\$2,507.0	\$1,965.2
Liabilities, temporary equity, and stockholders' equity		
Current liabilities:		
Accounts payable	\$24.3	\$13.2
Accrued compensation	56.4	79.8
Accrued and other liabilities	45.1	28.2
Deferred revenue	610.4	423.9
Convertible senior notes, net	502.8	487.1
Total current liabilities	1,239.0	1,032.2
Long-term deferred revenue	458.8	289.8
Other long-term liabilities	78.0	67.4
Commitments and contingencies (Note 5)		
Temporary equity	72.2	87.9
Stockholders' equity:		
Preferred stock; \$0.0001 par value; 100.0 shares authorized; none issued and outstanding at April 30, 2016 and July 31, 2015	—	—
Common stock and additional paid-in capital; \$0.0001 par value; 1,000.0 shares authorized; 89.6 and 84.8 shares issued and outstanding at April 30, 2016 and July 31, 2015, respectively	1,330.5	988.7
Accumulated other comprehensive income (loss)	0.6	(0.1 )
Accumulated deficit	(672.1 )	(500.7 )
Total stockholders' equity	659.0	487.9
Total liabilities, temporary equity, and stockholders' equity	\$2,507.0	\$1,965.2

See notes to condensed consolidated financial statements.

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## PALO ALTO NETWORKS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in millions, except per share data)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2016	2015	2016	2015
Revenue:				
Product	\$ 162.1	\$ 121.5	\$ 479.7	\$ 338.6
Services	183.7	112.7	498.0	305.6
Total revenue	345.8	234.2	977.7	644.2
Cost of revenue:				
Product	43.2	32.8	126.9	92.6
Services	51.7	31.6	141.4	84.6
Total cost of revenue	94.9	64.4	268.3	177.2
Total gross profit	250.9	169.8	709.4	467.0
Operating expenses:				
Research and development	74.0	48.4	207.7	132.7
Sales and marketing	202.0	131.1	547.9	360.3
General and administrative	33.5	27.0	98.5	73.0
Total operating expenses	309.5	206.5	854.1	566.0
Operating loss	(58.6 )	(36.7 )	(144.7 )	(99.0 )
Interest expense	(5.8 )	(5.7 )	(17.4 )	(16.7 )
Other income, net	1.0	—	5.7	0.7
Loss before income taxes	(63.4 )			