

Edgar Filing: Palo Alto Networks Inc - Form 10-Q

Palo Alto Networks Inc
Form 10-Q
March 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2015

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

(State or other jurisdiction of incorporation or organization)

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)

20-2530195

(I.R.S. Employer

Identification No.)

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 February 18, 2015 was 82,272,834.

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PART I

ITEM 1. FINANCIAL STATEMENTS

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share data)

	January 31, 2015	July 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$342,983	\$653,812
Short-term investments	332,074	118,690
Accounts receivable, net of allowance for doubtful accounts of \$855 and \$471 at January 31, 2015 and July 31, 2014, respectively	135,251	135,518
Prepaid expenses and other current assets	51,196	50,306
Total current assets	861,504	958,326
Property and equipment, net	52,639	48,744
Long-term investments	463,908	201,880
Goodwill	155,402	155,033
Intangible assets, net	45,856	47,955
Other assets	93,475	66,528
Total assets	\$1,672,784	\$1,478,466
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$14,001	\$14,526
Accrued compensation	53,158	48,727
Accrued and other liabilities	23,436	25,000
Deferred revenue	324,479	259,918
Total current liabilities	415,074	348,171
Convertible senior notes, net	476,872	466,875
Long-term deferred revenue	211,364	162,660
Other long-term liabilities	53,413	32,177
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock; \$0.0001 par value; 100,000 shares authorized; none issued and outstanding at January 31, 2015 and July 31, 2014	—	—
Common stock; \$0.0001 par value; 1,000,000 shares authorized; 82,265 and 79,519 shares issued and outstanding at January 31, 2015 and July 31, 2014, respectively	8	8
Additional paid-in capital	924,634	804,406
Accumulated other comprehensive income (loss)	221	(105)
Accumulated deficit	(408,802)	(335,726)
Total stockholders' equity	516,061	468,583
Total liabilities and stockholders' equity	\$1,672,784	\$1,478,466

See notes to condensed consolidated financial statements.

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PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Revenue:				
Product	\$ 115,621	\$ 80,823	\$ 217,097	\$ 156,308
Services	102,034	60,245	192,904	112,940
Total revenue	217,655	141,068	410,001	269,248
Cost of revenue:				
Product	30,640	20,221	59,781	38,175
Services	28,685	17,283	53,005	33,136
Total cost of revenue	59,325	37,504	112,786	71,311
Total gross profit	158,330	103,564	297,215	197,937
Operating expenses:				
Research and development	46,948	24,253	84,253	44,146
Sales and marketing	122,875	76,734	229,241	144,100
General and administrative	27,023	19,733	46,000	33,858
Legal settlement	—	20,000	—	20,000
Total operating expenses	196,846	140,720	359,494	242,104
Operating loss	(38,516)	(37,156)	(62,279)	(44,167)
Interest expense	(5,539)	(14)	(11,028)	(22)
Other income (expense), net	344	(170)		