Balfour Capital Group
Palo Alto Networks, Inc.

Company Overview

Palo Alto Networks, Inc. (PANW) is a **global cybersecurity leader** providing integrated, AI-driven security platforms that cover **network security, cloud security, and security operations**. Founded in 2005 and headquartered in **Santa Clara, California**, the company employs approximately **15,000 people** worldwide and serves over **80,000 enterprise and government customers** across 150+ countries.

The company's **platformization strategy** integrates its three core ecosystems — Network Security (NGFW, SASE, Prisma Access), Cloud Security (Prisma Cloud), and Security Operations (Cortex and XSIAM) — to deliver unified prevention, detection, and automation capabilities. Its **Unit 42** advisory arm provides global threat intelligence, incident response, and consulting services.

In FY2025 (year ended July 31, 2025), PANW reported **revenue of USD 9.2 billion (+15% YoY)** and **non-GAAP EPS of USD 3.34 (+18% YoY),** with an **operating margin of 28.8%** and **free cash flow of USD 3.51 billion**. The company's **Next-Generation Security Annual Recurring Revenue (NGS ARR)** reached **USD 5.58 billion (+32% YoY)**, supported by platform adoption across major enterprise clients.

Management reaffirmed its **FY2026 guidance** for **revenue of USD 10.5–11.0 billion**, **NGS ARR exceeding USD 7 billion**, and continued margin expansion driven by software mix and cost optimization.

1. Top 5 Competitors

• **Fortinet, Inc. (FTNT):** Network security and firewall rival with strong SMB market penetration.
• **CrowdStrike Holdings, Inc. (CRWD):** Cloud-native endpoint security and threat intelligence competitor.
• Zscaler, Inc. (ZS): Leader in Zero Trust cloud access and SASE solutions.
• **Check Point Software Technologies Ltd. (CHKP):** Longstanding network and threat prevention peer.
• **Cisco Systems, Inc. (CSCO):** Diversified enterprise networking and cybersecurity vendor.

Rte de Lausanne, 10, Yverdon-les-Bains, Switzerland
28 Stanley Street, Central, Hong Kong
35 Collins Street, Melbourne, VIC, Australia
22 S. Wacker Drive, Chicago, IL, USA

Client Support
Switzerland: +41 24 560 20 11
Hong Kong: +852 6917 0741
Australia: +61 2 5127 5306
USA: +1 312 857 6941

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2. Largest Institutional Shareholders

Shareholder	Approx. % Ownership	Notes
Vanguard Group Inc.	~8.2%	Largest institutional holder
BlackRock Inc.	~7.4%	Major U.S. institutional investor
T. Rowe Price Associates	~5.9%	Long-term growth fund
State Street Corp.	~4.5%	Passive and active index exposure
Capital World Investors	~3.2%	Global active strategy
T. Rowe Price Associates	~4.9%	Active growth funds
Capital World Investors	~4.5%	Large-cap growth and GARP exposure

Institutional ownership exceeds **83%**, reflecting strong confidence from global asset managers and technology-focused funds.

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3. Management Team

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4. Revenue

Fiscal Year	Revenue (USD Billion)	YoY Growth
2023	6.9	—
2024	8.0	+16%
2025	9.2	+15%
2026E	10.5	+14%
2027E	11.9	+29%

Gross Margin: 73.4% (FY2025)
Operating Margin (non-GAAP): 28.8% (+150 bps YoY)
Net Margin: 12.3%
Free Cash Flow: USD 3.51B (FCF margin 38%)

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5. Institutions with Buy Recommendations

Recent "Buy/Overweight/Outperform" ratings include:
• **Goldman Sachs** — Buy, PT USD 250 (Nov 2025)
• **Morgan Stanley** — Overweight, PT USD 245 (Oct 2025)
• **UBS** — Buy, PT USD 240 (Sep 2025)
• **Bank of America** — Buy, PT USD 230 (Aug 2025)
• **Jefferies** — Buy, PT USD 235 (Jul 2025)
• **Wells Fargo** — Overweight, PT USD 250 (Nov 2025)
Analysts highlight accelerating ARR growth, improving cash generation, and operational scalability following the firm's **proposed acquisition of CyberArk Software Ltd.**, expected to expand its identity and access security capabilities.

6. Analyst Sentiment Summary

• **Consensus Rating:** Buy (55 analysts).
• **Breakdown**: 15 Strong Buy / 26 Buy / 12 Hold / 1 Sell / 1 Strong Sell.
• **Average 12-Month Target**: USD 220 (range: USD 131 – USD 325).
• **Forward P/E**: 55.5× (in line with 5-year average of 55.6×).
• **5-Year EPS Growth Forecast**: 13.5%.
• **LTG Forecast**: +14–15% CAGR through FY2027.
Positive Drivers:
· NGS ARR growth of +32% YoY (FY2025).
· Record 900 platformized enterprise customers (+25% YoY).
· 120% Net Retention Rate (NRR) among top accounts.
· 51 customers with >USD 10M ARR (+50% YoY).
· Strong execution in SASE, Cortex, and Prisma Cloud segments.

Risks:

· Valuation premium (Forward PEG ~4.1× vs. peer avg 1.3×).
· CyberArk merger integration risk.
· Intensifying competition from CrowdStrike and Zscaler in cloud-native security.

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7. Insider Buying and Selling (Last 24 Months)

• **Nikesh Arora (CEO)**: Sold ~120,000 shares (Aug 2025) under 10b5-1 plan; retains >90% of vested holdings.
• **Dipak Golechha (CFO)**: Sold 15,000 shares (Apr 2025) for liquidity diversification.
• **Lee Klarich (CPO)**: Sold 20,000 shares (Jul 2025).
• **Directors**: Routine option exercises; no significant open-market purchases reported.

Overall insider activity has been **neutral**, consistent with long-term incentive plans; no large-scale selling that suggests bearish internal sentiment.

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