Power of the Platform

Mike Haire – Regional Channel Engineering Lead

Growth Strategies

Cloud

Security

Services

SaaS
Public Cloud (AWS/Azure)
Private Cloud (VMware, ACI)

Internet Perimeter
Data Center
Branch
Mobile
Endpoint

Implementation
MSSP
Support

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I'll Keep On Top of Things

M
of

7%
Experienced No
Security Alert

93%
Experienced
Security Alert

44%
Of Alerts **NOT**
Investigated

56%
Of Alerts Are
Investigated

46%
Of Legitimate Alerts
Are Remediated

54%
Of Legitimate Alerts
Are NOT Remediated

28%
Of Investigated
Alerts Are Legitimate

2016 (n=2796)
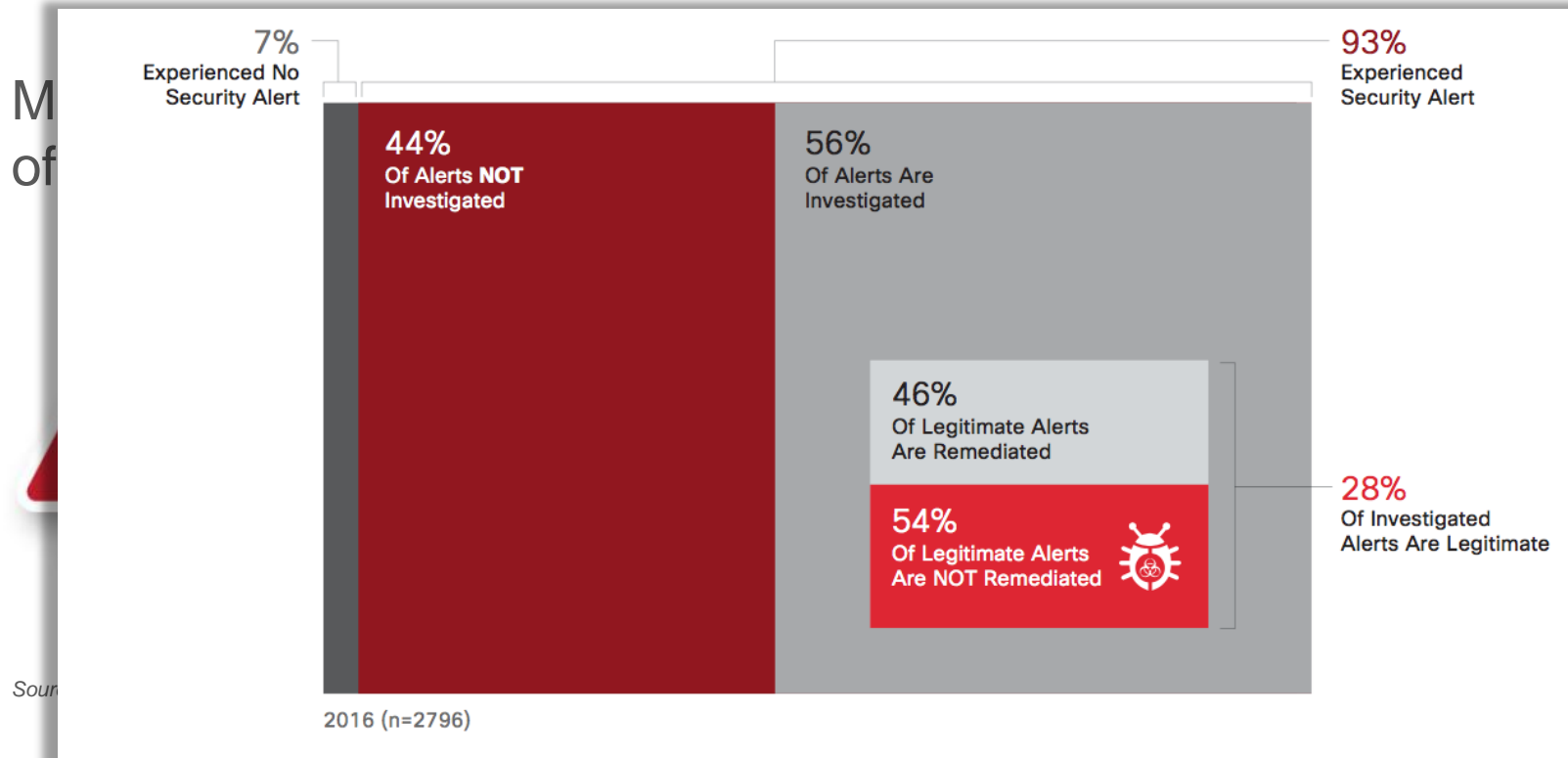
Source: Cisco 2017 Security Capabilities Benchmark Study

Sour

Ok, What Should We Do?

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Philosophy for prevention
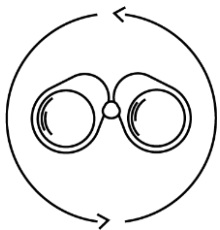
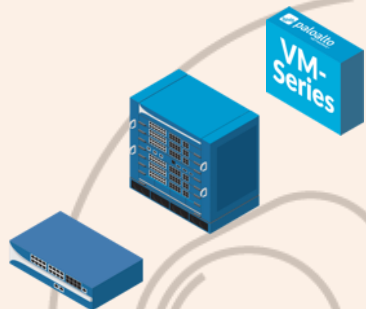| Complete visibility	Reduce attack surface area	Prevent all known threats	Detect & prevent new threats
• All applications • All users • All content • Encrypted traffic • SaaS • Cloud • Mobile	• Enable business apps • Block "bad" apps • Limit app functions • Limit file types • Block websites • Require multi-factor authentication	• Exploits • Malware • Command & control • Malicious websites • Bad domains • Credential theft • Malware, phishing, parked URLs	• Static Analysis • Dynamic Analysis • Bare Metal Analysis • Attack techniques • Anomaly detection • Analytics

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TRANSLATING SECURITY INTO A PLATFORM APPROACH
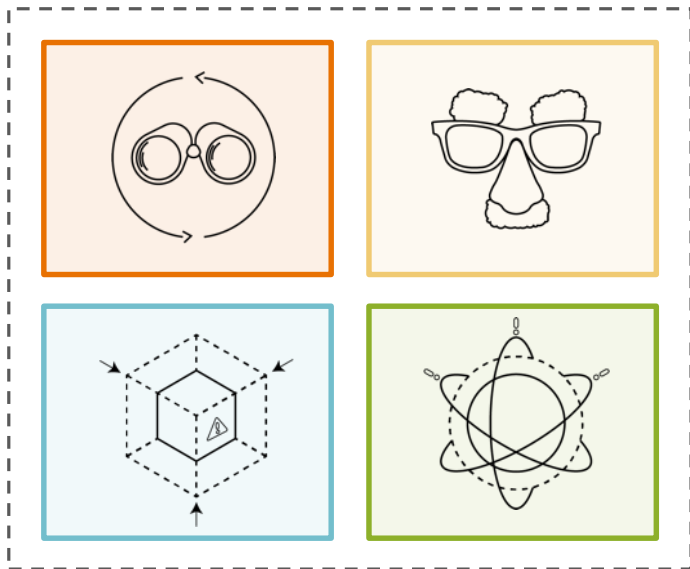
- All capabilities are natively integrated to work together

- Consistent security for all users, applications and locations

- Automated discovery and reprogramming of both the network and endpoint to prevent threats

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PALO ALTO NETWORKS - VISIBILITY

Next Generation Firewall	Traps
Aperture	Autofocus
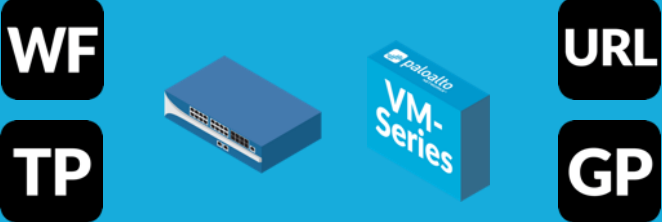
PALO ALTO NETWORKS - AUTOMATED INTELLIGENCE
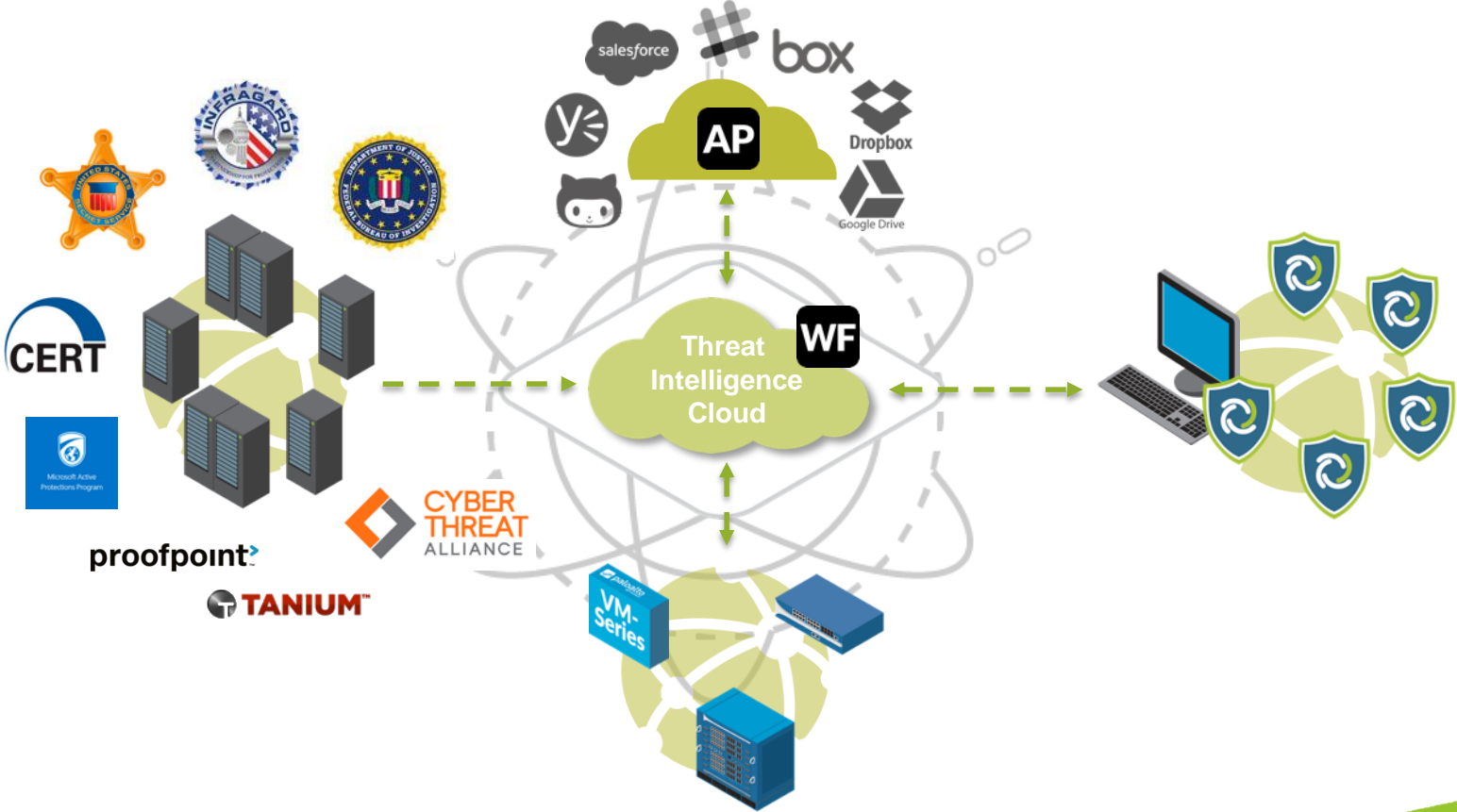
PALO ALTO NETWORKS – REDUCE ATTACK SURFACE
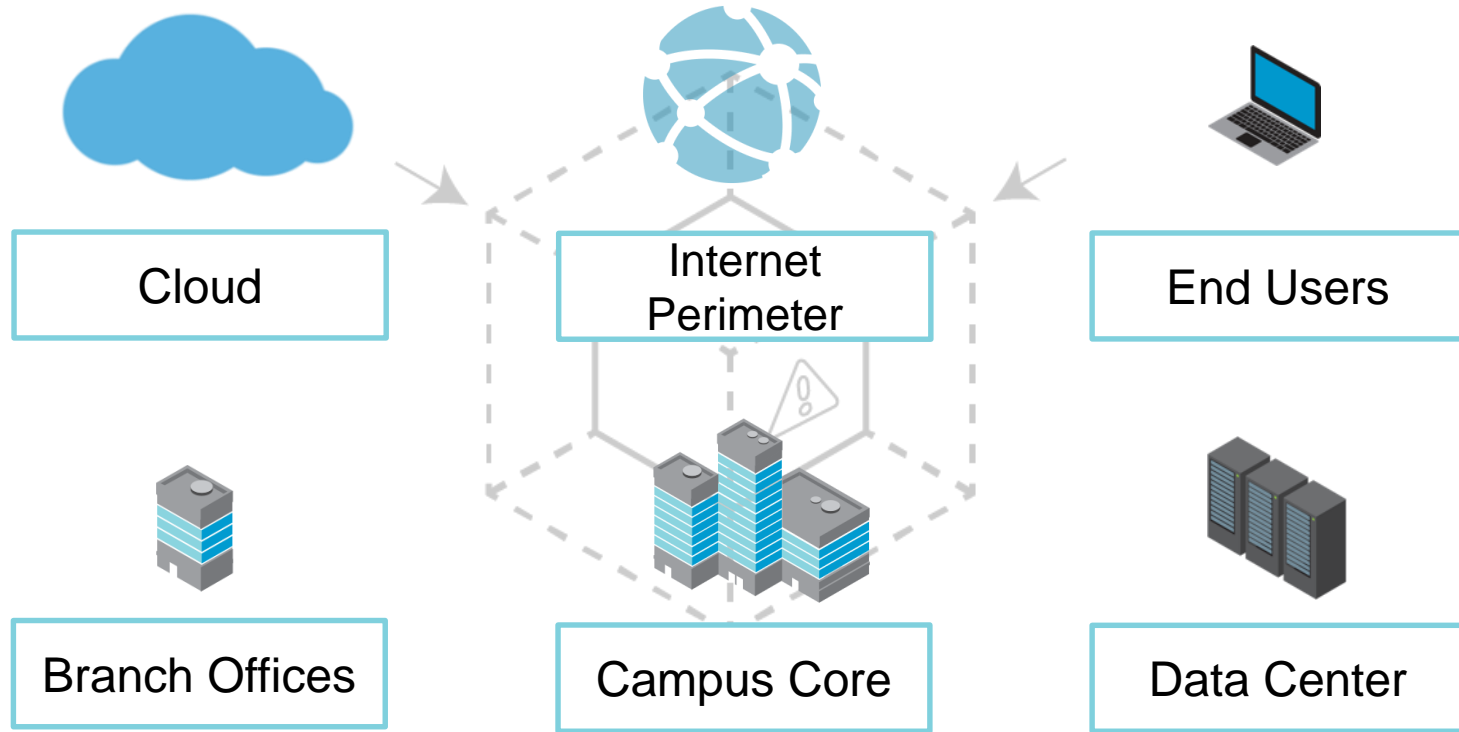
PALO ALTO NETWORKS – REDUCE ATTACK SURFACE

Aperture	NGFW	VM-Series	Traps
Cloud - SaaS	Internet Perimeter	Cloud Data Center	End Users
	Campus Core	Virtualized Data Center	Data Center Servers
	Branch Offices		
	Data Center Perimeter		
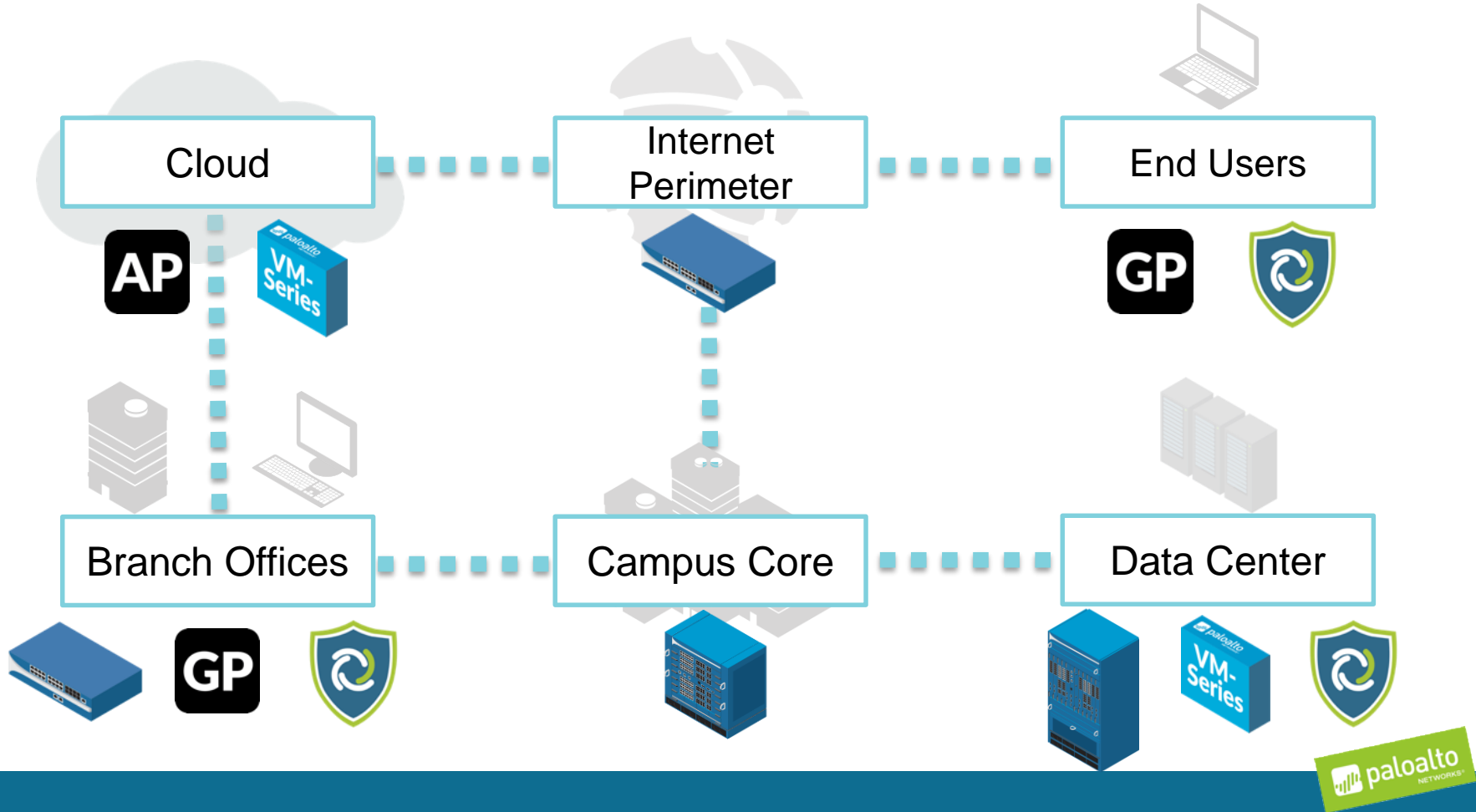
Datacenter Technologies

Highlights From a Recent Security Reseller Event; +PANW, +SYMC, +PFPT

(+) PANW

Resellers were <u>very</u> positive on Palo Alto, noting that while some large deals pushed into 2017, **deals were not lost to the competition.** They said the market is clearly shifting to subscription-based products, though management and resellers alike did not see how quickly the shift was occurring. Resellers also said customers clearly have a preference for integrated products that are part of a broader platform, rather than best-of-breed "point products."

"IDC recently published 3Q16 market share data, which shows Palo Alto as the only major vendor that gained share on a year-over-year basis in 3Q16. According to IDC, Palo Alto gained 214 bps to 17.6%, which is the #1 position in the security appliance market. *Check Point, Cisco and Fortinet all lost share y/y.*"

Exhibit 1

Security Appliance (Unified Threat Management, Firewalls and Intrusion Detection & Prevention) Market Share Results
Palo Alto took over the #1 position in 3Q16.

Vendor	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	Y/Y Chg.
Palo Alto Networks	10.0%	10.4%	11.2%	11.1%	13.5%	13.4%	14.4%	13.9%	16.9%	16.6%	17.1%	271 bps
Check Point	19.1%	18.9%	18.3%	19.0%	18.7%	17.7%	17.7%	17.9%	18.4%	17.5%	16.8%	-92 bps
Cisco	21.9%	22.9%	23.7%	21.0%	21.6%	21.1%	20.2%	17.6%	19.9%	19.0%	17.6%	-256 bps

## Palo Alto Networks, Inc. (PANW, $137.50, Buy):

- 92% of VARs surveyed resell Palo Alto's suite of solutions. The distribution of responses concerning the growth of respondents' business with Palo Alto is below.

- *Our Take:* Put simply, the feedback that we received in our C4Q16 VAR Survey confirms that Palo Alto Networks remains the most well-regarded vendor under our coverage by the channel, as 60% of participating VARs tabbed Palo Alto Networks as a vendor in which customers have expressed a high degree of satisfaction. In addition to characterizing Palo Alto's offering simply as "the best", survey participants cited its "granularity", "ease of use", and "unified platform and single pane of glass" as primary sources of the satisfaction expressed by customers. Furthermore, out of the 16 survey participants that experienced an increase in demand for vendor consolidation, nine, or 56.3%, mentioned Palo Alto Networks as the vendor in which customers have expressed the most interest in consolidating functions around. We believe this data reflects the increased demand that Palo Alto has seen for its ancillary solutions outside of its NGFW and, consequently, its platform as a whole over the last few quarters, a phenomenon that we expect to persist given the growing demand for the company's endpoint solution, Traps. It should also be noted that a survey participant that experienced more than normal deal slippage in C4Q16 specifically stated that the deals that did not close on time were Palo Alto deals; however, as a reminder to investors, Palo Alto's F2Q17 ends January 31, 2017, meaning that that data point should be taken with a grain of salt, for now. We plan to conduct incremental checks regarding Palo Alto at the conclusion of January.

- **Palo Alto Networks - Dominant positioning for continued share gains:**
  Survey results indicate that Palo Alto Networks should benefit from top security priorities and incremental security spend due to cloud adoption. VARs indicate that Palo Alto Networks has gained share from other traditional security players and expect demand to exceed expectations across the product suite.

Exhibit 33: Palo Alto Networks Viewed as the Easiest Security Solution to Set-up

Which security software vendor is the easiest to set-up / configure / manage?

■ % of VAR Respondents
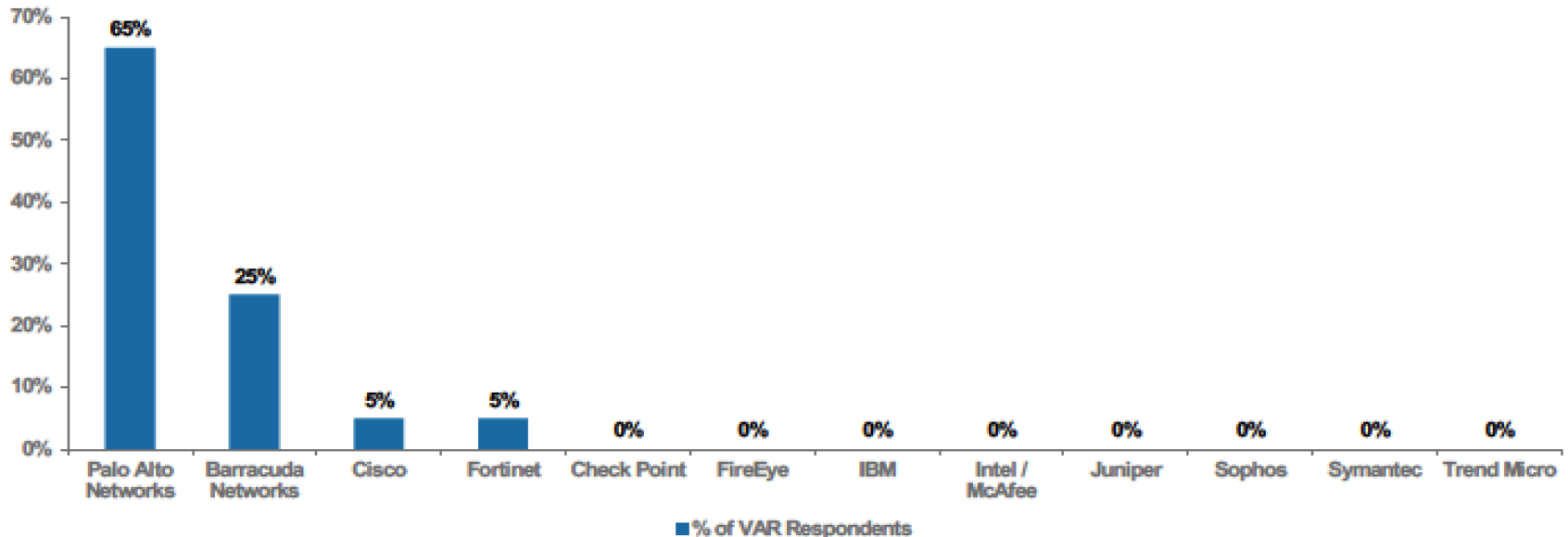
Two Very Different Types of Security "Platforms" Resulting in Minimal vs Tremendous Complexity

Consistent, Comprehensive Security

- ➢ Purpose-Built & Prevention-based
- ➢ Consistent capabilities in all critical places its needed
- ➢ Integrated & Automated
- ➢ Most Advanced Threat Cloud
- ➢ Easiest to Eval, PoC, Operate

Stakeholder Impact

LEAST COMPLEX

- ➢ Min # of GUIs
- ➢ Min Overall Cost
- ➢ Min Staff & Training
- ➢ Min Gaps
- ➢ Min Risk

Piecemeal Security System

Others or "Best of Breed"

- ➢ Pieced Together
- ➢ Detection more than Prevention
- ➢ Partially Integrated & Automated
- ➢ Incomplete & Inconsistent capabilities where all its needed
- ➢ Limited Threat Cloud & Intel
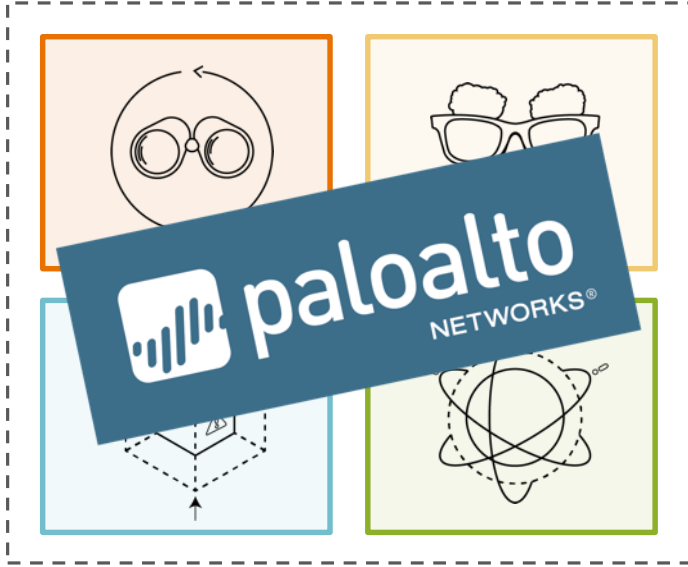- ➢ Hard to Eval, Config, Operate, Support

Stakeholder Impact

MOST COMPLEX

- ➢ High # of GUIs
- ➢ High Overall Cost
- ➢ More Staff & Training
- ➢ Many Gaps
- ➢ Much More Risk

PALO ALTO NETWORKS PLATFORM SECURITY

- Best of breed products

- Integrated together

- Simplifying security across the enterprise

NextWave At-a-Glance

Why Partner with Palo Alto Networks

- Life Time Value: **11.8 to 69.6 X** initial purchase

- Proven Sales Process: Demo → Eval → Close = **58 Days**

- High Partner Compensation: **(15% - 23 % GM)**

- Deal Registration provides <u>25% discount point advantage</u>

- Protected for future renewals (annuity) – **98% renewal rate**

- High services attach rate – Migrate customers to prevention platform

- **100% Channel**

Top-25 customer buying behavior
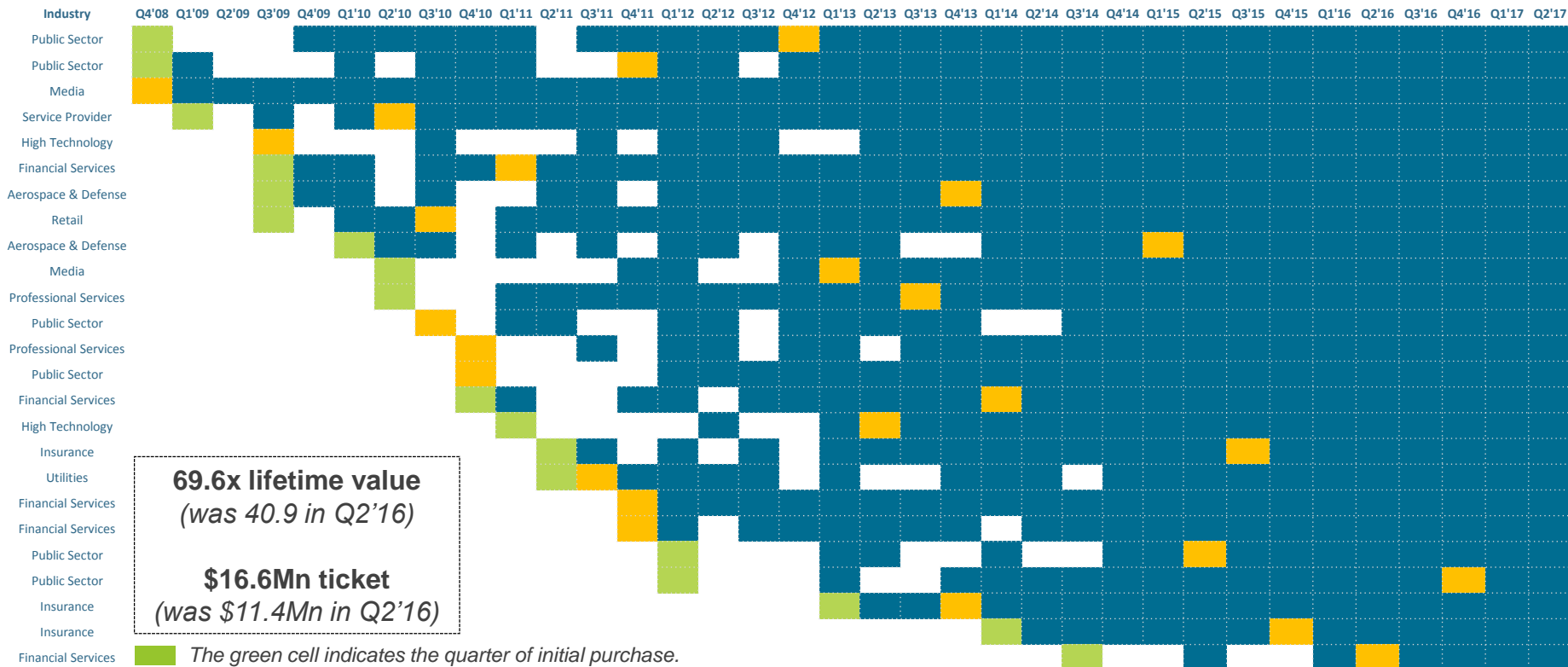
69.6x lifetime value
(was 40.9 in Q2'16)

$16.6Mn ticket
(was $11.4Mn in Q2'16)

The green cell indicates the quarter of initial purchase.
The orange cell indicates the customer's **first** purchase of a multi-year contract.
The blue cell indicates each quarter a customer transacted with Palo Alto Networks.

Note: Fiscal year ends July 31.