EQUITY VALUATION · FQ4 FY2026 PRINT TUESDAY SEPTEMBER 1, AFTER THE CLOSE

Palo Alto Networks, Inc. NASDAQ: PANW

The Price Ran Past the Platform

The company is executing almost flawlessly. At $372 the stock prices well over twice our central value of that execution — and Tuesday's print, the first with a full CyberArk quarter, can validate the operations without validating the price.

LAST TRADE 8/28	FAIR VALUE, WEIGHTED	MAXIMUM DEFENSIBLE
$371.74	**$127** blend ~$155	**$307** steelman-max

ORGANIC GROWTH	OPTIONS IMPLY
~14–15% reported 31%	**±9.4%** median realized 6.2%

Prices and valuation as of the last trade on August 28, 2026; volatility, drawdown and percentile series run through the August 27 bar. Palo Alto Networks reports fiscal fourth-quarter 2026 results on Tuesday, September 1, 2026, after the close (company-verified). This note carries a frozen pre-event scorecard — Addendum 1 — locked on August 28, before the print. The post-event scorecard is published after the print as a separate follow-up note, linked from this page and from the research library.

The verdict

Hold; do not chase $371.74. This is a verdict on the price, not on the company. Our probability-weighted fair value from the cash-flow model is **about $127 per share**, and blending it with what peer multiples support gives a central value near **$155** — while even the most generous internally consistent case we can build, granting management every operating claim and a decade of persistence, reaches **$307**, still 17% below the market. Palo Alto Networks is, at the same time, one of the best-run franchises in enterprise software: it has beaten its own guidance every quarter this fiscal year, grows its forward-looking book faster than its revenue, and just closed the largest acquisition in its own history ahead of its own integration plan. Both things are true. The stock has risen more than 160% from its February low; the operations rose nothing like that.

Four numbers carry the whole argument — the first belongs to the company's case, the rest to the price's problem:

~28%	organic growth of the forward book (Next-Generation Security ARR, defined below), now 60%+ of run-rate revenue. The fastest-growing part of the company is becoming the company.
~14–15%	the company's *organic* revenue growth today. Reported growth of 31% last quarter includes $388M from acquisitions; strip it out and the quarter grew 14.2%.
~39%	the *starting* organic growth rate a discounted cash-flow model needs, fading slowly for over a decade, to justify today's market value at a normal cost of equity. Well over twice the delivered rate.
±9.4%	the move the options market has priced around the print (≈±8.1% for the event itself once two extra trading days are stripped out), against a median realized move of ±6.2% over the last eight reports — three of the last four of which were *beats the stock sold off on*. Across all eight, the next-day move was down five times and up three — the sell-the-beat pattern is the recent tendency, not the whole record.

What follows: what this company now is, what the stock did, the strongest case for the price in its own terms, what the price has to believe, our valuation, and exactly what Tuesday night will and will not settle — with the scorecard we froze in advance.

What Palo Alto Networks is now

Palo Alto Networks is the largest pure-play cybersecurity company in the world — roughly $13.4B in annualized revenue against CrowdStrike's ~$5.9B, Fortinet's ~$8.2B and Check Point's ~$2.7B (PANW annualized from its coming-quarter guide; peers from their latest reported quarters). Founded in 2005 by firewall pioneer Nir Zuk and run since 2018 by chairman-CEO Nikesh Arora, the company has spent seven years executing one idea: enterprises are tired of stitching together dozens of point security products, so sell them a consolidated *platform* instead. The company calls this motion **platformization** — folding a customer's scattered security tools into multi-year, multi-product Palo Alto contracts.

Fiscal 2026 (the year ends July 31) turned that idea into the company's biggest bet yet. In February it closed the **$21.1 billion acquisition of CyberArk** — the largest deal in its own history, and among the three largest the sector has seen (Google–Wiz $32B and Cisco–Splunk $28B are the larger two) — paying $45 in cash plus 2.2005 Palo Alto shares per CyberArk share: 112 million new shares, growing the share count from ~697M to ~816M. CyberArk leads privileged-access management (software that vaults and controls the most powerful credentials in an enterprise). The company also bought Chronosphere (observability — monitoring infrastructure telemetry) for $3.0B and Koi Security for $231M. The strategic logic is explicitly forward-looking: as AI agents proliferate, *machine* identities already outnumber human ones by more than 80 to 1 (the company's own framing), and identity becomes the control point of enterprise security.

The business today: 80% of revenue is subscription and support; the engine inside it is **Next-Generation Security ARR** ("NGS ARR" — the company's metric for annualized recurring revenue from its newer products, excluding legacy firewall support), now **$8.1B, up 60% year over year — of which $1.6B arrived via acquisition; organic NGS ARR growth is roughly 28%**. Contracted future revenue (**RPO** — remaining performance obligations) stands at $18.4B, up 36%. Trailing free-cash-flow margin on the company's adjusted definition (**aFCF**) is 38.5%, against a stated target of 40% by fiscal 2028 (management has phrased it "40% plus" earlier in the year). Net cash is $5.6B; the only debt is $1.35B of assumed zero-coupon CyberArk convertible notes.

One accounting reality matters for everything that follows: the deals put ~$29B of goodwill and intangibles on the balance sheet, and amortization plus $1.5B of replacement stock awards pushed **GAAP results to a loss** — last quarter printed −$0.22 per share GAAP against +$0.85 "non-GAAP" (the adjusted basis that excludes stock compensation, deal amortization and related items). The company earns real cash; how much of the cost side you count decides which earnings number you believe. We count stock compensation (**SBC** — pay issued as equity, ~15% of revenue this year including replacement awards) as a genuine expense throughout this note.

What the stock did

The two tracks, one year: the closing price (ink) against the pace of the business itself (gold — organic revenue growth, ~14–15% a year, indexed from the February 24 low). The shaded wedge is the re-rating: everything the price did that the operations did not. Dashed verticals mark the three prints of the fiscal year — all three beat the company's own guidance, and the stock sold off on each.

Twelve months of PANW is two different markets. From its late-October 2025 peak to February 2026 the stock fell 36% on closes — an "AI will disrupt software" scare across the sector, compounded in February when the company cut its FY26 adjusted-EPS guide from $3.80–3.90 to $3.65–3.70 to absorb deal dilution. The bottom printed February 24 at $141.67 on the close, thirteen days after the CyberArk deal completed. Then the same AI story flipped sign: AI as a security *supercycle* — every AI agent a new identity to protect, a June 2026 Executive Order mandating federal migration to **post-quantum cryptography** (encryption that survives quantum computers — a forced, economy-wide upgrade cycle Palo Alto now sells tooling for), rising attack surface everywhere. From that low the stock rallied as much as ~180% to its August 13 peak and sits at $371.74 — up 162% from the bottom, 6.1% off the August 13 closing high of $396.00.

The sector split with it. CrowdStrike and Cloudflare trade near 37x annualized revenue; Zscaler — growing faster than Palo Alto grows organically — trades at 8.5x; Okta at 8.3x; SentinelOne at 5.7x. The market is pricing two different futures for the same industry, and PANW — at ~25x its own latest reported quarter annualized, the same basis as those peer figures — sits in the expensive one. (A companion TON618 sector thematic, The Survivor Premium, maps that two-tier sort across fifteen names; this note is the single name.) Meanwhile the sell side spent August chasing: **fourteen price-target raises and zero cuts in the thirty days into the print** (median raise $70), leaving the mean target at $363 — *below* the market price.

The strongest case for the price *(steelman — stated in its own terms, before we test it)*

The case for owning PANW at $372 is not a forecast of next quarter; it is a claim about the end-state of security. In that end-state, enterprise security consolidates onto two or three control planes, and Palo Alto is the only pure-play certain to be one of them. The AI buildout is a security supercycle: every agent is a new identity, every model a new attack surface, every certificate a post-quantum migration ticket — in management's own filed words, "the latest advancements at the AI frontier have increased the level of urgency around cybersecurity, and redefined the shape of the industry for the coming years." The company just bought the identity anchor (CyberArk) before any rival could. The forward business — NGS ARR — compounds ~28–33% organically and is already 60%+ of run-rate revenue: as it becomes the whole company, *consolidated growth accelerates rather than fades*, which is the single strongest fact for the price and one a fading-growth model structurally understates. Customers are signing for that future now: contracted backlog grows five points faster than revenue. The 40% cash-margin framework has survived three acquisitions and been reaffirmed. Management has earned the benefit of the doubt — every quarter this year beat its own guide, integration is running ahead of plan, and the CEO put $10 million of his own money into the stock at $147 in March. On this view the right comparables are platform franchises at their consolidation moment — Microsoft in 2014, Broadcom in 2020 — which never again looked cheap on spreadsheet math, and a premium revenue multiple on the way to a $25B-revenue platform is what markets have always paid once the end-state became visible.

~28%

Organic growth of the forward book — NGS ARR, already 60%+ of run-rate revenue. The strongest fact for the price, from the company's own disclosure: the fastest-growing part of the company is becoming the company.

The test. We enter the acceleration claim the only way a fading-growth model can: the 22% starting organic rate in our maximum case is the mix-math equivalent of NGS ARR compounding 28–33% while carrying an ever-larger share of the base — so the case that "growth accelerates rather than fades" is priced *into* the result rather than assumed away. That run — 22% growth fading at only 7% a year (double-digit growth sustained into the mid-2030s), terminal cash margins of 45%, *above* the company's own target, stock compensation compressed to 6%, twenty-five years of explicit compounding — is worth **$307 per share**. The remaining $65 of market price is not an operating claim at all — it is a required-return claim. On the steelman's own operating inputs, $371.74 is reached at a cost of equity of about 9.05%, eight-tenths of a point below our 9.84% build; on our base-case operations it takes roughly 5.7%. So the price is the maximum operating case *plus* a below-house discount rate, or a permanently higher multiple regime. Both are legitimate things for a market to price. Neither is something a quarterly print can confirm — which is precisely why our verdict is about the price and not the company.

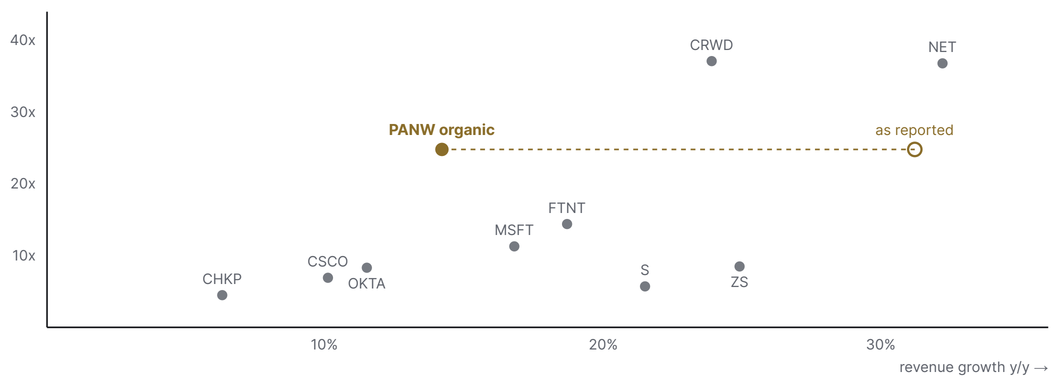
What $372 has to believe

Reverse-engineer the price into beliefs — the discipline that anchors this note — and the market cap of $303B (enterprise value $297B) makes a specific claim. Using our base-case margin path and a 9.84% cost of equity (**ke** — the return equity investors require; built from the 4.67% ten-year Treasury, a two-year regressed beta of 1.22 adjusted to 1.15, and a 4.5% equity risk premium), the organic growth rate that reproduces today's price is:

> **~39% starting growth, fading only ~13% a year — still compounding double-digit a decade out.**

> At a generous 8.8% cost of equity it is 34%; at 10.8%, 42%. Delivered organic growth: ~14–15%.

Two cross-checks say the same thing. Apply the company's FY28 target of a 40% adjusted-FCF margin to our base-case FY28 revenue — its own schedule, our forecast — and *don't* deduct stock compensation: the enterprise value is **46x that number**. And against peers on the same revenue multiple, growth-adjusted, PANW is the most expensive name in the group: about **1.7 turns of EV/revenue per point of organic growth versus 1.55 for CrowdStrike** — modestly above the sector's other premium name, and roughly twice everything else (Cloudflare 1.14, Fortinet 0.77, Microsoft 0.67, Zscaler 0.34).



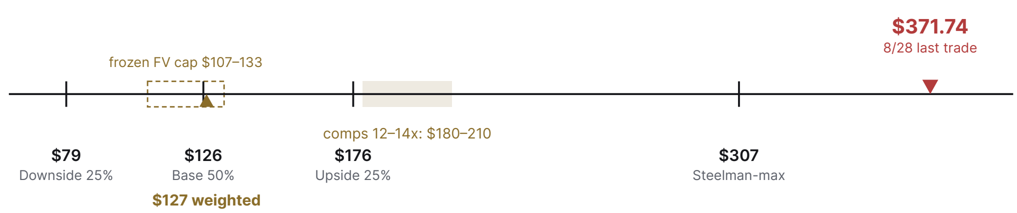
The multiple against the growth that supports it, at the August 28 closes. The two gold markers are the same company on its two tracks: organic growth (solid — the rate the business delivers) and reported growth (hollow — with acquired revenue counted). On either basis the point sits far above the line the rest of the group forms; only CrowdStrike and Cloudflare keep it company. *Basis, stated:* peers trailing-twelve-month y/y; PANW markers latest quarter (bases differ) — Check Point files no quarterly revenue and Cisco has no aligned latest-quarter figure in our snapshot, so a nine-peer latest-quarter plot is not available on our own receipts.

A basis note, so the reader can make the comparison the company would prefer: we deflate Palo Alto to organic growth because roughly a third of its reported rate this year was acquired; the peer rates are as reported, which for this group is effectively organic — no peer carries acquired revenue at a comparable share of its growth. Run it on reported growth for both sides and Palo Alto's ratio drops to ~0.8, still third-highest of the ten — that is the flattering comparison, and it depends on counting purchased revenue as growth in the same breath as paying for it a second time in the market.

Valuation

We value the equity with a multi-stage **FCFE** model (free cash flow to equity — cash the business generates for shareholders, discounted at the cost of equity; chosen because the company pays no dividend and carries trivial net debt), with stock compensation expensed in full and the share count held at 832M. The growth paths run off a **pro-forma revenue base of ~$12.3B** — fiscal 2026 as if CyberArk and Chronosphere had been owned all year — so that acquisition timing neither flatters nor penalizes the trajectory. Three scenarios, weighted:

SCENARIO (WEIGHT)	THE STORY	PER SHARE
Downside (25%)	Microsoft's bundling and AI-native rivals compress growth to low-teens now, single digits fast; platform discounting caps cash margins at 34%	**$79**
Base (50%)	Mid-teens organic growth fading with scale; the FY28 40% cash-margin target met and held; SBC drifts down but stays real	**$126**
Upside (25%)	Identity attach holds ~20% organic growth; margins march past target; SBC normalizes	**$176**
Probability-weighted		**≈ $127**
Maximum defensible (unweighted)	The steelman case above, in full, for 25 years	**$307**



The price sits 21% above the most generous internally consistent construction the house can build.

For the relative anchor we apply 12–14x to annualized reported revenue — the multiple consistent with the growth-adjusted peer line once the two most expensive names are set aside — giving **$180–210 per share**. Blending model and multiples (60/40) puts the central value near **$155**, inside a defensible range of roughly **$125–210**. The market price exceeds the top of that range by about

77%, and the maximum-defensible construction by 21%. Two honest caveats, stated plainly: a reading of this kind would have been in force through most of the 162% rally from February — valuation is not a timing tool; and the largest sensitivity in the model is not any operating input but the multiple regime itself, which our framework does not predict.

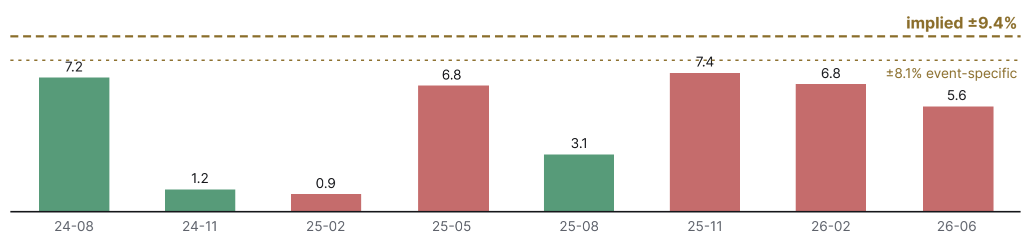
Risks — in both directions

The risk we rank first is **multiple compression without any operating miss** — it already happened once this year (the 36% late-October–February drawdown occurred *while results beat*). Structural risks: Microsoft bundles identity and security into subscriptions enterprises already pay for (its security revenue is put near $37B by third-party estimates — Microsoft does not report security as a line item, and its last self-stated milestone was $20B in January 2023; its Entra identity service passing one billion monthly active identities is a company statement) — the standing threat to every category Palo Alto just spent $24B consolidating; AI that expands the attack surface also automates the security-operations seats some of the company's pricing rests on; and the CyberArk payback depends on cross-sell evidence that cannot exist before the acquisition laps in February 2027. Mechanical risks: a widening GAAP loss under deal amortization, and dilution if replacement stock awards run hotter than modeled. Event risk is live: realized volatility is 54%, and an ordinary bad print-night outcome is −8% to −12%.

Insider behavior cuts both ways and deserves plain statement: insiders sold **$335.6M** over twelve months (CEO Nikesh Arora $172.7M; chief product and technology officer Lee Klarich $137.5M — in a cadence consistent with planned selling, though plan status is not verifiable from the filings), while the CEO's one clearly discretionary act — a **$10.0M open-market purchase at ~$147 in March** — marked where he considered the stock cheap. It now trades at two and a half times that level, above every one of the 98 priced insider-sale trades of the past year (the highest: $353.77, August 25). Short interest offers no cushion either way: at 2.75% of shares (the 12th percentile of its own two-year range, after merger-arbitrage shorts unwound with the February close), there is neither squeeze fuel nor a crowded short to vindicate.

Tuesday night: what the print decides — and what it can't

The September 1 report is the first with a full CyberArk quarter, and it carries the **first fiscal-2027 guide** — the first annual number that must own CyberArk in its base. It is not yet clean of acquisition math: with a February close, FY27's first half still laps pre-CyberArk quarters, worth roughly 8–10 points of *reported* growth (the 9-month pro-forma-vs-actual gap of $847M, grown). The honest yardstick is pro-forma: fiscal 2026 as if the deals were owned all year is ~$12.3B, so a $13.5B guide is about +10% against it — context that matters for reading our own scorecard, and we say so below. The quarter itself is nearly pre-announced: guidance is $3.345–3.355B revenue, $0.96–0.98 adjusted EPS, NGS ARR $8.90–8.95B — and a prediction market prices a beat of the guide *top* at 94.5% (a thin market; we grade it as color). The $0.88 "consensus" quoted on retail feeds sits below the company's own floor and reflects a different reporting basis — that feed ran 15–26% below actuals in every quarter this fiscal year. The information is all in the guide.



Absolute next-session move after each of the last eight prints (jade closed up, oxblood closed down) against what the options market prices for Tuesday. Median realized ±6.2%; down five of eight — including the last three beats.

We froze our scorecard on August 28, before the print (Addendum 1 — thresholds immutable; where later checking found a frozen threshold imperfect, the discrepancy log says how it will be scored honestly rather than silently re-cut). The eight questions, stacked, with what each answer means:

> **Does the FY27 revenue guide reach $13.5B?**
>
> ≥$13.5B is the upside tell as frozen. Scoring caveat, stated now: on the pro-forma base $13.5B is ~+10% — so clearing this bar confirms *scale*, not organic acceleration; the acceleration question is settled by the organic split, not the total. Below $12.9B slides the model toward the downside case. If no annual guide is given — itself a flag from a company that guides every year — we read the Q1 guide's annualization and say so.

Does NGS ARR clear $8.95B — with the organic split shown?

Above its own guide-high continues the beat cadence; the split is what actually matters for the February lap. A total without a split leaves the growth question open, and we will say exactly that — and score it as not-proven rather than as a miss.

Does adjusted EPS hold the $0.96 floor?

Every quarter this year beat its own guide; the first sub-floor print of the era would outweigh its size.

Is the FY27 share-count guide at or under 850M?

Above it, stock-compensation dilution is running hotter than our model charges.

Does the GAAP operating loss narrow from −$183M?

The deal-accounting drag should be peaking; a widening loss says otherwise.

Does contracted backlog (RPO) still grow faster than revenue?

The five-point spread is the platformization-duration story in one number; a negative spread breaks it.

Does the FY27 cash-margin guide step to ≥38.5%?

On the path to the FY28 40% target — or the first retreat from it.

Is any identity metric disclosed as a number?

The $21.1B cross-sell thesis currently rests on adjectives. Silence here *is* the answer: unverifiable until the lap.

What the print cannot settle — frozen in advance so no outcome gets over-read: whether Microsoft's bundle erodes identity economics (a decade-scale question); whether post-quantum and AI-identity demand convert to revenue (no separate disclosure exists); whether CyberArk cross-sell works (first real evidence in February); and whether the multiple regime persists (not an operating variable). Accordingly we pre-committed a bound at the freeze: **no single-print outcome moves our central fair value outside $107–$133.** That bound stands as frozen. A post-freeze model correction (moving the growth paths onto the pro-forma base — the same fix that produced the $127 central value) shifts the equivalent arithmetic to $115–142; the discrepancy log records both, and the post-event addendum will honor the frozen bound while showing the corrected numbers.

The market's own posture into the print, briefly: options price ±9.4% through their Friday expiry — about ±8.1% for the event itself — for a median-±6.2% event; the 25-delta options skew leans to the put side (−3.2 points), while the analyst mean target sits below spot and the last three *beats* closed down 7.4%, 6.8% and 5.6% the next day. (Our frozen file also contains a fitted probability density from the option chain that appears upside-tilted; re-checking found extraction artifacts in it — its mean drifts above the forward and the strike grid truncates — so we set it aside as unreliable rather than lean on it; the discrepancy log carries the detail.) These are reads, not positions; each has a grader and settles on the ledger.

What would change our view *(reversal)*

We move toward the upside case — and withdraw the overvaluation verdict — on any of: an FY27 **organic** revenue guide of 18%+; identity ARR sustaining 25%+ growth for two quarters after the February lap; SBC-inclusive cash margin crossing 30% on a trailing basis; or a durable ~150bp fall in the ten-year Treasury (in which case our discount rate, not the company, was the error — stated symmetrically). Note the deliberate difference in bars: the frozen scorecard's $13.5B gauge is a *reported-dollar* threshold that can be graded off the release within minutes; this reversal's 18% *organic* bar is the analytical standard the gauge approximates, and where the two diverge — an acquisition-flattered total clearing $13.5B without the organic engine accelerating — the analytical bar governs the house view and the gauge is scored as frozen, with that gap stated. We harden toward the downside on: an FY27 guide below $12.9B; identity growth under 15% within two quarters of the lap; backlog growth falling behind revenue growth; or a share guide above 850M.

Recommendation

No position into the print; do not chase. For the fund, the interesting moments are on the other side of it: if the market sells a third consecutive good print, the marginal buyer at ~25x revenue is exhausted and relative-value structures within the sector's two-tier pricing become attractive; a fundamentals-based entry into PANW itself is a conversation that begins near **$210** — the top of our defensible range — should the regime ever offer it, with the February CyberArk lap as the natural underwriting point. At 54% volatility and a fair-value distribution entirely below the price, any directional position here is a bet on the regime, not the valuation, and is sized accordingly under house rules — which is to say, small or not at all.

Sources & Method

All figures trace to the Phase 0 evidence manifest (`data/PANW/2026-08-29-030611/manifest.json`; 23 feeds, snapshot August 28–29, 2026) and to archived computation scripts. Every modeled number comes from filings, exchange data, or the archived model; two context figures are not from filings and are labeled where used — Microsoft's ~$37B security revenue is a third-party estimate (the company's last self-stated milestone was $20B, January 2023), and Entra's one billion identities is a company statement carried by press. Primary sources: the FY2025 10-K (filed 2025-08-29); FY2026 10-Qs (Nov 2025, Feb 2026, Jun 2026 — deal accounting and the pro-forma revenue table from the FQ3 10-Q Note 7); 8-Ks including the July 30, 2025 merger agreement, the February 11, 2026 close (deal terms verified as filed: $45.00 + 2.2005 shares; consideration $21,061M), and the four earnings releases with their guidance blocks; SEC XBRL company facts for PANW, CyberArk and nine peers; per-trade insider prices from the parsed Form 4 index (`normalized/insider_form4_index.json`, 98 priced sale trades). Market data: Robinhood (quotes, fundamentals, two-year daily bars, verified earnings date), FINRA short interest via Massive, FRED (rates), yfinance (analyst targets), Schwab option chain (implied move — frozen 2026-08-28T21:35:44 in `research/panw-q4-fy26/data/rubric.json`). Model: multi-stage FCFE on the pro-forma FY26 base (~$12.27B), mid-year discounting, SBC expensed once, constant 9.84% cost of equity across scenarios (beta: 1.22 regressed, Blume-adjusted 1.15), explicit fade to terminal growth ≤4%; the house DCF gate passes with zero warnings (`dcf_check_result.json`). Known gaps, stated: earnings-call transcripts (vendor-gated; management quotes come from filed releases), 13F/proxy ownership detail, licensed sentiment data; FY26 SBC is an estimate pending the 10-K. Scenario weights, the 4.5% equity risk premium, and the Blume beta adjustment are house judgment inputs, labeled as such. Post-freeze corrections and how the scorecard will handle them are itemized in `DISCREPANCY_LOG.md`. The exhaustive working draft this note distills is archived alongside (`PANW_exhaustive_draft.md`).

Addendum 1 (frozen pre-event stack): below — the immutable gauge table, module reads and the frozen $107–133 fair-value move cap, locked 2026-08-28T21:35:44.
Addendum 2 (post-event scorecard): published September 2 as *The Platform Delivered. The Backlog Blinked.* — scoring all eight frozen gauges, scoring all eight frozen gauges — none added, none dropped, misses first — with the discrepancy log's scoring caveats applied in the open. It is not part of this document; once live it will be linked from this page and from the research library.

ADDENDUM 1 · THE PRE-EVENT STACK, FROZEN · FQ4 FY2026 PRINT, TUESDAY SEPTEMBER 1, 2026, AFTER THE CLOSE

RUBRIC FROZEN · 2026-08-28 · 21:35 · RESEARCH/PANW-Q4-FY26/DATA/RUBRIC.JSON

This addendum is the commitment half of the event pair: the scoring rubric, the market reads at freeze, and the bounds on how far the fair value may move on any single-print outcome — all fixed **before** the evidence exists. Addendum 2 (the post-event stack) scores it after the print as a separate follow-up note; the signpost at the end of this document states what that note must contain.
Registry: pair `panw-q4-fy26` is PENDING in `research/event-pair/pending.json`; the frozen archive lives at `research/panw-q4-fy26/data/rubric.json` and is mirrored into the Phase 0 snapshot (`data/PANW/2026-08-29-030611/raw/event_pair_freeze/`).

Fair value at freeze: $119 probability-weighted (as computed at freeze, before the post-freeze model correction — from the exhaustive draft's multi-stage FCFE; bear $74.43 / base $117.86 / bull $164.78). **Spot at freeze:** $371.74 official 2026-08-28 close (the Schwab quote at plan time read $372.18; both documented, close is authoritative). **Consensus note:** the widely-quoted $0.88 EPS "consensus" sits below the company's own $0.96–0.98 guide floor and reflects a different reporting basis (that feed ran 15–26% below actuals every quarter this fiscal year); the Polymarket resolution threshold ($0.98) confirms the market's effective bar is the guide top.

Pre-committed FV move cap: no single-print outcome moves the central FV outside **$107–$133**. Arithmetic: re-weighting bounds on the frozen scenario values — bear-to-40% = 0.40×74.43 + 0.45×117.86 + 0.15×164.78 = **$107.53**;

bull-to-45% = 0.45×164.78 + 0.40×117.86 + 0.15×74.43 = **$132.45**. Scenario *values* move only from an archived model rerun in Addendum 2, and only if the release changes a model input (guide, margins, share count) — not from the tape's reaction.

1. The frozen gauge table (8 gauges; every one has a silence branch; the post scores all of them, none added, none dropped)

#	GAUGE ID	QUESTION THE PRINT ANSWERS	CLEARED IF	SILENCE BRANCH (WHAT NOT-GIVEN MEANS)
1	`pq4-fy27-rev-guide`	Does the first clean FY27 guide validate the growth algorithm?	FY27 revenue guide midpoint ≥ $13.5B (+18% on the $11.42B base); bear tell < $12.9B	No FY27 revenue guide → not-given; read FQ1-27 guide's implied annualization and say so; withholding an annual guide they give every year is itself a flag
2	`pq4-ngs-arr`	Does NGS ARR clear its own guide high with the organic split shown?	NGS ARR ≥ $8.95B; split disclosure recorded separately	Total without organic/acquired split → grade total only; absent split degrades gauge 1's organic reading to reported-only, stated in the post
3	`pq4-eps-guide-floor`	Does the beat cadence hold?	Non-GAAP EPS ≥ $0.96 (own guide floor)	Always reported; release delayed past 9/2 → not-given, window extends
4	`pq4-fy27-sharecount`	Is dilution contained to the modeled 832M?	FY27 share guide midpoint ≤ 850M	No FY27 share guide → annualize the FQ1-27 guide; neither → not-given, 10-K (~late Sep) resolves
5	`pq4-gaap-path`	Is the deal-accounting drag peaking?	FQ4 GAAP operating income > −$183M (sequential improvement)	GAAP tables always present; absence = delayed release
6	`pq4-rpo-spread`	Does duration still lead revenue?	RPO yoy growth − revenue yoy growth > 0 (FQ3 spread was +5pp; guide implies it compressing)	Only cRPO given → grade on cRPO, note the basis switch

7	`pq4-afcf-path`	Does FY27 step back toward the FY28 40%+ target?	FY27 aFCF margin guide ≥ 38.5%	No FY27 aFCF guide AND no FY28 reaffirmation → not-given AND a posture change (guided every year), flagged in the post
8	`pq4-identity-number`	Is the CyberArk cross-sell claim numerically verifiable yet?	Any quantified identity metric disclosed (ARR, platformizations, retention)	Adjectives only → not-given by construction; silence IS the negative branch — the $21.1B cross-sell thesis stays unverified until the Feb-2027 lap

Gauges are registered as `triggers:` on the `panw-q4-fy26` house_view record, catalyst-dated 2026-09-01.

2. Module reads at freeze (each read has its grader; probabilistic reads grade as ledger rows, never “missed”)

Options (implied move) — the gap flagged in the draft, now closed. Sep-4 weekly chain (Schwab, 8/28): ATM straddle $34.98 on spot $371.59 → **implied move ±9.4%** through the reaction session (ATM IV 86.2%; 25-delta skew −3.2, put side bid). Realized history: median absolute reaction ±6.2% over the last 8 prints, mean ±4.9%, max ±28.4% (12q); the stock closed **up after only 3 of the last 8 prints** — including down-moves after three consecutive beats (−7.4%, −6.8%, −5.6%). Presented as information per the 2026-08-27 ruling: the module's rich/fair/cheap diagnostic (this read: implied/realized ratio 1.51, “rich”) is a ledger entry that keeps accruing a record, **not a note claim**. Grader: realized reaction vs the frozen numbers; options ledger row.

Risk-neutral density (RND — the option market's own probability distribution). Breeden-Litzenberger on the same expiry: risk-neutral mean $378, sd 10.4%, **tilted upside**: P(close ≥ +10%) = 26.2% vs P(close ≤ −10%) = 15.2%; P(below spot) = 44%; P(above the $398.88 all-time high) ≈ 33%. The market's own density leans toward new highs into the print. Grader: the realized close's percentile inside this frozen density; across pairs, calibration.

Prediction markets. One contract kept (Polymarket, thin at $407 volume): “Will PANW beat quarterly earnings?” — resolution threshold **$0.98 non-GAAP EPS, priced YES at 94.5%**. The market treats a beat of the guide *top* as near-certain. Grader: before → after probability and resolution. (Thin volume stated; color-grade.)

Short interest / positioning (house gate: TRIPPED, structure). SI 22.4M shares (8/14 settlement) = 2.75% of SO, DTC 3.95, **12th percentile of its own two-year history**; the two-year series is dominated by the merger-arb episode (43.55–49.94M short Sep-25→Jan-26 hedging the 2.2005-share CyberArk consideration, collapsing to ~23M within two settlements of the 2026-02-11 close) and carries a convertible-notes structure flag. Read: the print meets a market with **no crowded short to squeeze and no fresh short pressing** — positioning can't fuel the upside branch. Grader: `positioning.py --outcome` at the next settlement; gate ledger row logged.

Analyst revisions (author-supplied; FMP analyst plan-gated, yfinance basis). 14 price-target raises, 0 cuts, in the 30 days into the print — median raise $70, mean $73 (largest: Mizuho 305→415, RBC 330→434; the frozen tells/revisions.json read-text says "~+$80" — an arithmetic slip, corrected here and logged), ratings mix effectively unchanged (44 buy-class / 10 hold / 1 sell now; 45/9/1 a month ago). Mean target $362.71 — **below spot**. The sell side chased the August tape into the event; expectations are marked to the run, not to the guide. Grader: actual vs consensus-at-freeze; post-print PT drift direction.

Insider posture. 13 Form 4s in the 90 days pre-print; the 12-month picture (Phase 0G): $335.6M sold (CEO Arora $172.7M, chief product & technology officer Klarich $137.5M, cadence consistent with plan-based selling; plan status not machine-verified) against the CEO's **$10.0M open-market buy at ~$146.87 in March 2026** — the buy marks where he called it cheap; the resumed selling ($265.00–353.77 prints across June–August, per the parsed per-trade table) marks the supply range. Spot is above all 98 priced insider-sale trades of the trailing year. Governance datum, 11 days pre-print: an Executive Change-in-Control and Severance Policy adopted 8/20/26 covering Arora, Golechha, Jenkins, Klarich (8-K 8/21; reads as housekeeping; noted because it is new and pre-print). Grader: Form 4s in the 30 days after.

Filing readiness. No shelf on file; no ATM; no lock-up mechanics (mature issuer); recent 8-Ks are the convert-settlement and results filings already in the draft plus the 8/21 comp-policy filing. Nothing on file that converts a good print into immediate supply. Grader: any capital-markets 8-K in the window.

Peer read-through (author-supplied). Latest reported quarters, aligned yoy: CRWD +25.8% (Jul-q, reported into the same tape), NET +35.9%, FTNT +25.6%, ZS +25.4% (Apr-q; Jul-q prints Sep), S +20.6%, OKTA +10.6%, MSFT +18.3%. The growth tier's median ≈ 25%; the scaled tier 10–18%. PANW's ~14.5% organic sits at the scaled-tier boundary; a FY27 **organic** guide of 14–20% is peer-consistent, and the ≥18% upside tell requires growing at the growth-tier median at 4x their scale. Grader: PANW's FY27 organic guide vs the frozen 14–20% peer-implied range.

3. Sensitivity — named channels, not a lookup table

Channel 1: the FY27 revenue guide (gauge 1). Moves our base g_0 between 14% and 18%; the FV consequence is bounded by the cap ($107–133). The market's consequence is not: at 22× run-rate revenue, the same ±$300M of guide plausibly moves the price ±$25–45.
Channel 2: the share count (gauge 4). Each 10M shares above 832M is ≈ −1.2% of per-share FV mechanically.
Channel 3: margin path (gauges 5, 7). GAAP trajectory and the FY27 aFCF guide move the SBC-inclusive margin line; ±1pp of terminal margin ≈ ±3% of FV — the smallest channel, deliberately.
Channel 4: the multiple regime — explicitly NOT a model channel. A ±10% reaction with no change in gauges 1–8 changes nothing in the framework and will be written up that way.

4. What this print cannot settle (frozen verbatim from the draft)

Whether Microsoft's bundle erodes identity economics (decade-scale); whether PQC/agentic-identity demand converts to revenue (no separate disclosure exists yet); whether the CyberArk cross-sell works (first real evidence at the February 2027 lap, gauge 8 only tests *disclosure posture*); whether the multiple regime persists (not an operating variable). **Therefore:** no outcome Tuesday validates or refutes the $119 central value — the print tests operations; the price is a claim about 2035. FV moves, if any, stay inside $107–133 and must come from the archived model rerun.

5. Tells — what the market is paying to be wrong about (reads, not positions)

1. Options pay ±9.4% for a print whose median realized move is ±6.2% — and the last three *beats* closed down.
2. The RND tilts upside (26% for +10%, 15% for −10%) while the mean sell-side target sits $9 below spot — the option market and the analyst market disagree about which side is heavy.
3. Polymarket prices a beat of the guide **top** at 94.5% — the beat itself carries no

information at that price; only the FY27 guide can surprise.
4. Positioning is empty: 2.75% SI at the 12th percentile — neither squeeze fuel nor pressing shorts; whatever moves the tape Tuesday is long-only money changing its mind.
5. Fourteen PT raises into the print, zero cuts, median +$70: the revision cycle is fully spent at the freeze.

6. Reversal (mirror of the note's)

We move toward the bull and withdraw the overvaluation verdict on: FY27 organic guide ≥18% (gauge 1 bull branch); identity ARR ≥25% growth sustained two quarters post-lap; SBC-inclusive FCF margin crossing 30% TTM; or a durable ~150bp fall in the 10-year (a ke error, not an operating one — stated symmetrically). We harden toward the bear on: FY27 guide <$12.9B; identity growth <15% within two quarters of the lap; RPO spread ≤0; share guide >850M.

ADDENDUM 2 — POST-EVENT STACK — now live as *The Platform Delivered. The Backlog Blinked.* (September 2). *(published as a separate follow-up note, only after the September 1 print; linked here and from the research library once live)*. When run: the model rerun lands before prose; all 8 frozen gauges are scored (cleared / missed / not-given per the silence branches), none added, none dropped, misses first and in the highlighted layer; FV moves only inside $107–133 unless the post explicitly argues the framework changed against this addendum's own §4; module graders run per §2, with pending graders published as PENDING with resolution dates; the pair closes on the house ledger; and the scorecard is the receipt near the end, never the spine.

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