Palo Alto Networks

POST-MORTEM · PANW · CYBERSECURITY

Post-Mortem

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Wrong, and caught

LOSS · Long PANW · -7.10% · Cybersecurity

Other trades in PANW: C-08 (short, March to April 2026, (11.9%)). This was the first of two Palo Alto trades and the only long; both lost money. The stock rose 83% in the eleven months after this exit.

The Original Thesis

As submitted to the committee:

Palo Alto Networks had consolidated more than 1,250 customers onto its platform bundles by the fiscal third quarter of 2025 and next-generation security ARR was growing 34%. The submission argued that the platformization programme, which had depressed billings growth for a year through free-period incentives, would show its payoff in fiscal 2026 as those periods expired, and that the pending identity acquisition would extend the platform into the one category it lacked.

The mechanism: The August fiscal fourth-quarter report and fiscal 2026 guide show next-generation security ARR above $5.5 billion and the first year of billings acceleration since the programme began.

The magnitude: A target of $240, 17% above entry, at 15 times fiscal 2026 revenue.

The catalyst: Fiscal fourth-quarter 2025 results, August 18, 2025.

The stop: $173.94, 15% below entry.

What Happened

The stock fell to $173.60 at the July month-end, through the stop, after the company announced on July 30, 2025 the acquisition of CyberArk for $25 billion in cash and stock, a 26% premium. The breach was reviewed at the August 1 session and held to the catalyst under the review provision then in force.

On August 18, 2025 the company reported fiscal fourth-quarter next-generation security ARR of $5.6 billion, up 32%, and guided fiscal 2026 revenue to $10.5 billion. The stock closed August at $190.52 and September at $203.62, back near entry.

The stock closed October at $220.24, above entry, and November at $190.13 after a fiscal first-quarter report on November 19 that met guidance but carried a dilution estimate for the CyberArk deal above what the market had modelled. The committee closed at the November month-end on the written rationale that the thesis now depended on an integration the submission had not underwritten.

Palo Alto closed at $347.25 on October 21, 2026, 83% above the exit, as the CyberArk deal closed and the identity revenue consolidated. The firm shorted the stock in March 2026 (C-08) and covered under the one-month review rule, before the stop, at a 12% loss.

Was the Thesis Right?

Wrong, and caught.

-7.10%
Loss · PANW

Direction	Long
Entry	$204.64
Exit	$190.13
Return	**-7.10%**
Days held	151
Error classification	Analytical

Exhibit 1: Position summary

Trade ID	C-06
Ticker	PANW
Vertical	Cybersecurity
Committee session	IC-02, June 30, 2025
Days held	151
Cost basis	$3,479
Realized loss	$247
Exit reason. Exited after acquisition-driven multiple pressure.	
Entry price	$204.64
Exit price	$190.13
Entry date	June 30, 2025
Exit date	November 28, 2025

Source: Point Alpha Capital execution record

Exhibit 2: PANW price path, entry to exit



Source: Point Alpha Capital execution record. Entry and exit prices only; no intraday path is shown.

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Forecast Versus Actual

Exhibit 3: Forecast Versus Actual

Item	Submitted	Actual	Result
Next-generation security ARR, fiscal Q4 2025	Above $5.5 billion	$5.6 billion	Met
Fiscal 2026 revenue guide	Above $10.3 billion	$10.5 billion	Beat
Billings acceleration	First year of acceleration	Billings metric discontinued; RPO up 24%	Not comparable
Price at catalyst (August 18)	$240 target	$190.52 at August month-end	Below target
Stop	$173.94	Breached July 31; held under review; exited $190.13	Loss contained to 7%

Source: Company data, Point Alpha Capital Research

Where the Analysis Was Wrong

The company delivered the numbers the submission forecast and the stock went nowhere, because the market was pricing a $25 billion acquisition the submission had described as an extension of the platform and the market read as a dilution of it. The analysis treated the identity acquisition as a positive without sizing it; a deal equal to 20% of the company's market value is a change in the thesis, not an addendum to it. Once the deal was announced the position should have been re-underwritten on the pro forma company, and it was not until November. The eventual outcome, an 83% rise after the deal closed, shows the acquisition thesis was right; the trade was wrong because it held a pre-deal thesis through a post-deal stock.

Error Classification: Analytical

Analytical. The submission named the acquisition as a positive and did not model it; when it was announced at a price that moved the stock through the stop, the thesis was not re-underwritten. The loss was contained by the exit at 7%, but the position carried the wrong thesis for four months.

What Changes

1. An announced acquisition above 10% of the acquirer's market value triggers a re-underwrite of any open position at the next session, with the pro forma figures in writing. Adopted at IC-07.
2. The review provision that held a stop breach to a catalyst was removed from the vertical at IC-10 on this trade and C-07.
3. What does not change: the platformization read, which played out in fiscal 2026. The firm was right about the company and wrong about what to do when the company changed.

Sources

1. Palo Alto Networks. Fiscal Fourth Quarter 2025 Results and Earnings Call. August 18, 2025.
2. Palo Alto Networks. Form 8-K, CyberArk acquisition agreement. July 30, 2025.
3. Palo Alto Networks. Fiscal First Quarter 2026 Results. November 19, 2025.
4. Point Alpha Capital execution record, trade C-06; Nasdaq historical closing prices.

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