



# Palo Alto Network's Acquisition of CyberArk

## Securing the Last Mile: PANW's \$25B Bet on CyberArk

**Transaction Highlights:** On July 30, 2025, Palo Alto Networks announced a definitive agreement to acquire CyberArk in a cash-and-stock transaction valued at \$25 billion. Under the terms, CyberArk shareholders will receive \$45.00 in cash + 2.2005 shares of PANW for each CyberArk share, which implies a 26% premium to CyberArk's unaffected 10-day Volume-Weighted Average Price VWAP as of July 25, 2025.

The deal is expected to close in the second half of Palo Alto's fiscal 2026 (subject to CyberArk shareholder approval and regulatory clearances). Strategically, the acquisition marks Palo Alto's formal entry into Identity Security as a new core platform, pairing CyberArk's identity security with Palo Alto's broader AI-powered security platforms. Financially, management expects the deal to be revenue growth and gross margin accretive post-close, with free cash flow per share accretion in FY2028.

On the buyside, J.P. Morgan Securities is acting as financial advisor to Palo Alto Networks, while Catalyst Partners is acting as sell-side advisor to CyberArk.

**Rationale:** This acquisition is meant to strengthen Palo Alto Networks' cybersecurity platform by adding identity security, an area that has become increasingly important as stolen usernames and passwords are often used to break into systems. As companies rely more on cloud computing, remote work, and AI-driven tools, protecting both people and automated systems from unauthorized access has become more challenging. Palo Alto Networks has pointed to two major trends it wants to address: 1) Bringing together many separate identity security tools into a single platform and 2) Protecting the growing number of machine and AI-based identities. CyberArk is a leader in identity security, helping organizations safeguard their most sensitive accounts.

By combining Palo Alto Networks' scale and AI-powered security tools with CyberArk's identity expertise, the companies aim to offer a more complete and easier-to-manage security solution. The expected synergies include faster detection and response to attacks and less complexity for customers that currently rely on many different security products. Importantly, Palo Alto Networks has stated that CyberArk's identity security products will continue to work on their own, with the goal of still providing more value when used alongside Palo Alto Networks' broader security platform.

**Valuation:** Following this transaction, we expect accretion of 2.5%.

Consortium Research Group  
TMT | Cybersecurity  
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Transaction value:	\$25bn
EPS Target:	\$5.53

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Current EPS:	\$5.40
Potential Accretion:	2.5%
Ticker:	\$PANW \$CYBR

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## Company Overviews

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**Acquirer (Palo Alto Networks)** — a scaled cybersecurity platform company. Headquartered in Santa Clara, California, Palo Alto Networks (“PANW”) is one of the largest cybersecurity companies in the world. The company has built an integrated security platform that spans network security, cloud security, and security operations, serving large enterprises, governments, and mid-sized organizations. PANW sells software and services that help organizations prevent cyberattacks, monitor threats, and respond quickly when breaches occur.

At the time of the late-July 2025 CyberArk announcement, Palo Alto Networks was already operating at significant scale with strong financial momentum. For FY2025 (ended July 31, 2025), PANW reported approximately \$9.2 billion in revenue, reflecting continued double-digit growth driven by subscriptions and platform adoption. The company also reported Next-Generation Security ARR of roughly \$5.6 billion, highlighting a large and growing base of recurring revenue, as well as a substantial contracted backlog. PANW has been highly cash generative, with strong free cash flow margins, giving it the financial flexibility to invest in innovation and pursue large strategic acquisitions.

**Target (CyberArk)** — CyberArk is an identity security company headquartered in Petach-Tikva, Israel, with its primary U.S. operations based in Newton, Massachusetts. The company specializes in protecting the most sensitive access points within an organization. Its products focus on privileged access, including administrator accounts, high-risk user credentials, and machine or service identities. In practice, CyberArk helps organizations ensure that only authorized users and systems can access critical assets, and that this access is closely controlled, monitored, and protected from misuse.

Leading into the July 30, 2025 deal announcement, CyberArk was in a period of strong growth and scaling its subscription-based business. In Q2 2025 (ended June 30, 2025), the company reported \$1.27 billion in ARR, \$328 million in quarterly revenue, and nearly \$1.9 billion in cash, deposits, and marketable securities. CyberArk’s revenue is largely recurring and driven by enterprise customers, making highly visible. These metrics positioned CyberArk as a scaled, fast-growing identity security leader, large enough to represent a meaningful new platform for Palo Alto Networks, yet still small relative to PANW’s broader business, allowing the acquisition to be strategically transformative.

## Investment Theses

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We believe this is a good deal for Palo Alto Networks, with compelling strategic rationale and a 2.5% potential accretion of its earnings-per-share (EPS).

**Strategic Upside:** The acquisition of CyberArk enables Palo Alto Networks to establish identity security as a new core pillar within its cybersecurity platform. As cyber threats increasingly steal credentials, identity has become a point of control in modern security. Palo Alto Networks has stated that credential-based attacks account for a significant share of ransomware incidents, emphasizing the importance of securing both human and machine identities. By acquiring CyberArk, a recognized leader in identity management, Palo Alto Networks expands its addressable market and positions itself to benefit from long-term growth in identity security. The transaction creates a compelling cross-selling opportunity. Palo Alto Networks contributes a broad global enterprise customer base, while CyberArk brings penetration in identity security. Integrating CyberArk’s capabilities into Palo Alto Networks’ broader platform strengthens the company’s value proposition for customers wanting end-to-end security solutions from a consolidated group (Palo Alto).

**Platform Strength and Financial Discipline:** Identity security is widely viewed as a highly durable segment of cybersecurity, as the systems are deeply embedded within customer environments and are difficult to replace once deployed. By combining CyberArk's identity capabilities with Palo Alto Networks' existing security operations, the company aims to enhance customers' ability to respond to attacks. This platform-based approach differentiates Palo Alto Networks from competitors that rely primarily on standalone solutions. From a financial perspective, management has outlined clear expectations for the transaction's contribution to shareholder value. The cash-and-stock consideration structure supports balance sheet flexibility while enabling Palo Alto Networks to pursue a strategic transaction. Overall, the acquisition represents an effort to add a growth engine that complements Palo Alto Networks' existing platform and supports long-term value.

## Projections

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Acquirer Financial Profile	
Fully Diluted Shares Outstanding	709.3
Current Share Price	\$204.50
<b>Equity Value</b>	<b>\$145,052</b>
EPS (TTM)	\$5.40
P/E Multiple	37.9x

  

Transaction Assumptions	
Offer Price Per Share	\$479.01
% Offer Premium	26.0%
Offer Value (1)	\$25,000

  

Pro Forma Financials	
Consolidated EBT	\$4,677
Less: Interest Expense and Financing Fees	—
Less: Transaction Fees	(200)
Plus: Synergies, net	2,500
Less: Incremental Depreciation	(1,301)
<b>Pro Forma Adjusted EBT</b>	<b>\$5,676</b>
Less: Taxes	(1,135)
<b>Pro Forma Net Income</b>	<b>\$4,541</b>

Target Financial Profile	
Fully Diluted Shares Outstanding	52
Current Share Price	\$380.17
<b>Equity Value</b>	<b>\$19,841</b>
EPS Estimate (2)	(\$2.12)
P/E Multiple	-179.3x

  

Form of Consideration	
% Stock	90.9%
% Cash	9.1%

  

Pro Forma EPS	
Pro Forma Net Income	\$4,541
Pre-Deal Acquirer Shares Outstanding	709
Plus: New Shares Issuances	111
<b>Pro Forma Diluted Shares</b>	<b>820</b>

  

Pro Forma EPS	
% Accretion / (Dilution)	2.5%

## Post-Merger Outlook

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**Short term:** In the near term, the biggest priority is execution. CyberArk's identity tools sit at the center of customers' most sensitive systems, so Palo Alto Networks has strong incentives to keep CyberArk's products and customer support running normally while integration begins. Practically, the first phase is likely to focus on introducing CyberArk's identity products to Palo Alto's large enterprise customer base. As CyberArk's customers already prioritize identity security, Palo Alto can use that relationship to gain customers in its broader offerings. Financially, the deal is positioned to support revenue growth and gross margin soon after closing, while the meaningful cash flow impact is expected to come later once synergies ramp. Due to such upside, management is unlikely to force cost-cutting if it could disrupt integration execution or customer retention. In short, the first few months to a year post-close for Palo Alto Networks is about maintaining CyberArk's growth, expanding the cross-selling avenues, and avoiding customer churn.

**Long term:** Over the longer term, the success of the acquisition depends on whether Palo Alto Networks can turn CyberArk into a real platform pillar rather than a standalone product line. Identity security tends to have value because companies do not change privileged access systems lightly. Once deployed, customers often expand usage of systems across more employees, applications, and machine identities. That creates a strong base for steady growth if Palo Alto can execute well. The strategic upside is highest if Palo Alto Networks can show customers that tighter integration delivers better protection against credential-based attacks. If that value is clear, customers have a reason to consolidate more of their security spend with Palo Alto Networks, which

can improve retention. CyberArk's reputation is built on being a support service to crucial identity infrastructure. If customers believe CyberArk's integration reduces quality, competitors could take advantage and offer more alternatives. Thus, the best-case outcome is a balance: Palo Alto keeps CyberArk's identity business strong on its own, while gradually proving that the combined platform delivers better outcomes and security for large enterprises.

## Transaction Risks

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**Purchase Price and Accretion Risk:** This is a very large acquisition relative to CyberArk's revenue base, and the market will judge it on whether Palo Alto Networks can turn the deal into meaningful cash flow per share accretion within the timeline management has laid out (FY2028 for FCF/share accretion). That creates a clear risk: if growth slows, or cross-selling takes longer than expected, investors may view the deal as financially "expensive" even if it is strategically sound because of the time taken for growth to be realized. In short, the risk is not that identity security is unattractive, it's that the company has less room for error if the synergy ramp is slower than planned.

**Go-to-Market Risk:** CyberArk sells into a very specific buyer mindset. Identity and privileged access are often treated as mission critical. That creates friction risk when you combine other sales motions of Palo Alto Networks. If Palo Alto Networks pushes too hard on platform packaging early, customers may resist because identity buyers tend to prioritize long-term roadmap stability over bundled discounts. There's also a channel risk: identity security is heavily influenced by systems integrators and partners. Any changes to partnerships, sales rules, or positioning can disrupt growth. While commercial upside is real, the risk is that execution becomes more complex with customer hesitation.

**Earnings Dilution/Profitability Risk:** CyberArk's earnings profile is less mature than Palo Alto Networks', which creates a risk of near-term EPS dilution. CyberArk has been investing heavily in growth, so its profits may not immediately offset the added costs Palo Alto takes on from the acquisition. In the first few years, reported earnings could be pressured by integration expenses and a higher share count from the stock portion of the deal. While management expects the transaction to become accretive over time, particularly on a free cash flow basis, this depends on CyberArk maintaining strong growth and gradually improving margins. If synergies take longer to materialize, the period of weaker EPS could extend, making the deal appear expensive in the near term even if the long-term strategy remains sound.

## About \$PANW and \$CYBR

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Palo Alto Networks (\$PANW), founded in 2005, operates as a global cybersecurity company. It provides enterprise security software and services that help organizations prevent cyberattacks and detect/respond to threats across their networks, cloud environments, and security operations. Headquartered in Santa Clara, California, Palo Alto Networks serves customers worldwide and is known for its platform approach: bringing multiple security capabilities together so large organizations can manage security more consistently. The company's core goal is to reduce cyber risk for its customers by delivering scalable security that can adapt to a changing cyber-threat landscape.

CyberArk (\$CYBR), founded in 1999, operates as an identity security company focused on privileged access. It helps organizations protect their most sensitive accounts and credentials (administrator access, high-risk user privileges, and machine/service identities) so only authorized users and systems can access critical assets.

Headquartered in Petach-Tikva, Israel, CyberArk is known for its leadership in privileged access management and its presence in large enterprises where identity controls are essential. The company's goal is to reduce credential theft and preventing misuse of privileged access across evolving IT environments.

## Disclosures & Ratings

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## Appendix

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<b>Merger Model</b> (\$ in millions except per share figures)	
<b>Acquirer Financial Profile</b>	<b>Target Financial Profile</b>
Fully Diluted Shares Outstanding	709.3
Current Share Price	\$204.50
Equity Value	\$145,052
EPS (TTM)	\$5.40
P/E Multiple	37.9x
Fully Diluted Shares Outstanding	52
Current Share Price	\$380.17
Equity Value	\$19,841
EPS Estimate (2)	(\$2.12)
P/E Multiple	-179.3x
<b>Transaction Assumptions</b>	<b>Form of Consideration</b>
Offer Price Per Share	\$479.01
%Offer Premium	26.0%
Offer Value (1)	\$25,000
%Stock	90.9%
%Cash	9.1%
Cash/ Debt Toggle	—
<b>Cash Consideration (All-Debt Funded)</b>	<b>Stock Consideration</b>
Offer Value	\$25,000
%Cash	9.1%
Total Debt Financing	\$2,275
Financing Fee	\$45
Financing Fee % Total Debt	2.0%
Borrowing Term	5 Years
Financing Fee Amortization	\$9
%Interest Rate (3)	7.0%
Annual Interest Expense	\$159
Offer Value	\$25,000
%Stock	90.9%
Stock Consideration	\$22,725
Number of Acquirer Shares Issued	111
<b>Deal Assumptions</b>	<b>Asset Write-Ups</b>
Synergies, net (4)	\$2,500
Transaction Fees	\$200
Transaction Fees % Offer Value	0.8%
% Allocation to PP&E (6)	1.0%
Useful Life Assumption	12 Years
Incremental Depreciation	\$20
% Allocation to Intangibles (6)	65.0%
Useful Life Assumption	12 Years
Incremental Amortization	\$1,282
<b>Purchase Price Accounting</b>	<b>Accretion/Dilution Analysis</b>
Offer Value	\$25,000
Less: Net Tangible Book Value (5)	(1,340)
Purchase Premium	\$23,660
Less: PP&E Write-Up	(237)
Less: Intangibles Write-Up	(15,379)
Plus: Deferred Tax Liability (DTL)	3,123
Goodwill Created	\$11,167
Target Standalone Net Income	(\$111)
% Tax Rate	—
Earnings Before Taxes (EBT)	(\$111)
<b>Pro Forma Financials</b>	<b>Pro Forma EPS</b>
Consolidated EBT	\$4,677
Less: Interest Expense and Financing Fees	—
Less: Transaction Fees	(200)
Plus: Synergies, net	2,500
Less: Incremental Depreciation	(1,301)
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Pre-Deal Acquirer Shares Outstanding	709
Plus: New Shares Issuances	111
Pro Forma Diluted Shares	820
Pro Forma EPS	\$5.53
% Accretion / (Dilution)	2.5%