

**ZSCALER, INC.**  
**Supplemental Financial Information**  
**Explanation of Non-GAAP Financial Measures**

In addition to our results determined in accordance with generally accepted accounting principles in the United States of America (GAAP), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In particular, free cash flow is not a substitute for cash provided by operating activities. Additionally, the utility of free cash flow as a measure of our liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation of our historical non-GAAP financial measures to their most directly comparable financial measures stated in accordance with GAAP has been included in this Supplemental Financial Information. Investors are cautioned that there are a number of limitations associated with the use of non-GAAP financial measures and key metrics as analytical tools. Investors are encouraged to review these reconciliations, and not to rely on any single financial measure to evaluate our business.

**Expenses Excluded from Non-GAAP Measures**

Stock-based compensation expense is excluded primarily because it is a non-cash expense that management believes is not reflective of our ongoing operational performance. Effective August 1, 2020, the beginning of our fiscal year ended July 31, 2021, we have presented employer payroll taxes related to stock-based compensation, which is a cash expense, as part of stock-based compensation expense in our non-GAAP results. These payroll taxes have been excluded from our non-GAAP measures as these are tied to the timing and size of the exercise or vesting of the underlying equity awards and the price of our common stock at the time of vesting or exercise, which may vary from period to period independent of the operating performance of our business. Prior period amounts have been recasted to conform to this presentation. Amortization expense of acquired intangible assets is excluded because these are considered by management to be outside of our core business operating performance. Asset impairments related to facility exit costs are excluded because such charges are not reflective of our ongoing operational performance. Amortization of debt discount and issuance costs from our convertible senior notes are excluded because these are non-cash expenses and are not reflective of our ongoing operational performance. We also exclude certain litigation-related expenses consisting of professional fees and related costs incurred by us in defending against significant claims that we deem not to be in the ordinary course of our business and, if applicable, actual losses and accruals related to estimated losses in connection with these claims. There are many uncertainties and potential outcomes associated with any litigation, including the expense of litigation, timing of such expenses, court rulings, unforeseen developments, complications and delays, each of which may affect our results of operations from period to period, as well as the unknown magnitude of the potential loss relating to any lawsuit, all of which are inherently subject to change, difficult to predict and could adversely affect our results of operations. We estimate the tax effect of these items on our non-GAAP results and may adjust our GAAP provision for income taxes, if such effects have a material impact to our non-GAAP results.

**Non-GAAP Financial Measures**

**Non-GAAP Gross Profit and Non-GAAP Gross Margin.** We define non-GAAP gross profit as GAAP gross profit excluding stock-based compensation expense and related employer payroll taxes and amortization expense of acquired intangible assets. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

**Non-GAAP Income from Operations and Non-GAAP Operating Margin.** We define non-GAAP income from operations as GAAP loss from operations excluding stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exit and certain litigation-related expenses. We define non-GAAP operating margin as non-GAAP income from operations as a percentage of revenue.

**Non-GAAP Net Income per Share, Diluted.** We define non-GAAP net income as GAAP net loss plus stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exit, amortization of debt discount and issuance costs, certain litigation-related expenses, income tax effects generated by the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. We define non-GAAP net income per share, diluted, as non-GAAP net income divided by the weighted-average diluted shares outstanding, which includes the dilutive effect of potentially diluted common stock equivalents outstanding during the period and the antidilutive impact of the capped call transactions entered into in connection with our convertible senior notes issued in June 2020.

**Free Cash Flow and Free Cash Flow Margin.** We define free cash flow as net cash provided by operating activities less purchases of property, equipment and other assets and capitalized internal-use software. We define free cash flow margin as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are meaningful indicators of liquidity information to management and investors about the amount of cash generated from our operations that, after the investments in property, equipment and other assets and capitalized internal-use software, can be used for strategic initiatives.

**Calculated Billings.** We define calculated billings as total revenue plus the change in deferred revenue in a period. Calculated billings in any particular period aims to reflect amounts invoiced for subscriptions to access our cloud platform, together with related support services for our new and existing customers. We typically invoice our customers annually in advance, and to a lesser extent quarterly in advance, monthly in advance or multi-year in advance.

**ZSCALER, INC.**  
**Condensed Consolidated Statements of Operations**  
*(in thousands, except per share amounts)*  
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
Revenue	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517
Cost of revenue <sup>(1)(2)</sup>	20,238	24,579	31,358	31,727	34,135	38,977	45,478	52,169
Gross profit	81,030	85,945	94,529	110,851	122,909	137,427	151,596	178,348
Operating expenses:								
Sales and marketing <sup>(1)(2)</sup>	61,621	67,727	89,222	96,889	110,403	115,730	136,385	153,786
Research and development <sup>(1)(2)</sup>	20,706	24,117	32,785	35,770	41,751	40,952	56,180	65,216
General and administrative <sup>(1)(3)(4)</sup>	28,983	14,615	17,409	20,859	24,653	24,595	26,428	33,717
Total operating expenses	111,310	106,459	139,416	153,518	176,807	181,277	218,993	252,719
Loss from operations	(30,280)	(20,514)	(44,887)	(42,667)	(53,898)	(43,850)	(67,397)	(74,371)
Interest income	1,855	1,528	1,072	940	755	593	524	473
Interest expense <sup>(5)</sup>	—	—	(5,025)	(13,049)	(13,245)	(13,436)	(13,634)	(13,835)
Other income (expense), net	(13)	70	(252)	268	518	71	329	(589)
Loss before income taxes	(28,438)	(18,916)	(49,092)	(54,508)	(65,870)	(56,622)	(80,178)	(88,322)
Provision (benefit) for income taxes	716	421	457	498	1,671	1,837	845	2,479
Net loss	\$ (29,154)	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)
Net loss per share, basic and diluted	\$ (0.23)	\$ (0.15)	\$ (0.38)	\$ (0.41)	\$ (0.50)	\$ (0.43)	\$ (0.59)	\$ (0.65)
Weighted-average shares used in computing net loss per share, basic and diluted <sup>(6)</sup>	128,408	129,682	131,660	133,452	135,024	136,385	137,778	139,296

<sup>(1)</sup> Includes stock-based compensation expense and related payroll taxes as follows:

Cost of revenue	\$ 1,648	\$ 1,672	\$ 3,117	\$ 3,266	\$ 3,308	\$ 3,665	\$ 5,033	\$ 5,319
Sales and marketing	13,033	15,795	32,054	32,654	33,864	34,798	42,957	43,464
Research and development	6,280	7,145	13,458	14,900	17,747	15,033	25,558	28,570
General and administrative	4,392	4,470	7,351	9,509	12,194	11,681	12,395	18,741
Total	\$ 25,353	\$ 29,082	\$ 55,980	\$ 60,329	\$ 67,113	\$ 65,177	\$ 85,943	\$ 96,094

<sup>(2)</sup> Includes amortization expense of acquired intangible assets as follows:

Cost of revenue	\$ 205	\$ 348	\$ 1,272	\$ 1,504	\$ 1,503	\$ 1,503	\$ 1,958	\$ 2,056
Sales and marketing	8	8	50	73	73	73	108	170
Research and development	429	285	—	—	—	—	—	—
Total	\$ 642	\$ 641	\$ 1,322	\$ 1,577	\$ 1,576	\$ 1,576	\$ 2,066	\$ 2,226

<sup>(3)</sup> Includes asset impairment related to facility exit as follows:

	\$ 316	\$ 430	\$ —	\$ 416	\$ —	\$ —	\$ —	\$ —
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<sup>(4)</sup> Includes litigation-related expenses as follows:

	\$ 16,334	\$ 12	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —
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<sup>(5)</sup> Includes amortization of debt discount and issuance costs as follows:

	\$ —	\$ —	\$ 4,885	\$ 12,690	\$ 12,882	\$ 13,077	\$ 13,274	\$ 13,476
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<sup>(6)</sup> Since we have reported GAAP net losses for all periods presented, we have excluded all potentially dilutive securities from the calculation of the diluted net loss per share attributable to common stockholders as their effect is antidilutive and accordingly, basic net loss per share equals diluted net loss per share for all periods presented.

**ZSCALER, INC.****Non-GAAP Condensed Consolidated Statements of Operations***(in thousands, except per share amounts)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
Revenue	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517
Cost of revenue	18,385	22,559	26,969	26,957	29,324	33,809	38,487	44,794
Gross profit	82,883	87,965	98,918	115,621	127,720	142,595	158,587	185,723
Operating expenses:								
Sales and marketing	48,580	51,924	57,118	64,162	76,466	80,859	93,320	110,152
Research and development	13,997	16,687	19,327	20,870	24,004	25,919	30,622	36,646
General and administrative	7,941	9,703	10,055	10,934	12,459	12,914	14,033	14,976
Total operating expenses	70,518	78,314	86,500	95,966	112,929	119,692	137,975	161,774
Income from operations	12,365	9,651	12,418	19,655	14,791	22,903	20,612	23,949
Interest income	1,855	1,528	1,072	940	755	593	524	473
Interest expense	—	—	(140)	(359)	(363)	(359)	(360)	(359)
Other income (expense), net	(13)	70	(252)	268	518	71	329	(589)
Income before income taxes	14,207	11,249	13,098	20,504	15,701	23,208	21,105	23,474
Provision for income taxes <sup>(1)</sup>	716	911	1,077	498	1,671	1,837	845	2,479
Non-GAAP net income	\$ 13,491	\$ 10,338	\$ 12,021	\$ 20,006	\$ 14,030	\$ 21,371	\$ 20,260	\$ 20,995
Non-GAAP net income per share, diluted	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.10	\$ 0.15	\$ 0.14	\$ 0.14
Weighted-average shares used in computing non-GAAP net income per share, diluted	136,663	137,873	141,465	143,372	144,623	144,913	145,674	147,541

<sup>(1)</sup> We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. The income tax benefit related to stock-based compensation and included in the GAAP provision for income taxes was not material for all periods presented. In the fiscal quarter ended April 30, 2020 and July 31, 2020, we recorded a tax benefit of \$0.5 million and \$0.6 million, respectively, associated with intangible assets recognized as a result of our acquisitions of Cloudneeti Corporation and Edgewise Networks, Inc., respectively.

**ZSCALER, INC.**
**Condensed Consolidated Balance Sheets**
*(in thousands)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 76,534	\$ 124,592	\$ 141,851	\$ 102,016	\$ 95,347	\$ 106,590	\$ 275,898	\$ 371,696
Short-term investments	308,380	266,722	1,228,722	1,313,938	1,349,402	1,361,019	1,226,654	1,212,946
Accounts receivable, net	94,784	105,583	147,584	105,942	170,412	164,923	257,109	172,028
Deferred contract acquisition costs	23,527	26,316	32,240	35,589	39,902	44,541	57,373	62,067
Prepaid expenses and other current assets	19,917	28,903	31,396	22,040	23,586	28,428	31,269	36,699
Total current assets	523,142	552,116	1,581,793	1,579,525	1,678,649	1,705,501	1,848,303	1,855,436
Property and equipment, net	52,355	63,297	75,734	83,976	90,527	106,812	108,576	112,999
Operating lease right-of-use assets	32,142	35,128	36,119	45,586	45,942	49,727	44,339	44,153
Deferred contract acquisition costs, noncurrent	50,523	58,024	77,675	83,690	95,044	107,927	149,657	154,036
Acquired intangible assets, net	7,287	10,146	24,024	22,447	20,871	26,495	32,129	29,903
Goodwill	7,479	13,350	30,059	30,059	30,059	53,291	58,977	58,977
Other noncurrent assets	3,497	3,903	8,054	7,664	8,325	12,523	15,650	15,614
Total assets	<u>\$ 676,425</u>	<u>\$ 735,964</u>	<u>\$ 1,833,458</u>	<u>\$ 1,852,947</u>	<u>\$ 1,969,417</u>	<u>\$ 2,062,276</u>	<u>\$ 2,257,631</u>	<u>\$ 2,271,118</u>
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 2,675	\$ 9,392	\$ 5,233	\$ 7,663	\$ 13,170	\$ 20,172	\$ 12,547	\$ 14,961
Accrued expenses and other current liabilities	13,606	14,366	16,361	13,871	14,208	16,622	22,908	22,859
Accrued compensation	25,019	34,215	49,444	37,097	47,861	61,276	93,622	72,667
Deferred revenue	251,221	274,726	337,263	340,035	406,184	445,835	571,286	584,325
Operating lease liabilities	11,142	12,939	15,600	17,796	20,152	20,974	19,842	20,488
Total current liabilities	303,663	345,638	423,901	416,462	501,575	564,879	720,205	715,300
Convertible senior notes, net	—	—	861,615	874,359	887,186	900,263	913,538	927,014
Deferred revenue, noncurrent	28,801	26,065	32,504	31,865	40,633	49,599	59,315	63,491
Operating lease liabilities, noncurrent	23,300	27,909	28,023	35,266	33,829	35,472	31,225	30,534
Other noncurrent liabilities	1,497	1,558	2,586	2,890	3,490	3,956	4,453	4,580
Total liabilities	357,261	401,170	1,348,629	1,360,842	1,466,713	1,554,169	1,728,736	1,740,919
<b>Stockholders' equity</b>								
Common stock	129	130	133	134	136	137	139	140
Additional paid-in capital	589,229	623,859	823,804	886,815	964,214	1,027,888	1,131,006	1,225,224
Accumulated other comprehensive income (loss)	491	827	463	(267)	472	659	(650)	(2,764)
Accumulated deficit	(270,685)	(290,022)	(339,571)	(394,577)	(462,118)	(520,577)	(601,600)	(692,401)
Total stockholders' equity	319,164	334,794	484,829	492,105	502,704	508,107	528,895	530,199
Total liabilities and stockholders' equity	<u>\$ 676,425</u>	<u>\$ 735,964</u>	<u>\$ 1,833,458</u>	<u>\$ 1,852,947</u>	<u>\$ 1,969,417</u>	<u>\$ 2,062,276</u>	<u>\$ 2,257,631</u>	<u>\$ 2,271,118</u>

**ZSCALER, INC.**
**Condensed Consolidated Statements of Cash flows**
*(in thousands)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	1/11/2019	2/1/2020	5/1/2020	8/1/2020	1/11/2020	2/1/2021	5/1/2021	8/1/2021
<b>Cash flows from operating activities</b>								
Net loss	\$ (29,154)	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	3,926	4,770	5,456	6,092	7,235	8,074	8,262	9,017
Amortization expense of acquired intangible assets	642	641	1,322	1,577	1,576	1,576	2,066	2,226
Amortization of deferred contract acquisition costs	5,890	6,248	7,249	8,678	9,445	10,454	11,981	14,912
Amortization of debt discount and issuance costs	—	—	4,885	12,690	12,882	13,076	13,275	13,476
Non-cash operating lease costs	3,264	3,434	3,906	4,513	4,987	5,656	5,839	6,031
Stock-based compensation expense	23,866	27,770	51,383	57,185	61,380	59,973	79,997	89,903
Amortization (accretion) of investments purchased at a premium (discount)	(142)	(21)	513	2,605	2,841	3,154	3,115	2,671
Deferred income taxes	49	(555)	(617)	(520)	(461)	(521)	(904)	(223)
Impairment of assets	316	430	—	416	—	—	—	—
Other	25	57	16	29	30	(56)	304	(13)
<b>Changes in operating assets and liabilities</b>								
Accounts receivable	(24,291)	(10,786)	(42,004)	41,634	(66,315)	4,553	(91,477)	84,927
Deferred contract acquisition costs	(9,514)	(16,538)	(32,824)	(18,042)	(25,112)	(27,976)	(66,543)	(23,985)
Prepaid expenses, other current and noncurrent assets	(1,510)	(9,384)	(215)	7,883	(1,161)	(4,925)	(5,185)	(4,126)
Accounts payable	(565)	2,526	(1,061)	76	4,551	1,794	1,030	(1,088)
Accrued expenses, other current and noncurrent liabilities	(777)	1,903	1,632	(1,243)	2,976	1,275	3,524	(192)
Accrued compensation	2,093	9,196	15,229	(12,347)	10,764	13,166	32,294	(20,955)
Deferred revenue	34,153	20,761	68,436	2,133	76,751	49,530	134,011	17,381
Operating lease liabilities	(2,840)	(293)	(2,122)	(4,821)	(4,424)	(6,976)	(5,830)	(5,890)
<b>Net cash provided by operating activities</b>	<b>5,431</b>	<b>20,822</b>	<b>31,635</b>	<b>53,532</b>	<b>30,404</b>	<b>73,368</b>	<b>44,736</b>	<b>93,271</b>
<b>Cash flows from investing activities:</b>								
Purchases of property, equipment and other assets	(4,889)	(9,694)	(18,279)	(8,904)	(10,499)	(14,812)	(13,950)	(6,454)
Capitalized internal-use software	(2,471)	(2,023)	(2,441)	(2,401)	(1,871)	(2,775)	(3,085)	(3,450)
Payments for business acquisitions, net of cash acquired	—	(8,918)	(30,683)	—	—	(29,420)	(11,110)	—
Purchases of strategic investments	—	—	(2,000)	—	—	(2,877)	(200)	—
Purchases of short-term investments	(59,133)	(55,221)	(1,052,865)	(174,663)	(244,975)	(304,834)	(91,008)	(312,840)
Proceeds from maturities of short-term investments	59,217	83,212	80,560	76,582	207,233	278,929	222,473	322,677
Proceeds from sale of short-term investments	—	14,084	7,008	11,500	—	10,999	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>(7,276)</b>	<b>21,440</b>	<b>(1,018,700)</b>	<b>(97,886)</b>	<b>(50,112)</b>	<b>(64,790)</b>	<b>103,120</b>	<b>(67)</b>
<b>Cash flows from financing activities:</b>								
Proceeds from issuance of common stock upon exercise of stock options	3,699	5,796	9,048	4,519	6,726	2,665	4,311	2,644
Proceeds from issuance of common stock under the employee stock purchase plan	5,334	—	9,999	—	8,563	—	17,141	—
Payment of deferred consideration related to a business acquisition	—	—	—	—	(2,250)	—	—	(50)
Proceeds from issuance of convertible senior notes, net of issuance costs	—	—	1,130,522	—	—	—	—	—
Purchases of capped calls related to convertible senior notes	—	—	(145,245)	—	—	—	—	—
<b>Net cash provided by financing activities</b>	<b>9,033</b>	<b>5,796</b>	<b>1,004,324</b>	<b>4,519</b>	<b>13,039</b>	<b>2,665</b>	<b>21,452</b>	<b>2,594</b>
<b>Net increase (decrease) in cash and cash equivalents <sup>(1)</sup></b>	<b>7,188</b>	<b>48,058</b>	<b>17,259</b>	<b>(39,835)</b>	<b>(6,669)</b>	<b>11,243</b>	<b>169,308</b>	<b>95,798</b>
Cash and cash equivalents at beginning of period <sup>(1)</sup>	69,346	76,534	124,592	141,851	102,016	95,347	106,590	275,898
<b>Cash and cash equivalents at end of period <sup>(1)</sup></b>	<b>\$ 76,534</b>	<b>\$ 124,592</b>	<b>\$ 141,851</b>	<b>\$ 102,016</b>	<b>\$ 95,347</b>	<b>\$ 106,590</b>	<b>\$ 275,898</b>	<b>\$ 371,696</b>

<sup>(1)</sup> We did not hold restricted cash for any periods presented.

**ZSCALER, INC.**
**GAAP to Non-GAAP Reconciliations**
*(in thousands, except percentages and per share amounts)(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	04/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
<b>GAAP gross profit</b>	<u>\$ 81,030</u>	<u>\$ 85,945</u>	<u>\$ 94,529</u>	<u>\$ 110,851</u>	<u>\$ 122,909</u>	<u>\$ 137,427</u>	<u>\$ 151,596</u>	<u>\$ 178,348</u>
Stock-based compensation expense and related payroll taxes	1,648	1,672	3,117	3,266	3,308	3,665	5,033	5,319
Amortization expense of acquired intangible assets	205	348	1,272	1,504	1,503	1,503	1,958	2,056
<b>Non-GAAP gross profit</b>	<u>\$ 82,883</u>	<u>\$ 87,965</u>	<u>\$ 98,918</u>	<u>\$ 115,621</u>	<u>\$ 127,720</u>	<u>\$ 142,595</u>	<u>\$ 158,587</u>	<u>\$ 185,723</u>
Non-GAAP gross margin	82 %	80 %	79 %	81 %	81 %	81 %	80 %	81 %
<b>GAAP sales and marketing expense</b>	<u>\$ 61,621</u>	<u>\$ 67,727</u>	<u>\$ 89,222</u>	<u>\$ 96,889</u>	<u>\$ 110,403</u>	<u>\$ 115,730</u>	<u>\$ 136,385</u>	<u>\$ 153,786</u>
Stock-based compensation expense and related payroll taxes	13,033	15,795	32,054	32,654	33,864	34,798	42,957	43,464
Amortization expense of acquired intangible assets	8	8	50	73	73	73	108	170
<b>Non-GAAP sales and marketing expense</b>	<u>\$ 48,580</u>	<u>\$ 51,924</u>	<u>\$ 57,118</u>	<u>\$ 64,162</u>	<u>\$ 76,466</u>	<u>\$ 80,859</u>	<u>\$ 93,320</u>	<u>\$ 110,152</u>
Non-GAAP sales and marketing expense as a percentage of revenue	48 %	47 %	45 %	45 %	49 %	46 %	47 %	48 %
<b>GAAP research and development expense</b>	<u>\$ 20,706</u>	<u>\$ 24,117</u>	<u>\$ 32,785</u>	<u>\$ 35,770</u>	<u>\$ 41,751</u>	<u>\$ 40,952</u>	<u>\$ 56,180</u>	<u>\$ 65,216</u>
Stock-based compensation expense and related payroll taxes	6,280	7,145	13,458	14,900	17,747	15,033	25,558	28,570
Amortization expense of acquired intangible assets	429	285	—	—	—	—	—	—
<b>Non-GAAP research and development expense</b>	<u>\$ 13,997</u>	<u>\$ 16,687</u>	<u>\$ 19,327</u>	<u>\$ 20,870</u>	<u>\$ 24,004</u>	<u>\$ 25,919</u>	<u>\$ 30,622</u>	<u>\$ 36,646</u>
Non-GAAP research and development expense as a percentage of revenue	14 %	15 %	15 %	15 %	15 %	15 %	16 %	16 %
<b>GAAP general and administrative expense</b>	<u>\$ 28,983</u>	<u>\$ 14,615</u>	<u>\$ 17,409</u>	<u>\$ 20,859</u>	<u>\$ 24,653</u>	<u>\$ 24,595</u>	<u>\$ 26,428</u>	<u>\$ 33,717</u>
Stock-based compensation expense and related payroll taxes	4,392	4,470	7,351	9,509	12,194	11,681	12,395	18,741
Litigation-related expenses	16,334	12	3	—	—	—	—	—
Asset impairment related to facility exit <sup>(1)</sup>	316	430	—	416	—	—	—	—
<b>Non-GAAP general and administrative expense</b>	<u>\$ 7,941</u>	<u>\$ 9,703</u>	<u>\$ 10,055</u>	<u>\$ 10,934</u>	<u>\$ 12,459</u>	<u>\$ 12,914</u>	<u>\$ 14,033</u>	<u>\$ 14,976</u>
Non-GAAP general and administrative expense as a percentage of revenue	8 %	9 %	8 %	8 %	8 %	7 %	7 %	7 %
<b>GAAP total operating expenses</b>	<u>\$ 111,310</u>	<u>\$ 106,459</u>	<u>\$ 139,416</u>	<u>\$ 153,518</u>	<u>\$ 176,807</u>	<u>\$ 181,277</u>	<u>\$ 218,993</u>	<u>\$ 252,719</u>
Stock-based compensation expense and related payroll taxes	23,705	27,410	52,863	57,063	63,805	61,512	80,910	90,775
Litigation-related expenses	16,334	12	3	—	—	—	—	—
Amortization expense of acquired intangible assets	437	293	50	73	73	73	108	170
Asset impairment related to facility exit <sup>(1)</sup>	316	430	—	416	—	—	—	—
<b>Non-GAAP total operating expenses</b>	<u>\$ 70,518</u>	<u>\$ 78,314</u>	<u>\$ 86,500</u>	<u>\$ 95,966</u>	<u>\$ 112,929</u>	<u>\$ 119,692</u>	<u>\$ 137,975</u>	<u>\$ 161,774</u>
Non-GAAP total operating expenses as a percentage of revenue	70 %	71 %	69 %	67 %	72 %	68 %	70 %	71 %

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	04/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
<b>GAAP loss from operations</b>	\$ (30,280)	\$ (20,514)	\$ (44,887)	\$ (42,667)	\$ (53,898)	\$ (43,850)	\$ (67,397)	\$ (74,371)
Stock-based compensation expense and related payroll taxes	25,353	29,082	55,980	60,329	67,113	65,177	85,943	96,094
Litigation-related expenses	16,334	12	3	—	—	—	—	—
Amortization expense of acquired intangible assets	642	641	1,322	1,577	1,576	1,576	2,066	2,226
Asset impairment related to facility exit <sup>(1)</sup>	316	430	—	416	—	—	—	—
<b>Non-GAAP income from operations</b>	\$ 12,365	\$ 9,651	\$ 12,418	\$ 19,655	\$ 14,791	\$ 22,903	\$ 20,612	\$ 23,949
Non-GAAP operating margin	12 %	9 %	10 %	14 %	9 %	13 %	10 %	10 %
<b>GAAP interest expense</b>	\$ —	\$ —	\$ (5,025)	\$ (13,049)	\$ (13,245)	\$ (13,436)	\$ (13,634)	\$ (13,835)
Amortization of debt discount and issuance costs	—	—	4,885	12,690	12,882	13,077	13,274	13,476
<b>Non-GAAP interest expense</b>	\$ —	\$ —	\$ (140)	\$ (359)	\$ (363)	\$ (359)	\$ (360)	\$ (359)
<b>GAAP net loss</b>	\$ (29,154)	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)
Stock-based compensation expense and related payroll taxes	25,353	29,082	55,980	60,329	67,113	65,177	85,943	96,094
Amortization expense of acquired intangible assets	642	641	1,322	1,577	1,576	1,576	2,066	2,226
Asset impairment related to facility exit <sup>(1)</sup>	316	430	—	416	—	—	—	—
Litigation-related expenses	16,334	12	3	—	—	—	—	—
Amortization of debt discount and issuance costs	—	—	4,885	12,690	12,882	13,077	13,274	13,476
Provision (benefit) for income taxes <sup>(2)</sup>	—	(490)	(620)	—	—	—	—	—
<b>Non-GAAP net income</b>	\$ 13,491	\$ 10,338	\$ 12,021	\$ 20,006	\$ 14,030	\$ 21,371	\$ 20,260	\$ 20,995
Non-GAAP net income as a percentage of revenue	13 %	9 %	10 %	14 %	9 %	12 %	10 %	9 %
<b>GAAP net loss per share, basic and diluted</b>	\$ (0.23)	\$ (0.15)	\$ (0.38)	\$ (0.41)	\$ (0.50)	\$ (0.43)	\$ (0.59)	\$ (0.65)
Stock-based compensation expense and related payroll taxes	0.19	0.21	0.40	0.42	0.46	0.45	0.59	0.65
Amortization expense of acquired intangible assets	—	—	0.01	0.01	0.01	0.01	0.01	0.02
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	—	—	—
Litigation-related expenses	0.12	—	—	—	—	—	—	—
Amortization of debt discount and issuance costs	—	—	0.03	0.09	0.09	0.09	0.09	0.09
Provision (benefit) for income taxes <sup>(2)</sup>	—	—	—	—	—	—	—	—
Adjustment to total fully diluted earnings per share <sup>(3)</sup>	0.02	0.01	0.02	0.03	0.04	0.03	0.04	0.03
<b>Non-GAAP net income per share, diluted</b>	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.10	\$ 0.15	\$ 0.14	\$ 0.14
<b>Weighted-average shares used in computing GAAP net loss per share, basic and diluted</b>	128,408	129,682	131,660	133,452	135,024	136,385	137,778	139,296
Potentially diluted shares	8,255	8,191	9,805	9,920	10,719	10,220	9,869	10,944
Antidilutive impact of capped call transactions <sup>(4)</sup>	—	—	—	—	(1,120)	(1,692)	(1,973)	(2,699)
<b>Weighted-average shares used in computing non-GAAP net income per share, diluted</b>	136,663	137,873	141,465	143,372	144,623	144,913	145,674	147,541

<sup>(1)</sup> Consists of asset impairment charges related to the relocation of our corporate headquarters.

<sup>(2)</sup> We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. The income tax benefit related to stock-based compensation expense included in the GAAP provision for income taxes was not material for all periods presented. In the fiscal quarter ended April 30, 2020 and July 31, 2020, we recorded a tax benefit of \$0.5 million and \$0.6 million, respectively, associated with intangible assets recognized as a result of our acquisitions of Cloudneeti Corporation and Edgewise Networks Inc., respectively.

<sup>(3)</sup> The sum of the fully diluted earnings per share impact of individual reconciling items may not total to fully diluted non-GAAP net income per share due to the weighted-average shares used in computing the GAAP net loss per share differs from the weighted-average shares used in computing the non-GAAP net income per share, and due to rounding of the individual reconciling items. The GAAP net loss per share calculation uses a lower share count as it excludes potentially dilutive shares, which are included in calculating the non-GAAP income per share.

<sup>(4)</sup> We exclude the in-the-money portion of our convertible senior notes for non-GAAP weighted-average diluted shares as they are covered by our capped call transactions. Our outstanding capped call transactions are antidilutive under GAAP but are expected to mitigate the dilutive effect of our convertible notes and therefore are included in the calculations of non-GAAP diluted shares outstanding.



**ZSCALER, INC.****Free Cash Flow and Free Cash Flow Margin***(in thousands, except percentages)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
<b>Revenue</b>	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517
<b>Free cash flows</b>								
Net cash provided by operating activities	\$ 5,431	\$ 20,822	\$ 31,635	\$ 53,532	\$ 30,404	\$ 73,368	\$ 44,736	\$ 93,271
Less: Purchases of property, equipment and other assets	(4,889)	(9,694)	(18,279)	(8,904)	(10,499)	(14,812)	(13,950)	(6,454)
Less: Capitalized internal-use software costs	(2,471)	(2,023)	(2,441)	(2,401)	(1,871)	(2,775)	(3,085)	(3,450)
<b>Free cash flow</b>	<u>\$ (1,929)</u>	<u>\$ 9,105</u>	<u>\$ 10,915</u>	<u>\$ 42,227</u>	<u>\$ 18,034</u>	<u>\$ 55,781</u>	<u>\$ 27,701</u>	<u>\$ 83,367</u>
<b>Year-over-year growth</b>	<i>(116)%</i>	<i>99 %</i>	<i>45 %</i>	<i>348 %</i>	<i>1035 %</i>	<i>513 %</i>	<i>154 %</i>	<i>97 %</i>
<b>Free cash flow margin</b>								
Net cash provided by operating activities, as a percentage of revenue	<i>5 %</i>	<i>19 %</i>	<i>25 %</i>	<i>38 %</i>	<i>19 %</i>	<i>42 %</i>	<i>23 %</i>	<i>40 %</i>
Less: Purchases of property, equipment and other assets, as a percentage of revenue	<i>(5)%</i>	<i>(9)%</i>	<i>(14)%</i>	<i>(6)%</i>	<i>(7)%</i>	<i>(8)%</i>	<i>(7)%</i>	<i>(3)%</i>
Less: Capitalized internal-use software costs, as a percentage of revenue	<i>(2)%</i>	<i>(2)%</i>	<i>(2)%</i>	<i>(2)%</i>	<i>(1)%</i>	<i>(2)%</i>	<i>(2)%</i>	<i>(1)%</i>
<b>Free cash flow margin</b>	<u><i>(2)%</i></u>	<u><i>8 %</i></u>	<u><i>9 %</i></u>	<u><i>30 %</i></u>	<u><i>11 %</i></u>	<u><i>32 %</i></u>	<u><i>14 %</i></u>	<u><i>36 %</i></u>

**ZSCALER, INC.****Calculated Billings and Other Selected Key Metrics***(in thousands, except percentages and customer data)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q2 FY20 <sup>(1)</sup></b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>	<b>Q2 FY21</b>	<b>Q3 FY21</b>	<b>Q4 FY21</b>	<b>Q1 FY22</b>
End of Fiscal Quarter	1/31/2020	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021
Beginning of Fiscal Quarter	11/1/2019	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021
<b>Calculated Billings</b>								
Revenue	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517
Add: Total deferred revenue, end of period	280,022	300,791	369,767	371,900	446,817	495,434	630,601	647,816
Less: Total deferred revenue, beginning of period	(245,869)	(280,022)	(300,791)	(369,767)	(371,900)	(446,817)	(495,434)	(630,601)
<b>Calculated billings</b>	<b>\$ 135,421</b>	<b>\$ 131,293</b>	<b>\$ 194,863</b>	<b>\$ 144,711</b>	<b>\$ 231,961</b>	<b>\$ 225,021</b>	<b>\$ 332,241</b>	<b>\$ 247,732</b>
Year-over-year growth	18 %	55 %	55 %	64 %	71 %	71 %	70 %	71 %

<sup>(1)</sup> The comparative prior year fiscal quarter, Q2 FY19, included one large customer choosing to pay up-front for a multi-year, private cloud subscription of \$11.0 million.

**Other Key Business Metrics**

Customers with equal or greater than \$100,000 annualized recurring revenue ("ARR")	810	871	973	1,057	1,182	1,314	1,480	1,616
Customers with equal or greater than \$1 million ARR	80	91	108	120	136	163	202	224