

**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 intangible assets acquired in business acquisitions and related income tax effects, if applicable, are 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>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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
Revenue	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517	\$ 255,563
Cost of revenue <sup>(1)(2)</sup>	24,579	31,358	31,727	34,135	38,977	45,478	52,169	57,783
Gross profit	85,945	94,529	110,851	122,909	137,427	151,596	178,348	197,780
Operating expenses:								
Sales and marketing <sup>(1)(2)</sup>	67,727	89,222	96,889	110,403	115,730	136,385	153,786	175,073
Research and development <sup>(1)(2)</sup>	24,117	32,785	35,770	41,751	40,952	56,180	65,216	69,195
General and administrative <sup>(1)(3)(4)</sup>	14,615	17,409	20,859	24,653	24,595	26,428	33,717	37,444
Total operating expenses	106,459	139,416	153,518	176,807	181,277	218,993	252,719	281,712
Loss from operations	(20,514)	(44,887)	(42,667)	(53,898)	(43,850)	(67,397)	(74,371)	(83,932)
Interest income	1,528	1,072	940	755	593	524	473	557
Interest expense <sup>(5)</sup>	—	(5,025)	(13,049)	(13,245)	(13,436)	(13,634)	(13,835)	(14,040)
Other income (expense), net	70	(252)	268	518	71	329	(589)	(844)
Loss before income taxes	(18,916)	(49,092)	(54,508)	(65,870)	(56,622)	(80,178)	(88,322)	(98,259)
Provision for income taxes	421	457	498	1,671	1,837	845	2,479	2,161
Net loss	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)	\$ (100,420)
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.38)	\$ (0.41)	\$ (0.50)	\$ (0.43)	\$ (0.59)	\$ (0.65)	\$ (0.71)
Weighted-average shares used in computing net loss per share, basic and diluted <sup>(6)</sup>	129,682	131,660	133,452	135,024	136,385	137,778	139,296	140,515

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

Cost of revenue	\$ 1,672	\$ 3,117	\$ 3,266	\$ 3,308	\$ 3,665	\$ 5,033	\$ 5,319	\$ 5,766
Sales and marketing	15,795	32,054	32,654	33,864	34,798	42,957	43,464	47,666
Research and development	7,145	13,458	14,900	17,747	15,033	25,558	28,570	30,000
General and administrative	4,470	7,351	9,509	12,194	11,681	12,395	18,741	20,613
Total	\$ 29,082	\$ 55,980	\$ 60,329	\$ 67,113	\$ 65,177	\$ 85,943	\$ 96,094	\$ 104,045

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

Cost of revenue	\$ 348	\$ 1,272	\$ 1,504	\$ 1,503	\$ 1,503	\$ 1,958	\$ 2,056	\$ 2,000
Sales and marketing	8	50	73	73	73	108	170	178
Research and development	285	—	—	—	—	—	—	53
Total	\$ 641	\$ 1,322	\$ 1,577	\$ 1,576	\$ 1,576	\$ 2,066	\$ 2,226	\$ 2,231

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

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

	\$ 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	\$ 13,680
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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>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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
Revenue	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517	\$ 255,563
Cost of revenue	22,559	26,969	26,957	29,324	33,809	38,487	44,794	50,017
Gross profit	87,965	98,918	115,621	127,720	142,595	158,587	185,723	205,546
Operating expenses:								
Sales and marketing	51,924	57,118	64,162	76,466	80,859	93,320	110,152	127,229
Research and development	16,687	19,327	20,870	24,004	25,919	30,622	36,646	39,142
General and administrative	9,703	10,055	10,934	12,459	12,914	14,033	14,976	16,831
Total operating expenses	78,314	86,500	95,966	112,929	119,692	137,975	161,774	183,202
Income from operations	9,651	12,418	19,655	14,791	22,903	20,612	23,949	22,344
Interest income	1,528	1,072	940	755	593	524	473	557
Interest expense	—	(140)	(359)	(363)	(359)	(360)	(359)	(360)
Other income (expense), net	70	(252)	268	518	71	329	(589)	(844)
Income before income taxes	11,249	13,098	20,504	15,701	23,208	21,105	23,474	21,697
Provision for income taxes <sup>(1)</sup>	911	1,077	498	1,671	1,837	845	2,479	2,522
Non-GAAP net income	\$ 10,338	\$ 12,021	\$ 20,006	\$ 14,030	\$ 21,371	\$ 20,260	\$ 20,995	\$ 19,175
Non-GAAP net income per share, diluted	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.10	\$ 0.15	\$ 0.14	\$ 0.14	\$ 0.13
Weighted-average shares used in computing non-GAAP net income per share, diluted	137,873	141,465	143,372	144,623	144,913	145,674	147,541	148,801

<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, July 31, 2020 and January 31, 2022, we recorded a tax benefit of \$0.5 million, \$0.6 million and \$0.4 million, respectively, associated with intangible assets recognized as a result of our business acquisitions.

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

<b>Fiscal Quarter</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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 124,592	\$ 141,851	\$ 102,016	\$ 95,347	\$ 106,590	\$ 275,898	\$ 371,696	\$ 409,819
Short-term investments	266,722	1,228,722	1,313,938	1,349,402	1,361,019	1,226,654	1,212,946	1,211,390
Accounts receivable, net	105,583	147,584	105,942	170,412	164,923	257,109	172,028	269,449
Deferred contract acquisition costs	26,316	32,240	35,589	39,902	44,541	57,373	62,067	69,025
Prepaid expenses and other current assets	28,903	31,396	22,040	23,586	28,428	31,269	36,699	29,482
Total current assets	552,116	1,581,793	1,579,525	1,678,649	1,705,501	1,848,303	1,855,436	1,989,165
Property and equipment, net	63,297	75,734	83,976	90,527	106,812	108,576	112,999	121,195
Operating lease right-of-use assets	35,128	36,119	45,586	45,942	49,727	44,339	44,153	42,837
Deferred contract acquisition costs, noncurrent	58,024	77,675	83,690	95,044	107,927	149,657	154,036	165,480
Acquired intangible assets, net	10,146	24,024	22,447	20,871	26,495	32,129	29,903	29,272
Goodwill	13,350	30,059	30,059	30,059	53,291	58,977	58,977	59,823
Other noncurrent assets	3,903	8,054	7,664	8,325	12,523	15,650	15,614	14,249
Total assets	<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>	<u>\$ 2,422,021</u>
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 9,392	\$ 5,233	\$ 7,663	\$ 13,170	\$ 20,172	\$ 12,547	\$ 14,961	\$ 13,499
Accrued expenses and other current liabilities	14,366	16,361	13,871	14,208	16,622	22,908	22,859	31,096
Accrued compensation	34,215	49,444	37,097	47,861	61,276	93,622	72,667	83,863
Deferred revenue	274,726	337,263	340,035	406,184	445,835	571,286	584,325	687,919
Operating lease liabilities	12,939	15,600	17,796	20,152	20,974	19,842	20,488	19,665
Total current liabilities	345,638	423,901	416,462	501,575	564,879	720,205	715,300	836,042
Convertible senior notes, net	—	861,615	874,359	887,186	900,263	913,538	927,014	940,692
Deferred revenue, noncurrent	26,065	32,504	31,865	40,633	49,599	59,315	63,491	72,012
Operating lease liabilities, noncurrent	27,909	28,023	35,266	33,829	35,472	31,225	30,534	29,280
Other noncurrent liabilities	1,558	2,586	2,890	3,490	3,956	4,453	4,580	4,628
Total liabilities	401,170	1,348,629	1,360,842	1,466,713	1,554,169	1,728,736	1,740,919	1,882,654
<b>Stockholders' equity</b>								
Common stock	130	133	134	136	137	139	140	141
Additional paid-in capital	623,859	823,804	886,815	964,214	1,027,888	1,131,006	1,225,224	1,341,346
Accumulated other comprehensive income (loss)	827	463	(267)	472	659	(650)	(2,764)	(9,299)
Accumulated deficit	(290,022)	(339,571)	(394,577)	(462,118)	(520,577)	(601,600)	(692,401)	(792,821)
Total stockholders' equity	334,794	484,829	492,105	502,704	508,107	528,895	530,199	539,367
Total liabilities and stockholders' equity	<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>	<u>\$ 2,422,021</u>

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

<b>Fiscal Quarter</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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
<b>Cash flows from operating activities</b>								
Net loss	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)	\$ (100,420)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	4,770	5,456	6,092	7,235	8,074	8,262	9,017	9,988
Amortization expense of acquired intangible assets	641	1,322	1,577	1,576	1,576	2,066	2,226	2,231
Amortization of deferred contract acquisition costs	6,248	7,249	8,678	9,445	10,454	11,981	14,912	16,126
Amortization of debt discount and issuance costs	—	4,885	12,690	12,882	13,076	13,275	13,476	13,680
Non-cash operating lease costs	3,434	3,906	4,513	4,987	5,656	5,839	6,031	6,380
Stock-based compensation expense	27,770	51,383	57,185	61,380	59,973	79,997	89,903	98,988
Amortization (accretion) of investments purchased at a premium (discount)	(21)	513	2,605	2,841	3,154	3,115	2,671	1,991
Deferred income taxes	(555)	(617)	(520)	(461)	(521)	(904)	(223)	(436)
Impairment of assets	430	—	416	—	—	—	—	—
Other	57	16	29	30	(56)	304	(13)	308
Changes in operating assets and liabilities, net of effects of business acquisitions								
Accounts receivable	(10,786)	(42,004)	41,634	(66,315)	4,553	(91,477)	84,927	(97,549)
Deferred contract acquisition costs	(16,538)	(32,824)	(18,042)	(25,112)	(27,976)	(66,543)	(23,985)	(34,528)
Prepaid expenses, other current and noncurrent assets	(9,384)	(215)	7,883	(1,161)	(4,925)	(5,185)	(4,126)	9,029
Accounts payable	2,526	(1,061)	76	4,551	1,794	1,030	(1,088)	985
Accrued expenses, other current and noncurrent liabilities	1,903	1,632	(1,243)	2,976	1,275	3,524	(192)	5,221
Accrued compensation	9,196	15,229	(12,347)	10,764	13,166	32,294	(20,955)	11,196
Deferred revenue	20,761	68,436	2,133	76,751	49,530	134,011	17,381	112,213
Operating lease liabilities	(293)	(2,122)	(4,821)	(4,424)	(6,976)	(5,830)	(5,890)	(7,141)
<b>Net cash provided by operating activities</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>48,262</b>
<b>Cash flows from investing activities:</b>								
Purchases of property, equipment and other assets	(9,694)	(18,279)	(8,904)	(10,499)	(14,812)	(13,950)	(6,454)	(13,988)
Capitalized internal-use software	(2,023)	(2,441)	(2,401)	(1,871)	(2,775)	(3,085)	(3,450)	(4,825)
Payments for business acquisitions, net of cash acquired	(8,918)	(30,683)	—	—	(29,420)	(11,110)	—	(380)
Purchases of strategic investments	—	(2,000)	—	—	(2,877)	(200)	—	—
Purchases of short-term investments	(55,221)	(1,052,865)	(174,663)	(244,975)	(304,834)	(91,008)	(312,840)	(311,414)
Proceeds from maturities of short-term investments	83,212	80,560	76,582	207,233	278,929	222,473	322,677	306,734
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>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>(23,873)</b>
<b>Cash flows from financing activities:</b>								
Proceeds from issuance of common stock upon exercise of stock options	5,796	9,048	4,519	6,726	2,665	4,311	2,644	2,227
Proceeds from issuance of common stock under the employee stock purchase plan	—	9,999	—	8,563	—	17,141	—	11,509
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)	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	(2)
<b>Net cash provided by financing activities</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>13,734</b>
Net increase (decrease) in cash and cash equivalents <sup>(1)</sup>	48,058	17,259	(39,835)	(6,669)	11,243	169,308	95,798	38,123
Cash and cash equivalents at beginning of period <sup>(1)</sup>	76,534	124,592	141,851	102,016	95,347	106,590	275,898	371,696
Cash and cash equivalents at end of period <sup>(1)</sup>	<u>\$ 124,592</u>	<u>\$ 141,851</u>	<u>\$ 102,016</u>	<u>\$ 95,347</u>	<u>\$ 106,590</u>	<u>\$ 275,898</u>	<u>\$ 371,696</u>	<u>\$ 409,819</u>

<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>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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	07/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
<b>GAAP gross profit</b>	<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>	<u>\$ 197,780</u>
Stock-based compensation expense and related payroll taxes	1,672	3,117	3,266	3,308	3,665	5,033	5,319	5,766
Amortization expense of acquired intangible assets	348	1,272	1,504	1,503	1,503	1,958	2,056	2,000
<b>Non-GAAP gross profit</b>	<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>	<u>\$ 205,546</u>
Non-GAAP gross margin	80 %	79 %	81 %	81 %	81 %	80 %	81 %	80 %
<b>GAAP sales and marketing expense</b>	<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>	<u>\$ 175,073</u>
Stock-based compensation expense and related payroll taxes	15,795	32,054	32,654	33,864	34,798	42,957	43,464	47,666
Amortization expense of acquired intangible assets	8	50	73	73	73	108	170	178
<b>Non-GAAP sales and marketing expense</b>	<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>	<u>\$ 127,229</u>
Non-GAAP sales and marketing expense as a percentage of revenue	47 %	45 %	45 %	49 %	46 %	47 %	48 %	50 %
<b>GAAP research and development expense</b>	<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>	<u>\$ 69,195</u>
Stock-based compensation expense and related payroll taxes	7,145	13,458	14,900	17,747	15,033	25,558	28,570	30,000
Amortization expense of acquired intangible assets	285	—	—	—	—	—	—	53
<b>Non-GAAP research and development expense</b>	<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>	<u>\$ 39,142</u>
Non-GAAP research and development expense as a percentage of revenue	15 %	15 %	15 %	15 %	15 %	16 %	16 %	15 %
<b>GAAP general and administrative expense</b>	<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>	<u>\$ 37,444</u>
Stock-based compensation expense and related payroll taxes	4,470	7,351	9,509	12,194	11,681	12,395	18,741	20,613
Litigation-related expenses	12	3	—	—	—	—	—	—
Asset impairment related to facility exit <sup>(1)</sup>	430	—	416	—	—	—	—	—
<b>Non-GAAP general and administrative expense</b>	<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>	<u>\$ 16,831</u>
Non-GAAP general and administrative expense as a percentage of revenue	9 %	8 %	8 %	8 %	7 %	7 %	6 %	7 %
<b>GAAP total operating expenses</b>	<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>	<u>\$ 281,712</u>
Stock-based compensation expense and related payroll taxes	27,410	52,863	57,063	63,805	61,512	80,910	90,775	98,279
Litigation-related expenses	12	3	—	—	—	—	—	—
Amortization expense of acquired intangible assets	293	50	73	73	73	108	170	231
Asset impairment related to facility exit <sup>(1)</sup>	430	—	416	—	—	—	—	—
<b>Non-GAAP total operating expenses</b>	<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>	<u>\$ 183,202</u>
Non-GAAP total operating expenses as a percentage of revenue	71 %	69 %	67 %	72 %	68 %	70 %	70 %	72 %

<b>Fiscal Quarter</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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	07/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
<b>GAAP loss from operations</b>	\$ (20,514)	\$ (44,887)	\$ (42,667)	\$ (53,898)	\$ (43,850)	\$ (67,397)	\$ (74,371)	\$ (83,932)
Stock-based compensation expense and related payroll taxes	29,082	55,980	60,329	67,113	65,177	85,943	96,094	104,045
Litigation-related expenses	12	3	—	—	—	—	—	—
Amortization expense of acquired intangible assets	641	1,322	1,577	1,576	1,576	2,066	2,226	2,231
Asset impairment related to facility exit <sup>(1)</sup>	430	—	416	—	—	—	—	—
<b>Non-GAAP income from operations</b>	\$ 9,651	\$ 12,418	\$ 19,655	\$ 14,791	\$ 22,903	\$ 20,612	\$ 23,949	\$ 22,344
Non-GAAP operating margin	9 %	10 %	14 %	9 %	13 %	10 %	10 %	9 %
<b>GAAP interest expense</b>	\$ —	\$ (5,025)	\$ (13,049)	\$ (13,245)	\$ (13,436)	\$ (13,634)	\$ (13,835)	\$ (14,040)
Amortization of debt discount and issuance costs	—	4,885	12,690	12,882	13,077	13,274	13,476	13,680
<b>Non-GAAP interest expense</b>	\$ —	\$ (140)	\$ (359)	\$ (363)	\$ (359)	\$ (360)	\$ (359)	\$ (360)
<b>GAAP net loss</b>	\$ (19,337)	\$ (49,549)	\$ (55,006)	\$ (67,541)	\$ (58,459)	\$ (81,023)	\$ (90,801)	\$ (100,420)
Stock-based compensation expense and related payroll taxes	29,082	55,980	60,329	67,113	65,177	85,943	96,094	104,045
Amortization expense of acquired intangible assets	641	1,322	1,577	1,576	1,576	2,066	2,226	2,231
Asset impairment related to facility exit <sup>(1)</sup>	430	—	416	—	—	—	—	—
Litigation-related expenses	12	3	—	—	—	—	—	—
Amortization of debt discount and issuance costs	—	4,885	12,690	12,882	13,077	13,274	13,476	13,680
Provision (benefit) for income taxes <sup>(2)</sup>	(490)	(620)	—	—	—	—	—	(361)
<b>Non-GAAP net income</b>	\$ 10,338	\$ 12,021	\$ 20,006	\$ 14,030	\$ 21,371	\$ 20,260	\$ 20,995	\$ 19,175
Non-GAAP net income as a percentage of revenue	9 %	10 %	14 %	9 %	12 %	10 %	9 %	8 %
<b>GAAP net loss per share, basic and diluted</b>	\$ (0.15)	\$ (0.38)	\$ (0.41)	\$ (0.50)	\$ (0.43)	\$ (0.59)	\$ (0.65)	\$ (0.71)
Stock-based compensation expense and related payroll taxes	0.21	0.40	0.42	0.46	0.45	0.59	0.65	0.70
Amortization expense of acquired intangible assets	—	0.01	0.01	0.01	0.01	0.01	0.02	0.01
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	—	—	—
Litigation-related expenses	—	—	—	—	—	—	—	—
Amortization of debt discount and issuance costs	—	0.03	0.09	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>	0.01	0.02	0.03	0.04	0.03	0.04	0.03	0.04
<b>Non-GAAP net income per share, diluted</b>	\$ 0.07	\$ 0.08	\$ 0.14	\$ 0.10	\$ 0.15	\$ 0.14	\$ 0.14	\$ 0.13
<b>Weighted-average shares used in computing GAAP net loss per share, basic and diluted</b>	129,682	131,660	133,452	135,024	136,385	137,778	139,296	140,515
Potentially diluted shares	8,191	9,805	9,920	10,719	10,220	9,869	10,944	10,687
Antidilutive impact of capped call transactions <sup>(4)</sup>	—	—	—	(1,120)	(1,692)	(1,973)	(2,699)	(2,401)
<b>Weighted-average shares used in computing non-GAAP net income per share, diluted</b>	137,873	141,465	143,372	144,623	144,913	145,674	147,541	148,801

<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, July 31, 2020 and January 31, 2022 we recorded a tax benefit of \$0.5 million, \$0.6 million and \$0.4 million, respectively, associated with intangible assets recognized as a result of our business acquisitions.

<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>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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
<b>Revenue</b>	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517	\$ 255,563
<b>Free cash flows</b>								
Net cash provided by operating activities	\$ 20,822	\$ 31,635	\$ 53,532	\$ 30,404	\$ 73,368	\$ 44,736	\$ 93,271	\$ 48,262
Less: Purchases of property, equipment and other assets	(9,694)	(18,279)	(8,904)	(10,499)	(14,812)	(13,950)	(6,454)	(13,988)
Less: Capitalized internal-use software costs	(2,023)	(2,441)	(2,401)	(1,871)	(2,775)	(3,085)	(3,450)	(4,825)
<b>Free cash flow</b>	<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>	<u>\$ 29,449</u>
<b>Year-over-year growth</b>	99 %	45 %	348 %	(1035)%	(513)%	154 %	97 %	63 %
<b>Free cash flow margin</b>								
Net cash provided by operating activities, as a percentage of revenue	19 %	25 %	38 %	19 %	42 %	23 %	40 %	19 %
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(9)%	(14)%	(6)%	(7)%	(8)%	(7)%	(3)%	(5)%
Less: Capitalized internal-use software costs, as a percentage of revenue	(2)%	(2)%	(2)%	(1)%	(2)%	(2)%	(1)%	(2)%
<b>Free cash flow margin</b>	<u>8 %</u>	<u>9 %</u>	<u>30 %</u>	<u>11 %</u>	<u>32 %</u>	<u>14 %</u>	<u>36 %</u>	<u>12 %</u>

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

<b>Fiscal Quarter</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>	<b>Q2 FY22</b>
End of Fiscal Quarter	4/30/2020	7/31/2020	10/31/2020	1/31/2021	4/30/2021	7/31/2021	10/31/2021	1/31/2022
Beginning of Fiscal Quarter	2/1/2020	5/1/2020	8/1/2020	11/1/2020	2/1/2021	5/1/2021	8/1/2021	11/1/2021
<b>Calculated Billings</b>								
Revenue	\$ 110,524	\$ 125,887	\$ 142,578	\$ 157,044	\$ 176,404	\$ 197,074	\$ 230,517	\$ 255,563
Add: Total deferred revenue, end of period	300,791	369,767	371,900	446,817	495,434	630,601	647,816	759,931
Less: Total deferred revenue, beginning of period	(280,022)	(300,791)	(369,767)	(371,900)	(446,817)	(495,434)	(630,601)	(647,816)
<b>Calculated billings</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>	<b>\$ 367,678</b>
Year-over-year growth	55 %	55 %	64 %	71 %	71 %	70 %	71 %	59 %

**Other Key Business Metrics**

Customers with equal or greater than \$100,000 annualized recurring revenue ("ARR")	871	973	1,057	1,182	1,314	1,480	1,616	1,751
Customers with equal or greater than \$1 million ARR	91	108	120	136	163	202	224	251