

## Zscaler Reports First Quarter Fiscal 2022 Financial Results

### First Quarter Highlights

- Revenue grows 62% year-over-year to \$230.5 million
- Calculated billings grows 71% year-over-year to \$247.7 million
- Deferred revenue grows 74% year-over-year to \$647.8 million
- GAAP net loss of \$90.8 million compared to GAAP net loss of \$55.0 million on a year-over-year basis
- Non-GAAP net income of \$21.0 million compared to non-GAAP net income of \$20.0 million on a year-over-year basis

**SAN JOSE, California - November 30, 2021** - Zscaler, Inc. (Nasdaq: ZS), the leader in cloud security, today announced financial results for its first quarter of fiscal year 2022, ended October 31, 2021.

"CISOs and CIOs are looking to phase out legacy network security in favor of zero trust architecture, due to increasing cyber and ransomware risks and accelerating digital transformation. This architecture shift continues to drive strong demand for our Zero Trust Exchange platform," said Jay Chaudhry, Chairman and CEO of Zscaler. "We delivered outstanding results for the first quarter, with year-over-year revenue growth accelerating to 62%. We recently achieved a significant milestone of surpassing \$1 billion in annual recurring revenue (ARR), and are now focusing on achieving \$5 billion in ARR."

### First Quarter Fiscal 2022 Financial Highlights

- **Revenue:** \$230.5 million, an increase of 62% year-over-year.
- **Income (loss) from operations:** GAAP loss from operations was \$74.4 million, or 32% of total revenue, compared to \$42.7 million, or 30% of total revenue, in the first quarter of fiscal 2021. Non-GAAP income from operations was \$23.9 million, or 10% of total revenue, compared to \$19.7 million, or 14% of total revenue, in the first quarter of fiscal 2021.
- **Net income (loss):** GAAP net loss was \$90.8 million, compared to \$55.0 million in the first quarter of fiscal 2021. Non-GAAP net income was \$21.0 million, compared to \$20.0 million in the first quarter of fiscal 2021.
- **Net income (loss) per share:** GAAP net loss per share was \$0.65, compared to \$0.41 in the first quarter of fiscal 2021. Non-GAAP net income per share was \$0.14, compared to \$0.14 in the first quarter of fiscal 2021.
- **Cash flow:** Cash provided by operations was \$93.3 million, or 40% of revenue, compared to \$53.5 million, or 38% of revenue, in the first quarter of fiscal 2021. Free cash flow was \$83.4 million, or 36% of revenue, compared to \$42.2 million, or 30% of revenue, in the first quarter of fiscal 2021.
- **Deferred revenue:** \$647.8 million as of October 31, 2021, an increase of 74% year-over-year.
- **Cash, cash equivalents and short-term investments:** \$1,584.6 million as of October 31, 2021, an increase of \$82.1 million from July 31, 2021.

### Recent Business Highlights

- Announced major enhancements to Zscaler Digital Experience (ZDX), with new Unified Communications as a Service (UCaaS) application monitoring, visibility into Zero Trust secured private apps, and digital workflow service integrations to automatically pinpoint and quickly remediate performance issues for improved employee collaboration and productivity. Delivered as an integrated service on Zscaler's cloud-native Zero Trust Exchange, ZDX addresses the three biggest challenges that prevent seamless collaboration for the hybrid workforce: siloed user data, limited legacy monitoring tools, and a lack of analytics and workflows that can optimize and improve the productivity and digital experience for employees no matter where they reside.
- Announced U.S. Department of Defense (DoD) has granted Zscaler ZPA a Provisional Authorization to Operate at Impact Level 5 (PATO/IL5), making it the first, and currently the only, Zero Trust Network Access solution that meets the DoD's IL5 cloud security requirements. DoD agencies can now leverage this provisional authorization as the

foundation to procure and implement ZPA for securing their applications and user base by issuing agency-specific Authorization to Operate (ATO).

- Extended a partnership with Siemens to enable customers to securely access Operational Technology (OT) systems and applications in the production network from the office or from remote working environments. The combination of Zscaler's cloud delivered Zero Trust Network Access service with Siemens's SCALANCE LPE local processing engine provides highly secure Zero Trust access to industrial automation environments.
- Announced expanded integrations with CrowdStrike to allow Zscaler ZIA service to leverage CrowdStrike Falcon ZTA (Zero Trust Assessment) device scores for access policy configuration. Joint Zscaler and CrowdStrike customers can leverage these integrations for both internal and external applications.
- The Zscaler ThreatLabZ team released its annual State of Encrypted Attacks Report by leveraging insights from the Zero Trust Exchange which analyzes more than 200 billion daily transactions. The ThreatLabZ team tracked and analyzed more than 20 billion threats blocked over HTTPS, which increased more than 314% year-over-year, underscoring the need for a Zero Trust security model.

## Financial Outlook

For the second quarter of fiscal 2022, we expect:

- Total revenue of \$240 million to \$242 million
- Non-GAAP income from operations of \$20 million to \$21 million
- Non-GAAP net income per share of approximately \$0.11, assuming approximately 150 million common shares outstanding

For the full year fiscal 2022, we expect:

- Total revenue of \$1.00 billion to \$1.01 billion
- Calculated billings of \$1.300 billion to \$1.305 billion
- Non-GAAP income from operations of \$90 million to \$93 million
- Non-GAAP net income per share of \$0.50 to \$0.52, assuming approximately 150 million to 151 million common shares outstanding

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Guidance for non-GAAP income from operations excludes stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exit, certain litigation-related expenses, amortization of debt discount and issuance costs and income tax effects generated by intangible assets acquired in business acquisitions. Guidance for non-GAAP net income per share includes the anti-dilutive impact of the capped call transactions entered into in connection with our convertible senior notes. We have not reconciled our expectations to non-GAAP income from operations and non-GAAP net income per share to their most directly comparable GAAP measures because certain items are out of our control or cannot be reasonably predicted. Accordingly, a reconciliation for the guidance for non-GAAP income from operations and non-GAAP net income per share is not available without unreasonable effort.

## Conference Call and Webcast Information

Zscaler will host a conference call for analysts and investors to discuss its first quarter fiscal 2022 earnings results and outlook for its second quarter of fiscal 2022 and full year fiscal 2022 today at 1:30 p.m. Pacific time (4:30 p.m. Eastern time).

**Date:** Tuesday, November 30, 2021

**Time:** 1:30 p.m. PT

**Webcast:** <https://ir.zscaler.com>

**Dial-in number:** 918-922-3018

## Upcoming Conferences

Second quarter of fiscal 2022 virtual investor conference participation schedule:

- NASDAQ Investor Conference  
Thursday, December 2, 2021
- Barclays Global Technology, Media and Telecommunications Conference  
Wednesday, December 8, 2021
- BMO Growth & ESG Conference  
Wednesday, December 8, 2021

Sessions which offer a webcast will be available on the Investor Relations section of the Zscaler website at <https://ir.zscaler.com>.

## Forward-Looking Statements

This press release contains forward-looking statements that involve risks and uncertainties, including, but not limited to, statements regarding our future financial and operating performance, including our financial outlook for the second quarter of fiscal 2022 and full year fiscal 2022. There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including but not limited to: the duration and global impact of COVID-19 on our business, operations and financial results and the economy in general; our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner; our limited operating history; our ability to identify and effectively implement the necessary changes to address execution challenges; risks associated with managing our rapid growth, including fluctuations from period to period; our limited experience with new product and subscription and support introductions and the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products and subscription and support; rapidly evolving technological developments in the market for network security products and subscription and support offerings and our ability to remain competitive; length of sales cycles; and general market, political, economic and business conditions.

Additional risks and uncertainties that could affect our financial results are included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth from time to time in our filings and reports with the Security Exchange Commission (SEC), including our Annual Report on Form 10-K for the fiscal year ended July 31, 2021 filed on September 16, 2021, as well as future filings and reports by us, copies of which are available on our website at [ir.zscaler.com](http://ir.zscaler.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov). You should not rely on these forward-looking statements, as actual outcomes and results may differ materially from those contemplated by these forward-looking statements as a result of such risks and uncertainties. Additional information will also be set forth in other filings that we make with the SEC from time to time. All forward-looking statements in this press release are based on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

## Use of Non-GAAP Financial Information

We believe that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. For further information regarding why we believe that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to the “Explanation of Non-GAAP Financial Measures” section of this press release.

## **About Zscaler**

Zscaler (Nasdaq: ZS) accelerates digital transformation so customers can be more agile, efficient, resilient, and secure. The Zscaler Zero Trust Exchange protects thousands of customers from cyberattacks and data loss by securely connecting users, devices, and applications in any location. Distributed across more than 150 data centers globally, the SASE-based Zero Trust Exchange is the world's largest in-line cloud security platform.

Zscaler™ and the other trademarks listed at <https://www.zscaler.com/legal/trademarks> are either (i) registered trademarks or service marks or (ii) trademarks or service marks of Zscaler, Inc. in the United States and/or other countries. Any other trademarks are the properties of their respective owners.

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

	<b>Three Months Ended</b>	
	<b>October 31,</b>	
	<b>2021</b>	<b>2020</b>
Revenue	\$ 230,517	\$ 142,578
Cost of revenue <sup>(1)(2)</sup>	52,169	31,727
Gross profit	178,348	110,851
Operating expenses:		
Sales and marketing <sup>(1)(2)</sup>	153,786	96,889
Research and development <sup>(1)</sup>	65,216	35,770
General and administrative <sup>(1)(3)</sup>	33,717	20,859
Total operating expenses	252,719	153,518
Loss from operations	(74,371)	(42,667)
Interest income	473	940
Interest expense <sup>(4)</sup>	(13,835)	(13,049)
Other income (expense), net	(589)	268
Loss before income taxes	(88,322)	(54,508)
Provision for income taxes	2,479	498
Net loss	\$ (90,801)	\$ (55,006)
Net loss per share, basic and diluted	\$ (0.65)	\$ (0.41)
Weighted-average shares used in computing net loss per share, basic and diluted	139,296	133,452

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

Cost of revenue	\$ 5,319	\$ 3,266
Sales and marketing	43,464	32,654
Research and development	28,570	14,900
General and administrative	18,741	9,509
Total	\$ 96,094	\$ 60,329

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

Cost of revenue	\$ 2,056	\$ 1,504
Sales and marketing	170	73
Total	\$ 2,226	\$ 1,577

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

	\$ —	\$ 416
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<sup>(4)</sup> Includes amortization of debt discount and issuance costs as follows:

	\$ 13,476	\$ 12,690
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**ZSCALER, INC.**  
**Condensed Consolidated Balance Sheets**  
*(in thousands)*  
*(unaudited)*

	<u>October 31,</u>	<u>July 31,</u>
	<u>2021</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 371,696	\$ 275,898
Short-term investments	1,212,946	1,226,654
Accounts receivable, net	172,028	257,109
Deferred contract acquisition costs	62,067	57,373
Prepaid expenses and other current assets	36,699	31,269
Total current assets	<u>1,855,436</u>	<u>1,848,303</u>
Property and equipment, net	112,999	108,576
Operating lease right-of-use assets	44,153	44,339
Deferred contract acquisition costs, noncurrent	154,036	149,657
Acquired intangible assets, net	29,903	32,129
Goodwill	58,977	58,977
Other noncurrent assets	15,614	15,650
Total assets	<u>\$ 2,271,118</u>	<u>\$ 2,257,631</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 14,961	\$ 12,547
Accrued expenses and other current liabilities	22,859	22,908
Accrued compensation	72,667	93,622
Deferred revenue	584,325	571,286
Operating lease liabilities	20,488	19,842
Total current liabilities	<u>715,300</u>	<u>720,205</u>
Convertible senior notes, net	927,014	913,538
Deferred revenue, noncurrent	63,491	59,315
Operating lease liabilities, noncurrent	30,534	31,225
Other noncurrent liabilities	4,580	4,453
Total liabilities	<u>1,740,919</u>	<u>1,728,736</u>
<b>Stockholders' Equity</b>		
Common stock	140	139
Additional paid-in capital	1,225,224	1,131,006
Accumulated other comprehensive loss	(2,764)	(650)
Accumulated deficit	(692,401)	(601,600)
Total stockholders' equity	<u>530,199</u>	<u>528,895</u>
Total liabilities and stockholders' equity	<u>\$ 2,271,118</u>	<u>\$ 2,257,631</u>

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

	<b>Three Months Ended</b>	
	<b>October 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (90,801)	\$ (55,006)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization expense	9,017	6,092
Amortization expense of acquired intangible assets	2,226	1,577
Amortization of deferred contract acquisition costs	14,912	8,678
Amortization of debt discount and issuance costs	13,476	12,690
Non-cash operating lease costs	6,031	4,513
Stock-based compensation expense	89,903	57,185
Amortization of investment premiums, net of accretion of purchase discounts	2,671	2,605
Deferred income taxes	(223)	(520)
Impairment of assets	—	416
Other	(13)	29
Changes in operating assets and liabilities, net of effects of business acquisitions		
Accounts receivable	84,927	41,634
Deferred contract acquisition costs	(23,985)	(18,042)
Prepaid expenses, other current and noncurrent assets	(4,126)	7,883
Accounts payable	(1,088)	76
Accrued expenses, other current and noncurrent liabilities	(192)	(1,243)
Accrued compensation	(20,955)	(12,347)
Deferred revenue	17,381	2,133
Operating lease liabilities	(5,890)	(4,821)
<b>Net cash provided by operating activities</b>	<b>93,271</b>	<b>53,532</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, equipment and other assets	(6,454)	(8,904)
Capitalized internal-use software	(3,450)	(2,401)
Purchases of short-term investments	(312,840)	(174,663)
Proceeds from maturities of short-term investments	322,677	76,582
Proceeds from sale of short-term investments	—	11,500
<b>Net cash used in investing activities</b>	<b>(67)</b>	<b>(97,886)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of common stock upon exercise of stock options	2,644	4,519
Payment of deferred consideration related to a business acquisition	(50)	—
<b>Net cash provided by financing activities</b>	<b>2,594</b>	<b>4,519</b>
Net increase (decrease) in cash and cash equivalents <sup>(1)</sup>	95,798	(39,835)
Cash and cash equivalents at beginning of period <sup>(1)</sup>	275,898	141,851
Cash and cash equivalents at end of period <sup>(1)</sup>	<u>\$ 371,696</u>	<u>\$ 102,016</u>

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

**ZSCALER, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
*(in thousands, except percentages)*  
*(unaudited)*

	<b>Three Months Ended</b>	
	<b>October 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenue</b>	\$ 230,517	\$ 142,578
<b>Non-GAAP Gross Profit and Non-GAAP Gross Margin</b>		
GAAP gross profit	\$ 178,348	\$ 110,851
Add:		
Stock-based compensation expense and related payroll taxes	5,319	3,266
Amortization expense of acquired intangible assets	2,056	1,504
Non-GAAP gross profit	\$ 185,723	\$ 115,621
GAAP gross margin	77 %	78 %
Non-GAAP gross margin	81 %	81 %
<b>Non-GAAP Income from Operations and Non-GAAP Operating Margin</b>		
GAAP loss from operations	\$ (74,371)	\$ (42,667)
Add:		
Stock-based compensation expense and related payroll taxes	96,094	60,329
Amortization expense of acquired intangible assets	2,226	1,577
Asset impairment related to facility exit <sup>(1)</sup>	—	416
Non-GAAP income from operations	\$ 23,949	\$ 19,655
GAAP operating margin	(32)%	(30)%
Non-GAAP operating margin	10 %	14 %

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



**ZSCALER, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
*(in thousands, except per share amounts)*  
*(unaudited)*

	Three Months Ended October 31,	
	2021	2020
<b>Non-GAAP Net Income per Share, Diluted</b>		
GAAP net loss	\$ (90,801)	\$ (55,006)
Stock-based compensation expense and related payroll taxes	96,094	60,329
Amortization expense of acquired intangible assets	2,226	1,577
Asset impairment related to facility exit <sup>(1)</sup>	—	416
Amortization of debt discount and issuance costs	13,476	12,690
Provision for income taxes <sup>(2)</sup>	—	—
Non-GAAP net income	<u>\$ 20,995</u>	<u>\$ 20,006</u>
<b>GAAP net loss per share, diluted</b>		
GAAP net loss per share, diluted	\$ (0.65)	\$ (0.41)
Stock-based compensation expense and related payroll taxes	0.65	0.42
Amortization expense of acquired intangible assets	0.02	0.01
Asset impairment related to facility exit <sup>(1)</sup>	—	—
Amortization of debt discount and issuance costs	0.09	0.09
Provision for income taxes <sup>(2)</sup>	—	—
Adjustment to total fully diluted earnings per share <sup>(3)</sup>	0.03	0.03
Non-GAAP net income per share, diluted	<u>\$ 0.14</u>	<u>\$ 0.14</u>
<b>Denominator:</b>		
Weighted-average shares used in computing GAAP net loss per share, diluted	139,296	133,452
Potentially diluted shares	10,944	9,920
Antidilutive impact of capped call transactions <sup>(4)</sup>	(2,699)	—
Weighted-average shares used in computing non-GAAP net income per share, diluted	<u>147,541</u>	<u>143,372</u>

<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. 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.

<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 net 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.**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**  
*(in thousands, except percentages)*  
*(unaudited)*

**Three Months Ended**  
**October 31,**

	<u>2021</u>	<u>2020</u>
<b>Calculated Billings</b>		
Revenue	\$ 230,517	\$ 142,578
Add: Total deferred revenue, end of period	647,816	371,900
Less: Total deferred revenue, beginning of period	(630,601)	(369,767)
Calculated billings	<u>\$ 247,732</u>	<u>\$ 144,711</u>
<b>Free Cash Flow</b>		
Net cash provided by operating activities	\$ 93,271	\$ 53,532
Less: Purchases of property, equipment and other assets	(6,454)	(8,904)
Less: Capitalized internal-use software	(3,450)	(2,401)
Free cash flow	<u>\$ 83,367</u>	<u>\$ 42,227</u>
As a percentage of revenue:		
Net cash provided by operating activities	40 %	38 %
Less: Purchases of property, equipment and other assets	(3)%	(6)%
Less: Capitalized internal-use software	(1)%	(2)%
Free cash flow margin	<u>36 %</u>	<u>30 %</u>

## ZSCALER, INC.

### 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 press release. 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. Employer payroll taxes related to stock-based compensation, which is a cash expense, are excluded because 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. 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 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 excluding 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, 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.

***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.

***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.