Securing your digital transformation

Corporate IR Presentation
June 2022
Safe Harbor

Forward-Looking Statements

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In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “continues,” “contemplate,” “could,” “estimate,” “expect,” “explore,” “intend,” “likely,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these terms or other similar words. Zscaler based these forward-looking statements largely on its current expectations and projections about future events that it believes may affect its business. Actual outcomes and results may differ materially from those contemplated by these forward-looking statements. All forward-looking statements in this message 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.
Zscaler highlights

**Pioneer and leader in cloud security**

Founded in 2007 – Redefining network security, with the world’s largest in-line security cloud platform and a scalable cloud architecture.

**$72B Serviceable market opportunity** *(1)*

Opportunity to secure hundreds of millions of users and workloads, plus billions of IoT/OT devices.

**Long-term secular tailwinds**

Secure digital transformation is accelerating and top of mind in C-Suite. **Key trends:** Cloud shift, mobility, IoT, rising threats, legacy phase-out.

**Sustainable competitive advantage**

First mover at massive scale, delivering measurable customer value. Virtuous cycle of growing scale, focused innovation, and data / insight.

**Attractive financial profile**

- >$1B recurring revenue
- >125% Dollar-based NRR *(2)*
- 81% GM, 21% FCF margins *(2)*
- Performing beyond Rule-of-40

**Experienced, founder-led team**

Conviction to build a lasting company with sustainable long-term growth, with world-class sales execution and a high-performing culture.

1) Based on our analysis of ZoomInfo worldwide workforce data for organizations with 2k+ employees and 650 Group’s workload market forecast for 2020.
2) Dollar-based NRR, Gross profit margin, FCF margins for FY21.

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**Total revenue**

Fiscal year ending July 31

- 2017: $126M
- 2018: $190M
- 2019: $303M
- 2020: $431M
- 2021: $673M

**52% CAGR**

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**$100K+ ARR customers**

Fiscal year ending July 31

- 2017: 339
- 2018: 511
- 2019: 714
- 2020: 973
- 2021: 1480

**45% CAGR**
Zscaler: The leader in secure digital transformation

Transformational zero trust platform
Any-to-any connectivity

Pioneer and Market leader
11 Consecutive years of Gartner MQ leadership

Largest security cloud (150 DCs)
240B Daily requests >20x Google searches

Highly rated
>70 Net Promoter Score (Avg SaaS NPS is 30)

Company highlights
NASDAQ-listed: ZS
Member of NASDAQ-100 index

$1 billion annual recurring revenue
63% growth y/y in revenue Q3’22
4,500 employees

Market leader across verticals — 40% of Fortune 500 and 30% of Global 2000

Conglomerates
Household & Personal Products
Banks & Diversified Financials
Aerospace & Defense
Healthcare Equipment & Services
Chemicals
Apparel

7 OF THE TOP 10
9 OF THE TOP 10
8 OF THE TOP 10
6 OF THE TOP 10
7 OF THE TOP 10
8 OF THE TOP 10
6 OF THE TOP 10
New category leaders are born when megashifts take place

Zscaler’s vision: A new world of cloud and mobility, secured.

Data center and hardware

Applications in the data center

On-Premises security
Focused innovation engine and extensible platform

Proven history of rapid innovations & growth

Based on Calendar year events and product milestones
Phased transformation journey

Legacy Network and Security Architecture

Phase 1

Zero Trust for Users
- Improve your Cyber and data protection
- Secure Internet & SaaS Access
- Secure Private App Access

Zero Trust for Workloads
- Cloud-to-Internet
- Cloud-to-Cloud, Cloud-to-DC
- App Micro-segmentation

Risk Posture, Simplification and Cost Savings

Phase 2

Branch Network & Advanced Security
- Hub-n-spoke to Zero Trust SD-WAN
- Advanced Threat Protection and DLP

SaaS & Workload Posture
- CSPM — Protect public cloud data
- CIEM — Entitlements/Permissions

Zero Trust Users, Apps, Devices, Machines

Hub-and-Spoke Network
Castle and Moat Security

Experience your world, secured.

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Driving transition from legacy on prem to cloud / mobile standard

Today's network security
- Perimeter defenses

Castle-and-Moat Security
- Hub-and-Spoke Network

Zero Trust exchange
- Any-to-any connectivity

Corporate network
- Public Internet

 ZERO TRUST EXCHANGE

Delivers Competitive Advantage
Traditional IT: Worked well when apps resided in the data center, and employees showed up to the office

**Hub & spoke networks**
Optimized to connect users to apps in the data center

**Castle & moat security**
Perimeter security appliances to protect the network
Why hub-n-spoke network and castle-n-moat security create issues

They find you Everything exposed to the internet is your attack surface

They compromise you
Infect users, devices, workloads
- Phishing, malicious content
- Misconfigurations, vulnerabilities
- Supply chain

How secure are you?

They move laterally Find high-value targets for ransomware or other attacks

They steal your data
Avoid firewall detection
- Data is encrypted, compressed
- Sent to authorized SaaS, IaaS/PaaS
- Protocol tunneling

Perimeter-based firewalls/VPN based security exploited by attackers and is not relevant for the cloud and mobile world
Zero Trust is needed to defend the cloud-first enterprise

- Eliminate the Attack Surface
- Make apps invisible to the internet (nothing to see)

- Stop Lateral Movement
- Connect users to apps, not the network — only one path created (nowhere to go)

- Prevent Compromise and Stop Data Loss
- Trust No One: Always Verify and Inspect All Content (nowhere to hide)
Zscaler Zero Trust exchange architecture
Per session policy decision and enforcement across 150 DCs worldwide

Comparing Zero Trust with a network firewall architecture

<table>
<thead>
<tr>
<th>Policy Decision</th>
<th>Zero Trust</th>
<th>Firewalls/VPN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Enforcement</td>
<td>Go! Establish Connection</td>
<td>Per session enforcement Connect to an app, not the network</td>
</tr>
<tr>
<td>Security Posture</td>
<td>What are you carrying?</td>
<td>Content inspection (Threat and Data protection)</td>
</tr>
<tr>
<td>Application Policy</td>
<td>What’s the risk score?</td>
<td>AI / ML behavior-based score (User, Device)</td>
</tr>
<tr>
<td>Device Verification</td>
<td>Where are you going?</td>
<td>Internal, External, Sanctioned SaaS, Destination</td>
</tr>
<tr>
<td>Identity Verification</td>
<td>What’s the device profile and posture?</td>
<td>Device posture, Managed/BYOD (Microsoft, CrowdStrike)</td>
</tr>
<tr>
<td>Request origination</td>
<td>Stop! Who are you?</td>
<td>Employee, partner, device identity (Microsoft, Okta, Ping)</td>
</tr>
</tbody>
</table>

Apps are destinations
Apps and users are not on the same network

Eliminate Attack Surface
- No inbound connections
- Apps are invisible from the Internet

Prevent Lateral Movement
- User is not on the network, the network is simply transport

Prevent Compromise
- Inspect content to block threats
- TLS at scale

Prevent Data Loss
- Inline inspection to prevent data loss

Limited

You can’t do Zero Trust Security with Firewalls/VPN
Zero Trust for users and workloads — hybrid and multi-cloud environments

Secure Access to Internet / SaaS (ZIA)
- Cyber Threat Protection
  - Full inline content inspection (SSL at scale)
  - AI-driven threat protection
- Data Protection
  - Inline DLP
  - Inline and Out-of-Band CASB (API)
- Local Internet Breakouts
  - Microsoft 365
  - SD-WAN
- Eliminates SWG appliances and virtual firewalls
  - Firewall / IPS
  - URL filter
  - Anti-virus
  - Data loss prevention
  - SSL inspection
  - Sandbox

Secure Access to Private Apps (ZPA)
- Remote App Access without VPN
  - Workforce and 3rd party contractors, suppliers
  - Secure Access to industrial Systems
- Direct App Access
  - Hybrid and multi-cloud environments
  - No DC to cloud, cloud to cloud VPNs
- Accelerate M&A IT integrations
  - Enable app access without merging networks
- Eliminates VPN infrastructure and virtual firewalls
  - Global load balancing
  - DDOS protection
  - External firewall / IPS
  - Internal load balancer
  - VPN concentrator
  - Internal firewall

Connect to apps, not networks
- Zscaler Private Access (ZPA)
# Zscaler Zero Trust platform offerings

Comprehensive and integrated Zero Trust platform enables security and network transformation

<table>
<thead>
<tr>
<th>Modern workplace enablement</th>
<th>Security transformation</th>
<th>Infrastructure modernization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive Collaboration Experience</td>
<td>Castle and Moat to Zero Trust</td>
<td>Hub-and-Spoke to Zero Trust Connectivity for Branch, Factory and Cloud</td>
</tr>
<tr>
<td>Any User, Any Device, Any Location</td>
<td>Cyber Threat and Data Protection</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>API</th>
<th>Secure SaaS Data (CASB)</th>
<th>Secure Public Cloud (CNAPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure Data at Rest (Scanning Mode)</td>
<td>Posture, Visibility, Threat and Data Protection</td>
<td>Attack Surface, Config/Entitlement, Runtime Protection</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inline</th>
<th>Zero Trust for users</th>
<th>Zero Trust for workloads</th>
<th>Zero Trust for IoT/OT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securely connect users, workloads and devices (Real-time Mode)</td>
<td>Secure app and internet access</td>
<td>Secure workload to workload and internet communications</td>
<td>Secure IoT/OT app and internet access</td>
</tr>
</tbody>
</table>

*Powered by ZIA and ZPA*

**Zero Trust Exchange Platform**

Cloud-Native, Multi-tenant, Global
Ecosystem of best-of-breed platforms
Platforms eliminate point solutions and allow for vendor consolidation

Cloud Providers
- Azure
- AWS
- vmware

Data Center
- SAP
- vmware

SaaS
- 365
- now

Identity Management
- ADFS
- okta
- Ping
- Azure Active Directory
- SailPoint

Endpoint Security / Management
- Microsoft Intune
- vmware Carbon Black
- vmware airwatch
- CROWDSTRIKE

Security Operations
- Azure Sentinel
- Splunk

Branch Router / SD-WAN
- Cisco
- Citrix
- vmware
- vCloud

Zscaler reduces cost and operational complexity
Secular tailwinds powering adoption

- Internet / SaaS Office 365: Secure & fast access
- Direct-to-Cloud Network Transformation: Secures local breakouts that SD-WAN provides
- Work from Anywhere: Fast and secure access to applications
- IaaS/ Public Cloud (Azure / AWS): Secure cloud workload, app-to-app communication
- IoT/OT: Bring zero-trust to IoT/OT
- 5G: Enabling safe edge computing
Our competitive advantages

Comprehensive and Integrated Platform at Scale

Focused Innovation & Extensible Platform

Multi-Tenant Security Cloud – Growing Data, Insights & AI/ML

Growing Tech Partner Ecosystem

World Class Go-to-Market & Growing Channel
Operational excellence

Global footprint delivers better security & user experience

150+ Data Centers
240B+ Transactions / Day
7B+ Enforcements / Day
200K+ Security Updates / Day

Availability SLA 99.999%
100% Renewable Energy
Proven Elasticity & Scale

*Map shows major cities where Zscaler has data center. This map does not show a comprehensive list of Zscaler’s total global footprint of over 150 data center locations.

Security Hardened
Operational Compliance

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THE EXECUTION LEADER

2022 Gartner MQ for security service edge

- Highest ability to execute and 11 consecutive years of Gartner Leadership
- Largest and most proven Security Cloud for SWG, CASB and ZTNA
- Zscaler Zero Trust Exchange accelerates secure digital transformation
Enabling digital transformation requires a unique sales process

- Identify pain points (Transformation Team - ex CXOs)
- Architectural Demonstration (Solution Architects)
- ROI Demonstration (Business Value Analysts)
- Deployment Success (Services Engagement)
- Quarterly Business Reviews (Customer Success Managers)
- Executive Briefings (Roadmap & Architecture Workshops)
- Top-of-the-funnel initiatives (CXO Events)
- Lead Gen (SI/SP/VARs)

Customer Focus:
NPS >70 vs. 30 SaaS Average

Driving Value Through Lifecycle Engagement With Customers
Scaling with majors & large enterprises, while expanding to smaller enterprises

**Winning with majors & large enterprises**

**Expanding to enterprise segment**

New investment:
- Specific marketing program dollars towards <6k employee companies.
- Specific Strategy & Enablement programs/playbooks for this segment

**Attractive market segment:**
- Expands TAM significantly
- Shorter sales cycle
- Leverage: Channel plays a bigger role in the segment

**Exploring opportunities in commercial:**

via Distribution/MSP models, which are zero to low touch
- Partners asking for our help to service this market

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**Total Addressable Market (TAM) for Majors, Large enterprise, Enterprise and Commercial segments are based on data from ZoomInfo for total Global Parent Companies and their Total Employees, rounded to nearest digit, as of December 23, 2020.**
Financial overview

Remo Canessa — Chief Financial Officer
Consistent and strong revenue growth

($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual Revenue</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>$190</td>
<td>59%</td>
</tr>
<tr>
<td>FY19</td>
<td>$303</td>
<td>42%</td>
</tr>
<tr>
<td>FY20</td>
<td>$431</td>
<td>56%</td>
</tr>
<tr>
<td>FY21</td>
<td>$673</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Quarterly Revenue</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4'20</td>
<td>$126</td>
<td>46%</td>
</tr>
<tr>
<td>Q1'21</td>
<td>$143</td>
<td>52%</td>
</tr>
<tr>
<td>Q2'21</td>
<td>$157</td>
<td>55%</td>
</tr>
<tr>
<td>Q3'21</td>
<td>$176</td>
<td>60%</td>
</tr>
<tr>
<td>Q4'21</td>
<td>$197</td>
<td>57%</td>
</tr>
<tr>
<td>Q1'22</td>
<td>$231</td>
<td>62%</td>
</tr>
<tr>
<td>Q2'22</td>
<td>$256</td>
<td>63%</td>
</tr>
<tr>
<td>Q3'22</td>
<td>$287</td>
<td>63%</td>
</tr>
</tbody>
</table>

Note: Fiscal year ended July 31.
Strong YoY growth in calculated billings

($ in millions)

**Annual billings / growth**

- FY18: $258
- FY19: $390
- FY20: $550
- FY21: $934

**Quarterly billings / YoY growth**

- Q4'20: $195
- Q1'21: $145
- Q2'21: $232
- Q3'21: $225
- Q4'21: $332
- Q1'22: $248
- Q2'22: $368
- Q3'22: $346

Note: Fiscal year ended July 31.
Annual pricing model provides significant expansion opportunities

<table>
<thead>
<tr>
<th>User Protection</th>
<th>Workload Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZIA (2)</td>
<td>CSPM</td>
</tr>
<tr>
<td>$45</td>
<td>$40</td>
</tr>
<tr>
<td>ZIA Add-ons (3)</td>
<td>Workload segmentation</td>
</tr>
<tr>
<td>$30</td>
<td>+$60</td>
</tr>
<tr>
<td>ZPA</td>
<td>Workload communication</td>
</tr>
<tr>
<td>$45</td>
<td>+$55</td>
</tr>
<tr>
<td>ZDX</td>
<td></td>
</tr>
<tr>
<td>$25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$145 per user(1)</td>
</tr>
<tr>
<td></td>
<td>$155 per workload(4)</td>
</tr>
</tbody>
</table>

1) Per user pricing for individual products is effective annual prices to Zscaler for customers of 5,000 seats (also referred to as ARPU, or average revenue per user), except for new products including API CASB, Browser Isolation and ZDX, where we calculate ARPU based on closed deals with high volume purchases.
2) ZIA Professional Bundle includes Secure Web Gateway. Business Bundle includes all Professional Bundle functionality, plus SSL inspection, Advanced Threat Protection, inline Cloud Application Control, Bandwidth Control, and more. Transformation Bundle includes all Business Bundle functionality, plus Cloud Sandbox and Cloud Firewall.
3) ZIA Add-ons include Data Loss Prevention, Exact Data Match, API CASB and Browser Isolation.
4) Per workload pricing applies to Zscaler Cloud Protection (ZCP) products, including CSPM, Workload Segmentation and Workload Communication. As ZCP products have been available for a short period of time, pricing per workload is effective annual prices to Zscaler in closed deals with high volume purchases, as well as Zscaler’s estimate for current deals in progress.
Serviceable users of 335M and serviceable workloads of 150M

**Users**

- **335M serviceable users** (1)
  - (current target market of ~20k organizations with 2k+ employees)

- **267M incremental users** (1)
  - (Commercial <2k employees)

- **>600M potential B2B users** (2)
  - (3rd party vendors and customers of customers)

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**Workloads & OT/IOT devices**

- **338M incremental workloads** (3)

- **150M serviceable workloads** (3)
  - (current target of workloads at top public clouds)
  - Billions of OT/IoT

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1. Based on Zscaler’s analysis of worldwide organization and employee data from ZoomInfo.
2. Zscaler’s estimate of potential B2B Users is based on assuming a similar number of users as total worldwide workforce. We consider B2B users to include third-party vendors and customers of our customers.
3. Based on Zscaler’s analysis of workload market forecast for 2020 from 650 Research.
Serviceable market of $72 billion, plus bigger long-term opportunity

Our $72 billion core serviceable opportunity, comprised of:

- $49 billion user SAM focused on enterprises with 2k+ employees
- $23 billion workload SAM for workloads in top public clouds

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User SAM (1)
($49B)
$145 ARPU x 335M

Workload SAM (2)
($23B)
$155 Price x 150M

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1) User SAM is based on Zscaler’s analysis of ZoomInfo worldwide workforce data for organizations with 2k+ employees, multiplied by Zscaler’s aggregate average revenue per user (ARPU) of approximately $45 for ZIA Transformation bundle, $30 for ZIA add-ons, $45 for ZPA and $25 for ZDX from customers purchasing 5,000 seats.

2) Workload SAM is based on 650 Research’s workload market forecast for 2020, multiplied by Zscaler’s aggregate average revenue per workload of approximately $40 for CSPM, $60 for Workload segmentation and $55 for Workload Communication solutions in the ZCP family.

3) Additional future opportunity available in securing the worldwide workforce of commercial businesses with <2k employees, Incremental workloads in hybrid/private cloud and other environments, and number of connected OT/IOT devices.
Upsell opportunity on ZIA and ZPA alone with existing customers*

Adjusted Current ARR*, as of 10/31/20
Incremental ARR from all employees adopting ZIA
Incremental ARR from all employees upgrading to the Transformation Bundle
Incremental ARR from all employees purchasing Data Protection
Incremental ARR from all employees adopting ZPA Business Suite
Potential ARR with existing customers

*Upsell opportunity analysis based on Annual Recurring Revenue (ARR) of customers with 100 ZIA seats or more, as of Q1’21 ending October 31, 2020; this process eliminates paid trials and other smaller deployments, which if included would increase upsell potential further. Our analysis also excludes OEM agreements and end customers with deals primarily based on traffic/usage. Including all adjustments as noted, Adjusted ARR represents over 95% of Total ARR.

We calculate total Upsell Opportunity as total incremental ARR from selling additional seats to cover total employees and additional ZIA and ZPA product functionality at their existing subscription prices, and then applying an incremental discount of 35% on the upsell. Our analysis excludes newly introduced products, including ZB2B, API CASB, Browser Isolation, ZDX and ZCP.

We determine Incremental ARR by calculating the potential value of: 1) additional ZIA seat subscriptions for customers that have purchased ZIA for none or for a subset of total employees, assuming purchase of equivalent product functionality/bundles as existing ZIA subscription, or ZIA Transformation Bundle where no prior ZIA subscription was purchased, for remaining employees, 2) additional product functionality in high-end Transformation Bundle, where customers purchased Professional or Business Bundles, 3) add-on subscriptions for Data Protection products, including DLP and Exact Data Match, and 4) additional ZPA seat subscription for customers that have purchased ZPA for none or for a subset of total employees, assuming purchase of equivalent product functionality/bundles as existing ZPA subscription, or ZPA Business Suite where no prior ZPA subscription was purchased, for remaining employees.

Total employee count for existing customers is Zscaler internal data based on various sources including customer-supplied information, public filings with SEC, Hoover’s, Dun & Bradstreet, Discover.org and ZoomInfo.
Significant international revenue

Historically, approximately 50% of our revenue has come from outside Americas

Early big wins in Europe
Continued investment after early success with G2000 customers including Siemens and Schneider Electric

Early investment in international sales
Replicated size of U.S. sales team internationally

Global SP partners
Focused on partnering with global service providers including BT, OBS, others to efficiently expand our reach

Revenue by geography

- Americas: 52%
- Europe, Middle East and Africa: 33%
- Asia Pacific: 15%

Based on Q3'22 revenue
Attractive cloud gross margins

Purpose-built, multi-tenant architecture
Each subsystem optimized for high throughput, reducing the number of servers needed

Cloud operations
Highly automated, which requires lower head count to operate the cloud

Peering with content and service providers at internet exchanges
Reduces bandwidth cost

Non-GAAP gross margin\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>80%</td>
<td>82%</td>
<td>80%</td>
<td>81%</td>
</tr>
</tbody>
</table>

Note: Financials presented are non-GAAP; refer to the non-GAAP to GAAP reconciliation in Appendix.

1) Non-GAAP gross margin is defined as GAAP gross margin, excluding stock-based compensation expense and related payroll taxes and amortization expense of acquired intangible assets.
**Investing for growth to capture large opportunity**

Non-GAAP expenses \(^{(1)}\) and non-GAAP operating margin \(^{(1)}\) as % of revenue

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>Key factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>COGS</td>
<td>20%</td>
<td>18%</td>
<td>20%</td>
<td>19%</td>
<td>Scale of our multi-tenant cloud benefits COGS</td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>59%</td>
<td>47%</td>
<td>48%</td>
<td>47%</td>
<td>Accelerated investments for long-term leverage</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>19%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>Global centers in Silicon Valley &amp; India</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>Significant presence in India</td>
</tr>
</tbody>
</table>

Building sales team to drive growth and penetration  
Ramping marketing efforts to build brand and create demand  
Investing in R&D to enhance functionality

1) Non-GAAP expenses exclude stock-based compensation expenses and related payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exits, amortization of debt discount and issuance costs and certain litigation-related expenses. Refer to the GAAP to non-GAAP reconciliation in Appendix A.
## Long-term model (Non-GAAP)

<table>
<thead>
<tr>
<th></th>
<th>FY'18</th>
<th>FY'19</th>
<th>FY'20</th>
<th>FY'21</th>
<th>FY'22 Guidance</th>
<th>Long-Term Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-GAAP gross margin (^1)</td>
<td>80%</td>
<td>82%</td>
<td>80%</td>
<td>81%</td>
<td>80%</td>
<td>78% – 82%</td>
</tr>
<tr>
<td>S&amp;M (^2)</td>
<td>59%</td>
<td>47%</td>
<td>48%</td>
<td>47%</td>
<td></td>
<td>33% – 37%</td>
</tr>
<tr>
<td>R&amp;D (^2)</td>
<td>19%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td></td>
<td>15% – 17%</td>
</tr>
<tr>
<td>G&amp;A (^2)</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td></td>
<td>7% – 8%</td>
</tr>
<tr>
<td>Non-GAAP operating margin (^2)</td>
<td>(8%)</td>
<td>11%</td>
<td>9%</td>
<td>12%</td>
<td>10%</td>
<td>20% – 22%</td>
</tr>
<tr>
<td>Non-GAAP free cash flow margin</td>
<td>1%</td>
<td>10%</td>
<td>6%</td>
<td>21%</td>
<td>20%</td>
<td>22% - 25%</td>
</tr>
</tbody>
</table>

1) Non-GAAP gross margin is defined as GAAP gross margin, excluding stock-based compensation expense and amortization of acquired intangible assets. Starting in FY21, payroll taxes related to stock-based compensation are excluded from non-GAAP. Refer to the GAAP to non-GAAP reconciliation in Appendix A. Prior periods amounts have been recasted to conform to this presentation.

2) As a percentage of revenue on a Non-GAAP basis.
Financial Appendix
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 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. However, non-GAAP financial information is presented for supplemental informational purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. 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 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 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.

Key Non-GAAP Financial Measures Included within this Presentation:

- Non-GAAP Gross Profit and Non-GAAP Gross Margin (*)
- Non-GAAP Income from Operations and Non-GAAP Operating Margin (*)
- Free Cash Flow and Free Cash Flow Margin (*)

(*) Non-GAAP to GAAP reconciliations shown on the following slides.
Appendix A: Non-GAAP to GAAP Reconciliation

($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY'21</th>
<th>YTD Q3'22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-GAAP</td>
<td>Stock-based compensation expense and related payroll taxes</td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 673,100</td>
<td>$ 673,100</td>
</tr>
<tr>
<td>YOY growth</td>
<td>56 %</td>
<td>62 %</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>128,577</td>
<td>15,272 $</td>
</tr>
<tr>
<td>Gross profit</td>
<td>544,523</td>
<td>(15,272)</td>
</tr>
<tr>
<td>Gross margin</td>
<td>81 %</td>
<td>78 %</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>314,807</td>
<td>144,273</td>
</tr>
<tr>
<td>% of revenue</td>
<td>47 %</td>
<td>68 %</td>
</tr>
<tr>
<td>Research and development</td>
<td>101,415</td>
<td>73,238</td>
</tr>
<tr>
<td>% of revenue</td>
<td>15 %</td>
<td>26 %</td>
</tr>
<tr>
<td>General and administrative</td>
<td>50,340</td>
<td>45,779</td>
</tr>
<tr>
<td>% of revenue</td>
<td>7 %</td>
<td>14 %</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>466,562</td>
<td>263,290</td>
</tr>
<tr>
<td>% of revenue</td>
<td>69 %</td>
<td>109 %</td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>77,961</td>
<td>(278,562)</td>
</tr>
<tr>
<td>Operating margin</td>
<td>12 %</td>
<td>(31)%</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,812</td>
<td>2,812</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,441)</td>
<td>(51,923)</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>1,186</td>
<td>1,186</td>
</tr>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>(4,851)</td>
<td>(4,851)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ 75,667</td>
<td>$ (278,562)</td>
</tr>
</tbody>
</table>
## Appendix A: Non-GAAP to GAAP Reconciliation

($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY'21</th>
<th>YTD Q'22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>$143,743</td>
<td>$156,561</td>
</tr>
<tr>
<td>Revenue</td>
<td>673,100</td>
<td>772,887</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>21 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$202,040</td>
<td>$218,774</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets</td>
<td>(48,165)</td>
<td>(48,046)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software costs</td>
<td>(10,132)</td>
<td>(14,167)</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>$143,743</td>
<td>$156,561</td>
</tr>
<tr>
<td>Net cash provided by operating activities, as a percentage of revenue</td>
<td>30 %</td>
<td>28 %</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets, as a percentage of revenue</td>
<td>(7)%</td>
<td>(6)%</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software costs, as a percentage of revenue</td>
<td>(2)%</td>
<td>(2)%</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>21 %</td>
<td>20 %</td>
</tr>
</tbody>
</table>
Appendix
Legacy network security versus Zscaler Zero Trust Architecture
Comparing connecting users to networks versus users to apps with Zscaler

Firewalls and VPN put users on your network. That is like allowing unescorted visitors at HQ.

Zero Trust access is like escorting a visitor to a meeting and then out. Plus hide your building (apps).
User experience challenges in a cloud & mobile first world

1. Mobile worker
   - Public Wi-Fi
   - Corp Wi-Fi

2. Chicago
   - Public Wi-Fi
   - Corp Wi-Fi

3. Dallas
   - Peering
   - Peering
   - Peering

4. Corp Wi-Fi
   - VPN/Tunnel

5. Peering
   - Cloud services