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: Transformative SaaS Enabling Digital Transition

Pioneer and leader in Cloud Security
>5,600 customers (1) | 500 of the Forbes Global 2000 (1) | ~50% international revenue (2)

Serving a large addressable market
Estimated $72 Billion in Market SAM(3)

Comprehensive User Protection → Protecting App & Data

Architectural Matters! Cloud-Native, Multi-Tenant From Start

Secular tailwinds creating significant opportunity
cloud shift, mobility, IoT, rising threats, legacy consolidation and simplification

Secure digital transformation is accelerating. Top of mind in C-Suite.

Attractive profile:
recurring subscription, rapid growth, compelling GM
~$673M LTM revenue(5) | ~50% historical growth per year (6)
~81% Gross Profit Margin (7)

Cloud platform with scale, sustainable competitive differentiation
275+ patents issued and pending,
150+ data centers | 160B+ requests/day
Preventing 7B incident & policy violations/day(4)

Experienced, founder-led team with the conviction to build a lasting company that redefines network security

Delivering world-class sales execution, which we believe will drive sustainable long-term growth

2) International revenue by geography as of FY21.
4) Based on July 2021 data.
5) Last Twelve Months (“LTM”) revenue ended July 31, 2021.
6) Revenue Compound Annual Growth Rate (“CAGR”) for FY19, FY20 and FY21.
7) Gross profit margin for FY21.
Driving Transition from Legacy On Prem to Cloud / Mobile Standard

NETWORK SECURITY
Perimeter defenses

ZERO TRUST EXCHANGE
Any-to-any connectivity

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

Corporate network
Public Internet
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
Cloud Breaks Legacy Networks and Security

The cloud is the new data center

Backhaul traffic
Branch: MPLS / Mobile: VPN

Natural path
Direct-to-Cloud

But, security is still sitting in the DC

Poor user experience
MPLS backhaul costs
Security risk

NotPetya
5 Requirements of a Security Cloud

1. **Born in the cloud, for the cloud** to deliver mission-critical service

2. **In-transit Edge Cloud** for a fast user experience

3. **SSL inspection at scale** for better security

4. **Zero Trust Network Architecture** to minimize the risk of bringing users on the corporate network

5. **Operational Excellence** in running and scaling a global cloud 24x7
Security transformation

Three areas to reduce business risk

Prevent compromise
- Protect users, servers, apps, and IoT/OT systems

Prevent lateral threat movement
- Minimize the damages of an infected user or device on the corporate network/WAN

Prevent data loss
- Data loss to the internet, unmanaged devices

How do you reduce business risk without impacting the user experience?
Zscaler Zero Trust Exchange

Securely connects users, devices, and apps using business policies over any network

Zero Trust Exchange
Any-to-any connectivity – User to app, app to app, M2M

Three opposing tenets

<table>
<thead>
<tr>
<th>Zero Trust Exchange</th>
<th>VS. Castle-and-moat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Zero network access</strong></td>
<td>Connect users to networks for application access</td>
</tr>
<tr>
<td>Connect users to apps, not corporate networks, to prevent lateral movement</td>
<td>Apps published on internet, increased attack surface</td>
</tr>
<tr>
<td><strong>2. Zero attack surface</strong></td>
<td></td>
</tr>
<tr>
<td>Make apps invisible so they can't be attacked</td>
<td></td>
</tr>
<tr>
<td><strong>3. Zero passthrough connections</strong></td>
<td></td>
</tr>
<tr>
<td>Deny all privileges; proxy architecture for better cyberthreat and data protection</td>
<td></td>
</tr>
<tr>
<td>Passthrough firewall architecture; limited ability to inspect/protect</td>
<td></td>
</tr>
</tbody>
</table>

Decouples security from the network
Decouples app access from network access

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Zscaler: The leader in securing digital transformation

Our mission is to make the cloud a safe place to do business, and enjoyable for users

Pioneer and leader

Market leader

#1 The only Gartner MQ Leader 2020

Technology innovator

275 Patents issued or pending

Highly rated

74 Net Promoter Score (Avg SaaS NPS is 30)

Transformational zero trust platform

Any-to-any connectivity

Security cloud you can trust

Customer-proven

25% of the Forbes 2019 Global 2000

Exceptional cyber-protection

7B Security incidents and policy violations prevented per day

Largest security cloud (150 DCs)

160B Daily requests 10x Google searches

80% Faster user experience

35x Fewer infected machines

70% Cost reduction

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Ecosystem blueprint for secure digital transformation

Best-of-breed Platforms eliminate point solutions and allow for vendor consolidation

Cloud Providers
- Azure
- AWS
- Amazon

Identity Management
- Azure Active Directory
- Okta
- SailPoint

Endpoint Protection and Management
- CrowdStrike
- Windows Defender ATP
- SentinelOne

Data Center
- SAP
- VMware

SaaS
- Microsoft 365
- Now
- Cloud Providers

Security Operations
- Splunk
- Azure Sentinel
- IBM Security
- NOW
- Firemon

Branch Router / SD-WAN
- Aruba
- Silverpeak
- Cisco
- VMware
- Microsoft Intune

Simplified Deployments
Tested and validated API integrations

Zscaler reduces cost and operational complexity
Global Footprint Delivers Better Security & User Experience

150
Data Centers

160B+
Transactions / Day

7B+
Enforcements / Day

200K+
Security Updates / Day

Availability SLA 99.999%

75% 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.

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Market Leadership
Recognized Leader in Security

**Industry Leader**
10 years in a row **Gartner MQ Leader** in Secure Web Gateway

SWG solutions include CASB, zero trust network access, FWaaS and remote browser isolation

**The Only Leader**
Have you seen a vendor map like this? Zscaler is now the only leader in Gartner’s MQ

**SWG requires Proxy architecture**
Firewall vendors were not considered due to lack of proxy architecture: Firewalls are designed to build a moat around the castle, wrong architecture for securing users
Simplify IT and reduce costs by consolidating and eliminating point products.
**Innovation Engine and Extensible Platform**

**Comprehensive Platform to Deliver Zero-Trust Security**

### Zscaler Internet Access (ZIA)
Protect against threats and data leakage

<table>
<thead>
<tr>
<th>Threat Prevention</th>
<th>Access Control</th>
<th>Data Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxy (Native SSL)</td>
<td>Cloud Firewall</td>
<td>Cloud DLP</td>
</tr>
<tr>
<td>Advanced Threat Protection</td>
<td>URL Filtering</td>
<td>Exact Data Match</td>
</tr>
<tr>
<td>Cloud Sandbox</td>
<td>Bandwidth Control</td>
<td>CASB</td>
</tr>
<tr>
<td>DNS Security</td>
<td>DNS Resolution</td>
<td>Browser Isolation</td>
</tr>
</tbody>
</table>

### Zscaler Private Access (ZPA)
Protect apps/data; only allow authorized access

<table>
<thead>
<tr>
<th>Threat Prevention</th>
<th>Access Control</th>
<th>Data Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero-Trust Network Access</td>
<td>Cloud Firewall</td>
<td>Cloud DLP</td>
</tr>
<tr>
<td>Discovery/Availability</td>
<td>URL Filtering</td>
<td>Exact Data Match</td>
</tr>
<tr>
<td>App / Device Access</td>
<td>Bandwidth Control</td>
<td>CASB</td>
</tr>
<tr>
<td></td>
<td>DNS Resolution</td>
<td>Browser Isolation</td>
</tr>
</tbody>
</table>

### Zscaler Cloud Protection (ZCP)
Extends zero-trust security to public cloud

<table>
<thead>
<tr>
<th>Workload Communication</th>
<th>Security Posture/CSPM</th>
<th>Microsegmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud to Internet</td>
<td>Policy Compliance</td>
<td>Software Identity</td>
</tr>
<tr>
<td>Cloud to Data Center</td>
<td>Configuration Mgt</td>
<td>App segmentation</td>
</tr>
<tr>
<td>Cloud to Cloud</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Zscaler Digital Experience (ZDX)
Identify and resolve device and network issues

<table>
<thead>
<tr>
<th>Workload Communication</th>
<th>Security Posture/CSPM</th>
<th>Microsegmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Path Analysis</td>
<td>Hop-by-hop Network Analytics</td>
<td>Hop-by-hop Network Analytics</td>
</tr>
<tr>
<td>Device Posture</td>
<td>Device Health Metrics</td>
<td>Device Health Metrics</td>
</tr>
<tr>
<td>App Performance</td>
<td>App Response Times</td>
<td>App Response Times</td>
</tr>
</tbody>
</table>
ZCP: Automating, simplifying and securing workload communications

Simplified, flexible traffic forwarding within and across clouds via Cloud Connector

ZIA and ZPA policy engines enforce easy to manage business level policies

ZIA enforces policy, security and data protection for workload to internet comms

ZPA delivers zero trust for secure:
- user-cloud
- cloud-cloud
- cloud-DC
- 3rd party file exchange access

1. Secure user to cloud access (ZPA)
2. Secure cloud to data center communications (ZPA)
3. Secure cloud to cloud communications (ZPA)
4. Secure cloud to internet communications (ZIA)
Enabling Digital Transformation Requires a Unique Sales Process

Driving Value Through Lifecycle Engagement With Customers

**Customer Focus:**
NPS 74 vs. 30 SaaS Average

- **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)
Scaling with Majors & Large Enterprises, While Expanding To Smaller Enterprises

Targeted account-based sale with focus on 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

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.
Our Audacious Goal: Securing the Next…

Customers

New Customers
New relationships in existing verticals

Upsell
Increase penetration with existing customers

Platform

Technology Innovation
New platform solutions to secure any connectivity: Users, Devices & Workloads

Expanded Functionality
Drive leadership in the space and improve core offering

New Markets

New Geographies
Growing presence in Japan and LATAm

New Segments
Expand to smaller enterprises and Federal vertical

200M Users + 100M Workloads

100M Workloads + 200M Users

+
Secular Tailwinds Fueling Progress Towards Our Audacious Goal

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

- Market moving to Zero-Trust with Digital Transformation
- Trusted partner to CXOs of largest global organizations
- Strategic position - handling & securing enterprise-wide traffic
- Multi-tenant cloud scalability and Cloud effect
- GTM that can consistently sell value and drive larger deals
- Experienced team driving culture of excellence
- Strong balance sheet and attractive unit economics

Well Positioned for Success!
Financial Overview

Remo Canessa - Chief Financial Officer
Leading the World of Zero Trust Cloud Security

Driving customer value...

| >5,600 Customers (2) | >500 G2K customers (2) |
| >26 million Licensed seats (3) | 74 NPS vs. 30 SaaS Company avg (3) |

at an unparalleled scale(1) ...

| >150 Data centers globally | 160B Transactions per day >10x Google |
| 7 Billion Security incidents & policy violations prevented per day | 2.1 Support tickets per billion transactions |

while delivering growth(2)

| 70% Billings growth YoY | 57% Revenue growth YoY |
| 128% Dollar-based NRR | 10% Operating margin |

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1) Total number of public data centers, transactions per day, policy and incident prevention per day and support ticket per billion transactions as of July 31, 2021.
2) Billings growth year-over-year, revenue growth year-over-year, dollar-based net retention rate (NRR) and non-GAAP operating margin for Q4’21. Total customers and Forbes Global 2000 customers as of July 31, 2021.
3) Licensed user seats and Net Promoter Score as of FY’21 ending.
Consistent and Strong Revenue Growth
($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual Revenue (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>$190</td>
</tr>
<tr>
<td>FY19</td>
<td>$303</td>
</tr>
<tr>
<td>FY20</td>
<td>$431</td>
</tr>
<tr>
<td>FY21</td>
<td>$673</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Quarterly Revenue (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'20</td>
<td>$94</td>
</tr>
<tr>
<td>Q2'20</td>
<td>$101</td>
</tr>
<tr>
<td>Q3'20</td>
<td>$111</td>
</tr>
<tr>
<td>Q4'20</td>
<td>$126</td>
</tr>
<tr>
<td>Q1'21</td>
<td>$143</td>
</tr>
<tr>
<td>Q2'21</td>
<td>$157</td>
</tr>
<tr>
<td>Q3'21</td>
<td>$176</td>
</tr>
<tr>
<td>Q4'21</td>
<td>$197</td>
</tr>
</tbody>
</table>

Note: Fiscal year ended July 31.
# Strong YoY Growth in Calculated Billings

($ in millions)

<table>
<thead>
<tr>
<th>Annual Billings / Growth</th>
<th>Quarterly Billings / YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18: $258</td>
<td>FY18: $88</td>
</tr>
<tr>
<td>FY19: $390</td>
<td>Q2’20: $135</td>
</tr>
<tr>
<td>FY20: $550</td>
<td>Q3’20: $131</td>
</tr>
<tr>
<td>FY21: $934</td>
<td>Q4’20: $195</td>
</tr>
<tr>
<td>51%</td>
<td>Q1’21: $145</td>
</tr>
<tr>
<td>41%</td>
<td>Q2’21: $232</td>
</tr>
<tr>
<td>70%</td>
<td>Q3’21: $225</td>
</tr>
<tr>
<td></td>
<td>Q4’21: $332</td>
</tr>
</tbody>
</table>

Note: Fiscal year ended July 31.

* Comparative prior year fiscal quarter (Q2 FY19) includes one large customer choosing to pay up-front for a multi-year, private cloud subscription of $11.0 million.
Annual Pricing Model Provides Significant Expansion Opportunities

**User Protection**

- **ZIA** (2)
  - $45 per user (1)

- **ZIA Add-ons** (3)
  - +$30

- **ZPA**
  - +$45

- **ZDX**
  - +$25

**Workload Protection**

- **CSPM**
  - $40

- **Workload Segmentation**
  - +$60

- **Workload Communication**
  - +$55

---

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**

- **>600M Potential B2B Users** (3rd party vendors and customers of customers)

- **267M Incremental Users** (Commercial <2k employees)

- **335M Serviceable Users** (current target market of ~20k organizations with 2k+ employees)

**Workloads & OT/IOT Devices**

- **Billions of OT/IoT**

- **338M Incremental Workloads**

- **150M Serviceable Workloads** (current target of workloads at top public clouds)

---

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 customer.
3) Based on Zscaler’s analysis of workload market forecast for 2020 from 650 Research.
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

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 Zscaler’s analysis of 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, users of B2B third parties and customers of customers, 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*

*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**: 51%
- **Europe, Middle East, and Africa**: 38%
- **Asia Pacific**: 11%

Based on FY’21 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

<table>
<thead>
<tr>
<th></th>
<th>Non-GAAP gross margin&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>80%</td>
</tr>
<tr>
<td>FY19</td>
<td>81%</td>
</tr>
<tr>
<td>FY20</td>
<td>80%</td>
</tr>
<tr>
<td>FY21</td>
<td>81%</td>
</tr>
</tbody>
</table>

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

<sup>(1)</sup> 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) as % of revenue

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>108%</td>
<td>91%</td>
<td>88%</td>
<td></td>
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<tr>
<td>100%</td>
<td>59%</td>
<td>48%</td>
<td>47%</td>
<td></td>
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<tr>
<td>100%</td>
<td>19%</td>
<td>15%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>11%</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Key factors

- Scale of our multi-tenant cloud benefits COGS
- Accelerated investments for long-term leverage
- Global centers in Silicon Valley & India
- Significant presence in India
- 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>79%</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 (8%)</td>
<td>(8%)</td>
<td>11%</td>
<td>9%</td>
<td>12%</td>
<td>9%</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></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 recast 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. Effective August 1, 2020, the beginning of our fiscal year ending July 31, 2021, we have presented employer payroll taxes related to employee equity award transactions, 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 results 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 restated to conform to this presentation. Amortization expense of acquired intangible assets is excluded because these are considered by management to be outside of our core business operating performance. Asset impairments related to facility exit costs are excluded because such charges are not reflective of our ongoing operational performance. Amortization of debt discount and issuance costs from the convertible senior notes is excluded because they 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.

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>FY'20</th>
<th>FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>$ 431,269</strong></td>
</tr>
<tr>
<td><strong>YOY growth</strong></td>
<td><strong>42%</strong></td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td><strong>$ 85,852</strong></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td><strong>$ 345,417</strong></td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td><strong>80%</strong></td>
</tr>
<tr>
<td><strong>Sales and marketing</strong></td>
<td><strong>$ 206,439</strong></td>
</tr>
<tr>
<td><strong>% of revenue</strong></td>
<td><strong>74%</strong></td>
</tr>
<tr>
<td><strong>Research and development</strong></td>
<td><strong>$ 64,662</strong></td>
</tr>
<tr>
<td><strong>% of revenue</strong></td>
<td><strong>1,280</strong></td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td><strong>$ 36,150</strong></td>
</tr>
<tr>
<td><strong>% of revenue</strong></td>
<td><strong>18,380</strong></td>
</tr>
<tr>
<td><strong>% of revenue</strong></td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>$ 307,251</strong></td>
</tr>
<tr>
<td><strong>% of revenue</strong></td>
<td><strong>71%</strong></td>
</tr>
<tr>
<td><strong>Income (loss) from operations</strong></td>
<td><strong>$ 38,168</strong></td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td><strong>(3,384)</strong></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td><strong>6,477</strong></td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td><strong>(140)</strong></td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td><strong>(224)</strong></td>
</tr>
<tr>
<td><strong>Provision for income taxes</strong></td>
<td><strong>(2,466)</strong></td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td><strong>$ 40,781</strong></td>
</tr>
</tbody>
</table>

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## Appendix A: Non-GAAP to GAAP reconciliation

($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>$27,508</td>
<td>$143,743</td>
</tr>
<tr>
<td>Revenue</td>
<td>431,269</td>
<td>673,100</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>6%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$79,317</td>
<td>$202,040</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets</td>
<td>(43,072)</td>
<td>(48,165)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software</td>
<td>(8,737)</td>
<td>(10,132)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$27,508</td>
<td>$143,743</td>
</tr>
<tr>
<td>Net cash provided by operating activities, as a percentage of revenue</td>
<td>18%</td>
<td>30%</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets, as a percentage of revenue</td>
<td>(10)%</td>
<td>(7)%</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software, as a percentage of revenue</td>
<td>(2)%</td>
<td>(2)%</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>6%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Appendix
Zscaler Cloud Protection: Reduce the Risk of Embracing the Cloud

Protect multi-cloud workloads

1. Cloud Security Posture Mgt (CSPM)
   Ensure proper configuration and compliance of workloads

2. Workload Communication
   Secure workload and app-to-app cloud-cloud, cloud-internet and cloud-DC connectivity
   Powered by:
   Zscaler Cloud Connector
   ZIA/ZPA policy engine

3. Workload segmentation
   Eliminate the risk of lateral threat movement without having to do legacy network segmentation

Secure user-to-app access
Secure per app access by the workforce and B2B customers without exposing apps to internet
Multiple approaches to network and security transformation to meet new application requirements

**Approach 1: Extending legacy network and security**

### Network and Security are Intertwined

*To access apps, a user must be on the corporate network. Hence, we extend network to users and apps.*

---

**Cloud:**
Extend the network via site-to-site VPN

**Workforce:**
Extend the network via VPN to all users

**Branch:**
Extend network via MPLS

---

### Challenges

**Poor user experience**
Backhauling traffic introduces latency and impacts app performance (M365)

**Risk of lateral threat movement**
The WAN is a big risk. A single infected user can infect everything on the corporate network.

**High cost and operational overhead**
You own and control the network and security stack

---

This approach creates cost, complexity and cyber risk
Multiple approaches to network and security transformation to meet new application requirements

**Approach 2: Adapting perimeter-based security (firewalls) to the cloud**

- **Cloud**
  - Extend the network via site-to-site VPNs

- **Workforce**
  - Extend the network via VPN to virtual cloud firewalls

- **Branch**
  - Extend the network via site-to-site VPN (not MPLS)

**Challenges**
- Large attack surface
- Risk of lateral threat movement
- High cost and operational overhead

**Benefits**
- MPLS cost savings
- Marginal user experience gain

Retrofitting legacy technology will be a barrier to transformation.
**Approach 3: Zero trust, optimal for network and security transformation**

A zero trust architecture can’t be built with traditional firewalls - it requires a new approach.

**Benefits**

**Delivers a great user experience**
Shortest path from user to app
Recommended for M365/Teams, Zoom

**Protects against cyberthreats**
Prevents compromise (inline inspection, zero attack surface)
Prevents lateral movement

**Prevents data loss**
Secures data in motion (data loss to internet and BYOD)
Secures data at rest (public cloud, SaaS)

**Reduces cost and complexity**
Eliminates SWG, VPN infrastructure and virtual cloud firewalls
Reduces WAN infrastructure costs (local breakouts)