Securing your Digital Transformation

Corporate IR Presentation
December 2020
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 the Digital Transition

**Pioneer and leader in Cloud Security**

- >4,500 customers
- Over 450 of the Forbes Global 2000
- ~50% international revenue

**Disrupting a large existing market**

- Estimated $20.3 Billion in Market TAM for ZIA and ZPA

**Comprehensive User Protection**

**Protecting App & Data**

**Secular tailwinds creating significant opportunity**

- Cloud shift, mobility, IoT, rising threats, legacy consolidation and simplification

**Architecture Matters! Cloud-Native, Multi-Tenant From Start**

**Cloud platform with scale, sustainable competitive differentiation**

- 190+ patents issued and pending
- 150+ data centers
- 140B+ requests/day
- Preventing 7B incident & policy violations/day

**Attractive profile:**

- Recurring subscription, rapid growth, compelling GM
- ~$480M LTM revenue
- ~50% historical growth per year
- ~80% Gross Profit Margin

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

**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**

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1) Total customers, Forbes Global 2000 customers, and International revenue by geography as of FY'20
3) Based on October 2020 data
4) Last Twelve Months (“LTM”) ended October 31, 2020
5) Revenue Compound Annual Growth Rate (“CAGR”) for FY'18, FY'19 and FY'20
6) Gross profit margin for FY'20
Zscaler 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

Securing your cloud transformation
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

Outbound Gateway
Inbound Gateway
- FW / IPS
- URL Filter
- Antivirus
- DLP
- SSL
- Sandbox
- DNS
- Global LB
- DDoS
- Ext. FW/IPS
- RAS (VPN)
- Internal FW
- Internal LB

Trusted Network

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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

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Zscaler Innovation: Zero Trust Exchange Platform

Four pillars

**User Protection and Experience**

**Zscaler Internet Access**
- Cyber protection
- Data protection (DLP/CASB)
- Local internet breakouts (O365/SD-WAN)

**Secure Internet and SaaS access**
- User to Internet

**Secure Private App Access**
- User to Private App

**Zscaler Private Access**
- Remote app access without VPN
- Zero trust from office to data center
- B2B customer app access

**Zscaler Digital Experience**
- Performance scores by user, app, location
- Identify and resolve device and network issues

**User Experience**
- User to App Experience

**Secure Apps and Workloads**
- App to App

**Zscaler Cloud Protection**
- Remediate cloud misconfigurations (CSPM)
- Secure user-to-app and app-to-app access
- App segmentation without network segmentation

**Workload and Server Protection**

Simplify IT and reduce costs by consolidating and eliminating point products
Zscaler Cloud Protection: Reduce risk of embracing the cloud

Protect multi-cloud workloads

1. Cloud Security Posture Mgt. (CSPM)
   Ensure proper configuration and compliance of workloads
   New – Built upon Cloudneeti

2. Workload Communication
   Secure workload and app-to-app cloud-cloud, cloud-internet and cloud-DC connectivity
   New – Powered by Cloud Connectors. ZIA/ZPA used to do user protection. This expands it to net new ZIA/ZPA revenue for cloud workload protection

3. Workload segmentation
   Eliminate the risk of lateral threat movement without having to do legacy network segmentation
   New – Built upon Edgewise

Provide secure user access

Secure user-to-app access (ZPA cross-sell)
Secure per app access by workforce and B2B customers without exposing apps to internet
Ecosystem blueprint for secure digital transformation

Select a best-of-breed platform over best-of-breed point products

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

Endpoint Protection and Management
- Microsoft Intune
- vmware Carbon Black
- Windows Defender ATP
- CROWDSTRIKE

Cloud Providers
- Azure
- AWS
- VMware
- Office 365
- NOW
- Netflix

Security Operations
- splunk
- Azure Sentinel
- chronicle
- ANOMALI

ZERO TRUST EXCHANGE

Branch Router / SD-WAN
- Cisco
- Viptela
- Silverpeak
- VMware
- Velocloud
Zscaler Can Be Rolled Out in Days

**Global logistics provider**
- **40k+ employees**
- 5K APAC users in 2 weeks
- 40K employees in 4 weeks

**Multinational conglomerate**
- **300k+ employees**
- 200,000 Users
- 19,425 Users

**ZPA service activated**
- Day 1
- Testing Completed
- Deployed into Production
- Day 8
- 2 weeks later

Securing your cloud transformation
A Cloud-Native Architecture is Required to Succeed in a Cloud World

Would Netflix build their cloud service with thousands of DVD Players?

Datacenter and hardware

Applications in the datacenter

Network security

Microsoft Azure

AWS

Workday

Salesforce

Zscaler

Securing your cloud transformation
Securing your cloud transformation

Five Waves Creating Tailwind for Zscaler Growth

1. **Open Internet / SaaS**
   - Core market
   - Secure & fast access

2. **Cloud / Office 365**
   - Well underway
   - Faster deployment & user experience
   - Secures local breakouts that SD-WAN provides

3. **Branch Gateway / SD-WAN**
   - Just starting...
   - Fast and secure access to all applications and data from anywhere

4. **Work from Anywhere**
   - Secure & fast access to apps

5. **IaaS/ Public Cloud (Azure / AWS)**

These waves position Zscaler for high, sustainable growth.
Enabling Digital Transformation Requires a Unique Sales Process

- **Lead Gen** (SI/SP/VARs)
- **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)

**Customer Focus:**
NPS 76 vs. 30 SaaS Average

Driving Value Through Lifecycle Engagement With Customers

Securing your cloud transformation
Disciplined M&A Strategy Has Bolstered Our Platform Capabilities

- Highly Targeted, Small Tuck-In Acquisitions
- Deeply Integrated into Core Platform
- Expected to Accelerate Product Development by 12-24 Months

Protecting Applications and Workloads

- TrustPath (Leading AI / ML Technology)
- cloudneti (Cloud Security and Compliance Assurance)
- Appsulate (Next-Gen Browser Isolation)
- EDGWISE (Zero Trust App Segmentation)
Multiple Growth Vectors and Tailwinds Driving Long Term Growth

Drive New Customer Growth
Building new relationships across multiple entry points

Platform Expansion / Upsell
Increase penetration with existing customers

Continue to Innovate
Drive leadership in the space and improve core offering

Develop New Capabilities
Build platform with strong R&D and focused investment
Protecting users → protecting data and workloads

New Markets
Expand into additional regions and federal government

Ongoing Digital Transformation Globally (and Rapid Recent Acceleration) Drives Long Term Demand for Zscaler Products

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Leadership team with proven ability to execute

Jay Chaudhry
Chief Executive Officer, Chairman and Co-Founder

Remo Canessa
Chief Financial Officer

Dali Rajic
President Go-To-Market and Chief Revenue Officer

Dr. Manoj Apte
Chief Strategy Officer

Dr. Amit Sinha
President of Engineering and Cloud Operations, Chief Technology Officer, Member Board of Directors

Robert Schlossman
Chief Legal Officer

Previous experience

Securing your cloud transformation
Financial Overview

Remo Canessa - Chief Financial Officer
A Powerful Financial Model

- **Subscription Model**
  - High Revenue Growth
  - ~50% (1)

- **Strong Gross Margins**
  - ~80% (2)

- **Multi-Dimensional Go-to-Market Model**

- **Proven Land & Expand Model with Net Retention of**
  - 122% (3)

- **Infrastructure in Place Positioned for Operating Leverage**

1) Revenue CAGR for FY'18, FY'19 and FY'20
2) Non-GAAP Gross margin for FY'20. See Appendix for reconciliation to the corresponding GAAP metric
3) Dollar-based net retention rate, trailing 12 months ended October 31, 2020
Consistent and Strong Revenue Growth
($ in millions)

Annual Revenue / YoY Growth

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'17</td>
<td>$126</td>
</tr>
<tr>
<td>FY'18</td>
<td>$190</td>
</tr>
<tr>
<td>FY'19</td>
<td>$303</td>
</tr>
<tr>
<td>FY'20</td>
<td>$431</td>
</tr>
</tbody>
</table>

Quarterly Revenue / YoY Growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'19</td>
<td>$74</td>
</tr>
<tr>
<td>Q3'19</td>
<td>$79</td>
</tr>
<tr>
<td>Q4'19</td>
<td>$86</td>
</tr>
<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>
</tbody>
</table>

Note: Fiscal year ended July 31
Strong YoY Growth in Calculated Billings
($ in millions)

**Annual Billings / Growth**

- FY'17: $156
- FY'18: $258
- FY'19: $390
- FY'20: $550

**Quarterly Billings / YoY Growth**

- Q2'19: $115
- Q3'19: $85
- Q4'19: $126
- Q1'20: $88
- Q2'20: $135
- Q3'20: $131
- Q4'20: $195
- Q1'21: $145

**Note:** Fiscal year ended July 31

* Growth rates reflect the impact of one large customer choosing to pay up-front for a multi year, private cloud enablement: $11.0 million in Q2'19, as shown in light blue.

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Per-User Pricing Model Provides Significant Expansion Opportunities

Zscaler Internet Access and Zscaler Private Access:
Sold in bundles with increasing functionality (1)

1) Based on pricing available to customers

- Professional bundle: Proxy gateway (SWG)
- Business bundle: +SSL inspection, +Adv. threat protection (ATP), +Bandwidth control, +Cloud app control (CASB)
- Transformation bundle: +Cloud firewall (NGFW), +Cloud sandbox (SB)
- Total Platform: ~6x
  - New
  - ZPA
  - ZIA

ZIA + ZPA
~3x
~1.5x
1x

Securing your cloud transformation
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: 39%
- Asia Pacific: 10%

Based on Q1’21 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 headcount to operate the cloud

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

Non-GAAP gross margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'17</td>
<td>78%</td>
</tr>
<tr>
<td>FY'18</td>
<td>80%</td>
</tr>
<tr>
<td>FY'19</td>
<td>81%</td>
</tr>
<tr>
<td>FY'20</td>
<td>80%</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 amortization expense of acquired intangible assets.
Investing for Growth to Capture Large Opportunity

Non-GAAP operating margin

<table>
<thead>
<tr>
<th>Year</th>
<th>FY'17</th>
<th>FY'18</th>
<th>FY'19</th>
<th>FY'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>15%</td>
<td>(8%)</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Non-GAAP free cash flow margin

<table>
<thead>
<tr>
<th>Year</th>
<th>FY'17</th>
<th>FY'18</th>
<th>FY'19</th>
<th>FY'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>11%</td>
<td>(11%)</td>
<td>1%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Building sales team to drive growth and penetration

Ramping marketing efforts toward corporate branding

Investing in R&D to enhance functionality

Note: Non-GAAP operating margin is defined as GAAP operating margin, excluding stock-based compensation expense, certain litigation-related expenses, asset impairment related to facility exist and amortization expense of acquired intangible assets. Non-GAAP free cash flow margin is defined as free cash flow divided by revenue; free cash flow is defined as net cash provided by (used in) operations activities less purchases of property, equipment and other assets and capitalized internal-use software. Refer to the Non-GAAP to GAAP reconciliation in Appendix 1.

1) Non-GAAP free cash flow margin for FY'20 includes a $15 million payment to Broadcom in January 2020 in connection with the legal settlement of the Symantec Cases.
## Zscaler Started With a Clean Slate and Did Not Repurpose Legacy Tech

### Building a cloud with single-tenant appliances

<table>
<thead>
<tr>
<th>Component</th>
<th>Control</th>
<th>Enforce</th>
<th>Log</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandbox</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>DLP</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full AV</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SSL Proxy</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LB</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IPS</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGFW</td>
<td>C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DNS</td>
<td>C</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Increased latency
- Inefficiency
- Impaired performance

### Zscaler built from scratch a highly scalable and ultra-fast multi-tenant cloud security architecture

- Integrated control, logging and enforcement
- Single pass architecture — performance SLA and security efficacy
- Infinitely scalable — cost effective

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Zscaler Single Scan Multi-Action
Full traffic inspection without latency

Traditional service chaining
• Different vendors
• Different UIs and policies
• Looking for different things

Zscaler Enforcement Node
• One vendor
• One UI
• One action
• ZERO copies

Data Packet
URL DB ➔ Antivirus ➔ Sandbox ➔ DLP ➔ Data Packet

Anti-virus ➔ URL filtering ➔ Botnets ➔ XSS ➔ DLP ➔ DCC
Packet in memory
Zscaler Proxy with SSMA
You can’t attack what you can’t see

Every NGFW is an Attack Surface

Zscaler Eliminates the Attack Surface

Can you help me find my apps

I only talk to Zscaler
User Experience Challenges in a Cloud & Mobile First World

Securing your cloud transformation
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 they are non-cash expenses that management believes are 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 recasted to conform with the current period 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>GAAP</th>
<th>Q1 FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-GAAP</td>
<td>Stock-based comp. expense</td>
<td>Non-GAAP</td>
</tr>
<tr>
<td></td>
<td>Amortization of acquired</td>
<td>Stock-based</td>
</tr>
<tr>
<td></td>
<td>intangible related to</td>
<td>comp. expense</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amortization of acquired</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 431,269</td>
<td>$ 142,578</td>
</tr>
<tr>
<td>YOY Growth</td>
<td>42%</td>
<td>52%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>86,385</td>
<td>26,957</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>344,884</td>
<td>115,621</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>80%</td>
<td>81%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>211,368</td>
<td>64,162</td>
</tr>
<tr>
<td>Research and development</td>
<td>66,426</td>
<td>20,870</td>
</tr>
<tr>
<td>General and administrative</td>
<td>37,165</td>
<td>10,934</td>
</tr>
<tr>
<td>% of revenue</td>
<td>49%</td>
<td>45%</td>
</tr>
<tr>
<td>% of revenue</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>% of revenue</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>% of revenue</td>
<td>9%</td>
<td>15%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>314,959</td>
<td>95,966</td>
</tr>
<tr>
<td>% of revenue</td>
<td>73%</td>
<td>67%</td>
</tr>
<tr>
<td>Income (loss) from operations Operating margin</td>
<td>29,925</td>
<td>19,655</td>
</tr>
<tr>
<td>Interest income</td>
<td>6,477</td>
<td>940</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(140)</td>
<td>940</td>
</tr>
<tr>
<td>Other income (expense), net Provision for income taxes</td>
<td>(224)</td>
<td>268</td>
</tr>
<tr>
<td>Non-GAAP (loss)</td>
<td>3,498</td>
<td>(498)</td>
</tr>
<tr>
<td>Net Income (loss)</td>
<td>$(32,540)</td>
<td>$(20,006)</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>Q1 FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>$27,508</td>
<td>$42,227</td>
</tr>
<tr>
<td>Revenue</td>
<td>431,269</td>
<td>142,578</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>6 %</td>
<td>30 %</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>Q1 FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$79,317</td>
<td>$53,532</td>
<td></td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets</td>
<td>(43,072)</td>
<td>(8,904)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software</td>
<td>(8,737)</td>
<td>(2,401)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$27,508</td>
<td>$42,227</td>
</tr>
<tr>
<td>Net cash provided by operating activities, as a percentage of revenue</td>
<td>18 %</td>
<td>38 %</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets, as a percentage of revenue</td>
<td>(10)%</td>
<td>(6)%</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>30 %</td>
</tr>
</tbody>
</table>