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 used in 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 the Company's historical non-GAAP financial measures to their most directly comparable financial measure stated in accordance with GAAP has been included in this Supplemental Financial Information. Investors are cautioned that there are a number of limitations associated with the use of non-GAAP financial measures and key metrics as analytical tools. Investors are encouraged to review these reconciliations, and not to rely on any single financial measure to evaluate our business.

**Expenses Excluded from Non-GAAP Measures**

Stock-based compensation expense is excluded primarily because 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 recast 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 the Company's 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.

**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 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 payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exit and certain litigation-related expenses. We defined 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 income plus stock-based compensation expense and related payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exit, amortization of debt discount and issuance costs, certain litigation-related expenses, income tax effects generated by the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. We define non-GAAP net income per share, diluted, as non-GAAP net income divided by the weighted-average diluted shares outstanding, which includes the dilutive effect of potentially diluted common stock equivalents outstanding during the period.

**Free Cash Flow and Free Cash Flow Margin.** We define free cash flow as net cash provided by operating activities less purchases of property, equipment and other assets and capitalized internal-use software. We define free cash flow margin as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are meaningful indicators of liquidity information to management and investors about the amount of cash generated from our operations that, after the investments in property, equipment and other assets and capitalized internal-use software, can be used for strategic initiatives.

**Calculated Billings.** We define calculated billings as total revenue plus the change in deferred revenue in a period. Calculated billings in any particular period aims to reflect amounts invoiced for subscriptions to access our cloud platform, together with related support services related to 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.
## Condensed Consolidated Statements of Operations - Fiscal Quarters

(All amounts in thousands, except per share amounts)

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$63,298</td>
<td>$74,302</td>
<td>$79,128</td>
<td>$86,108</td>
<td>$93,590</td>
<td>$101,268</td>
<td>$110,524</td>
<td>$125,887</td>
<td>$142,578</td>
</tr>
<tr>
<td><strong>Cost of revenue (1)(2)</strong></td>
<td>12,099</td>
<td>15,271</td>
<td>14,960</td>
<td>17,339</td>
<td>19,558</td>
<td>20,238</td>
<td>24,579</td>
<td>31,358</td>
<td>31,727</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$51,199</td>
<td>$59,031</td>
<td>$64,168</td>
<td>$68,769</td>
<td>$74,032</td>
<td>$81,030</td>
<td>$85,945</td>
<td>$94,529</td>
<td>$110,851</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing (1)(2)</td>
<td>36,545</td>
<td>38,756</td>
<td>45,295</td>
<td>49,317</td>
<td>59,411</td>
<td>61,621</td>
<td>67,727</td>
<td>89,222</td>
<td>96,889</td>
</tr>
<tr>
<td>Research and development (1)(2)</td>
<td>13,186</td>
<td>15,071</td>
<td>16,499</td>
<td>17,213</td>
<td>20,271</td>
<td>20,706</td>
<td>24,117</td>
<td>32,785</td>
<td>35,770</td>
</tr>
<tr>
<td>General and administrative (1)(3)(4)</td>
<td>10,131</td>
<td>10,386</td>
<td>15,911</td>
<td>10,170</td>
<td>12,625</td>
<td>28,983</td>
<td>14,615</td>
<td>17,409</td>
<td>20,859</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>59,862</td>
<td>64,213</td>
<td>77,705</td>
<td>76,700</td>
<td>92,307</td>
<td>111,310</td>
<td>106,459</td>
<td>139,416</td>
<td>153,518</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(8,663)</td>
<td>(5,182)</td>
<td>(13,537)</td>
<td>(7,931)</td>
<td>(18,275)</td>
<td>(30,280)</td>
<td>(20,514)</td>
<td>(44,887)</td>
<td>(42,667)</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>1,590</td>
<td>1,924</td>
<td>2,081</td>
<td>2,135</td>
<td>2,022</td>
<td>1,855</td>
<td>1,528</td>
<td>1,072</td>
<td>940</td>
</tr>
<tr>
<td><strong>Interest expense (5)</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(5,025)</td>
<td>(13,049)</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>(188)</td>
<td>250</td>
<td>(144)</td>
<td>(247)</td>
<td>(29)</td>
<td>(13)</td>
<td>70</td>
<td>(252)</td>
<td>268</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(7,261)</td>
<td>(3,008)</td>
<td>(11,600)</td>
<td>(6,043)</td>
<td>(16,282)</td>
<td>(28,438)</td>
<td>(18,916)</td>
<td>(49,092)</td>
<td>(54,508)</td>
</tr>
<tr>
<td><strong>Provision (benefit) for income taxes</strong></td>
<td>327</td>
<td>547</td>
<td>636</td>
<td>767</td>
<td>794</td>
<td>716</td>
<td>421</td>
<td>457</td>
<td>498</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$ (7,588)</td>
<td>$(3,555)</td>
<td>$(12,236)</td>
<td>$(5,276)</td>
<td>$(17,076)</td>
<td>$(29,154)</td>
<td>$(19,337)</td>
<td>$(49,549)</td>
<td>$(55,006)</td>
</tr>
<tr>
<td><strong>Net loss per share, basic and diluted</strong></td>
<td>$(0.06)</td>
<td>$(0.03)</td>
<td>$(0.10)</td>
<td>$(0.04)</td>
<td>$(0.13)</td>
<td>$(0.23)</td>
<td>$(0.15)</td>
<td>$(0.38)</td>
<td>$(0.41)</td>
</tr>
<tr>
<td><strong>Weighted-average shares used in computing net loss per share, basic and diluted (6)</strong></td>
<td>120,587</td>
<td>122,741</td>
<td>124,672</td>
<td>126,302</td>
<td>127,548</td>
<td>128,408</td>
<td>129,682</td>
<td>131,660</td>
<td>133,452</td>
</tr>
</tbody>
</table>

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

| Cost of revenue | $697 | $715 | $759 | $1,282 | $1,414 | $1,648 | $1,672 | $3,117 | $3,266 |
| Sales and marketing | 3,837 | 7,183 | 8,318 | 9,873 | 10,586 | 13,033 | 15,795 | 32,054 | 32,654 |
| Research and development | 2,853 | 4,424 | 4,280 | 4,008 | 5,054 | 6,280 | 7,145 | 13,458 | 14,900 |
| General and administrative | 1,558 | 2,723 | 2,169 | (522) | 2,167 | 4,392 | 4,470 | 7,351 | 9,509 |
| **Total** | $8,945 | $15,045 | $15,526 | $14,641 | $19,221 | $25,353 | $29,082 | $55,980 | $60,329 |

(2) Includes amortization expense of acquired intangible assets as follows:

| Cost of revenue | $ — | $144 | $163 | $205 | $205 | $205 | $348 | $1,272 | $1,504 |
| Sales and marketing | — | — | 3 | 7 | 8 | 8 | 50 | 73 |
| Research and development | 95 | — | — | 291 | 566 | 429 | 285 | — | — |
| **Total** | $95 | $144 | $166 | $503 | $779 | $642 | $641 | $1,322 | $1,577 |

(3) Includes asset impairment related to facility exit as follows:

| $ — | $ — | $ — | $ — | $ — | $ — | $316 | $430 | $ — | $416 |

(4) Includes litigation-related expenses as follows:

| $2,174 | $1,768 | $6,164 | $2,973 | $2,007 | $16,334 | $12 | $3 | — |

(5) Includes amortization of debt discount and issuance costs as follows:

| $ — | $ — | $ — | $ — | $ — | $ — | $ — | $4,885 | $12,690 |

(6) Since we have reported GAAP net losses for all periods presented, we have excluded all potentially dilutive securities from the calculation of the diluted net loss per share attributable to common stockholders as their effect is antidilutive and accordingly, basic net loss per share equals diluted net loss per share for all periods presented.
## ZSCALER, INC.

### Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters

(in thousands, except per share amounts)

(unaudited)

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$63,298</td>
<td>$74,302</td>
<td>$79,128</td>
<td>$86,108</td>
<td>$93,590</td>
<td>$101,268</td>
<td>$110,524</td>
<td>$125,887</td>
<td>$142,578</td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td>11,402</td>
<td>14,412</td>
<td>14,038</td>
<td>15,852</td>
<td>17,939</td>
<td>18,385</td>
<td>22,559</td>
<td>26,969</td>
<td>26,957</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>51,896</td>
<td>59,890</td>
<td>65,090</td>
<td>70,256</td>
<td>75,651</td>
<td>82,883</td>
<td>87,965</td>
<td>98,918</td>
<td>115,621</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>32,708</td>
<td>31,573</td>
<td>36,974</td>
<td>39,437</td>
<td>48,817</td>
<td>48,580</td>
<td>51,924</td>
<td>57,118</td>
<td>64,162</td>
</tr>
<tr>
<td>Research and development</td>
<td>10,238</td>
<td>10,647</td>
<td>12,219</td>
<td>12,914</td>
<td>14,651</td>
<td>13,997</td>
<td>16,687</td>
<td>19,327</td>
<td>20,870</td>
</tr>
<tr>
<td>General and administrative</td>
<td>6,399</td>
<td>5,895</td>
<td>7,578</td>
<td>7,719</td>
<td>8,451</td>
<td>7,941</td>
<td>9,703</td>
<td>10,055</td>
<td>10,934</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>49,345</td>
<td>48,115</td>
<td>56,771</td>
<td>60,070</td>
<td>71,919</td>
<td>70,518</td>
<td>78,314</td>
<td>86,500</td>
<td>95,966</td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td>2,551</td>
<td>11,775</td>
<td>8,319</td>
<td>10,186</td>
<td>3,732</td>
<td>12,365</td>
<td>9,651</td>
<td>12,418</td>
<td>19,655</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>1,590</td>
<td>1,924</td>
<td>2,081</td>
<td>2,135</td>
<td>2,022</td>
<td>1,855</td>
<td>1,528</td>
<td>1,072</td>
<td>940</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(140)</td>
<td>(359)</td>
</tr>
<tr>
<td><strong>Other income (expense), net</strong></td>
<td>(188)</td>
<td>250</td>
<td>(144)</td>
<td>(247)</td>
<td>(29)</td>
<td>(13)</td>
<td>70</td>
<td>(252)</td>
<td>268</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>3,953</td>
<td>13,949</td>
<td>10,256</td>
<td>12,074</td>
<td>5,725</td>
<td>14,207</td>
<td>11,249</td>
<td>13,098</td>
<td>20,504</td>
</tr>
<tr>
<td>** Provision for income taxes (1)</td>
<td>327</td>
<td>547</td>
<td>636</td>
<td>655</td>
<td>794</td>
<td>716</td>
<td>911</td>
<td>1,077</td>
<td>498</td>
</tr>
<tr>
<td><strong>Non-GAAP net income</strong></td>
<td>$3,626</td>
<td>$13,402</td>
<td>$9,620</td>
<td>$11,419</td>
<td>$4,931</td>
<td>$13,491</td>
<td>$10,338</td>
<td>$12,021</td>
<td>$20,006</td>
</tr>
<tr>
<td><strong>Non-GAAP net income per share, diluted</strong></td>
<td>$0.03</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.10</td>
<td>$0.09</td>
<td>$0.08</td>
<td>$0.14</td>
</tr>
<tr>
<td><strong>Weighted-average shares used in computing non-GAAP net income per share, diluted</strong></td>
<td>133,845</td>
<td>134,246</td>
<td>136,538</td>
<td>137,545</td>
<td>136,860</td>
<td>136,663</td>
<td>137,873</td>
<td>141,465</td>
<td>143,372</td>
</tr>
</tbody>
</table>

(1) We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. The income tax benefit related to stock-based compensation and included in the GAAP provision for income taxes was not material for all periods presented. In the fiscal quarter ended July 31, 2019, April 30, 2020 and July 31, 2020, we recorded a tax benefit of $1.4 million, $0.5 million and $0.6 million, respectively, associated with intangible assets recognized as a result of our acquisitions of Appsulate, Inc., Cloudneeti Corporation and Edgewise Networks, Inc., respectively.
**ZSCALER, INC.**

Condensed Consolidated Balance Sheets - Fiscal Quarters

*(in thousands)*

*(unaudited)*

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>End of Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>10/31/18</td>
<td>1/31/19</td>
<td>4/30/19</td>
<td>7/31/19</td>
<td>10/31/20(*)</td>
<td>1/31/20(*)</td>
<td>4/30/20(*)</td>
<td>7/31/20(*)</td>
<td>10/31/20(*)</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$42,786 $67,467 $54,974 $78,484 $69,346 $76,534 $124,592 $141,851 $102,016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Short-term investments</td>
<td>271,254 272,476 297,762 286,162 308,285 308,380 266,722 1,228,722 1,313,938</td>
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<td></td>
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</tr>
<tr>
<td>Accounts receivable, net</td>
<td>49,228 75,470 71,151 93,341 70,482 94,784 105,583 147,584 105,942</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Deferred contract acquisition costs</td>
<td>16,387 18,058 19,391 21,219 22,060 23,527 26,316 32,240 35,589</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>11,949 12,540 12,765 16,880 18,713 19,917 28,903 31,396 22,040</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>391,604 446,011 456,043 496,086 488,886 523,142 552,116 1,581,793 1,579,525</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>24,132 25,762 31,976 41,046 48,361 52,355 63,297 75,734 83,976</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Operating lease right-of-use assets</td>
<td>— — — — 32,585 32,142 35,128 36,119 45,586</td>
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<td></td>
</tr>
<tr>
<td>Deferred contract acquisition costs, noncurrent</td>
<td>39,591 42,543 44,714 48,566 48,366 50,523 58,024 77,675 83,690</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Acquired intangible assets, net</td>
<td>1,621 1,477 2,211 8,708 7,929 7,287 10,146 24,024 22,447</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Goodwill</td>
<td>— — 198 7,479 7,479 7,479 13,350 30,059 30,059</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>1,146 2,320 2,394 2,277 2,622 3,497 3,903 8,054 7,664</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Total assets</td>
<td>$458,094 $518,113 $537,536 $604,162 $636,228 $676,425 $755,964 $1,835,458 $1,852,947</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and stockholders’ equity</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,573 $3,459 $3,585 $6,208 $3,784 $2,675 $9,392 $5,233 $7,663</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>16,174 14,906 12,510 12,810 12,003 13,606 14,366 16,361 13,871</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Accrued compensation</td>
<td>18,686 15,541 21,845 21,544 22,926 25,019 34,215 49,444 37,097</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>144,472 176,326 183,622 221,387 218,191 251,221 274,726 337,263 340,035</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease liabilities</td>
<td>— — — — 9,413 11,142 12,939 15,600 17,796</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>183,905 210,232 221,562 261,949 266,317 303,663 345,638 423,901 416,462</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible senior notes, net</td>
<td>— — — — — — 861,615 874,359</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Deferred revenue, noncurrent</td>
<td>20,807 29,694 27,920 29,815 27,678 28,801 26,065 32,504 31,865</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating lease liabilities, noncurrent</td>
<td>— — — — 24,825 23,300 27,909 28,023 35,266</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>1,204 1,114 1,475 3,840 3,356 1,497 1,558 2,586 2,890</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>205,916 241,040 250,957 295,604 322,176 357,261 401,170 1,348,629 1,360,842</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Stockholders’ equity**

| Common stock                     | 122 124 126 127 128 129 130 133 134 |
| Additional paid-in capital       | 455,761 483,951 505,531 532,618 555,019 589,229 623,859 823,804 886,815 |
| Accumulated other comprehensive income (loss) | (317) (59) 101 268 436 491 827 463 (267) |
| Accumulated deficit              | (203,388) (206,943) (219,179) (224,455) (241,531) (270,685) (290,022) (339,571) (394,577) |
| Total stockholders’ equity       | 252,178 277,073 286,579 308,558 314,052 319,164 334,794 484,829 492,105 |
| Total liabilities and stockholders’ equity | $458,094 $518,113 $537,536 $604,162 $636,228 $676,425 $755,964 $1,833,458 $1,852,947 |

(*) On August 1, 2019, we adopted Topic 842 using the transition provision which allows for the adoption of Topic 842 to be applied on a modified retrospective basis at the beginning of the fiscal year of adoption. As such, the condensed consolidated balance sheets for prior periods are not comparable to our fiscal 2020 periods. The adoption of this standard resulted in the recognition of the operating lease right-of-use assets and operating lease liabilities related to our real estate and co-location arrangements.
<table>
<thead>
<tr>
<th>Fiscal Reporting Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
</table>

### Cash flows from operating activities

| Net loss | $ (7,588) | $ (3,555) | $ (12,236) | $ (5,276) | $ (17,076) | $ (29,154) | $ (19,337) | $ (49,549) | $ (55,006) |

### Adjustments to reconcile net loss to cash provided by operating activities:

- **Depreciation and amortization expense**: 2,170
- **Amortization expense of acquired intangible assets**: 95
- **Amortization of deferred contract acquisition costs**: 4,324
- **Amortization of debt discount and issuance costs**: —
- **Noncash operating lease costs**: —
- **Stock-based compensation expense**: 7,586
- **Amortization (accrual) of investments purchased at a premium (discount)**:
  - (493) (632) (577) (479) (300) (142) (21) 513 2,605
- **Deferred income taxes**: —
- **Impairment of assets**: —
- **Other**: 176

### Changes in operating assets and liabilities:

- **Accounts receivable**: 12,383
- **Deferred contract acquisition costs**: (4,392) (9,080) (8,228) (10,826) (6,176) (9,514) (16,538) (32,824) (18,042)
- **Prepaid expenses, other current and noncurrent assets**: (1,138) (1,640) (583) (4,281) (2,471) (1,510) (9,384) (215) 7,883
- **Accounts payable**: (768) (18) 175 1,106 (38) (565) 2,526 (1,061) 76
- **Accrued expenses, other current and noncurrent liabilities**: 2,110 (1,068) (2,089) 711 (466) (777) 1,903 1,632 (1,243)
- **Accrued compensation**: (4,707) (3,145) 6,304 (301) 1,382 2,093 9,196 15,229 (12,347)
- **Deferred revenue**: 1,256 40,741 5,522 39,660 (5,333) 34,153 20,761 68,436 2,133

### Operating lease liabilities:

- (2,349) (2,840) (293) (2,122) (4,821)

| Net cash provided by operating activities | 11,014 | 15,707 | 13,483 | 17,823 | 21,429 | 5,431 | 20,822 | 31,635 | 53,532 |

### Cash flows from investing activities:

- **Purchases of property, equipment and other assets**: (5,414) (3,193) (8,091) (8,822) (10,210) (4,889) (9,694) (18,279) (8,904)
- **Capitalized internal-use software**: (356) (547) (810) (1,449) (1,802) (2,471) (2,023) (2,441) (2,401)
- **Acquired intangible assets**: (1,480)

### Payments for business acquisitions, net of cash acquired:

- (823) (10,609) — — (8,918) (30,683)

### Investment in a privately held company:

- — — — — (2,000)

### Purchases of short-term investments:

- (137,429) (42,467) (92,428) (62,862) (88,410) (59,133) (55,221) (1,052,865) (174,663)

### Proceeds from maturities of short-term investments:

- 29,333 42,270 67,758 60,355 66,796 59,217 83,212 80,560 76,582

### Proceeds from sale of short-term investments:

- — — — 14,990 — — 14,084 7,008 11,500

| Net cash provided by (used in) investing activities | (115,346) | (3,937) | (34,394) | (8,397) | (33,626) | (7,276) | 21,440 (1,018,700) (97,886) |

### Cash flows from financing activities:

- **Payments of offering costs related to initial public offering**: (230) (1,567)

### Proceeds from issuance of common stock upon exercise of stock options:

- 9,796 5,697 8,030 6,339 3,059 3,699 5,796 9,048 4,519

### Proceeds from issuance of common stock under the employee stock purchase plan:

- 8,691 — 7,745 — 5,334 — 9,999

### Proceeds from issuance of convertible senior notes, net of issuance costs:

- — — — — — 1,130,522 —

### Purchases of capped calls related to convertible senior notes:

- — — — — — (145,245)

### Repurchase of vested common stock:

- (22)

### Repayment of notes receivable from stockholders:

- 1,905

| Net cash provided by (used in) financing activities | 11,449 | 12,821 | 8,030 | 14,084 | 3,059 | 9,033 | 5,796 | 1,004,324 | 4,519 |

### Net increase (decrease) in cash, cash equivalents and restricted cash:

- (92,883) 24,591 (12,881) 25,510 (9,138) 7,188 48,058 17,259 (39,835)

### Cash, cash equivalents and restricted cash at beginning of period:

- 136,147 43,264 67,855 54,974 78,484 69,346 76,534 124,592 141,851

### Cash, cash equivalents and restricted cash at end of period:

| 43,264 | 67,855 | 54,974 | 78,484 | 69,346 | 76,534 | 124,592 | 141,851 | 102,016 |

### Reconciliation of cash, cash equivalents and restricted cash with condensed consolidated balance sheets:

- **Cash and cash equivalents**: $ 42,786 $ 67,467 $ 54,974 $ 78,484 $ 69,346 $ 76,534 $ 124,592 $ 141,851 $ 102,016
- **Restricted cash, current**: 186 96 — — — — — —
- **Restricted cash, non-current**: 292 292 — — — — — —

| Total cash, cash equivalents and restricted cash | 43,264 | 67,855 | 54,974 | 78,484 | 69,346 | 76,534 | 124,592 | 141,851 | 102,016 |
### GAAP to Non-GAAP Reconciliations - Fiscal Quarters

*(in thousands, except per share amounts/unaudited)*

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GAAP gross profit</strong></td>
<td>$51,199</td>
<td>$59,031</td>
<td>$64,168</td>
<td>$68,769</td>
<td>$74,032</td>
<td>$81,030</td>
<td>$85,945</td>
<td>$94,529</td>
<td>$110,851</td>
</tr>
<tr>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>697</td>
<td>715</td>
<td>759</td>
<td>1,282</td>
<td>1,414</td>
<td>1,648</td>
<td>1,672</td>
<td>3,117</td>
<td>3,266</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>—</td>
<td>144</td>
<td>163</td>
<td>205</td>
<td>205</td>
<td>205</td>
<td>348</td>
<td>1,272</td>
<td>1,504</td>
</tr>
<tr>
<td><strong>Non-GAAP gross profit</strong></td>
<td>$51,896</td>
<td>$59,890</td>
<td>$65,090</td>
<td>$70,256</td>
<td>$75,651</td>
<td>$82,883</td>
<td>$87,965</td>
<td>$98,918</td>
<td>$115,621</td>
</tr>
<tr>
<td><strong>Non-GAAP gross margin</strong></td>
<td>82%</td>
<td>81%</td>
<td>82%</td>
<td>82%</td>
<td>81%</td>
<td>82%</td>
<td>80%</td>
<td>79%</td>
<td>81%</td>
</tr>
<tr>
<td><strong>GAAP sales and marketing expense</strong></td>
<td>$36,545</td>
<td>$38,756</td>
<td>$45,295</td>
<td>$49,317</td>
<td>$59,411</td>
<td>$61,621</td>
<td>$67,727</td>
<td>$89,222</td>
<td>$96,889</td>
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<tr>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>3,837</td>
<td>7,183</td>
<td>8,318</td>
<td>9,873</td>
<td>10,586</td>
<td>13,033</td>
<td>15,795</td>
<td>32,054</td>
<td>32,654</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>—</td>
<td>—</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>50</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Non-GAAP sales and marketing expense</strong></td>
<td>$32,708</td>
<td>$31,573</td>
<td>$36,974</td>
<td>$39,437</td>
<td>$48,817</td>
<td>$48,580</td>
<td>$51,924</td>
<td>$57,118</td>
<td>$64,162</td>
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<tr>
<td>Non-GAAP sales and marketing expense as a percentage of revenue</td>
<td>52%</td>
<td>42%</td>
<td>47%</td>
<td>46%</td>
<td>52%</td>
<td>48%</td>
<td>47%</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td><strong>GAAP research and development expense</strong></td>
<td>$13,186</td>
<td>$15,071</td>
<td>$16,499</td>
<td>$17,213</td>
<td>$20,271</td>
<td>$20,706</td>
<td>$24,117</td>
<td>$32,785</td>
<td>$35,770</td>
</tr>
<tr>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>2,853</td>
<td>4,424</td>
<td>4,280</td>
<td>4,008</td>
<td>5,054</td>
<td>6,280</td>
<td>7,145</td>
<td>13,458</td>
<td>14,900</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>95</td>
<td>—</td>
<td>—</td>
<td>291</td>
<td>566</td>
<td>429</td>
<td>73</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Non-GAAP research and development expense</strong></td>
<td>$10,238</td>
<td>$10,647</td>
<td>$12,219</td>
<td>$12,914</td>
<td>$14,651</td>
<td>$13,997</td>
<td>$16,687</td>
<td>$19,327</td>
<td>$20,870</td>
</tr>
<tr>
<td>Non-GAAP research and development expense as a percentage of revenue</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>15%</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>GAAP general and administrative expense</strong></td>
<td>$10,131</td>
<td>$10,386</td>
<td>$15,911</td>
<td>$10,170</td>
<td>$12,625</td>
<td>$14,615</td>
<td>$17,409</td>
<td>$20,859</td>
<td>$20,859</td>
</tr>
<tr>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>1,558</td>
<td>2,723</td>
<td>2,169</td>
<td>(522)</td>
<td>2,167</td>
<td>4,392</td>
<td>4,470</td>
<td>7,351</td>
<td>9,509</td>
</tr>
<tr>
<td>Litigation-related expenses</td>
<td>2,174</td>
<td>1,768</td>
<td>6,164</td>
<td>2,973</td>
<td>2,007</td>
<td>16,334</td>
<td>12</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Asset impairment related to facility exit (1)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>316</td>
<td>430</td>
<td>—</td>
<td>416</td>
<td>—</td>
</tr>
<tr>
<td><strong>Non-GAAP general and administrative expense</strong></td>
<td>$6,399</td>
<td>$5,895</td>
<td>$7,578</td>
<td>$7,719</td>
<td>$8,451</td>
<td>$7,941</td>
<td>$9,703</td>
<td>$10,055</td>
<td>$10,934</td>
</tr>
<tr>
<td>Non-GAAP general and administrative expense as a percentage of revenue</td>
<td>10%</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>GAAP total operating expenses</strong></td>
<td>$59,862</td>
<td>$64,213</td>
<td>$77,705</td>
<td>$76,700</td>
<td>$92,307</td>
<td>$111,310</td>
<td>$106,459</td>
<td>$139,416</td>
<td>$153,518</td>
</tr>
<tr>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>8,248</td>
<td>14,330</td>
<td>14,767</td>
<td>13,559</td>
<td>17,807</td>
<td>23,705</td>
<td>27,410</td>
<td>52,863</td>
<td>57,063</td>
</tr>
<tr>
<td>Litigation-related expenses</td>
<td>2,174</td>
<td>1,768</td>
<td>6,164</td>
<td>2,973</td>
<td>2,007</td>
<td>16,334</td>
<td>12</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Amortization expense of acquired intangible assets</td>
<td>95</td>
<td>—</td>
<td>—</td>
<td>3</td>
<td>298</td>
<td>574</td>
<td>437</td>
<td>293</td>
<td>73</td>
</tr>
<tr>
<td>Asset impairment related to facility exit (1)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>316</td>
<td>430</td>
<td>—</td>
<td>416</td>
<td>—</td>
</tr>
<tr>
<td><strong>Non-GAAP total operating expenses</strong></td>
<td>$49,345</td>
<td>$48,115</td>
<td>$56,771</td>
<td>$60,070</td>
<td>$71,919</td>
<td>$70,518</td>
<td>$78,314</td>
<td>$86,500</td>
<td>$95,966</td>
</tr>
<tr>
<td>Non-GAAP total operating expenses as a percentage of revenue</td>
<td>78%</td>
<td>65%</td>
<td>72%</td>
<td>70%</td>
<td>77%</td>
<td>70%</td>
<td>71%</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>Fiscal Quarter</td>
<td>GAAP loss from operations</td>
<td>Stock-based compensation expense and related payroll taxes</td>
<td>Litigation-related expenses</td>
<td>Amortization of acquired intangible assets</td>
<td>Asset impairment related to facility exit</td>
<td>Non-GAAP income from operations</td>
<td>Non-GAAP operating margin</td>
<td>GAAP interest expense</td>
<td>Non-GAAP interest expense</td>
</tr>
</tbody>
</table>
|---------------|---------------------------|------------------------------------------------------------|------------------------------|---------------------------------------------|---------------------------------------|-------------------------------|------------------------|-----------------------|----------------------|-----------------------------------------------|-----------------|------------------------------------------------|-----------------------------|---------------------------------------------|--------------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------------------------------------------
| Q1 FY19       | $ (8,663)                 | $ (13,537)                                                | 2,174                        | 95                                           | 144                                   | 2,551                         | 4 %                    | $ (5,182)            | $ (11,775)           | $ 8,945                                        | $ (30,280)         | $ (18,275)                                                 | 8,945                        | 144                                         | 2,174                           | $ (11,775)                  | $ 8,945                               | $ (30,280)                                   |
| Q2 FY19       | $ (2,551)                 | $ (10,916)                                                | 1,768                        | 144                                         | 166                                   | $ (10,338)                    | 16 %                   | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (17,076)         | $ (5,276)                                                  | 10,916                       | 144                                         | 1,768                           | $ (10,338)                  | $ 13,402                               | $ (17,076)                                   |
| Q3 FY19       | $ (3,626)                 | $ (12,236)                                                | 6,164                        | 155                                         | 166                                   | $ (9,651)                     | 11 %                   | $ (3,555)            | $ (13,402)           | $ 9,620                                         | $ (19,337)         | $ (12,236)                                                | 12,236                       | 155                                         | 6,164                           | $ (9,651)                  | $ 9,620                                | $ (19,337)                                   |
| Q4 FY19       | $ (8,663)                 | $ (13,537)                                                | 2,973                        | 253                                         | 503                                   | $ (12,365)                    | 12 %                   | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (49,549)        | $ (12,365)                                                | 13,537                       | 253                                         | 2,973                           | $ (12,365)                  | $ 13,402                               | $ (49,549)                                   |
| Q1 FY20       | $ (7,588)                 | $ (12,236)                                                | 2,007                        | 779                                         | 316                                   | $ (13,491)                    | 9 %                    | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (55,006)       | $ (12,236)                                                | 12,236                       | 779                                         | 2,007                           | $ (13,491)                  | $ 13,402                               | $ (55,006)                                   |
| Q2 FY20       | $ (2,551)                 | $ (5,276)                                                 | 1634                         | 641                                         | 430                                   | $ (140)                       | 10 %                   | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (44,887)       | $ (5,276)                                                  | 5,276                        | 641                                         | 1634                            | $ (140)                    | $ 13,402                               | $ (44,887)                                   |
| Q3 FY20       | $ (3,626)                 | $ (11,775)                                                | 13,341                       | 641                                         | 430                                   | $ (359)                       | 14 %                   | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (42,667)       | $ (11,775)                                                | 11,775                       | 641                                         | 13,341                          | $ (359)                    | $ 13,402                               | $ (42,667)                                   |
| Q4 FY20       | $ (8,663)                 | $ (18,275)                                                | 16,334                       | 641                                         | 430                                   | $ (359)                       | 14 %                   | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (42,667)       | $ (18,275)                                                | 18,275                       | 641                                         | 16,334                          | $ (359)                    | $ 13,402                               | $ (42,667)                                   |
| Q1 FY21       | $ (2,551)                 | $ (10,916)                                                | 12                           | 3                                           | —                                     | $ (1,422)                     | —                      | $ (5,025)            | $ (9,620)             | $ 13,402                                        | $ (30,280)       | $ (10,916)                                                | 10,916                       | 3                                           | 12                              | $ (1,422)                  | $ 13,402                               | $ (30,280)                                   |

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

(2) We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions and any income tax benefits associated with business combinations. The income tax benefit related to stock-based compensation expense...
included in the GAAP provision for income taxes was not material for all periods presented. In the fiscal quarter ended July 31, 2019, April 30, 2020, and July 31, 2020, we recorded a tax benefit of $1.4 million, $0.5 million and $0.6 million, respectively, associated with intangible asset recognized as a result of our acquisitions of Appsulate, Inc., Cloudneeti Corporation and Edgewise Networks Inc., respectively.

(3) 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 basic share counts used to calculate the GAAP net loss per share as compared to fully diluted share count used for Non-GAAP net income per share, and due to rounding of individual line items. The GAAP net loss per share calculation uses a lower share count as it excludes potentially dilutive shares, which are included in calculating the non-GAAP income per share.
ZSCALER, INC.
Non-GAAP Free Cash Flow and Free Cash Flow Margin - Fiscal Quarter
(in thousands)
(unaudited)

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
</table>

Non-GAAP Free Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$11,014</td>
<td>$15,707</td>
<td>$13,483</td>
<td>$17,823</td>
<td>$21,429</td>
<td>$5,431</td>
<td>$20,822</td>
<td>$31,635</td>
<td>$53,532</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets</td>
<td>$(5,414)</td>
<td>$(3,193)</td>
<td>$(8,091)</td>
<td>$(8,822)</td>
<td>$(10,210)</td>
<td>$(4,889)</td>
<td>$(9,694)</td>
<td>$(18,279)</td>
<td>$(8,904)</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software costs</td>
<td>$(356)</td>
<td>$(547)</td>
<td>$(810)</td>
<td>$(1,449)</td>
<td>$(1,802)</td>
<td>$(2,471)</td>
<td>$(2,023)</td>
<td>$(2,441)</td>
<td>$(2,401)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$5,244</td>
<td>$11,967</td>
<td>$4,582</td>
<td>$7,552</td>
<td>$9,417</td>
<td>$(1,929)</td>
<td>$9,105</td>
<td>$10,915</td>
<td>$42,227</td>
</tr>
</tbody>
</table>

Free Cash Flow Margin

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities, as a percentage of revenue</td>
<td>17%</td>
<td>21%</td>
<td>17%</td>
<td>21%</td>
<td>23%</td>
<td>5%</td>
<td>19%</td>
<td>25%</td>
<td>38%</td>
</tr>
<tr>
<td>Less: Purchases of property, equipment and other assets, as a percentage of revenue</td>
<td>(8)%</td>
<td>(4)%</td>
<td>(10)%</td>
<td>(10)%</td>
<td>(11)%</td>
<td>(5)%</td>
<td>(9)%</td>
<td>(14)%</td>
<td>(6)%</td>
</tr>
<tr>
<td>Less: Capitalized internal-use software costs, as a percentage of revenue</td>
<td>(1)%</td>
<td>(1)%</td>
<td>(1)%</td>
<td>(2)%</td>
<td>(2)%</td>
<td>(2)%</td>
<td>(2)%</td>
<td>(2)%</td>
<td>(2)%</td>
</tr>
<tr>
<td>Free cash flow margin</td>
<td>8%</td>
<td>16%</td>
<td>6%</td>
<td>9%</td>
<td>10%</td>
<td>(2)%</td>
<td>8%</td>
<td>9%</td>
<td>30%</td>
</tr>
</tbody>
</table>
## ZSCALER, INC.
### Non-GAAP Calculated Billings - Fiscal Quarters
(inaudited)

<table>
<thead>
<tr>
<th>Fiscal Quarter</th>
<th>Q1 FY19</th>
<th>Q2 FY19 (*)</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Fiscal Quarter</td>
<td>10/31/18</td>
<td>1/31/19</td>
<td>4/30/19</td>
<td>7/31/19</td>
<td>10/31/19</td>
<td>1/31/20</td>
<td>4/30/20</td>
<td>7/31/20</td>
<td>10/31/20</td>
</tr>
<tr>
<td>Beginning of Fiscal Quarter</td>
<td>8/1/18</td>
<td>11/1/18</td>
<td>2/1/19</td>
<td>5/1/19</td>
<td>8/1/19</td>
<td>11/1/19</td>
<td>2/1/20</td>
<td>5/1/20</td>
<td>8/1/20</td>
</tr>
</tbody>
</table>

### Calculated Billings

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$63,298</td>
<td>$74,302</td>
<td>$79,128</td>
<td>$86,108</td>
<td>$93,590</td>
<td>$101,268</td>
<td>$110,524</td>
<td>$125,887</td>
<td>$142,578</td>
</tr>
<tr>
<td><strong>Add: Total deferred revenue, end of period</strong></td>
<td>165,279</td>
<td>206,020</td>
<td>211,542</td>
<td>251,202</td>
<td>245,869</td>
<td>280,022</td>
<td>300,791</td>
<td>369,767</td>
<td>371,900</td>
</tr>
<tr>
<td><strong>Less: Total deferred revenue, beginning of period</strong></td>
<td>(164,023)</td>
<td>(165,279)</td>
<td>(206,020)</td>
<td>(211,542)</td>
<td>(251,202)</td>
<td>(245,869)</td>
<td>(280,022)</td>
<td>(300,791)</td>
<td>(369,767)</td>
</tr>
<tr>
<td><strong>Calculated billings</strong></td>
<td><strong>$64,554</strong></td>
<td><strong>$115,043</strong></td>
<td><strong>$84,650</strong></td>
<td><strong>$125,768</strong></td>
<td><strong>$101,268</strong></td>
<td><strong>$135,421</strong></td>
<td><strong>$131,293</strong></td>
<td><strong>$194,863</strong></td>
<td><strong>$144,711</strong></td>
</tr>
</tbody>
</table>

### Year-over-year growth - calculated billings

<table>
<thead>
<tr>
<th></th>
<th>Q1 FY19</th>
<th>Q2 FY19</th>
<th>Q3 FY19</th>
<th>Q4 FY19</th>
<th>Q1 FY20</th>
<th>Q2 FY20</th>
<th>Q3 FY20</th>
<th>Q4 FY20</th>
<th>Q1 FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year-over-year growth</strong></td>
<td>56 %</td>
<td>74 %</td>
<td>55 %</td>
<td>32 %</td>
<td>37 %</td>
<td>18 %</td>
<td>55 %</td>
<td>55 %</td>
<td>64 %</td>
</tr>
</tbody>
</table>

*Includes one large customer choosing to pay up-front for a multi-year, private cloud subscription of $11.0 million in Q2 FY19.*