

**ZSCALER, INC.**  
**Supplemental Financial Information**  
**Explanation of Non-GAAP Financial Measures**

In addition to our results determined in accordance with generally accepted accounting principles in the United States of America (GAAP), we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In particular, free cash flow is not a substitute for cash 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 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 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 loss 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.

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

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	11/1/2019	2/1/2020	5/1/2020	8/1/2020
Revenue	\$ 63,298	\$ 74,302	\$ 79,128	\$ 86,108	\$ 93,590	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578
Cost of revenue <sup>(1)(2)</sup>	12,099	15,271	14,960	17,339	19,558	20,238	24,579	31,358	31,727
Gross profit	51,199	59,031	64,168	68,769	74,032	81,030	85,945	94,529	110,851
Operating expenses:									
Sales and marketing <sup>(1)(2)</sup>	36,545	38,756	45,295	49,317	59,411	61,621	67,727	89,222	96,889
Research and development <sup>(1)(2)</sup>	13,186	15,071	16,499	17,213	20,271	20,706	24,117	32,785	35,770
General and administrative <sup>(1)(3)(4)</sup>	10,131	10,386	15,911	10,170	12,625	28,983	14,615	17,409	20,859
Total operating expenses	59,862	64,213	77,705	76,700	92,307	111,310	106,459	139,416	153,518
Loss from operations	(8,663)	(5,182)	(13,537)	(7,931)	(18,275)	(30,280)	(20,514)	(44,887)	(42,667)
Interest income	1,590	1,924	2,081	2,135	2,022	1,855	1,528	1,072	940
Interest expense <sup>(5)</sup>	—	—	—	—	—	—	—	(5,025)	(13,049)
Other income (expense), net	(188)	250	(144)	(247)	(29)	(13)	70	(252)	268
Loss before income taxes	(7,261)	(3,008)	(11,600)	(6,043)	(16,282)	(28,438)	(18,916)	(49,092)	(54,508)
Provision (benefit) for income taxes	327	547	636	(767)	794	716	421	457	498
Net loss	\$ (7,588)	\$ (3,555)	\$ (12,236)	\$ (5,276)	\$ (17,076)	\$ (29,154)	\$ (19,337)	\$ (49,549)	\$ (55,006)
Net loss per share, basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.04)	\$ (0.13)	\$ (0.23)	\$ (0.15)	\$ (0.38)	\$ (0.41)
Weighted-average shares used in computing net loss per share, basic and diluted <sup>(6)</sup>	120,587	122,741	124,672	126,302	127,548	128,408	129,682	131,660	133,452

<sup>(1)</sup> 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

<sup>(2)</sup> 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	8	50	73
Research and development	95	—	—	291	566	429	285	—	—
Total	\$ 95	\$ 144	\$ 166	\$ 503	\$ 779	\$ 642	\$ 641	\$ 1,322	\$ 1,577

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

	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 316	\$ 430	\$ —	\$ 416
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<sup>(4)</sup> Includes litigation-related expenses as follows:

	\$ 2,174	\$ 1,768	\$ 6,164	\$ 2,973	\$ 2,007	\$ 16,334	\$ 12	\$ 3	\$ —
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<sup>(5)</sup> Includes amortization of debt discount and issuance costs as follows:

	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,885	\$ 12,690
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<sup>(6)</sup> 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)*

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	11/1/2019	2/1/2020	5/1/2020	8/1/2020
Revenue	\$ 63,298	\$ 74,302	\$ 79,128	\$ 86,108	\$ 93,590	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578
Cost of revenue	11,402	14,412	14,038	15,852	17,939	18,385	22,559	26,969	26,957
Gross profit	51,896	59,890	65,090	70,256	75,651	82,883	87,965	98,918	115,621
Operating expenses:									
Sales and marketing	32,708	31,573	36,974	39,437	48,817	48,580	51,924	57,118	64,162
Research and development	10,238	10,647	12,219	12,914	14,651	13,997	16,687	19,327	20,870
General and administrative	6,399	5,895	7,578	7,719	8,451	7,941	9,703	10,055	10,934
Total operating expenses	49,345	48,115	56,771	60,070	71,919	70,518	78,314	86,500	95,966
Income from operations	2,551	11,775	8,319	10,186	3,732	12,365	9,651	12,418	19,655
Interest income	1,590	1,924	2,081	2,135	2,022	1,855	1,528	1,072	940
Interest expense	—	—	—	—	—	—	—	(140)	(359)
Other income (expense), net	(188)	250	(144)	(247)	(29)	(13)	70	(252)	268
Income before income taxes	3,953	13,949	10,256	12,074	5,725	14,207	11,249	13,098	20,504
Provision for income taxes <sup>(1)</sup>	327	547	636	655	794	716	911	1,077	498
Non-GAAP net income	\$ 3,626	\$ 13,402	\$ 9,620	\$ 11,419	\$ 4,931	\$ 13,491	\$ 10,338	\$ 12,021	\$ 20,006
Non-GAAP net income per share, diluted	\$ 0.03	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.04	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.14
Weighted-average shares used in computing non-GAAP net income per share, diluted	133,845	134,246	136,538	137,545	136,860	136,663	137,873	141,465	143,372

<sup>(1)</sup> We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions 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 Appslate, Inc., Cloudneeti Corporation and Edgewise Networks, Inc., respectively.

**ZSCALER, INC.**
**Condensed Consolidated Balance Sheets - Fiscal Quarters**
*(in thousands)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019 (*)	1/31/2020 (*)	4/30/2020 (*)	7/31/2020 (*)	10/31/2020 (*)
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 42,786	\$ 67,467	\$ 54,974	\$ 78,484	\$ 69,346	\$ 76,534	\$ 124,592	\$ 141,851	\$ 102,016
Short-term investments	271,254	272,476	297,762	286,162	308,285	308,380	266,722	1,228,722	1,313,938
Accounts receivable, net	49,228	75,470	71,151	93,341	70,482	94,784	105,583	147,584	105,942
Deferred contract acquisition costs	16,387	18,058	19,391	21,219	22,060	23,527	26,316	32,240	35,589
Prepaid expenses and other current assets	11,949	12,540	12,765	16,880	18,713	19,917	28,903	31,396	22,040
Total current assets	391,604	446,011	456,043	496,086	488,886	523,142	552,116	1,581,793	1,579,525
Property and equipment, net	24,132	25,762	31,976	41,046	48,361	52,355	63,297	75,734	83,976
Operating lease right-of-use assets	—	—	—	—	32,585	32,142	35,128	36,119	45,586
Deferred contract acquisition costs, noncurrent	39,591	42,543	44,714	48,566	48,366	50,523	58,024	77,675	83,690
Acquired intangible assets, net	1,621	1,477	2,211	8,708	7,929	7,287	10,146	24,024	22,447
Goodwill	—	—	198	7,479	7,479	7,479	13,350	30,059	30,059
Other noncurrent assets	1,146	2,320	2,394	2,277	2,622	3,497	3,903	8,054	7,664
Total assets	<u>\$ 458,094</u>	<u>\$ 518,113</u>	<u>\$ 537,536</u>	<u>\$ 604,162</u>	<u>\$ 636,228</u>	<u>\$ 676,425</u>	<u>\$ 735,964</u>	<u>\$ 1,833,458</u>	<u>\$ 1,852,947</u>
<b>Liabilities and stockholders' equity</b>									
Current liabilities:									
Accounts payable	\$ 4,573	\$ 3,459	\$ 3,585	\$ 6,208	\$ 3,784	\$ 2,675	\$ 9,392	\$ 5,233	\$ 7,663
Accrued expenses and other current liabilities	16,174	14,906	12,510	12,810	12,003	13,606	14,366	16,361	13,871
Accrued compensation	18,686	15,541	21,845	21,544	22,926	25,019	34,215	49,444	37,097
Deferred revenue	144,472	176,326	183,622	221,387	218,191	251,221	274,726	337,263	340,035
Operating lease liabilities	—	—	—	—	9,413	11,142	12,939	15,600	17,796
Total current liabilities	183,905	210,232	221,562	261,949	266,317	303,663	345,638	423,901	416,462
Convertible senior notes, net	—	—	—	—	—	—	—	861,615	874,359
Deferred revenue, noncurrent	20,807	29,694	27,920	29,815	27,678	28,801	26,065	32,504	31,865
Operating lease liabilities, noncurrent	—	—	—	—	24,825	23,300	27,909	28,023	35,266
Other noncurrent liabilities	1,204	1,114	1,475	3,840	3,356	1,497	1,558	2,586	2,890
Total liabilities	205,916	241,040	250,957	295,604	322,176	357,261	401,170	1,348,629	1,360,842
<b>Stockholders' equity</b>									
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	<u>\$ 458,094</u>	<u>\$ 518,113</u>	<u>\$ 537,536</u>	<u>\$ 604,162</u>	<u>\$ 636,228</u>	<u>\$ 676,425</u>	<u>\$ 735,964</u>	<u>\$ 1,833,458</u>	<u>\$ 1,852,947</u>

(\*) 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.

**ZSCALER, INC.**
**Condensed Consolidated Cash flows - Fiscal Quarters (in thousands) (unaudited)**

<b>Fiscal Reporting Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4//30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	1/11/2019	2/1/2020	5/1/2020	8/1/2020
<b>Cash flows from operating activities</b>									
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	2,492	2,669	3,067	3,582	3,926	4,770	5,456	6,092
Amortization expense of acquired intangible assets	95	144	166	503	779	642	641	1,322	1,577
Amortization of deferred contract acquisition costs	4,324	4,457	4,724	5,146	5,535	5,890	6,248	7,249	8,678
Amortization of debt discount and issuance costs	—	—	—	—	—	—	—	4,885	12,690
Noncash operating lease costs	—	—	—	—	2,951	3,264	3,434	3,906	4,513
Stock-based compensation expense	7,586	13,227	13,275	12,335	18,376	23,866	27,770	51,383	57,185
Amortization (accretion) of investments purchased at a premium (discount)	(493)	(632)	(577)	(479)	(300)	(142)	(21)	513	2,605
Deferred income taxes	—	—	—	(1,392)	(49)	49	(555)	(617)	(520)
Impairment of assets	—	—	—	—	—	316	430	—	416
Other	176	26	42	40	223	25	57	16	29
Changes in operating assets and liabilities:									
Accounts receivable	12,383	(26,242)	4,319	(22,190)	22,859	(24,291)	(10,786)	(42,004)	41,634
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)
<b>Net cash provided by operating activities</b>	<b>11,014</b>	<b>15,707</b>	<b>13,483</b>	<b>17,823</b>	<b>21,429</b>	<b>5,431</b>	<b>20,822</b>	<b>31,635</b>	<b>53,532</b>
<b>Cash flows from investing activities:</b>									
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
<b>Net cash provided by (used in) investing activities</b>	<b>(115,346)</b>	<b>(3,937)</b>	<b>(34,394)</b>	<b>(8,397)</b>	<b>(33,626)</b>	<b>(7,276)</b>	<b>21,440</b>	<b>(1,018,700)</b>	<b>(97,886)</b>
<b>Cash flows from financing activities:</b>									
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 unvested common stock	(22)	—	—	—	—	—	—	—	—
Repayment of notes receivable from stockholders	1,905	—	—	—	—	—	—	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>11,449</b>	<b>12,821</b>	<b>8,030</b>	<b>14,084</b>	<b>3,059</b>	<b>9,033</b>	<b>5,796</b>	<b>1,004,324</b>	<b>4,519</b>
Net increase (decrease) in cash, cash equivalents and restricted cash	(92,883)	24,591	(12,881)	23,510	(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
<b>Reconciliation of cash, cash equivalents and restricted cash with condensed consolidated balance sheets:</b>									
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	—	—	—	—	—	—	—
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 43,264</b>	<b>\$ 67,855</b>	<b>\$ 54,974</b>	<b>\$ 78,484</b>	<b>\$ 69,346</b>	<b>\$ 76,534</b>	<b>\$ 124,592</b>	<b>\$ 141,851</b>	<b>\$ 102,016</b>

**ZSCALER, INC.**
**GAAP to Non-GAAP Reconciliations - Fiscal Quarters**
*(in thousands, except per share amounts)(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	11/1/2019	2/1/2020	5/1/2020	8/1/2020
<b>GAAP gross profit</b>	<u>\$ 51,199</u>	<u>\$ 59,031</u>	<u>\$ 64,168</u>	<u>\$ 68,769</u>	<u>\$ 74,032</u>	<u>\$ 81,030</u>	<u>\$ 85,945</u>	<u>\$ 94,529</u>	<u>\$ 110,851</u>
Stock-based compensation expense and related payroll taxes	697	715	759	1,282	1,414	1,648	1,672	3,117	3,266
Amortization expense of acquired intangible assets	—	144	163	205	205	205	348	1,272	1,504
Non-GAAP gross profit	<u>\$ 51,896</u>	<u>\$ 59,890</u>	<u>\$ 65,090</u>	<u>\$ 70,256</u>	<u>\$ 75,651</u>	<u>\$ 82,883</u>	<u>\$ 87,965</u>	<u>\$ 98,918</u>	<u>\$ 115,621</u>
Non-GAAP gross margin	82 %	81 %	82 %	82 %	81 %	82 %	80 %	79 %	81 %
<b>GAAP sales and marketing expense</b>	<u>\$ 36,545</u>	<u>\$ 38,756</u>	<u>\$ 45,295</u>	<u>\$ 49,317</u>	<u>\$ 59,411</u>	<u>\$ 61,621</u>	<u>\$ 67,727</u>	<u>\$ 89,222</u>	<u>\$ 96,889</u>
Stock-based compensation expense and related payroll taxes	3,837	7,183	8,318	9,873	10,586	13,033	15,795	32,054	32,654
Amortization expense of acquired intangible assets	—	—	3	7	8	8	8	50	73
Non-GAAP sales and marketing expense	<u>\$ 32,708</u>	<u>\$ 31,573</u>	<u>\$ 36,974</u>	<u>\$ 39,437</u>	<u>\$ 48,817</u>	<u>\$ 48,580</u>	<u>\$ 51,924</u>	<u>\$ 57,118</u>	<u>\$ 64,162</u>
Non-GAAP sales and marketing expense as a percentage of revenue	52 %	42 %	47 %	46 %	52 %	48 %	47 %	45 %	45 %
<b>GAAP research and development expense</b>	<u>\$ 13,186</u>	<u>\$ 15,071</u>	<u>\$ 16,499</u>	<u>\$ 17,213</u>	<u>\$ 20,271</u>	<u>\$ 20,706</u>	<u>\$ 24,117</u>	<u>\$ 32,785</u>	<u>\$ 35,770</u>
Stock-based compensation expense and related payroll taxes	2,853	4,424	4,280	4,008	5,054	6,280	7,145	13,458	14,900
Amortization expense of acquired intangible assets	95	—	—	291	566	429	285	—	—
Non-GAAP research and development expense	<u>\$ 10,238</u>	<u>\$ 10,647</u>	<u>\$ 12,219</u>	<u>\$ 12,914</u>	<u>\$ 14,651</u>	<u>\$ 13,997</u>	<u>\$ 16,687</u>	<u>\$ 19,327</u>	<u>\$ 20,870</u>
Non-GAAP research and development expense as a percentage of revenue	16 %	14 %	15 %	15 %	16 %	14 %	15 %	15 %	15 %
<b>GAAP general and administrative expense</b>	<u>\$ 10,131</u>	<u>\$ 10,386</u>	<u>\$ 15,911</u>	<u>\$ 10,170</u>	<u>\$ 12,625</u>	<u>\$ 28,983</u>	<u>\$ 14,615</u>	<u>\$ 17,409</u>	<u>\$ 20,859</u>
Stock-based compensation expense and related payroll taxes	1,558	2,723	2,169	(522)	2,167	4,392	4,470	7,351	9,509
Litigation-related expenses	2,174	1,768	6,164	2,973	2,007	16,334	12	3	—
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	316	430	—	416
Non-GAAP general and administrative expense	<u>\$ 6,399</u>	<u>\$ 5,895</u>	<u>\$ 7,578</u>	<u>\$ 7,719</u>	<u>\$ 8,451</u>	<u>\$ 7,941</u>	<u>\$ 9,703</u>	<u>\$ 10,055</u>	<u>\$ 10,934</u>
Non-GAAP general and administrative expense as a percentage of revenue	10 %	8 %	10 %	9 %	9 %	8 %	9 %	8 %	8 %
<b>GAAP total operating expenses</b>	<u>\$ 59,862</u>	<u>\$ 64,213</u>	<u>\$ 77,705</u>	<u>\$ 76,700</u>	<u>\$ 92,307</u>	<u>\$ 111,310</u>	<u>\$ 106,459</u>	<u>\$ 139,416</u>	<u>\$ 153,518</u>
Stock-based compensation expense and related payroll taxes	8,248	14,330	14,767	13,359	17,807	23,705	27,410	52,863	57,063
Litigation-related expenses	2,174	1,768	6,164	2,973	2,007	16,334	12	3	—
Amortization expense of acquired intangible assets	95	—	3	298	574	437	293	50	73
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	316	430	—	416
Non-GAAP total operating expenses	<u>\$ 49,345</u>	<u>\$ 48,115</u>	<u>\$ 56,771</u>	<u>\$ 60,070</u>	<u>\$ 71,919</u>	<u>\$ 70,518</u>	<u>\$ 78,314</u>	<u>\$ 86,500</u>	<u>\$ 95,966</u>
Non-GAAP total operating expenses as a percentage of revenue	78 %	65 %	72 %	70 %	77 %	70 %	71 %	69 %	67 %

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	11/1/2019	2/1/2020	5/1/2020	8/1/2020
<b>GAAP loss from operations</b>	\$ (8,663)	\$ (5,182)	\$ (13,537)	\$ (7,931)	\$ (18,275)	\$ (30,280)	\$ (20,514)	\$ (44,887)	\$ (42,667)
Stock-based compensation expense and related payroll taxes	8,945	15,045	15,526	14,641	19,221	25,353	29,082	55,980	60,329
Litigation-related expenses	2,174	1,768	6,164	2,973	2,007	16,334	12	3	—
Amortization expense of acquired intangible assets	95	144	166	503	779	642	641	1,322	1,577
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	316	430	—	416
Non-GAAP income from operations	\$ 2,551	\$ 11,775	\$ 8,319	\$ 10,186	\$ 3,732	\$ 12,365	\$ 9,651	\$ 12,418	\$ 19,655
Non-GAAP operating margin	4 %	16 %	11 %	12 %	4 %	12 %	9 %	10 %	14 %
<b>GAAP interest expense</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (5,025)	\$ (13,049)
Amortization of debt discount and issuance costs	—	—	—	—	—	—	—	4,885	12,690
Non-GAAP interest expense	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (140)	\$ (359)
Non-GAAP interest expense as a percentage of revenue	— %	— %	— %	— %	— %	— %	— %	— %	— %
<b>GAAP net loss</b>	\$ (7,588)	\$ (3,555)	\$ (12,236)	\$ (5,276)	\$ (17,076)	\$ (29,154)	\$ (19,337)	\$ (49,549)	\$ (55,006)
Stock-based compensation expense and related payroll taxes	8,945	15,045	15,526	14,641	19,221	25,353	29,082	55,980	60,329
Litigation-related expenses	2,174	1,768	6,164	2,973	2,007	16,334	12	3	—
Amortization expense of acquired intangible assets	95	144	166	503	779	642	641	1,322	1,577
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	316	430	—	416
Amortization of debt discount and issuance costs	—	—	—	—	—	—	—	4,885	12,690
Provision (benefit) for income taxes <sup>(2)</sup>	—	—	—	(1,422)	—	—	(490)	(620)	—
Non-GAAP net income	\$ 3,626	\$ 13,402	\$ 9,620	\$ 11,419	\$ 4,931	\$ 13,491	\$ 10,338	\$ 12,021	\$ 20,006
<b>GAAP net loss per share, basic and diluted</b>	\$ (0.06)	\$ (0.03)	\$ (0.10)	\$ (0.04)	\$ (0.13)	\$ (0.23)	\$ (0.15)	\$ (0.38)	\$ (0.41)
Stock-based compensation expense and related payroll taxes	0.07	0.11	0.11	0.11	0.14	0.19	0.21	0.40	0.42
Litigation-related expenses	0.02	0.01	0.05	0.02	0.01	0.12	—	—	—
Amortization expense of acquired intangible assets	—	—	—	—	0.01	—	—	0.01	0.01
Asset impairment related to facility exit <sup>(1)</sup>	—	—	—	—	—	—	—	—	—
Amortization of debt discount and issuance costs	—	—	—	—	—	—	—	0.03	0.09
Provision (benefit) for income taxes <sup>(2)</sup>	—	—	—	(0.01)	—	—	—	—	—
Adjustment to total fully diluted earnings per share <sup>(3)</sup>	—	0.01	0.01	—	0.01	0.02	0.01	0.02	0.03
Non-GAAP net income per share attributable to common stockholders, diluted	\$ 0.03	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.04	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.14
Weighted-average shares used in computing non-GAAP net income per share, diluted	133,845	134,246	136,538	137,545	136,860	136,663	137,873	141,465	143,372

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

<sup>(2)</sup> We use our GAAP provision for income taxes for purposes of determining our non-GAAP income tax expense. The difference between our GAAP and non-GAAP income tax expense represents the effects of stock-based compensation expense recognized in foreign jurisdictions 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 Appulate, Inc., Cloudneeti Corporation and Edgewise Networks Inc., respectively.

<sup>(3)</sup> The sum of the fully diluted earnings per share impact of individual reconciling items may not total to fully diluted Non-GAAP net income per share due to the 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)*

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	8/1/2018	11/1/2018	2/1/2019	5/1/2019	8/1/2019	11/1/2019	2/1/2020	5/1/2020	8/1/2020
<b>Non-GAAP Free Cash Flows</b>									
Net cash provided by operating activities	\$ 11,014	\$ 15,707	\$ 13,483	\$ 17,823	\$ 21,429	\$ 5,431	\$ 20,822	\$ 31,635	\$ 53,532
Less: 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)
Less: Capitalized internal-use software costs	(356)	(547)	(810)	(1,449)	(1,802)	(2,471)	(2,023)	(2,441)	(2,401)
Free cash flow	<u>\$ 5,244</u>	<u>\$ 11,967</u>	<u>\$ 4,582</u>	<u>\$ 7,552</u>	<u>\$ 9,417</u>	<u>\$ (1,929)</u>	<u>\$ 9,105</u>	<u>\$ 10,915</u>	<u>\$ 42,227</u>
<b>Free Cash Flow Margin</b>									
Net cash provided by operating activities, as a percentage of revenue	17 %	21 %	17 %	21 %	23 %	5 %	19 %	25 %	38 %
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(8)%	(4)%	(10)%	(10)%	(11)%	(5)%	(9)%	(14)%	(6)%
Less: Capitalized internal-use software costs, as a percentage of revenue	(1)%	(1)%	(1)%	(2)%	(2)%	(2)%	(2)%	(2)%	(2)%
Free cash flow margin	<u>8 %</u>	<u>16 %</u>	<u>6 %</u>	<u>9 %</u>	<u>10 %</u>	<u>(2)%</u>	<u>8 %</u>	<u>9 %</u>	<u>30 %</u>

**ZSCALER, INC.****Non-GAAP Calculated Billings - Fiscal Quarters***(in thousands)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY19</b>	<b>Q2 FY19 (*)</b>	<b>Q3 FY19</b>	<b>Q4 FY19</b>	<b>Q1 FY20</b>	<b>Q2 FY20</b>	<b>Q3 FY20</b>	<b>Q4 FY20</b>	<b>Q1 FY21</b>
End of Fiscal Quarter	10/31/2018	1/31/2019	4/30/2019	7/31/2019	10/31/2019	1/31/2020	4/30/2020	7/31/2020	10/31/2020
Beginning of Fiscal Quarter	<u>8/1/2018</u>	<u>11/1/2018</u>	<u>2/1/2019</u>	<u>5/1/2019</u>	<u>8/1/2019</u>	<u>11/1/2019</u>	<u>2/1/2020</u>	<u>5/1/2020</u>	<u>8/1/2020</u>
<b>Calculated Billings</b>									
Total revenue	\$ 63,298	\$ 74,302	\$ 79,128	\$ 86,108	\$ 93,590	\$ 101,268	\$ 110,524	\$ 125,887	\$ 142,578
Add: Total deferred revenue, end of period	165,279	206,020	211,542	251,202	245,869	280,022	300,791	369,767	371,900
Less: Total deferred revenue, beginning of period	<u>(164,023)</u>	<u>(165,279)</u>	<u>(206,020)</u>	<u>(211,542)</u>	<u>(251,202)</u>	<u>(245,869)</u>	<u>(280,022)</u>	<u>(300,791)</u>	<u>(369,767)</u>
Calculated billings	<u>\$ 64,554</u>	<u>\$ 115,043</u>	<u>\$ 84,650</u>	<u>\$ 125,768</u>	<u>\$ 88,257</u>	<u>\$ 135,421</u>	<u>\$ 131,293</u>	<u>\$ 194,863</u>	<u>\$ 144,711</u>
Year-over-year growth - calculated billings	56 %	74 %	55 %	32 %	37 %	18 %	55 %	55 %	64 %

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