

**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 provided by 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 our historical non-GAAP financial measures to their most directly comparable financial measures 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 it is a non-cash expense that management believes is not reflective of our ongoing operational performance. Employer payroll taxes related to stock-based compensation, which is a cash expense, are excluded because these are tied to the timing and size of the exercise or vesting of the underlying equity awards and the price of our common stock at the time of vesting or exercise, which may vary from period to period independent of the operating performance of our business. Amortization expense of intangible assets acquired in business acquisitions and related income tax effects, if applicable, are excluded because these are considered by management to be outside of our core business operating performance. Restructuring and other charges include severance and termination benefits in connection with a restructuring plan to streamline operations and to align people, roles and projects to our strategic priorities. These expenses are excluded because they fluctuate in amount and frequency and are not reflective of our core business operating performance. Amortization of debt discount and issuance costs from the convertible senior notes are excluded because these are non-cash expenses and are not reflective of our ongoing operational performance. We estimate the tax effect of these items on our non-GAAP results and may adjust our GAAP provision for income taxes, if such effects have a material impact to our non-GAAP results.

**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 employer 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 employer payroll taxes, amortization expense of acquired intangible assets and restructuring and other charges. We define 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 excluding stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, restructuring and other charges, amortization of debt discount and issuance costs, any income tax benefits associated with business combinations and refunds of certain foreign withholding taxes related to prior fiscal periods. We define non-GAAP net income per share plus the non-GAAP interest expense, diluted, as non-GAAP net income divided by the weighted-average diluted shares outstanding, which includes the effect of potentially diluted common stock equivalents outstanding during the period and the anti-dilutive impact of the capped call transactions entered into in connection with the convertible senior notes.

**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 for 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.

**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 useful indicators of liquidity that provide 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.

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

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
Revenue	\$ 230,517	\$ 255,563	\$ 286,807	\$ 318,059	\$ 355,548	\$ 387,598	\$ 418,800	\$ 455,006
Cost of revenue <sup>(1)(2)</sup>	52,169	57,783	64,022	68,308	76,697	87,604	95,849	102,682
Gross profit	178,348	197,780	222,785	249,751	278,851	299,994	322,951	352,324
Operating expenses:								
Sales and marketing <sup>(1)(2)</sup>	153,786	175,073	192,132	214,228	228,836	235,945	236,273	252,810
Research and development <sup>(1)(2)</sup>	65,216	69,195	76,578	78,150	74,946	85,765	92,637	96,387
General and administrative <sup>(1)</sup>	33,717	37,444	40,672	39,902	44,156	43,522	43,486	46,380
Restructuring and other charges <sup>(1)</sup>	—	—	—	—	—	—	6,301	1,299
Total operating expenses	252,719	281,712	309,382	332,280	347,938	365,232	378,697	396,876
Loss from operations	(74,371)	(83,932)	(86,597)	(82,529)	(69,087)	(65,238)	(55,746)	(44,552)
Interest income	473	557	949	2,607	7,865	12,669	18,577	21,351
Interest expense <sup>(3)</sup>	(13,835)	(14,040)	(14,246)	(14,458)	(1,331)	(1,333)	(1,383)	(2,494)
Other income (expense), net	(589)	(844)	(2,001)	(774)	(863)	141	(809)	(331)
Loss before income taxes	(88,322)	(98,259)	(101,895)	(95,154)	(63,416)	(53,761)	(39,361)	(26,026)
Provision (benefit) for income taxes	2,479	2,161	(490)	2,498	4,746	3,692	6,685	4,648
Net loss	\$ (90,801)	\$ (100,420)	\$ (101,405)	\$ (97,652)	\$ (68,162)	\$ (57,453)	\$ (46,046)	\$ (30,674)
Net loss per share, basic and diluted	\$ (0.65)	\$ (0.71)	\$ (0.72)	\$ (0.69)	\$ (0.48)	\$ (0.40)	\$ (0.32)	\$ (0.21)
Weighted-average shares used in computing net loss per share, basic and diluted	139,296	140,515	141,422	142,355	143,476	144,511	145,354	146,424

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

Cost of revenue	\$ 5,319	\$ 5,766	\$ 6,511	\$ 7,696	\$ 8,661	\$ 9,595	\$ 10,025	\$ 12,016
Sales and marketing	43,464	47,666	53,576	57,505	55,469	55,213	51,417	60,181
Research and development	28,570	30,000	31,366	33,486	25,233	29,380	31,796	34,742
General and administrative	18,741	20,613	20,113	19,628	19,273	17,330	17,112	19,336
Restructuring and other charges	—	—	—	—	—	—	1,036	—
Total	\$ 96,094	\$ 104,045	\$ 111,566	\$ 118,315	\$ 108,636	\$ 111,518	\$ 111,386	\$ 126,275

<sup>(2)</sup> Includes amortization expense of acquired intangible assets as follows:

Cost of revenue	\$ 2,056	\$ 2,000	\$ 1,980	\$ 1,939	\$ 1,939	\$ 2,175	\$ 2,695	\$ 2,765
Sales and marketing	170	178	178	178	178	178	200	217
Research and development	—	53	80	198	435	198	80	—
Total	\$ 2,226	\$ 2,231	\$ 2,238	\$ 2,315	\$ 2,552	\$ 2,551	\$ 2,975	\$ 2,982

<sup>(3)</sup> Includes amortization of debt discount and issuance costs as follows <sup>(5)</sup>:

	\$ 13,476	\$ 13,680	\$ 13,887	\$ 14,098	\$ 972	\$ 973	\$ 974	\$ 975
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<sup>(4)</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.

<sup>(5)</sup> Effective August 1, 2022, we adopted ASC Topic 470 “Debt” and ASC Topic 815 “Derivatives and Hedging” (“ASU 2020-06”), using the modified retrospective method under which prior period amounts have not been adjusted. The adoption of this standard resulted in the elimination of the debt discount and related amortization as interest expense and the classification of the portion of the debt issuance costs initially allocated to equity within the carrying amount of the convertible senior notes, which will be recognized as interest expense.

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

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
Revenue	\$ 230,517	\$ 255,563	\$ 286,807	\$ 318,059	\$ 355,548	\$ 387,598	\$ 418,800	\$ 455,006
Cost of revenue	44,794	50,017	55,531	58,673	66,097	75,834	83,129	87,901
Gross profit	185,723	205,546	231,276	259,386	289,451	311,764	335,671	367,105
Operating expenses:								
Sales and marketing	110,152	127,229	138,378	156,545	173,189	180,554	184,656	192,412
Research and development	36,646	39,142	45,132	44,466	49,278	56,187	60,761	61,645
General and administrative	14,976	16,831	20,559	20,274	24,883	26,192	26,374	27,044
Total operating expenses	161,774	183,202	204,069	221,285	247,350	262,933	271,791	281,101
Income from operations	23,949	22,344	27,207	38,101	42,101	48,831	63,880	86,004
Interest income	473	557	949	2,607	7,865	12,669	18,577	21,351
Interest expense	(359)	(360)	(359)	(360)	(359)	(360)	(409)	(1,519)
Other income (expense), net	(589)	(844)	(2,001)	(774)	(863)	141	(809)	(331)
Income before income taxes	23,474	21,697	25,796	39,574	48,744	61,281	81,239	105,505
Provision for income taxes <sup>(1)</sup>	2,479	2,522	1,064	3,180	4,746	3,692	6,685	4,648
Non-GAAP net income	\$ 20,995	\$ 19,175	\$ 24,732	\$ 36,394	\$ 43,998	\$ 57,589	\$ 74,554	\$ 100,857
Non-GAAP net income per share, diluted <sup>(2)</sup>	\$ 0.14	\$ 0.13	\$ 0.17	\$ 0.25	\$ 0.29	\$ 0.37	\$ 0.48	\$ 0.64
Weighted-average shares used in computing non-GAAP net income per share, diluted <sup>(2)</sup>	147,541	148,801	146,915	146,407	154,203	154,742	155,472	157,315

<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 expense included in the GAAP provision for income taxes was not material for all periods presented. In the fiscal quarter ended January 31, 2022 and July 31, 2022, we recorded a tax benefit of \$0.4 million and \$0.7 million, respectively, associated with intangible assets recognized as a result of our business acquisitions. In the fiscal quarter ended April 30, 2022, we recorded a tax benefit of \$1.5 million associated with a refund of certain foreign withholding taxes relating to the prior fiscal year.

<sup>(2)</sup> Effective August 1, 2022, we adopted ASU 2020-06 using the modified retrospective method under which prior period amounts have not been adjusted. This standard amended the calculation of diluted earnings per share for certain convertible debt instruments, eliminating the treasury stock method and requiring the use of the if-converted method to compute the underlying potentially diluted shares. Accordingly, to account for the potentially diluted shares related to the convertible senior notes, we are required to add back the non-GAAP interest expense to our non-GAAP net income and include approximately 7.63 million shares related to the senior convertible notes beginning in our first quarter of fiscal year 2023.

<sup>(3)</sup> Supplemental information subsequent to the adoption of ASU 2020-06:

<b>Fiscal Quarter</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
Non-GAAP net income	\$ 43,998	\$ 57,589	\$ 74,554	\$ 100,857
Add: Non-GAAP interest expense related to the convertible senior notes	359	360	359	359
Numerator used in computing non-GAAP net income per share, diluted	\$ 44,357	\$ 57,949	\$ 74,913	\$ 101,216
Weighted-average shares used in computing GAAP net loss per share, basic and diluted	143,476	144,511	145,354	146,424
Add: Dilution from outstanding equity incentive awards	3,689	2,605	2,492	3,265
Add: Dilution from the convertible senior notes using the if-converted method	7,626	7,626	7,626	7,626
Less: Antidilutive impact of capped call transactions (*)	(588)	—	—	—
Weighted-average shares used in computing non-GAAP net income per share, diluted	154,203	154,742	155,472	157,315

(\*) No antidilutive impact was reflected in the three months ended January 31, 2023, April 30, 2023 and July 31, 2023, as the average stock price of our common stock in such period was lower than the capped calls' exercise price.

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

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 371,696	\$ 409,819	\$ 594,893	\$ 1,013,210	\$ 1,084,945	\$ 1,257,012	\$ 1,275,297	\$ 1,262,206
Short-term investments	1,212,946	1,211,390	1,062,981	718,129	739,845	648,332	693,110	838,026
Accounts receivable, net	172,028	269,449	272,092	399,745	268,718	358,614	376,339	582,636
Deferred contract acquisition costs	62,067	69,025	75,897	86,210	90,004	96,105	103,896	115,827
Prepaid expenses and other current assets	36,699	29,482	41,182	39,353	49,849	56,046	78,608	91,619
Total current assets	1,855,436	1,989,165	2,047,045	2,256,647	2,233,361	2,416,109	2,527,250	2,890,314
Property and equipment, net	112,999	121,195	141,692	160,633	183,425	200,468	222,801	242,355
Operating lease right-of-use assets	44,153	42,837	45,185	72,357	76,199	69,848	68,526	70,671
Deferred contract acquisition costs, noncurrent	154,036	165,480	181,402	210,792	211,468	219,046	232,304	259,407
Acquired intangible assets, net	29,903	29,272	27,034	31,819	29,267	26,716	28,841	25,859
Goodwill	58,977	59,823	59,823	78,547	78,547	78,547	89,192	89,192
Other noncurrent assets	15,614	14,249	22,363	21,870	23,465	29,222	31,798	30,519
Total assets	<u>\$ 2,271,118</u>	<u>\$ 2,422,021</u>	<u>\$ 2,524,544</u>	<u>\$ 2,832,665</u>	<u>\$ 2,835,732</u>	<u>\$ 3,039,956</u>	<u>\$ 3,200,712</u>	<u>\$ 3,608,317</u>

**Liabilities and stockholders' equity**

Current liabilities:

Accounts payable	\$ 14,961	\$ 13,499	\$ 15,234	\$ 26,154	\$ 29,717	\$ 33,632	\$ 24,783	\$ 18,481
Accrued expenses and other current liabilities	22,859	31,096	43,160	46,496	60,229	43,547	51,209	64,975
Accrued compensation	72,667	83,863	102,678	111,948	79,587	97,293	123,195	136,800
Deferred revenue	584,325	687,919	731,904	923,749	913,104	1,000,359	1,058,901	1,281,143
Operating lease liabilities	20,488	19,665	19,600	26,100	28,646	29,173	31,054	34,469
Total current liabilities	715,300	836,042	912,576	1,134,447	1,111,283	1,204,004	1,289,142	1,535,868
Convertible senior notes, net <sup>(1)</sup>	927,014	940,692	954,578	968,674	1,139,542	1,140,516	1,140,840	1,134,159
Deferred revenue, noncurrent	63,491	72,012	86,839	97,374	92,609	111,521	116,472	158,533
Operating lease liabilities, noncurrent	30,534	29,280	31,028	50,948	51,065	46,233	42,884	41,917
Other noncurrent liabilities	4,580	4,628	7,946	7,922	9,958	9,025	10,100	12,728
Total liabilities	1,740,919	1,882,654	1,992,967	2,259,365	2,404,457	2,511,299	2,599,438	2,883,205

**Stockholders' equity**

Common stock	140	141	142	143	144	145	146	147
Additional paid-in capital	1,225,224	1,341,346	1,450,139	1,590,885	1,425,156	1,547,203	1,660,930	1,816,915
Accumulated other comprehensive loss	(2,764)	(9,299)	(24,478)	(25,850)	(37,824)	(5,037)	(102)	(1,576)
Accumulated deficit	(692,401)	(792,821)	(894,226)	(991,878)	(956,201)	(1,013,654)	(1,059,700)	(1,090,374)
Total stockholders' equity	530,199	539,367	531,577	573,300	431,275	528,657	601,274	725,112
Total liabilities and stockholders' equity	<u>\$ 2,271,118</u>	<u>\$ 2,422,021</u>	<u>\$ 2,524,544</u>	<u>\$ 2,832,665</u>	<u>\$ 2,835,732</u>	<u>\$ 3,039,956</u>	<u>\$ 3,200,712</u>	<u>\$ 3,608,317</u>

<sup>(1)</sup> Effective August 1, 2022, we adopted ASU 2020-06 using the modified retrospective method under which prior period amounts have not been adjusted. The adoption of this standard resulted in the elimination of the debt discount and related amortization as interest expense and the classification of the portion of the debt issuance costs initially allocated to equity within the carrying amount of the convertible senior notes, which will be recognized as interest expense.

**ZSCALER, INC.**  
**Condensed Consolidated Statements of Cash flows**  
*(in thousands)*  
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
<b>Cash flows from operating activities</b>								
Net loss	\$ (90,801)	\$ (100,420)	\$ (101,405)	\$ (97,652)	\$ (68,162)	\$ (57,453)	\$ (46,046)	\$ (30,674)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	9,017	9,988	10,432	11,019	11,876	13,365	14,528	15,987
Amortization expense of acquired intangible assets	2,226	2,231	2,238	2,315	2,552	2,551	2,975	2,982
Amortization of deferred contract acquisition costs	14,912	16,126	17,755	19,738	22,325	23,728	25,315	27,350
Amortization of debt discount and issuance costs <sup>(1)</sup>	13,476	13,680	13,887	14,098	972	973	974	975
Non-cash operating lease costs	6,031	6,380	6,577	6,638	7,108	7,880	8,332	8,892
Stock-based compensation expense	89,903	98,988	105,854	114,817	105,173	109,738	107,819	122,104
Amortization (accretion) of investments purchased at a premium (discount)	2,671	1,991	1,280	638	(165)	(1,268)	(1,956)	(3,193)
Unrealized (gains) losses on hedging transactions	(103)	458	668	476	1,185	(1,881)	(444)	(2,179)
Deferred income taxes	(223)	(436)	138	(41)	65	(56)	149	194
Other	90	(150)	(314)	(730)	(937)	153	(163)	127
Changes in operating assets and liabilities, net of effects of business acquisitions								
Accounts receivable	84,927	(97,549)	(2,827)	(127,887)	130,636	(89,836)	(17,795)	(206,863)
Deferred contract acquisition costs	(23,985)	(34,528)	(40,549)	(59,441)	(26,795)	(37,407)	(46,364)	(66,384)
Prepaid expenses, other current and noncurrent assets	(4,126)	9,029	(15,257)	67	(7,579)	(221)	(21,805)	(10,317)
Accounts payable	(1,088)	985	3,069	11,392	3,000	2,228	(9,307)	(4,337)
Accrued expenses, other current and noncurrent liabilities	(192)	5,221	5,121	3,227	3,627	2,272	8,962	11,953
Accrued compensation	(20,955)	11,196	18,815	9,270	(32,797)	15,146	28,584	13,605
Deferred revenue	17,381	112,213	59,001	202,584	(15,340)	106,202	63,394	264,308
Operating lease liabilities	(5,890)	(7,141)	(7,242)	(7,390)	(8,287)	(6,633)	(8,683)	(8,594)
<b>Net cash provided by operating activities</b>	<b>93,271</b>	<b>48,262</b>	<b>77,241</b>	<b>103,138</b>	<b>128,457</b>	<b>89,481</b>	<b>108,469</b>	<b>135,936</b>
<b>Cash flows from investing activities:</b>								
Purchases of property, equipment and other assets	(6,454)	(13,988)	(27,604)	(21,250)	(25,202)	(18,681)	(26,244)	(27,070)
Capitalized internal-use software	(3,450)	(4,825)	(5,892)	(7,117)	(7,641)	(7,982)	(8,339)	(7,565)
Payments for business acquisitions, net of cash acquired	—	(380)	—	(24,907)	—	—	(15,643)	—
Purchase of strategic investments	—	—	—	—	(700)	(500)	(1,000)	(1,006)
Purchases of short-term investments	(312,840)	(311,414)	(185,857)	(34,833)	(210,255)	(303,488)	(226,496)	(323,904)
Proceeds from maturities of short-term investments	322,677	306,734	325,868	379,595	186,096	400,705	161,365	153,683
Proceeds from sale of short-term investments	—	—	—	—	—	—	25,083	25,447
<b>Net cash provided by (used in) investing activities</b>	<b>(67)</b>	<b>(23,873)</b>	<b>106,515</b>	<b>291,488</b>	<b>(57,702)</b>	<b>70,054</b>	<b>(91,274)</b>	<b>(180,415)</b>
<b>Cash flows from financing activities:</b>								
Proceeds from issuance of common stock upon exercise of stock options	2,644	2,227	1,319	753	982	1,122	1,090	750
Proceeds from issuance of common stock under the employee stock purchase plan	—	11,509	—	23,140	—	11,410	—	30,853
Payment of deferred consideration related to business acquisitions	(50)	—	—	(200)	—	—	—	(215)
Other	—	(2)	(1)	(2)	(2)	—	—	—
<b>Net cash provided by financing activities</b>	<b>2,594</b>	<b>13,734</b>	<b>1,318</b>	<b>23,691</b>	<b>980</b>	<b>12,532</b>	<b>1,090</b>	<b>31,388</b>
Net increase (decrease) in cash and cash equivalents	95,798	38,123	185,074	418,317	71,735	172,067	18,285	(13,091)
Cash and cash equivalents at beginning of period	275,898	371,696	409,819	594,893	1,013,210	1,084,945	1,257,012	1,275,297
Cash and cash equivalents at end of period	<u>\$ 371,696</u>	<u>\$ 409,819</u>	<u>\$ 594,893</u>	<u>\$ 1,013,210</u>	<u>\$ 1,084,945</u>	<u>\$ 1,257,012</u>	<u>\$ 1,275,297</u>	<u>\$ 1,262,206</u>

<sup>(1)</sup> Effective August 1, 2022, we adopted ASU 2020-06 using the modified retrospective method under which prior period amounts have not been adjusted. The adoption of this standard resulted in the elimination of the debt discount and related amortization as interest expense and the classification of the portion of the debt issuance costs initially allocated to equity within the carrying amount of the convertible senior notes, which will be recognized as interest expense.

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

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
<b>GAAP gross profit</b>	<u>\$ 178,348</u>	<u>\$ 197,780</u>	<u>\$ 222,785</u>	<u>\$ 249,751</u>	<u>\$ 278,851</u>	<u>\$ 299,994</u>	<u>\$ 322,951</u>	<u>\$ 352,324</u>
Stock-based compensation expense and related payroll taxes	5,319	5,766	6,511	7,696	8,661	9,595	10,025	12,016
Amortization expense of acquired intangible assets	2,056	2,000	1,980	1,939	1,939	2,175	2,695	2,765
<b>Non-GAAP gross profit</b>	<u>\$ 185,723</u>	<u>\$ 205,546</u>	<u>\$ 231,276</u>	<u>\$ 259,386</u>	<u>\$ 289,451</u>	<u>\$ 311,764</u>	<u>\$ 335,671</u>	<u>\$ 367,105</u>
GAAP Gross Margin	77 %	77 %	78 %	79 %	78 %	77 %	77 %	77 %
Non-GAAP gross margin	81 %	80 %	81 %	82 %	81 %	80 %	80 %	81 %
<b>GAAP sales and marketing expense</b>	<u>\$ 153,786</u>	<u>\$ 175,073</u>	<u>\$ 192,132</u>	<u>\$ 214,228</u>	<u>\$ 228,836</u>	<u>\$ 235,945</u>	<u>\$ 236,273</u>	<u>\$ 252,810</u>
Stock-based compensation expense and related payroll taxes	43,464	47,666	53,576	57,505	55,469	55,213	51,417	60,181
Amortization expense of acquired intangible assets	170	178	178	178	178	178	200	217
<b>Non-GAAP sales and marketing expense</b>	<u>\$ 110,152</u>	<u>\$ 127,229</u>	<u>\$ 138,378</u>	<u>\$ 156,545</u>	<u>\$ 173,189</u>	<u>\$ 180,554</u>	<u>\$ 184,656</u>	<u>\$ 192,412</u>
GAAP sales and marketing expense as a percentage of revenue	67 %	69 %	67 %	67 %	64 %	61 %	56 %	56 %
Non-GAAP sales and marketing expense as a percentage of revenue	48 %	50 %	48 %	49 %	49 %	47 %	44 %	42 %
<b>GAAP research and development expense</b>	<u>\$ 65,216</u>	<u>\$ 69,195</u>	<u>\$ 76,578</u>	<u>\$ 78,150</u>	<u>\$ 74,946</u>	<u>\$ 85,765</u>	<u>\$ 92,637</u>	<u>\$ 96,387</u>
Stock-based compensation expense and related payroll taxes	28,570	30,000	31,366	33,486	25,233	29,380	31,796	34,742
Amortization expense of acquired intangible assets	—	53	80	198	435	198	80	—
<b>Non-GAAP research and development expense</b>	<u>\$ 36,646</u>	<u>\$ 39,142</u>	<u>\$ 45,132</u>	<u>\$ 44,466</u>	<u>\$ 49,278</u>	<u>\$ 56,187</u>	<u>\$ 60,761</u>	<u>\$ 61,645</u>
GAAP research and development expense as a percentage of revenue	28 %	27 %	27 %	25 %	21 %	22 %	22 %	21 %
Non-GAAP research and development expense as a percentage of revenue	16 %	15 %	16 %	14 %	14 %	14 %	15 %	14 %
<b>GAAP general and administrative expense</b>	<u>\$ 33,717</u>	<u>\$ 37,444</u>	<u>\$ 40,672</u>	<u>\$ 39,902</u>	<u>\$ 44,156</u>	<u>\$ 43,522</u>	<u>\$ 43,486</u>	<u>\$ 46,380</u>
Stock-based compensation expense and related payroll taxes	18,741	20,613	20,113	19,628	19,273	17,330	17,112	19,336
<b>Non-GAAP general and administrative expense</b>	<u>\$ 14,976</u>	<u>\$ 16,831</u>	<u>\$ 20,559</u>	<u>\$ 20,274</u>	<u>\$ 24,883</u>	<u>\$ 26,192</u>	<u>\$ 26,374</u>	<u>\$ 27,044</u>
GAAP general and administrative expense as a percentage of revenue	15 %	15 %	14 %	13 %	12 %	11 %	10 %	10 %
Non-GAAP general and administrative expense as a percentage of revenue	6 %	7 %	7 %	6 %	7 %	7 %	6 %	6 %
<b>GAAP restructuring and other charges</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,301</u>	<u>\$ 1,299</u>
Stock-based compensation expense and related payroll taxes	—	—	—	—	—	—	1,036	—
Restructuring and other charges, excluding stock-based compensation expense (1)	—	—	—	—	—	—	5,265	1,299
<b>Non-GAAP restructuring and other charges</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
GAAP restructuring and other charges as a percentage of revenue	— %	— %	— %	— %	— %	— %	2 %	— %
Non-GAAP restructuring and other charges as a percentage of revenue	— %	— %	— %	— %	— %	— %	— %	— %
<b>GAAP total operating expenses</b>	<u>\$ 252,719</u>	<u>\$ 281,712</u>	<u>\$ 309,382</u>	<u>\$ 332,280</u>	<u>\$ 347,938</u>	<u>\$ 365,232</u>	<u>\$ 378,697</u>	<u>\$ 396,876</u>
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	90,775	98,279	105,055	110,619	99,975	101,923	101,361	114,259
Amortization expense of acquired intangible assets	170	231	258	376	613	376	280	217

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	—	—	—	—	—	—	5,265	1,299
<b>Non-GAAP total operating expenses</b>	<b>\$ 161,774</b>	<b>\$ 183,202</b>	<b>\$ 204,069</b>	<b>\$ 221,285</b>	<b>\$ 247,350</b>	<b>\$ 262,933</b>	<b>\$ 271,791</b>	<b>\$ 281,101</b>
GAAP total operating expenses as a percentage of revenue	110 %	110 %	108 %	104 %	98 %	94 %	90 %	87 %
Non-GAAP total operating expenses as a percentage of revenue	70 %	72 %	71 %	70 %	70 %	68 %	65 %	62 %
<b>GAAP loss from operations</b>	<b>\$ (74,371)</b>	<b>\$ (83,932)</b>	<b>\$ (86,597)</b>	<b>\$ (82,529)</b>	<b>\$ (69,087)</b>	<b>\$ (65,238)</b>	<b>\$ (55,746)</b>	<b>\$ (44,552)</b>
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	96,094	104,045	111,566	118,315	108,636	111,518	111,386	126,275
Amortization expense of acquired intangible assets	2,226	2,231	2,238	2,315	2,552	2,551	2,975	2,982
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	—	—	—	—	—	—	5,265	1,299
<b>Non-GAAP income from operations</b>	<b>\$ 23,949</b>	<b>\$ 22,344</b>	<b>\$ 27,207</b>	<b>\$ 38,101</b>	<b>\$ 42,101</b>	<b>\$ 48,831</b>	<b>\$ 63,880</b>	<b>\$ 86,004</b>
GAAP operating margin	(32)%	(33)%	(30)%	(26)%	(19)%	(17)%	(13)%	(10)%
Non-GAAP operating margin	10 %	9 %	9 %	12 %	12 %	13 %	15 %	19 %
<b>GAAP interest expense</b>	<b>\$ (13,835)</b>	<b>\$ (14,040)</b>	<b>\$ (14,246)</b>	<b>\$ (14,458)</b>	<b>\$ (1,331)</b>	<b>\$ (1,333)</b>	<b>\$ (1,383)</b>	<b>\$ (2,494)</b>
Amortization of debt discount and issuance costs	13,476	13,680	13,887	14,098	972	973	974	975
<b>Non-GAAP interest expense</b>	<b>\$ (359)</b>	<b>\$ (360)</b>	<b>\$ (359)</b>	<b>\$ (360)</b>	<b>\$ (359)</b>	<b>\$ (360)</b>	<b>\$ (409)</b>	<b>\$ (1,519)</b>
<b>GAAP net loss</b>	<b>\$ (90,801)</b>	<b>\$ (100,420)</b>	<b>\$ (101,405)</b>	<b>\$ (97,652)</b>	<b>\$ (68,162)</b>	<b>\$ (57,453)</b>	<b>\$ (46,046)</b>	<b>\$ (30,674)</b>
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	96,094	104,045	111,566	118,315	108,636	111,518	111,386	126,275
Amortization expense of acquired intangible assets	2,226	2,231	2,238	2,315	2,552	2,551	2,975	2,982
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	—	—	—	—	—	—	5,265	1,299
Amortization of debt discount and issuance costs	13,476	13,680	13,887	14,098	972	973	974	975
Benefit for income taxes <sup>(3)</sup>	—	(361)	(1,554)	(682)	—	—	—	—
<b>Non-GAAP net income</b>	<b>\$ 20,995</b>	<b>\$ 19,175</b>	<b>\$ 24,732</b>	<b>\$ 36,394</b>	<b>\$ 43,998</b>	<b>\$ 57,589</b>	<b>\$ 74,554</b>	<b>\$ 100,857</b>
GAAP net loss as a percentage of revenue	(39)%	(39)%	(35)%	(31)%	(19)%	(15)%	(11)%	(7)%
Non-GAAP net income as a percentage of revenue	9 %	8 %	9 %	11 %	12 %	15 %	18 %	22 %
<b>Non-GAAP net income</b>	<b>\$ 20,995</b>	<b>\$ 19,175</b>	<b>\$ 24,732</b>	<b>\$ 36,394</b>	<b>\$ 43,998</b>	<b>\$ 57,589</b>	<b>\$ 74,554</b>	<b>\$ 100,857</b>
Add: non-GAAP interest expense <sup>(2)</sup>	—	—	—	—	359	360	359	359
<b>Numerator used in computing non-GAAP net income per share, diluted</b>	<b>\$ 20,995</b>	<b>\$ 19,175</b>	<b>\$ 24,732</b>	<b>\$ 36,394</b>	<b>\$ 44,357</b>	<b>\$ 57,949</b>	<b>\$ 74,913</b>	<b>\$ 101,216</b>
<b>GAAP net loss per share, basic and diluted</b>	<b>\$ (0.65)</b>	<b>\$ (0.71)</b>	<b>\$ (0.72)</b>	<b>\$ (0.69)</b>	<b>\$ (0.48)</b>	<b>\$ (0.40)</b>	<b>\$ (0.32)</b>	<b>\$ (0.21)</b>
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	0.65	0.70	0.76	0.81	0.70	0.72	0.72	0.80
Amortization expense of acquired intangible assets	0.02	0.01	0.02	0.02	0.02	0.02	0.02	0.02
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	—	—	—	—	—	—	0.03	0.01
Amortization of debt discount and issuance costs	0.09	0.09	0.09	0.10	0.01	0.01	0.01	0.01
Benefit for income taxes <sup>(3)</sup>	—	—	(0.01)	—	—	—	—	—

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
Non-GAAP interest expense related to the convertible senior notes <sup>(2)</sup>	—	—	—	—	—	—	—	—
Adjustment to total fully diluted earnings per share <sup>(4)</sup>	0.03	0.04	0.03	0.01	0.04	0.02	0.02	0.01
<b>Non-GAAP net income per share, diluted <sup>(2)</sup></b>	<b>\$ 0.14</b>	<b>\$ 0.13</b>	<b>\$ 0.17</b>	<b>\$ 0.25</b>	<b>\$ 0.29</b>	<b>\$ 0.37</b>	<b>\$ 0.48</b>	<b>\$ 0.64</b>
<b>Weighted-average shares used in computing GAAP net loss per share, basic and diluted</b>	139,296	140,515	141,422	142,355	143,476	144,511	145,354	146,424
Outstanding equity incentive awards	7,559	6,834	5,493	4,052	3,689	2,605	2,492	3,265
Convertible senior notes <sup>(2)</sup>	3,385	3,853	2,740	208	7,626	7,626	7,626	7,626
Antidilutive impact of capped call transactions <sup>(5)</sup>	(2,699)	(2,401)	(2,740)	(208)	(588)	—	—	—
<b>Weighted-average shares used in computing non-GAAP net income per share, diluted <sup>(2)</sup></b>	<b>147,541</b>	<b>148,801</b>	<b>146,915</b>	<b>146,407</b>	<b>154,203</b>	<b>154,742</b>	<b>155,472</b>	<b>157,315</b>

<sup>(1)</sup> In connection with a restructuring plan announced in March 2023, we incurred stock-based compensation expense of approximately \$1.0 million for the year ended July 31, 2023, which is included in stock-based compensation expense and related payroll taxes.

<sup>(2)</sup> Effective August 1, 2022, we adopted ASU 2020-06 using the modified retrospective method under which prior period amounts have not been adjusted. The adoption of this standard resulted in the elimination of the debt discount and related amortization as interest expense and the classification of the portion of the debt issuance costs initially allocated to equity within the carrying amount of the convertible senior notes, which will be recognized as interest expense. Additionally, this standard amended the calculation of diluted earnings per share for certain convertible debt instruments, eliminating the treasury stock method and requiring the use of the if-converted method to compute the underlying potentially diluted shares. Accordingly, to account for the potentially diluted shares related to the convertible senior notes, we are required to add back the non-GAAP interest expense related to the convertible senior notes to our non-GAAP net income and include approximately 7.63 million shares related to the senior convertible notes beginning in our first quarter of fiscal year 2023.

<sup>(3)</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 quarters ended January 31, 2022 and July 31, 2022, we recorded a tax benefit of \$0.4 million and \$0.7 million, respectively, associated with intangible assets recognized as a result of our business acquisitions. In the fiscal quarter ended April 30, 2022, we recorded a tax benefit of \$1.5 million associated with a refund of certain foreign withholding taxes relating to the prior fiscal year.

<sup>(4)</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 weighted-average shares used in computing the GAAP net loss per share differs from the weighted-average shares used in computing the non-GAAP net income per share, and due to rounding of the individual reconciling 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.

<sup>(5)</sup> We exclude the in-the-money portion of the convertible senior notes for non-GAAP weighted-average diluted shares as they are covered by our capped call transactions. Our outstanding capped call transactions are antidilutive under GAAP but are expected to mitigate the dilutive effect of the convertible senior notes and therefore are included in the calculation of non-GAAP diluted shares outstanding. No antidilutive impact was reflected in the three months ended January 31, 2023, April 30, 2023 and July 31, 2023, as the average stock price of our common stock in such period was lower than the capped calls' exercise price.

**ZSCALER, INC.****Free Cash Flow and Free Cash Flow Margin***(in thousands, except percentages)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
<b>Revenue</b>	\$ 230,517	\$ 255,563	\$ 286,807	\$ 318,059	\$ 355,548	\$ 387,598	\$ 418,800	\$ 455,006
<b>Free cash flow</b>								
Net cash provided by operating activities	\$ 93,271	\$ 48,262	\$ 77,241	\$ 103,138	\$ 128,457	\$ 89,481	\$ 108,469	\$ 135,936
Less: Purchases of property, equipment and other assets	(6,454)	(13,988)	(27,604)	(21,250)	(25,202)	(18,681)	(26,244)	(27,070)
Less: Capitalized internal-use software	(3,450)	(4,825)	(5,892)	(7,117)	(7,641)	(7,982)	(8,339)	(7,565)
<b>Free cash flow</b>	<u>\$ 83,367</u>	<u>\$ 29,449</u>	<u>\$ 43,745</u>	<u>\$ 74,771</u>	<u>\$ 95,614</u>	<u>\$ 62,818</u>	<u>\$ 73,886</u>	<u>\$ 101,301</u>
<b>Year-over-year growth</b>	97 %	63 %	(22)%	170 %	15 %	113 %	69 %	35 %
<b>Free cash flow margin</b>								
Net cash provided by operating activities, as a percentage of revenue	40 %	19 %	27 %	32 %	36 %	23 %	26 %	30 %
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(3)%	(5)%	(10)%	(6)%	(7)%	(5)%	(6)%	(6)%
Less: Capitalized internal-use software, as a percentage of revenue	(1)%	(2)%	(2)%	(2)%	(2)%	(2)%	(2)%	(2)%
<b>Free cash flow margin</b>	<u>36 %</u>	<u>12 %</u>	<u>15 %</u>	<u>24 %</u>	<u>27 %</u>	<u>16 %</u>	<u>18 %</u>	<u>22 %</u>

**ZSCALER, INC.****Calculated Billings and Other Selected Key Metrics***(in thousands, except percentages and customer data)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY22</b>	<b>Q2 FY22</b>	<b>Q3 FY22</b>	<b>Q4 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>	<b>Q3 FY23</b>	<b>Q4 FY23</b>
End of Fiscal Quarter	10/31/2021	1/31/2022	4/30/2022	7/31/2022	10/31/2022	1/31/2023	4/30/2023	7/31/2023
Beginning of Fiscal Quarter	8/1/2021	11/1/2021	2/1/2022	5/1/2022	8/1/2022	11/1/2022	2/1/2023	5/1/2023
<b>Calculated billings</b>								
Revenue	\$ 230,517	\$ 255,563	\$ 286,807	\$ 318,059	\$ 355,548	\$ 387,598	\$ 418,800	\$ 455,006
Add: Total deferred revenue, end of period	647,816	759,931	818,743	1,021,123	1,005,713	1,111,880	1,175,373	1,439,676
Less: Total deferred revenue, beginning of period	(630,601)	(647,816)	(759,931)	(818,743)	(1,021,123)	(1,005,713)	(1,111,880)	(1,175,373)
<b>Calculated billings</b>	<b>\$ 247,732</b>	<b>\$ 367,678</b>	<b>\$ 345,619</b>	<b>\$ 520,439</b>	<b>\$ 340,138</b>	<b>\$ 493,765</b>	<b>\$ 482,293</b>	<b>\$ 719,309</b>
Year-over-year growth	71 %	59 %	54 %	57 %	37 %	34 %	40 %	38 %

**Other key business metrics**

Customers with equal or greater than \$100,000 annualized recurring revenue ("ARR")	1,616	1,751	1,891	2,089	2,217	2,337	2,432	2,609
Customers with equal or greater than \$1.0 million ARR	224	251	288	327	348	378	400	449