

**Zscaler, Inc.**  
**Supplemental Financial Information**  
**Explanation of Non-GAAP Financial Measures and Other Key Metrics**

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 provided in the financial statement tables included in this press release. 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.

***Non-GAAP Gross Profit and Non-GAAP Gross Margin.*** We define non-GAAP gross profit as GAAP gross profit excluding stock-based compensation expense. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

***Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin.*** We define non-GAAP income(loss) from operations and non-GAAP operating margin as GAAP loss from operations and GAAP operating margin, respectively, excluding stock-based compensation expense, certain litigation-related expenses and amortization expense of acquired intangible assets. These excluded litigation-related expenses are 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, 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 estimate and could adversely affect our results of operations.

***Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per Share Attributable to Common Stockholders Diluted.*** We define non-GAAP net income (loss) as GAAP net loss plus stock-based compensation, litigation-related expenses, amortization expense of acquired intangible assets, accretion of Series C and Series D redeemable convertible preferred stock and tax effects associated with these items. We estimate the tax effect of these items to determine a non-GAAP annual effective tax rate applied to the pretax amount in order to calculate the non-GAAP provision for income taxes. We define non-GAAP net income (loss) per share attributable to common stockholders, diluted, as non-GAAP net income (loss) divided by the weighted-average diluted shares outstanding, which includes the dilutive effect of potentially diluted common stock equivalents outstanding during the period. We believe that excluding these items from non-GAAP net income (loss) and non-GAAP net income (loss) per share attributable to common stockholders, diluted, provides management and investors with greater visibility into the underlying performance of our core business operating results.

***Pro Forma Non-GAAP Net Income (Loss) per Share Attributable to Common Stockholders, Diluted.*** We define pro forma non-GAAP net income (loss) per share attributable to common stockholders, diluted, as the weighted-average shares used in computing the GAAP net loss per share attributable to common stockholders, diluted, plus a pro forma adjustment to give effect to the automatic conversion of our redeemable convertible preferred stock into 72,500,750 shares of common stock as though the conversion had occurred as of the beginning of the periods presented. Upon the closing of our initial public offering on March 20, 2018, all our outstanding shares of redeemable convertible preferred stock automatically converted into 72,500,750 shares of common stock on a one-to-one basis. We believe that giving effect to the conversion of our redeemable convertible preferred stock as though the conversion had occurred as of the beginning of the periods presented is necessary to provide meaningful comparison between periods.

***Free Cash Flow and Free Cash Flow Margin.*** We define free cash flow as net cash used in operating activities less purchases of property and equipment 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 and equipment and capitalized internal-use software, can be used for strategic initiatives, including investing in our business and strengthening our financial position.

***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 data)

| <b>Fiscal Quarter</b>  | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)   | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY)   | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |
| Revenue  | \$ 29,427      | \$ 32,964      | \$ 36,544      | \$ 39,861      | \$ 44,976      | \$ 49,163      | \$ 56,174      | \$ 63,298      |
| Cost of revenue <sup>(1)</sup>   | 6,515          | 6,997          | 8,034          | 8,271          | 8,679          | 9,424          | 11,501         | 12,099         |
| Gross profit   | 22,912         | 25,967         | 28,510         | 31,590         | 36,297         | 39,739         | 44,673         | 51,199         |
| Operating expenses:  |                |                |                |                |                |                |                |                |
| Sales and marketing <sup>(1)</sup>   | 17,796         | 20,689         | 23,635         | 26,928         | 27,110         | 29,892         | 32,479         | 36,545         |
| Research and development <sup>(1)(2)</sup>   | 11,033         | 7,778          | 8,609          | 8,809          | 9,183          | 9,907          | 11,480         | 13,186         |
| General and administrative <sup>(1)(3)</sup>   | 3,387          | 5,061          | 9,320          | 7,130          | 6,403          | 8,964          | 8,638          | 10,131         |
| Total operating expenses   | 32,216         | 33,528         | 41,564         | 42,867         | 42,696         | 48,763         | 52,597         | 59,862         |
| Loss from operations   | (9,304)        | (7,561)        | (13,054)       | (11,277)       | (6,399)        | (9,024)        | (7,924)        | (8,663)        |
| Interest income, net   | 130            | 152            | 190            | 195            | 213            | 596            | 1,232          | 1,590          |
| Other income (expense), net  | (47)           | 31             | (79)           | (27)           | 28             | 14             | 64             | (188)          |
| Loss before income taxes   | (9,221)        | (7,378)        | (12,943)       | (11,109)       | (6,158)        | (8,414)        | (6,628)        | (7,261)        |
| Provision for income taxes   | 167            | 184            | 326            | 289            | 357            | 357            | 334            | 327            |
| Net loss   | \$ (9,388)     | \$ (7,562)     | \$ (13,269)    | \$ (11,398)    | \$ (6,515)     | \$ (8,771)     | \$ (6,962)     | \$ (7,588)     |
| Accretion of Series C and D redeemable convertible preferred stock   | (2,389)        | (2,355)        | (2,482)        | (2,530)        | (2,579)        | (1,223)        | —              | —              |
| Net loss attributable to common stockholders   | \$ (11,777)    | \$ (9,917)     | \$ (15,751)    | \$ (13,928)    | \$ (9,094)     | \$ (9,994)     | \$ (6,962)     | \$ (7,588)     |
| Net loss per share attributable to common stockholders, basic and diluted  | \$ (0.41)      | \$ (0.34)      | \$ (0.52)      | \$ (0.45)      | \$ (0.29)      | \$ (0.14)      | \$ (0.06)      | \$ (0.06)      |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted <sup>(4)</sup> | 28,867         | 29,583         | 30,102         | 30,793         | 31,434         | 73,818         | 119,204        | 120,587        |

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

|  |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Cost of revenue                        | \$ 88    | \$ 106   | \$ 103   | \$ 109   | \$ 126   | \$ 199   | \$ 323   | \$ 503   |
| Sales and marketing                    | 721      | 762      | 796      | 785      | 985      | 1,493    | 1,781    | 2,801    |
| Research and development               | 4,651    | 306      | 343      | 398      | 494      | 960      | 1,193    | 2,795    |
| General and administrative             | 266      | 412      | 341      | 441      | 459      | 657      | 821      | 1,487    |
| Total stock-based compensation expense | \$ 5,726 | \$ 1,586 | \$ 1,583 | \$ 1,733 | \$ 2,064 | \$ 3,309 | \$ 4,118 | \$ 7,586 |

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

|  |      |      |      |      |      |      |      |       |
|--|------|------|------|------|------|------|------|-------|
| Amortization expense of acquired intangible assets | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 95 |
|--|------|------|------|------|------|------|------|-------|

<sup>(3)</sup> Includes litigation-related expenses as follows:

|                             |        |          |          |          |          |          |          |          |
|-----------------------------|--------|----------|----------|----------|----------|----------|----------|----------|
| Litigation-related expenses | \$ 478 | \$ 1,006 | \$ 4,301 | \$ 2,146 | \$ 1,630 | \$ 2,836 | \$ 1,427 | \$ 2,174 |
|-----------------------------|--------|----------|----------|----------|----------|----------|----------|----------|

<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.

**Zscaler, Inc.****Non-GAAP Condensed Consolidated Statements of Operations - Fiscal Quarters****(In thousands, except per share data)**

| <b>Fiscal Quarter</b>  | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)   | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY)   | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |
| Revenue  | \$ 29,427      | \$ 32,964      | \$ 36,544      | \$ 39,861      | \$ 44,976      | \$ 49,163      | \$ 56,174      | \$ 63,298      |
| Cost of revenue  | 6,427          | 6,891          | 7,931          | 8,162          | 8,553          | 9,225          | 11,178         | 11,596         |
| Gross profit   | 23,000         | 26,073         | 28,613         | 31,699         | 36,423         | 39,938         | 44,996         | 51,702         |
| Operating expenses:  |                |                |                |                |                |                |                |                |
| Sales and marketing  | 17,075         | 19,927         | 22,839         | 26,143         | 26,125         | 28,399         | 30,698         | 33,744         |
| Research and development   | 6,382          | 7,472          | 8,266          | 8,411          | 8,689          | 8,947          | 10,287         | 10,296         |
| General and administrative   | 2,643          | 3,643          | 4,678          | 4,543          | 4,314          | 5,471          | 6,390          | 6,470          |
| Total operating expenses   | 26,100         | 31,042         | 35,783         | 39,097         | 39,128         | 42,817         | 47,375         | 50,510         |
| Income (loss) from operations  | (3,100)        | (4,969)        | (7,170)        | (7,398)        | (2,705)        | (2,879)        | (2,379)        | 1,192          |
| Interest income, net   | 130            | 152            | 190            | 195            | 213            | 596            | 1,232          | 1,590          |
| Other income (expense), net  | (47)           | 31             | (79)           | (27)           | 28             | 14             | 64             | (188)          |
| Income (loss) before income taxes  | (3,017)        | (4,786)        | (7,059)        | (7,230)        | (2,464)        | (2,269)        | (1,083)        | 2,594          |
| Provision for income taxes   | 167            | 184            | 326            | 289            | 357            | 357            | 334            | 588            |
| Non-GAAP net income (loss) attributable to common stockholders   | \$ (3,184)     | \$ (4,970)     | \$ (7,385)     | \$ (7,519)     | \$ (2,821)     | \$ (2,626)     | \$ (1,417)     | \$ 2,006       |
| Non-GAAP net income (loss) per share attributable to common stockholders, diluted  | \$ (0.11)      | \$ (0.17)      | \$ (0.25)      | \$ (0.24)      | \$ (0.09)      | \$ (0.04)      | \$ (0.01)      | \$ 0.01        |
| Weighted-average shares used in computing non-GAAP net income (loss) per share attributable to common stockholders, diluted                          | 28,867         | 29,583         | 30,102         | 30,793         | 31,434         | 73,818         | 119,204        | 133,845        |
| Pro forma non-GAAP net income (loss) per share attributable to common stockholders, diluted <sup>(1)</sup>   | \$ (0.03)      | \$ (0.05)      | \$ (0.07)      | \$ (0.07)      | \$ (0.03)      | \$ (0.02)      | \$ (0.01)      | \$ 0.01        |
| Weighted-average shares used in computing pro forma non-GAAP net income (loss) per share attributable to common stockholders, diluted <sup>(1)</sup> | 101,368        | 102,083        | 102,603        | 103,293        | 103,935        | 112,105        | 119,204        | 133,845        |

<sup>(1)</sup> We define pro forma non-GAAP net income (loss) per share attributable to common stockholders as the weighted-average shares used in computing the non-GAAP net income (loss) per share attributable to common stockholders plus a pro forma adjustment to give effect to the automatic conversion of our redeemable convertible preferred stock into 72,500,750 shares of common stock as though the conversion had occurred as of the beginning of the periods presented. Upon the closing of our initial public offering on March 20, 2018, all our outstanding shares of redeemable convertible preferred stock automatically converted into 72,500,750 shares of common stock on a one-to-one basis. Refer to GAAP to Non-GAAP Reconciliations for further information.

**Zscaler, Inc.**  
**Condensed Consolidated Balance Sheets - Fiscal Quarters**  
(In thousands)

| <b>Fiscal Quarter</b>   | <b>Q2 FY17</b>    | <b>Q3 FY17</b>    | <b>Q4 FY17</b>    | <b>Q1 FY18</b>    | <b>Q2 FY18</b>    | <b>Q3 FY18</b>    | <b>Q4 FY18</b>    | <b>Q1 FY19</b>    |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| End of Fiscal Quarter (MM/DD/YYYY)  | <u>1/31/2017</u>  | <u>4/30/2017</u>  | <u>7/31/2017</u>  | <u>10/31/2017</u> | <u>1/31/2018</u>  | <u>4/30/2018</u>  | <u>7/31/2018</u>  | <u>10/31/2018</u> |
| <b>Assets</b>   |                   |                   |                   |                   |                   |                   |                   |                   |
| Current assets:   |                   |                   |                   |                   |                   |                   |                   |                   |
| Cash and cash equivalents   | \$ 87,256         | \$ 87,365         | \$ 87,978         | \$ 75,760         | \$ 71,569         | \$ 287,443        | \$ 135,579        | \$ 42,786         |
| Short-term investments  | —                 | —                 | —                 | —                 | —                 | —                 | 162,960           | 271,254           |
| Accounts receivable, net  | 31,693            | 24,234            | 39,052            | 30,431            | 47,536            | 40,215            | 61,611            | 49,228            |
| Deferred contract acquisition costs   | 7,890             | 8,560             | 10,469            | 10,815            | 12,271            | 13,753            | 16,136            | 16,387            |
| Prepaid expenses and other current assets   | 4,504             | 4,146             | 5,410             | 6,085             | 6,754             | 9,036             | 10,878            | 11,949            |
| Total current assets  | <u>131,343</u>    | <u>124,305</u>    | <u>142,909</u>    | <u>123,091</u>    | <u>138,130</u>    | <u>350,447</u>    | <u>387,164</u>    | <u>391,604</u>    |
| Property and equipment, net   | 12,230            | 12,750            | 13,139            | 15,712            | 16,858            | 20,441            | 19,765            | 24,132            |
| Deferred contract acquisition costs, non-current  | 16,786            | 18,245            | 24,193            | 25,187            | 27,672            | 32,755            | 39,774            | 39,591            |
| Other noncurrent assets   | 1,049             | 1,318             | 2,661             | 5,096             | 5,512             | 1,895             | 1,078             | 2,767             |
| Total assets  | <u>\$ 161,408</u> | <u>\$ 156,618</u> | <u>\$ 182,902</u> | <u>\$ 169,086</u> | <u>\$ 188,172</u> | <u>\$ 405,538</u> | <u>\$ 447,781</u> | <u>\$ 458,094</u> |
| <b>Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)</b> |                   |                   |                   |                   |                   |                   |                   |                   |
| Current liabilities:  |                   |                   |                   |                   |                   |                   |                   |                   |
| Accounts payable  | \$ 2,190          | \$ 1,830          | \$ 3,763          | \$ 2,404          | \$ 2,343          | \$ 4,944          | \$ 4,895          | \$ 4,573          |
| Accrued expenses and other current liabilities  | 5,283             | 5,575             | 11,648            | 12,673            | 11,177            | 13,767            | 12,313            | 14,925            |
| Accrued compensation  | 6,053             | 6,698             | 11,608            | 8,115             | 10,423            | 14,820            | 23,393            | 18,686            |
| Liability for early exercised stock options   | 4,952             | 3,851             | 7,972             | 4,120             | 4,522             | 2,625             | 1,561             | 1,249             |
| Deferred revenue  | 71,248            | 70,684            | 85,468            | 88,461            | 107,907           | 111,035           | 140,670           | 144,472           |
| Total current liabilities   | <u>89,726</u>     | <u>88,638</u>     | <u>120,459</u>    | <u>115,773</u>    | <u>136,372</u>    | <u>147,191</u>    | <u>182,832</u>    | <u>183,905</u>    |
| Deferred revenue, noncurrent  | 7,843             | 7,056             | 11,151            | 9,805             | 11,350            | 13,771            | 23,353            | 20,807            |
| Other noncurrent liabilities  | 1,453             | 1,492             | 1,457             | 1,411             | 1,422             | 1,384             | 1,360             | 1,204             |
| Total liabilities   | <u>99,022</u>     | <u>97,186</u>     | <u>133,067</u>    | <u>126,989</u>    | <u>149,144</u>    | <u>162,346</u>    | <u>207,545</u>    | <u>205,916</u>    |
| Redeemable convertible preferred stock  | 196,140           | 198,495           | 200,977           | 203,507           | 206,086           | —                 | —                 | —                 |
| Stockholders' equity (deficit):   |                   |                   |                   |                   |                   |                   |                   |                   |
| Common stock  | 17                | 18                | 18                | 19                | 19                | 119               | 119               | 122               |
| Additional paid-in capital  | 16,737            | 17,497            | 18,734            | 20,133            | 21,045            | 434,250           | 438,392           | 455,761           |
| Notes receivable from stockholders  | (9,323)           | (7,831)           | (7,878)           | (7,710)           | (7,755)           | (2,039)           | (2,051)           | —                 |
| Accumulated other comprehensive loss  | —                 | —                 | —                 | —                 | —                 | —                 | (124)             | (317)             |
| Accumulated deficit   | (141,185)         | (148,747)         | (162,016)         | (173,852)         | (180,367)         | (189,138)         | (196,100)         | (203,388)         |
| Total stockholders' equity (deficit)  | <u>(133,754)</u>  | <u>(139,063)</u>  | <u>(151,142)</u>  | <u>(161,410)</u>  | <u>(167,058)</u>  | <u>243,192</u>    | <u>240,236</u>    | <u>252,178</u>    |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)  | <u>\$ 161,408</u> | <u>\$ 156,618</u> | <u>\$ 182,902</u> | <u>\$ 169,086</u> | <u>\$ 188,172</u> | <u>\$ 405,538</u> | <u>\$ 447,781</u> | <u>\$ 458,094</u> |

**Zscaler, Inc.**  
**Condensed Consolidated Cash flows - Fiscal Quarters**  
(In thousands)

| <b>Fiscal Reporting Quarter</b>  | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)   | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY)   | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |
| <b>Cash flows from operating activities</b>  |                |                |                |                |                |                |                |                |
| Net loss   | \$ (9,388)     | \$ (7,562)     | \$ (13,269)    | \$ (11,398)    | \$ (6,515)     | \$ (8,771)     | \$ (6,962)     | \$ (7,588)     |
| Adjustments to reconcile net loss to cash used in operating activities:  |                |                |                |                |                |                |                |                |
| Depreciation and amortization expense  | 1,768          | 1,736          | 1,833          | 1,921          | 1,989          | 1,932          | 2,146          | 2,170          |
| Amortization expense of acquired intangible assets   | —              | —              | —              | —              | —              | —              | —              | 95             |
| Amortization of deferred contract acquisition costs  | 1,969          | 2,166          | 2,482          | 2,868          | 3,064          | 3,422          | 3,827          | 4,324          |
| Stock-based compensation expense   | 5,726          | 1,586          | 1,583          | 1,733          | 2,064          | 3,309          | 4,118          | 7,586          |
| Other  | (61)           | 42             | (43)           | (47)           | (45)           | 370            | (148)          | (317)          |
| Changes in operating assets and liabilities:   |                |                |                |                |                |                |                |                |
| Accounts receivable  | (11,796)       | 7,459          | (14,818)       | 8,621          | (17,103)       | 7,321          | (21,398)       | 12,383         |
| Deferred contract acquisition costs  | (4,755)        | (4,295)        | (10,339)       | (4,208)        | (7,005)        | (9,987)        | (13,229)       | (4,392)        |
| Prepaid expenses and other assets  | (898)          | 99             | (1,280)        | (686)          | (408)          | (2,247)        | (1,727)        | (1,138)        |
| Accounts payable   | 216            | (613)          | 2,111          | (2,065)        | (146)          | 591            | 841            | (768)          |
| Accrued expenses and other liabilities   | 741            | 331            | 4,243          | 755            | (310)          | 2,231          | (600)          | 2,110          |
| Accrued compensation   | 1,109          | 645            | 4,910          | (3,493)        | 2,308          | 4,397          | 8,573          | (4,707)        |
| Deferred revenue   | 14,767         | (1,351)        | 18,879         | 1,647          | 20,991         | 5,549          | 39,217         | 1,256          |
| Net cash provided by (used in) operating activities  | (602)          | 243            | (3,708)        | (4,352)        | (1,116)        | 8,117          | 14,658         | 11,014         |
| <b>Cash flows from investing activities:</b>   |                |                |                |                |                |                |                |                |
| Purchases of property and equipment  | (1,479)        | (1,878)        | (1,492)        | (4,010)        | (3,035)        | (3,963)        | (2,389)        | (5,414)        |
| Capitalized internal-use software  | —              | (146)          | (245)          | (534)          | (416)          | (474)          | (349)          | (356)          |
| Acquired intangible assets   | —              | —              | —              | —              | —              | —              | —              | (1,480)        |
| Purchases of short-term investments  | —              | —              | —              | —              | —              | —              | (163,366)      | (137,429)      |
| Proceeds from maturities of short-term investments   | —              | —              | —              | —              | —              | —              | 433            | 29,333         |
| Net cash used in investing activities  | (1,479)        | (2,024)        | (1,737)        | (4,544)        | (3,451)        | (4,437)        | (165,671)      | (115,346)      |
| <b>Cash flows from financing activities:</b>   |                |                |                |                |                |                |                |                |
| Proceeds from issuance of common stock in initial public offering, net of underwriting discounts   | —              | —              | —              | —              | —              | 205,344        | —              | —              |
| Payments of costs related to initial public offering   | —              | —              | (31)           | (1,443)        | (1,453)        | (670)          | (770)          | (230)          |
| Proceeds from issuance of preferred stock, net of issuance costs   | —              | —              | —              | —              | —              | —              | —              | —              |
| Proceeds from issuance of common stock upon exercise of stock options  | 649            | 429            | 1,556          | 1,211          | 960            | 2,174          | 640            | 9,796          |
| Proceeds from issuance of common stock related to early exercised stock options  | —              | —              | 4,701          | —              | 869            | —              | —              | —              |
| Repurchase of unvested common stock  | —              | —              | —              | (3,090)        | —              | —              | (721)          | (22)           |
| Repayment of notes receivable from stockholders  | —              | 1,461          | —              | —              | —              | 5,346          | —              | 1,905          |
| Net cash provided by (used in) financing activities  | 649            | 1,890          | 6,226          | (3,322)        | 376            | 212,194        | (851)          | 11,449         |
| Net increase (decrease) in cash, cash equivalents and restricted cash  | (1,432)        | 109            | 781            | (12,218)       | (4,191)        | 215,874        | (151,864)      | (92,883)       |
| Cash, cash equivalents and restricted cash at beginning of period  | 89,088         | 87,656         | 87,765         | 88,546         | 76,328         | 72,137         | 288,011        | 136,147        |
| Cash, cash equivalents and restricted cash at end of period  | \$ 87,656      | \$ 87,765      | \$ 88,546      | \$ 76,328      | \$ 72,137      | \$ 288,011     | \$ 136,147     | \$ 43,264      |
| Reconciliation of cash, cash equivalents, and restricted cash within the condensed consolidated balance sheets to the amounts shown in the statements of cash flows above: |                |                |                |                |                |                |                |                |
| Cash and cash equivalents  | \$ 87,256      | \$ 87,365      | \$ 87,978      | \$ 75,760      | \$ 71,569      | \$ 287,443     | \$ 135,579     | \$ 42,786      |
| Restricted cash, current   | —              | —              | —              | 180            | 180            | 180            | 236            | 186            |
| Restricted cash, non-current   | 400            | 400            | 568            | 388            | 388            | 388            | 332            | 292            |
| Total cash, cash equivalents and restricted cash   | \$ 87,656      | \$ 87,765      | \$ 88,546      | \$ 76,328      | \$ 72,137      | \$ 288,011     | \$ 136,147     | \$ 43,264      |

Zscaler, Inc.

GAAP to Non-GAAP Reconciliations - Fiscal Quarters

(In thousands, except per percentage data and per share data)

| Fiscal Quarter   | Q2 FY17   | Q3 FY17   | Q4 FY17   | Q1 FY18    | Q2 FY18   | Q3 FY18   | Q4 FY18   | Q1 FY19    |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|------------|
| End of Fiscal Quarter (MM/DD/YYYY)                                     | 1/31/2017 | 4/30/2017 | 7/31/2017 | 10/31/2017 | 1/31/2018 | 4/30/2018 | 7/31/2018 | 10/31/2018 |
| Beginning of Fiscal Quarter (MM/DD/YYYY)                               | 11/1/2016 | 2/1/2017  | 5/1/2017  | 8/1/2017   | 11/1/2017 | 2/1/2018  | 5/1/2018  | 8/1/2018   |
| <b>GAAP gross profit</b>   | \$ 22,912 | \$ 25,967 | \$ 28,510 | \$ 31,590  | \$ 36,297 | \$ 39,739 | \$ 44,673 | \$ 51,199  |
| Stock-based compensation expense                                       | 88        | 106       | 103       | 109        | 126       | 199       | 323       | 503        |
| Non-GAAP total gross profit  | \$ 23,000 | \$ 26,073 | \$ 28,613 | \$ 31,699  | \$ 36,423 | \$ 39,938 | \$ 44,996 | \$ 51,702  |
| Non-GAAP total gross margin  | 78.2 %    | 79.1 %    | 78.3 %    | 79.5 %     | 81.0 %    | 81.2 %    | 80.1 %    | 81.7 %     |
| <b>GAAP sales and marketing expense</b>                                | \$ 17,796 | \$ 20,689 | \$ 23,635 | \$ 26,928  | \$ 27,110 | \$ 29,892 | \$ 32,479 | \$ 36,545  |
| Stock-based compensation expense                                       | 721       | 762       | 796       | 785        | 985       | 1,493     | 1,781     | 2,801      |
| Non-GAAP sales and marketing expense                                   | \$ 17,075 | \$ 19,927 | \$ 22,839 | \$ 26,143  | \$ 26,125 | \$ 28,399 | \$ 30,698 | \$ 33,744  |
| Non-GAAP sales and marketing expense as a percentage of revenue        | 58.0 %    | 60.5 %    | 62.5 %    | 65.6 %     | 58.1 %    | 57.8 %    | 54.6 %    | 53.3 %     |
| <b>GAAP research and development expense</b>                           | \$ 11,033 | \$ 7,778  | \$ 8,609  | \$ 8,809   | \$ 9,183  | \$ 9,907  | \$ 11,480 | \$ 13,186  |
| Stock-based compensation expense                                       | 4,651     | 306       | 343       | 398        | 494       | 960       | 1,193     | 2,795      |
| Amortization expense of acquired intangible assets                     | —         | —         | —         | —          | —         | —         | —         | 95         |
| Non-GAAP research and development expense                              | \$ 6,382  | \$ 7,472  | \$ 8,266  | \$ 8,411   | \$ 8,689  | \$ 8,947  | \$ 10,287 | \$ 10,296  |
| Non-GAAP research and development expense as a percentage of revenue   | 21.7 %    | 22.7 %    | 22.6 %    | 21.1 %     | 19.3 %    | 18.2 %    | 18.3 %    | 16.3 %     |
| <b>GAAP general and administrative expense</b>                         | \$ 3,387  | \$ 5,061  | \$ 9,320  | \$ 7,130   | \$ 6,403  | \$ 8,964  | \$ 8,638  | \$ 10,131  |
| Stock-based compensation expense                                       | 266       | 412       | 341       | 441        | 459       | 657       | 821       | 1,487      |
| Litigation-related expenses  | 478       | 1,006     | 4,301     | 2,146      | 1,630     | 2,836     | 1,427     | 2,174      |
| Non-GAAP general and administrative expense                            | \$ 2,643  | \$ 3,643  | \$ 4,678  | \$ 4,543   | \$ 4,314  | \$ 5,471  | \$ 6,390  | \$ 6,470   |
| Non-GAAP general and administrative expense as a percentage of revenue | 9.0 %     | 11.1 %    | 12.8 %    | 11.4 %     | 9.6 %     | 11.1 %    | 11.4 %    | 10.2 %     |
| <b>GAAP total operating expenses</b>                                   | \$ 32,216 | \$ 33,528 | \$ 41,564 | \$ 42,867  | \$ 42,696 | \$ 48,763 | \$ 52,597 | \$ 59,862  |
| Stock-based compensation expense                                       | 5,638     | 1,480     | 1,480     | 1,624      | 1,938     | 3,110     | 3,795     | 7,083      |
| Litigation-related expenses  | 478       | 1,006     | 4,301     | 2,146      | 1,630     | 2,836     | 1,427     | 2,174      |
| Amortization expense of acquired intangible assets                     | —         | —         | —         | —          | —         | —         | —         | 95         |
| Non-GAAP total operating expenses                                      | \$ 26,100 | \$ 31,042 | \$ 35,783 | \$ 39,097  | \$ 39,128 | \$ 42,817 | \$ 47,375 | \$ 50,510  |
| Non-GAAP total operating expenses as a percentage of revenue           | 88.7 %    | 94.2 %    | 97.9 %    | 98.1 %     | 87.0 %    | 87.1 %    | 84.3 %    | 79.8 %     |

**Zscaler, Inc.**
**GAAP to Non-GAAP Reconciliations - Fiscal Quarters**  
(In thousands, except per percentage data and per share)

| <b>Fiscal Quarter</b>   | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)  | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY)  | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |
| <b>GAAP loss from operations</b>  | \$ (9,304)     | \$ (7,561)     | \$ (13,054)    | \$ (11,277)    | \$ (6,399)     | \$ (9,024)     | \$ (7,924)     | \$ (8,663)     |
| Stock-based compensation expense  | 5,726          | 1,586          | 1,583          | 1,733          | 2,064          | 3,309          | 4,118          | 7,586          |
| Litigation-related expenses   | 478            | 1,006          | 4,301          | 2,146          | 1,630          | 2,836          | 1,427          | 2,174          |
| Amortization expense of acquired intangible assets  | —              | —              | —              | —              | —              | —              | —              | 95             |
| Non-GAAP income (loss) from operations  | \$ (3,100)     | \$ (4,969)     | \$ (7,170)     | \$ (7,398)     | \$ (2,705)     | \$ (2,879)     | \$ (2,379)     | \$ 1,192       |
| Non-GAAP operating margin   | (10.5)%        | (15.1)%        | (19.6)%        | (18.6)%        | (6.0)%         | (5.9)%         | (4.2)%         | 1.9%           |
| <b>GAAP net loss</b>  | \$ (9,388)     | \$ (7,562)     | \$ (13,269)    | \$ (11,398)    | \$ (6,515)     | \$ (8,771)     | \$ (6,962)     | \$ (7,588)     |
| Stock-based compensation expense  | 5,726          | 1,586          | 1,583          | 1,733          | 2,064          | 3,309          | 4,118          | 7,586          |
| Litigation-related expenses   | 478            | 1,006          | 4,301          | 2,146          | 1,630          | 2,836          | 1,427          | 2,174          |
| Amortization expense of acquired intangible assets  | —              | —              | —              | —              | —              | —              | —              | 95             |
| Income tax expense effects <sup>(1)</sup>   | —              | —              | —              | —              | —              | —              | —              | (261)          |
| Non-GAAP net income (loss)  | \$ (3,184)     | \$ (4,970)     | \$ (7,385)     | \$ (7,519)     | \$ (2,821)     | \$ (2,626)     | \$ (1,417)     | \$ 2,006       |
| <b>GAAP net loss attributable to common stockholders</b>  | \$ (11,777)    | \$ (9,917)     | \$ (15,751)    | \$ (13,928)    | \$ (9,094)     | \$ (9,994)     | \$ (6,962)     | \$ (7,588)     |
| Stock-based compensation expense  | 5,726          | 1,586          | 1,583          | 1,733          | 2,064          | 3,309          | 4,118          | 7,586          |
| Litigation-related expenses   | 478            | 1,006          | 4,301          | 2,146          | 1,630          | 2,836          | 1,427          | 2,174          |
| Amortization expense of acquired intangible assets  | —              | —              | —              | —              | —              | —              | —              | 95             |
| Accretion of Series C and D redeemable convertible preferred stock  | 2,389          | 2,355          | 2,482          | 2,530          | 2,579          | 1,223          | —              | —              |
| Income tax expense effects <sup>(1)</sup>   | —              | —              | —              | —              | —              | —              | —              | (261)          |
| Non-GAAP net income (loss) attributable to common stockholders  | \$ (3,184)     | \$ (4,970)     | \$ (7,385)     | \$ (7,519)     | \$ (2,821)     | \$ (2,626)     | \$ (1,417)     | \$ 2,006       |
| <b>GAAP net loss per share attributable to common stockholders, basic and diluted</b>                                       | \$ (0.41)      | \$ (0.34)      | \$ (0.52)      | \$ (0.45)      | \$ (0.29)      | \$ (0.14)      | \$ (0.06)      | \$ (0.06)      |
| Stock-based compensation expense  | 0.20           | 0.05           | 0.05           | 0.06           | 0.07           | 0.04           | 0.03           | 0.06           |
| Litigation-related expenses   | 0.02           | 0.03           | 0.14           | 0.07           | 0.05           | 0.04           | 0.01           | 0.02           |
| Amortization expense of acquired intangible assets  | —              | —              | —              | —              | —              | —              | —              | —              |
| Accretion of Series C and D redeemable convertible preferred stock  | 0.08           | 0.08           | 0.08           | 0.08           | 0.08           | 0.02           | —              | —              |
| Income tax expense effects  | —              | —              | —              | —              | —              | —              | —              | —              |
| Non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted <sup>(2)</sup>                  | \$ (0.11)      | \$ (0.17)      | \$ (0.25)      | \$ (0.24)      | \$ (0.09)      | \$ (0.04)      | \$ (0.01)      | \$ 0.01        |
| Weighted-average shares used in computing non-GAAP net income (loss) per share attributable to common stockholders, diluted | 28,867         | 29,583         | 30,102         | 30,793         | 31,434         | 73,818         | 119,204        | 133,845        |

**Zscaler, Inc.**

**GAAP to Non-GAAP Reconciliations - Fiscal Quarters**  
(In thousands, except per percentage data and per share)

| <b>Fiscal Quarter</b>  | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)   | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY)   | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |
| <b>Numerator:</b>  |                |                |                |                |                |                |                |                |
| Non-GAAP net income (loss) attributable to common stockholders (from above)  | \$ (3,184)     | \$ (4,970)     | \$ (7,385)     | \$ (7,519)     | \$ (2,821)     | \$ (2,626)     | \$ (1,417)     | \$ 2,006       |
| <b>Denominator:</b>  |                |                |                |                |                |                |                |                |
| Weighted-average shares used in computing of GAAP net loss per share attributable to common stockholders, basic and diluted <sup>(3)</sup>               | 28,867         | 29,583         | 30,102         | 30,793         | 31,434         | 73,818         | 119,204        | 120,587        |
| Potentially diluted shares   | —              | —              | —              | —              | —              | —              | —              | 13,258         |
| Pro forma adjustment to reflect assumed conversion of our convertible preferred stock as of the beginning of the period <sup>(4)</sup>                   | 72,501         | 72,500         | 72,501         | 72,500         | 72,501         | 38,287         | —              | —              |
| Weighted-average shares used in computing the pro forma non-GAAP net income (loss) per share attributable to common stockholders, diluted <sup>(4)</sup> | 101,368        | 102,083        | 102,603        | 103,293        | 103,935        | 112,105        | 119,204        | 133,845        |
| Pro forma non-GAAP net income (loss) per share attributable to common stockholders, diluted <sup>(4)</sup>   | \$ (0.03)      | \$ (0.05)      | \$ (0.07)      | \$ (0.07)      | \$ (0.03)      | \$ (0.02)      | \$ (0.01)      | \$ 0.01        |

<sup>(1)</sup> The income tax expense effects for our fiscal quarter ended October 31, 2018, relate primarily to the excess tax deduction of stock-based compensation recognized in the current quarter. The income tax effects from foreign jurisdictions were not material in prior periods. For our U.S. entities, we do not include the impact of income taxes on the non-GAAP items due to our continued history of non-GAAP losses and full valuation allowance.

<sup>(2)</sup> The sum of the non-GAAP per share attributable to common stockholders of individual line items excluded from our non-GAAP net loss may not total to the non-GAAP net loss per share attributable to common stockholders due to rounding.

<sup>(3)</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>(4)</sup> We define pro forma non-GAAP net income (loss) per share attributable to common stockholders as the weighted-average shares used in computing the GAAP net loss per share attributable to common stockholders plus a pro forma adjustment to give effect to the automatic conversion of our redeemable convertible preferred stock into 72,500,750 shares of common stock as though the conversion had occurred as of the beginning of the periods presented. Upon the closing of our initial public offering on March 20, 2018, all our outstanding shares of redeemable convertible preferred stock automatically converted into 72,500,750 shares of common stock on a one-to-one basis.



**Zscaler, Inc.****Non-GAAP Free Cash Flow and Free Cash Flow Margin - Fiscal Quarter****(In thousands, except per percentage data)**

| <b>Fiscal Quarter</b>                    | <b>Q2 FY17</b> | <b>Q3 FY17</b> | <b>Q4 FY17</b> | <b>Q1 FY18</b> | <b>Q2 FY18</b> | <b>Q3 FY18</b> | <b>Q4 FY18</b> | <b>Q1 FY19</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| End of Fiscal Quarter (MM/DD/YYYY)       | 1/31/2017      | 4/30/2017      | 7/31/2017      | 10/31/2017     | 1/31/2018      | 4/30/2018      | 7/31/2018      | 10/31/2018     |
| Beginning of Fiscal Quarter (MM/DD/YYYY) | 11/1/2016      | 2/1/2017       | 5/1/2017       | 8/1/2017       | 11/1/2017      | 2/1/2018       | 5/1/2018       | 8/1/2018       |

**Non-GAAP Free Cash Flows**

|   |                   |                   |                   |                   |                   |                 |                  |                 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|------------------|-----------------|
| Net cash provided by (used in) operating activities | \$ (602)          | \$ 243            | \$ (3,708)        | \$ (4,352)        | \$ (1,116)        | \$ 8,117        | \$ 14,658        | \$ 11,014       |
| Less: Purchases of property and equipment           | (1,479)           | (1,878)           | (1,492)           | (4,010)           | (3,035)           | (3,963)         | (2,389)          | (5,414)         |
| Less: Capitalized internal-use software costs       | —                 | (146)             | (245)             | (534)             | (416)             | (474)           | (349)            | (356)           |
| Free cash flow                                      | <u>\$ (2,081)</u> | <u>\$ (1,781)</u> | <u>\$ (5,445)</u> | <u>\$ (8,896)</u> | <u>\$ (4,567)</u> | <u>\$ 3,680</u> | <u>\$ 11,920</u> | <u>\$ 5,244</u> |

**Free Cash Flow Margin**

|   |             |             |              |              |              |           |            |           |
|---|-------------|-------------|--------------|--------------|--------------|-----------|------------|-----------|
| Net cash provided by (used in) operating activities, as a percentage of revenue | (2)%        | 1 %         | (10)%        | (11)%        | (2)%         | 16%       | 26%        | 17%       |
| Less: Purchases of property and equipment, as a percentage of revenue           | (5)         | (6)         | (4)          | (10)         | (7)          | (8)       | (4)        | (8)       |
| Less: Capitalized internal-use software costs, as a percentage of revenue       | —           | —           | (1)          | (1)          | (1)          | (1)       | (1)        | (1)       |
| Free cash flow margin   | <u>(7)%</u> | <u>(5)%</u> | <u>(15)%</u> | <u>(22)%</u> | <u>(10)%</u> | <u>7%</u> | <u>21%</u> | <u>8%</u> |

**Zscaler, Inc.****Non-GAAP Calculated Billings - Fiscal Quarters****(In thousands, except per percentage data)**

| <b>Fiscal Quarter</b>                             | <b>Q2 FY17</b>   | <b>Q3 FY17</b>   | <b>Q4 FY17</b>   | <b>Q1 FY18</b>   | <b>Q2 FY18</b>   | <b>Q3 FY18</b>   | <b>Q4 FY18</b>   | <b>Q1 FY19</b>   |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| End of Fiscal Quarter (MM/DD/YYYY)                | 1/31/2017        | 4/30/2017        | 7/31/2017        | 10/31/2017       | 1/31/2018        | 4/30/2018        | 7/31/2018        | 10/31/2018       |
| Beginning of Fiscal Quarter (MM/DD/YYYY)          | 11/1/2016        | 2/1/2017         | 5/1/2017         | 8/1/2017         | 11/1/2017        | 2/1/2018         | 5/1/2018         | 8/1/2018         |
| <b>Calculated Billings</b>                        |                  |                  |                  |                  |                  |                  |                  |                  |
| Total revenue                                     | \$ 29,427        | \$ 32,964        | \$ 36,544        | \$ 39,861        | \$ 44,976        | \$ 49,163        | \$ 56,174        | \$ 63,298        |
| Add: Total deferred revenue, end of period        | 79,091           | 77,740           | 96,619           | 98,266           | 119,257          | 124,806          | 164,023          | 165,279          |
| Less: Total deferred revenue, beginning of period | (64,324)         | (79,091)         | (77,740)         | (96,619)         | (98,266)         | (119,257)        | (124,806)        | (164,023)        |
| Calculated billings                               | <u>\$ 44,194</u> | <u>\$ 31,613</u> | <u>\$ 55,423</u> | <u>\$ 41,508</u> | <u>\$ 65,967</u> | <u>\$ 54,712</u> | <u>\$ 95,391</u> | <u>\$ 64,554</u> |
| Year-over-year growth - calculated billings       | 54%              | 49%              | 65%              | 65%              | 49%              | 73%              | 72%              | 56%              |