



Securing your digital transformation

Corporate IR Presentation
March 2023



Safe Harbor

Forward-Looking Statements

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In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “continue,” “contemplate,” “could,” “estimate,” “expect,” “explore,” “intend,” “likely,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these terms or other similar words. Zscaler based these forward-looking statements largely on its current expectations and projections about future events that it believes may affect its business. Actual outcomes and results may differ materially from those contemplated by these forward-looking statements. All forward-looking statements in this message are based on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

Zscaler highlights



Pioneer and leader in cloud security

Founded in 2007 – Redefining network security, with the world's largest in-line security cloud platform and a scalable cloud architecture.



\$72B Serviceable market opportunity ⁽¹⁾

Opportunity to secure hundreds of millions of users and workloads, plus billions of IoT/OT devices.



Long-term secular tailwinds

Secure digital transformation is accelerating and top of mind in C-Suite. **Key trends:** Cloud shift, mobility, IoT, rising threats, legacy phase-out.



Sustainable competitive advantage

First mover at massive scale, delivering measurable customer value. Virtuous cycle of growing scale, focused innovation, and data / insight.



Attractive financial profile

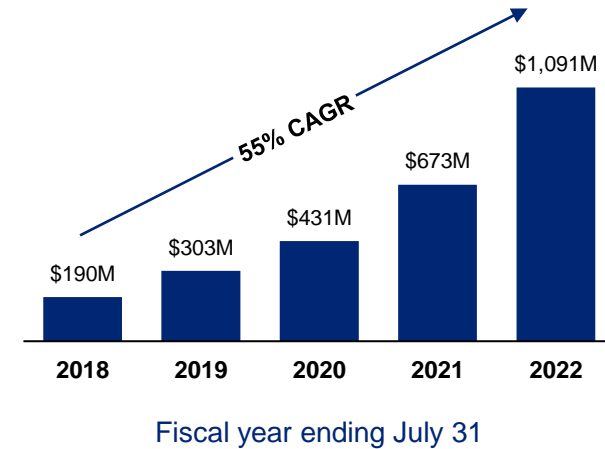
- >\$1B recurring revenue ⁽²⁾
- >125% Dollar-based Net Retention Rate (“NRR”) ⁽²⁾
- 81% Gross profit Margin, 21% Free cash flow (“FCF”) margins ⁽²⁾
- Performing beyond Rule-of-40



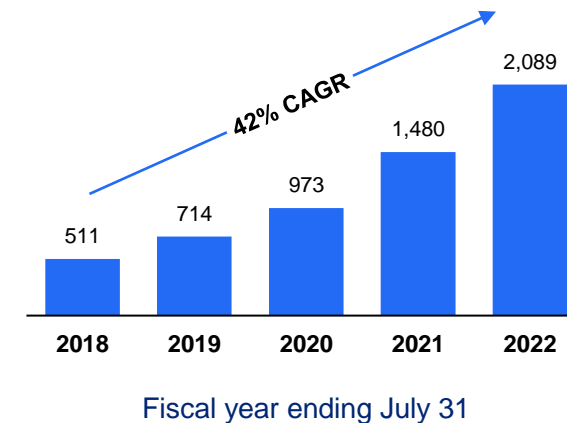
Experienced, founder-led team

Conviction to build a lasting company with sustainable long-term growth, with world-class sales execution and a high-performing culture.

Total revenue



\$100K+ ARR customers



¹⁾ Based on our analysis of ZoomInfo worldwide workforce data for organizations with 2k+ employees and 650 Group's workload market forecast for 2020.
²⁾ Recurring Revenue, Dollar-based NRR, Gross profit margin and FCF margins for FY22.

Zscaler: The leader in secure digital transformation

Transformational zero trust platform

Any-to-any connectivity

Pioneer and Market leader

11 Consecutive years of Gartner MQ leadership

Largest security cloud (150 DCs)

280B+ Daily requests
>20x Google searches ⁽¹⁾

Highly rated

>80 Net Promoter Score
(Avg SaaS NPS is 30)



Company highlights

NASDAQ-listed: **ZS**
Member of NASDAQ-100 index

>\$1 billion annual recurring revenue

52% growth y/y in revenue Q2'23

5,900 employees

AA MSCI ESG rating

Market leader across verticals — 40% of Fortune 500 and 30% of Global 2000

Engineering & Manufacturing



7 OF THE TOP **10**

Household & Personal Products



9 OF THE TOP **10**

Banking & Financial Services
(outside of China)



8 OF THE TOP **10**

Aerospace & Defense



6 OF THE TOP **10**

Healthcare Equipment & Services



7 OF THE TOP **10**

Transportation



6 OF THE TOP **10**

(1) Google's daily search requests based on estimates from ardorseo.com and internetlivestats.com

*Customers by vertical are based on the 2022 Forbes Global 2000

New category leaders are born when megashifts take place

Zscaler's vision: A new world of cloud and mobility, secured.

Data center and hardware



Applications in the data center

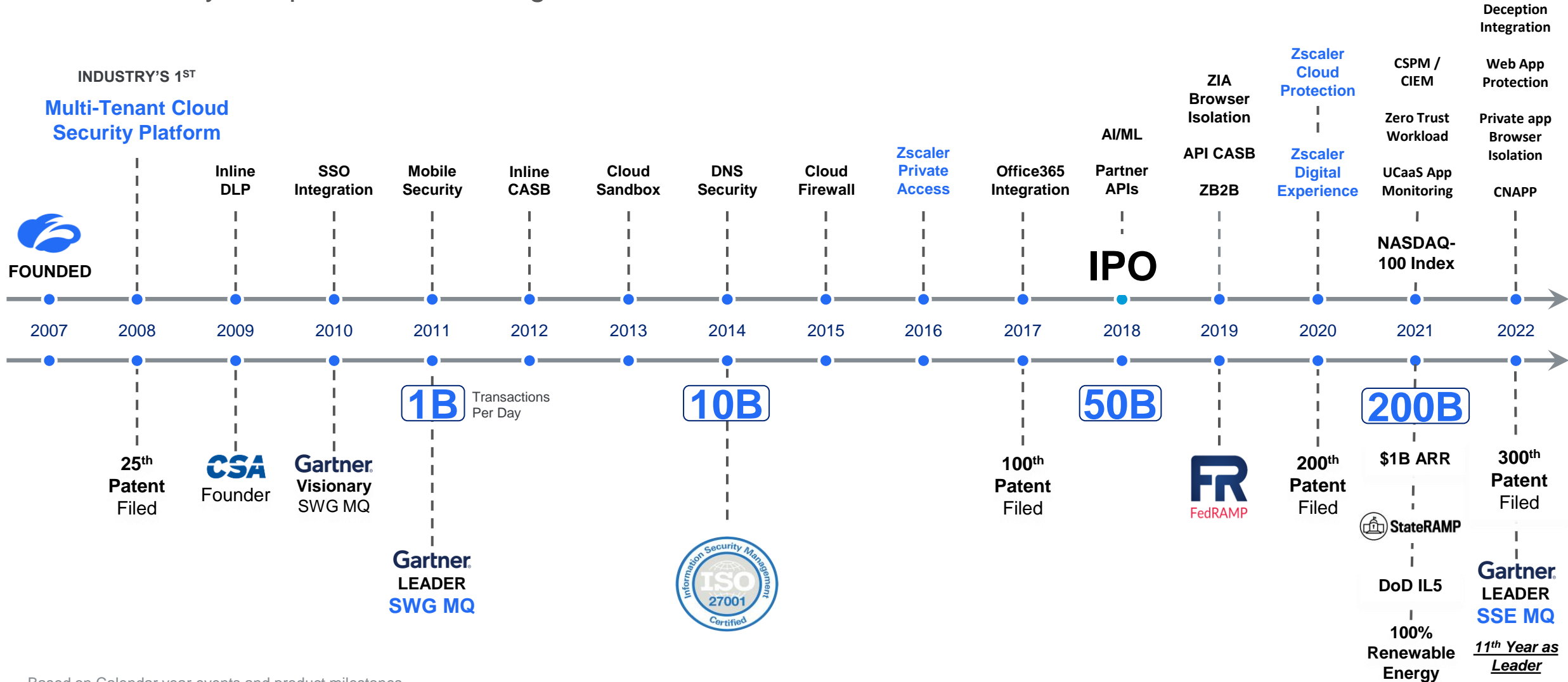


On-Premises security



Focused innovation engine and extensible platform

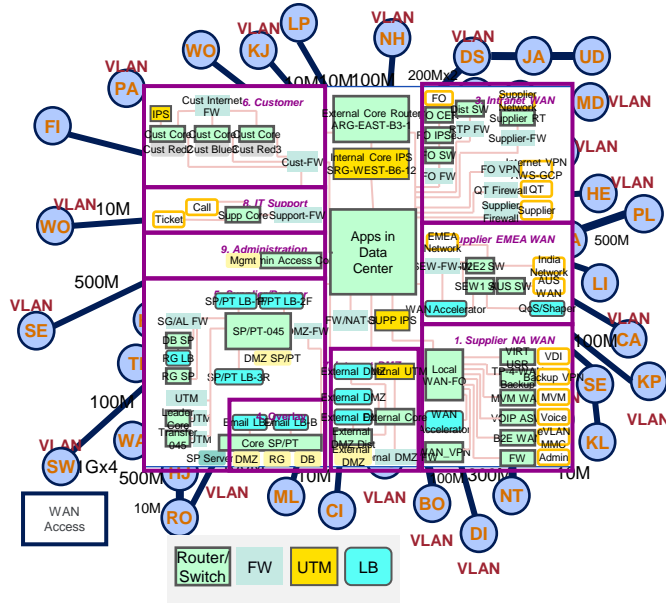
Proven history of rapid innovations & growth



Based on Calendar year events and product milestones

Phased transformation journey

Legacy Network and Security Architecture



Hub-and-Spoke Network
Castle and Moat Security

Phase 1

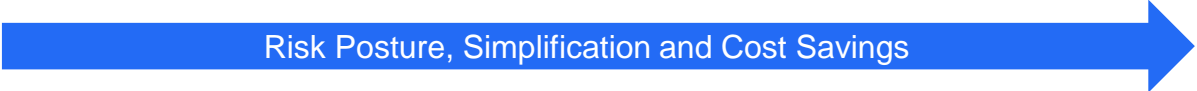
Zero Trust for Users
Improve your Cyber and data protection
 Secure Internet & SaaS Access
 Secure Private App Access

Zero Trust for Workloads
 Cloud-to-Internet
 Cloud-to-Cloud, Cloud-to-DC
 App Micro-segmentation

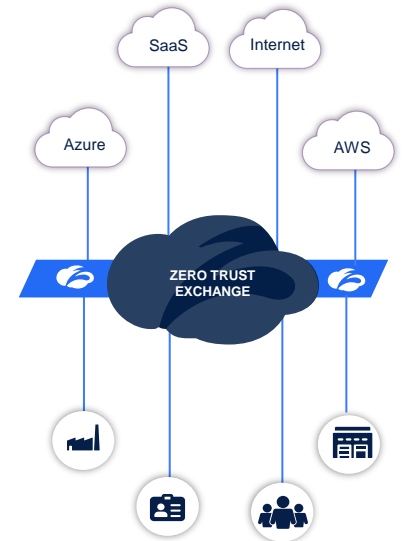
Phase 2

Branch Network & Advanced Security
 Hub-n-spoke to Zero Trust SD-WAN
 Advanced Threat Protection and DLP

SaaS & Workload Posture
 CSPM — Protect public cloud data
 CIEM — Entitlements/Permissions



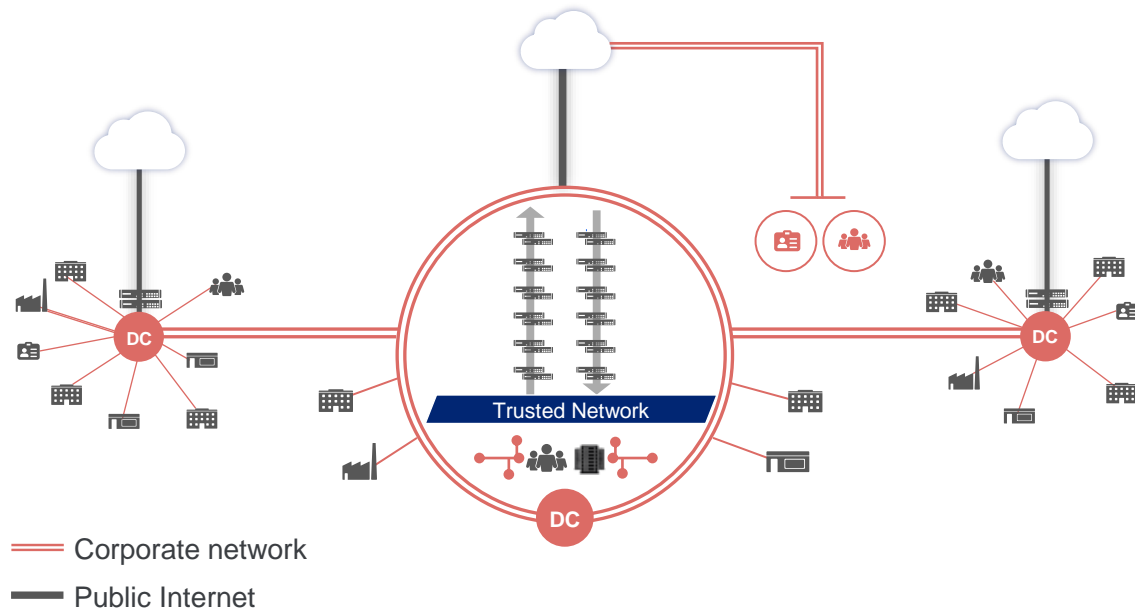
Zero Trust Architecture



Zero Trust Users, Apps,
Devices, Machines

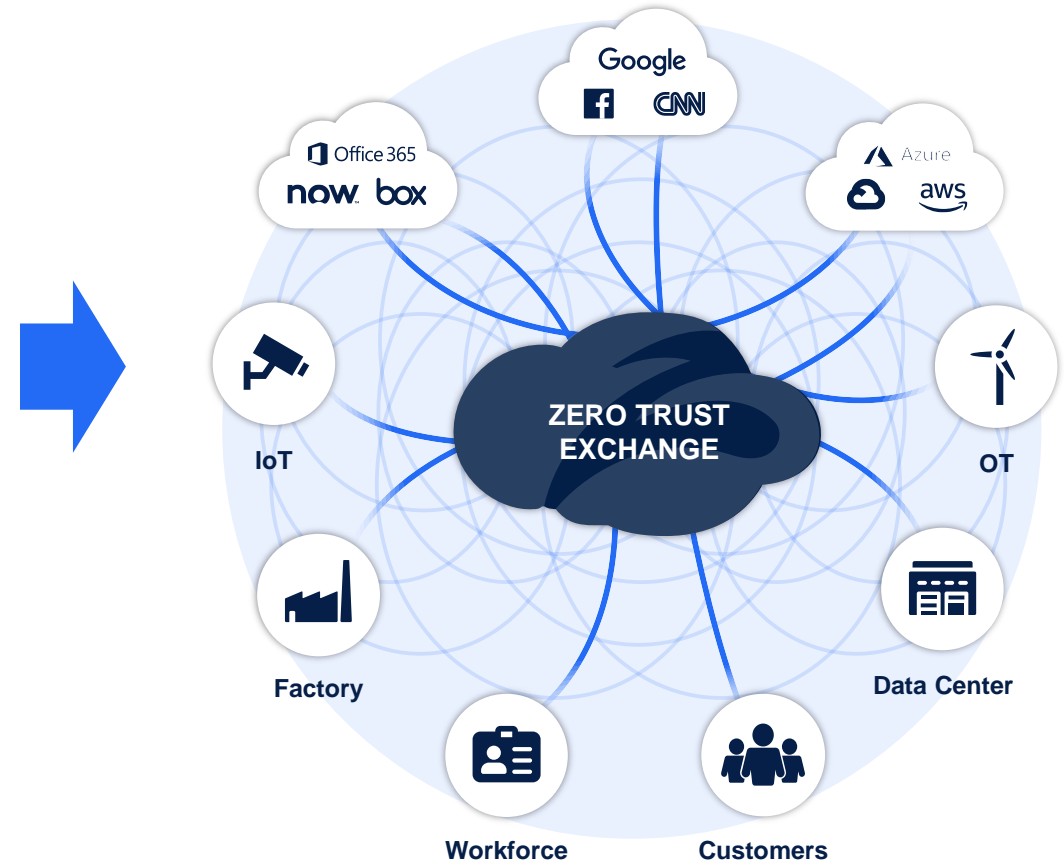
Driving transition from legacy on prem to cloud / mobile standard

Today's network security Perimeter defenses



Castle-and-Moat Security
Hub-and-Spoke Network

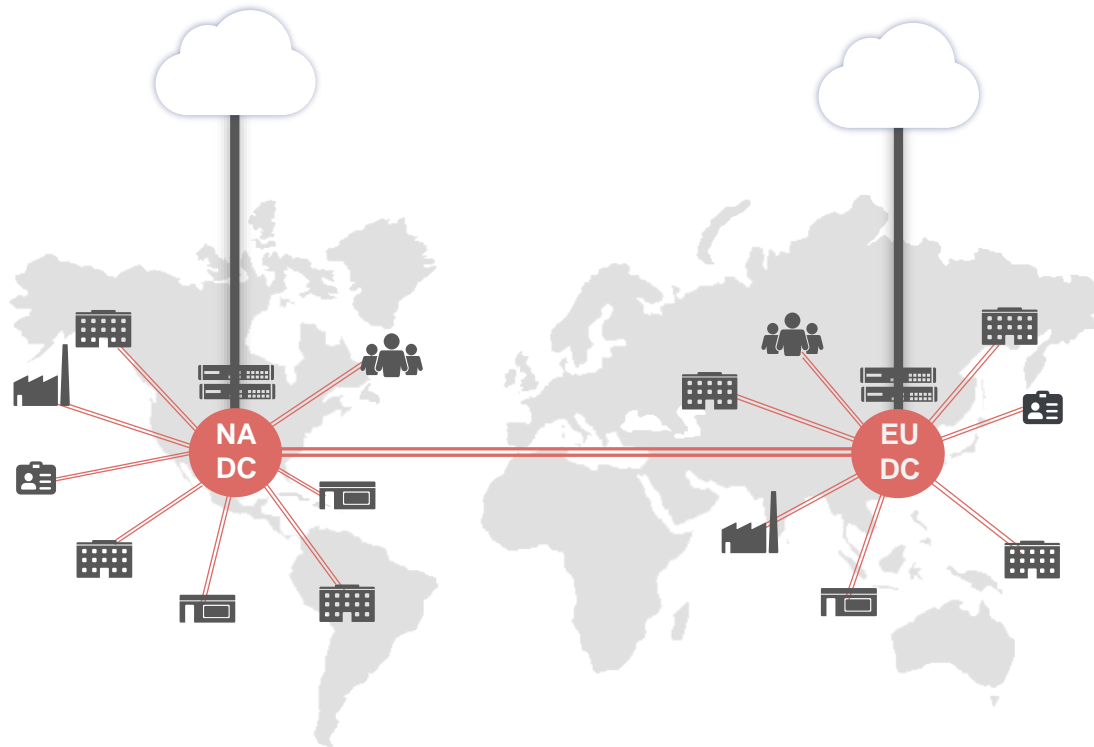
Zero Trust exchange Any-to-any connectivity



Traditional IT: Worked well when apps resided in the data center, and employees showed up to the office

Hub & spoke networks

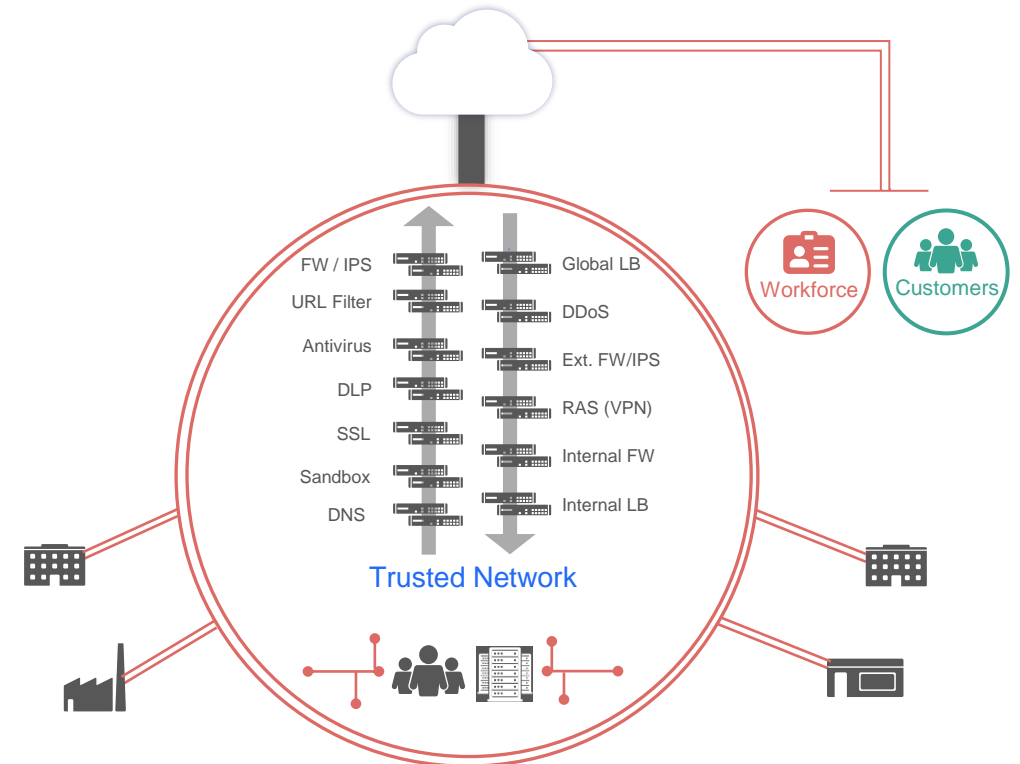
Optimized to connect users to apps in the data center



— Corporate network
— Public Internet

Castle & moat security

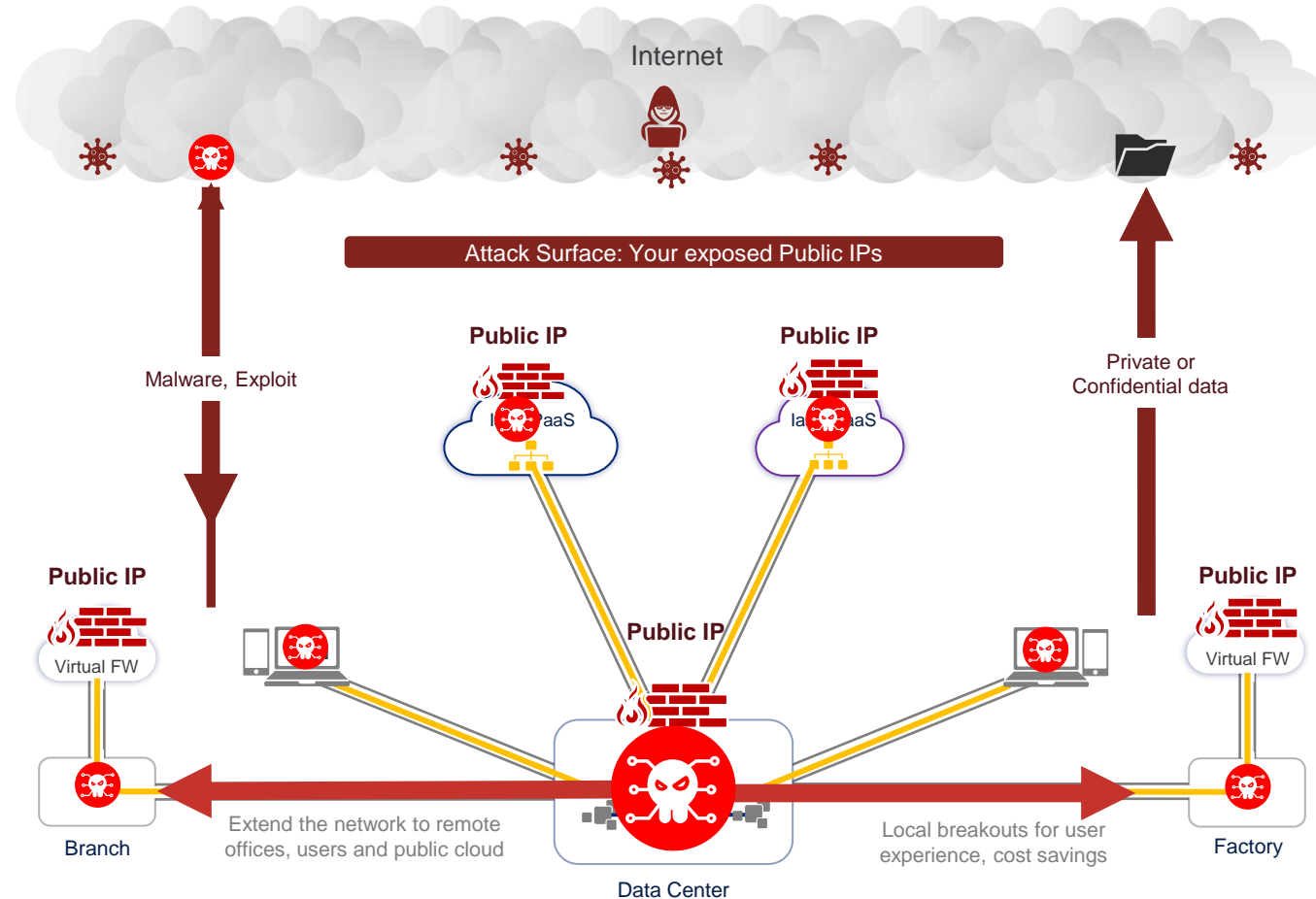
Perimeter security appliances to protect the network



Why hub-n-spoke network and castle-n-moat security create issues

1 **They find you** Everything exposed to the internet is your attack surface

[Attack Surface Example](#)



2 **They compromise you**

Infect users, devices, workloads

- Phishing, malicious content
- Misconfigurations, vulnerabilities
- Supply chain

[How secure are you?](#)

4 **They steal your data**

Avoid firewall detection

- Data is encrypted, compressed
- Sent to authorized SaaS, IaaS/PaaS
- Protocol tunneling

3 **They move laterally** Find high-value targets for ransomware or other attacks

Perimeter-based firewalls/VPN based security exploited by attackers and is not relevant for the cloud and mobile world

Zscaler is transforming security

Securely connects users, devices, and apps using business policies over any network

Zero Trust is needed to defend the cloud-first enterprise

Zero Trust exchange
Any-to-any connectivity

Eliminate the Attack Surface



Make apps invisible to the internet
(nothing to see)

Stop Lateral Movement

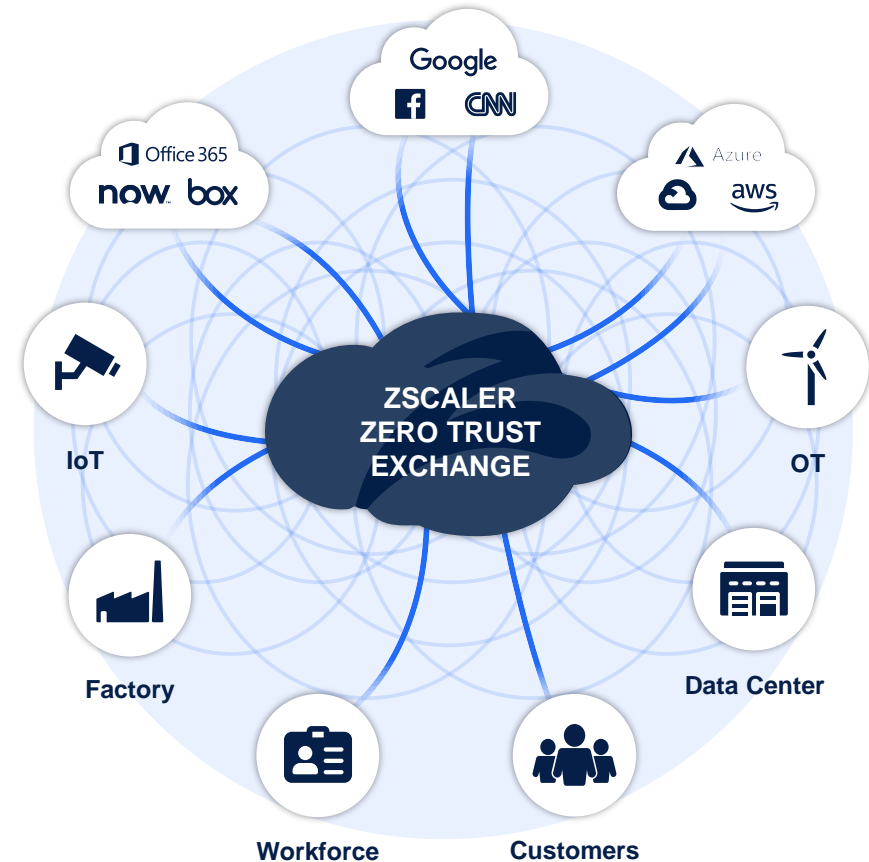


Connect users to apps, not the network — only one path created
(nowhere to go)

Prevent Compromise and Stop Data Loss

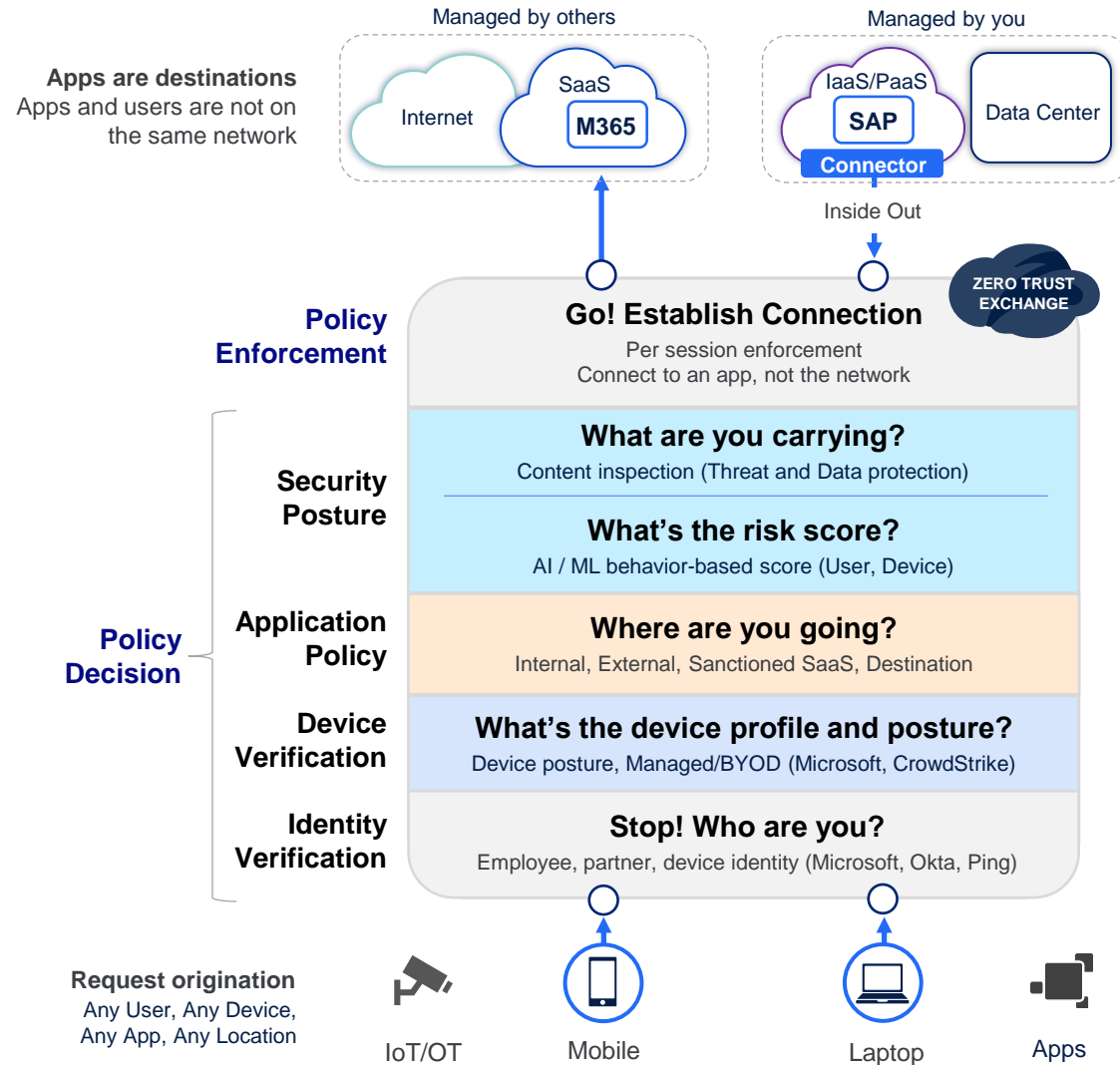


Trust No One: Always Verify and Inspect All Content
(nowhere to hide)



Zscaler Zero Trust exchange architecture

Per session policy decision and enforcement across 150 DCs worldwide



Comparing Zero Trust with a network firewall architecture

	Zero Trust	Firewalls/VPN
Eliminate Attack Surface	●	✗
<ul style="list-style-type: none"> No inbound connections Apps are invisible from the Internet 		
Prevent Lateral Movement	●	✗
<ul style="list-style-type: none"> User is not on the network; the network is simply transport 		
Prevent Compromise	●	○ Limited
<ul style="list-style-type: none"> Inspect content to block threats TLS at scale 		
Prevent Data Loss	●	○ Limited
<ul style="list-style-type: none"> Inline inspection to prevent data loss 		

You can't do Zero Trust Security with Firewalls/VPN

Zero Trust for users and workloads — hybrid and multi-cloud environments

Secure Access to Internet / SaaS (ZIA)

Cyber Threat Protection

Full inline content inspection (SSL at scale)
AI-driven threat protection

Data Protection

Inline DLP
Inline and Out-of-Band CASB (API)

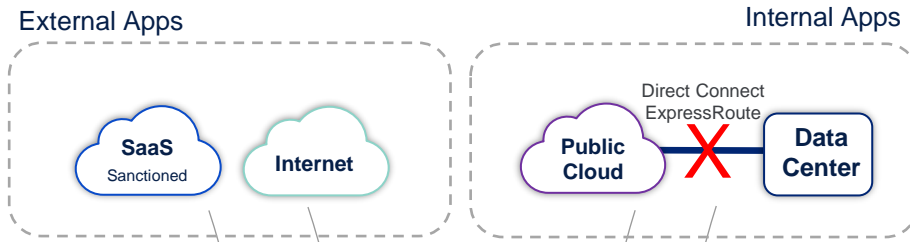
Local Internet Breakouts

Microsoft 365
SD-WAN

Eliminates SWG appliances and virtual firewalls



- Firewall / IPS
- URL filter
- Anti-virus
- Data loss prevention
- SSL inspection
- Sandbox



Block the bad, protect the good
Zscaler Internet Access (ZIA)

Connect to apps, not networks
Zscaler Private Access (ZPA)



Ensure a great user experience
Zscaler Digital Experience (ZDX)

Any User, Any Device, Any App, Any Location



Workforce, Contractors, Suppliers, B2B Customers, Workloads, IoT, OT

Secure Access to Private Apps (ZPA)

Remote App Access without VPN

Workforce and 3rd party contractors, suppliers
Secure Access to industrial Systems

Direct App Access

Hybrid and multi-cloud environments
No DC to cloud, cloud to cloud VPNs

Accelerate M&A IT integrations

Enable app access without merging networks

Eliminates VPN infrastructure and virtual firewalls



- Global load balancing
- DDOS protection
- External firewall / IPS
- Internal load balancer
- VPN concentrator
- Internal firewall

The Zscaler Zero Trust Exchange Platform

Zscaler for Users

Stop Cyberattacks

Prevent compromise with advanced threat protection.

Protect Data

Protect SaaS and cloud data and provide inline data loss prevention.

Zero Trust App Access

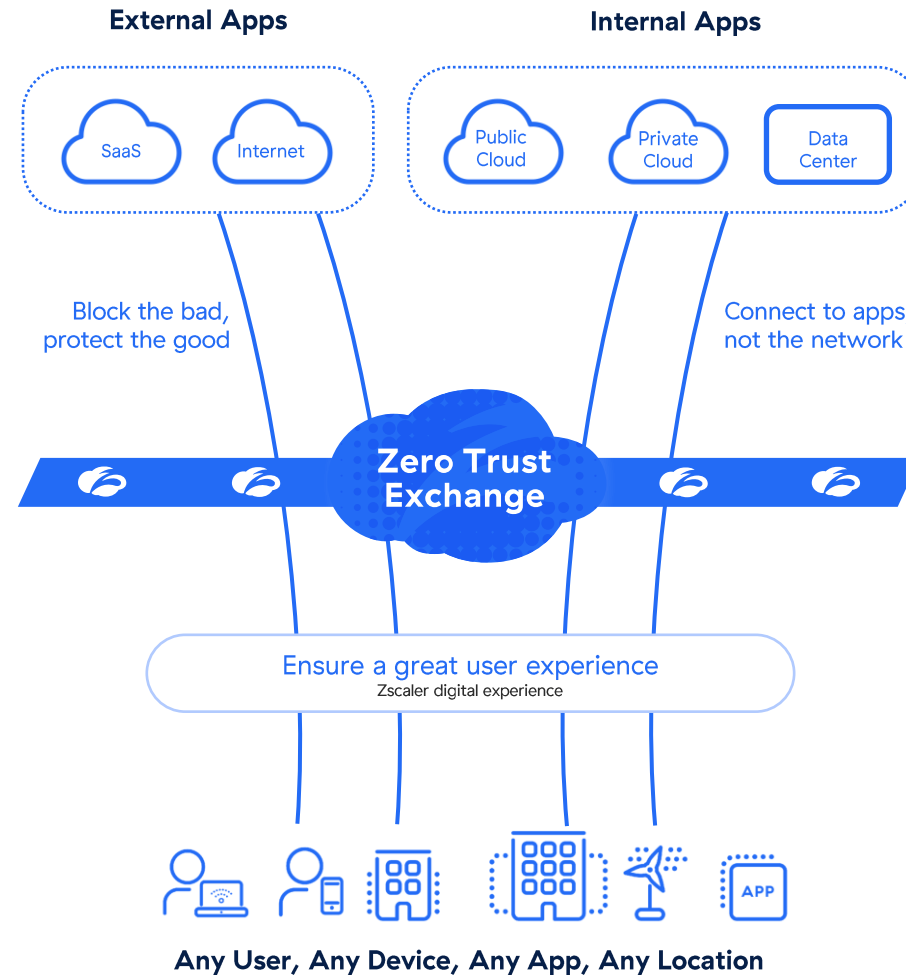
Connect employees and third parties, to apps across data center and cloud.

Optimize Digital Experiences

Monitor and troubleshoot end-to-end user experience for a hybrid workforce

Zero Trust SD-WAN

Enable simple “Starbucks-like” branch experience without compromising security.



Zscaler for Workloads

Build & run secure cloud apps

Configuration and exposure scanning

Zero trust multi-cloud connectivity

Zero trust internet access
Zero trust private app access

Zscaler for IoT and OT

Zero Trust IoT/OT connectivity

Secure internet, SaaS, and private app communications for IoT/OT devices

Privileged access to OT devices

User-to-device segmentation

Zscaler Zero Trust platform offerings

Comprehensive and integrated Zero Trust platform enables security and network transformation

Modern workplace enablement

Productive Collaboration Experience
Any User, Any Device, Any Location

Security transformation

Castle and Moat to Zero Trust
Cyber Threat and Data Protection

Infrastructure modernization

Hub-and-Spoke to Zero Trust Connectivity
for Branch, Factory and Cloud

API

Secure Data at Rest
(Scanning Mode)

Secure SaaS Data (CASB)

Posture, Visibility, Threat and Data Protection

Secure Public Cloud (CNAPP)

Attack Surface, Config/Entitlement, Runtime Protection

Inline

Securely connect
users, workloads
and devices
(Real-time Mode)

Zero Trust for users

Secure app and
internet access

Zero Trust for workloads

Secure workload to workload
and internet communications

Zero Trust for IoT/OT

Secure IoT/OT app and
internet access

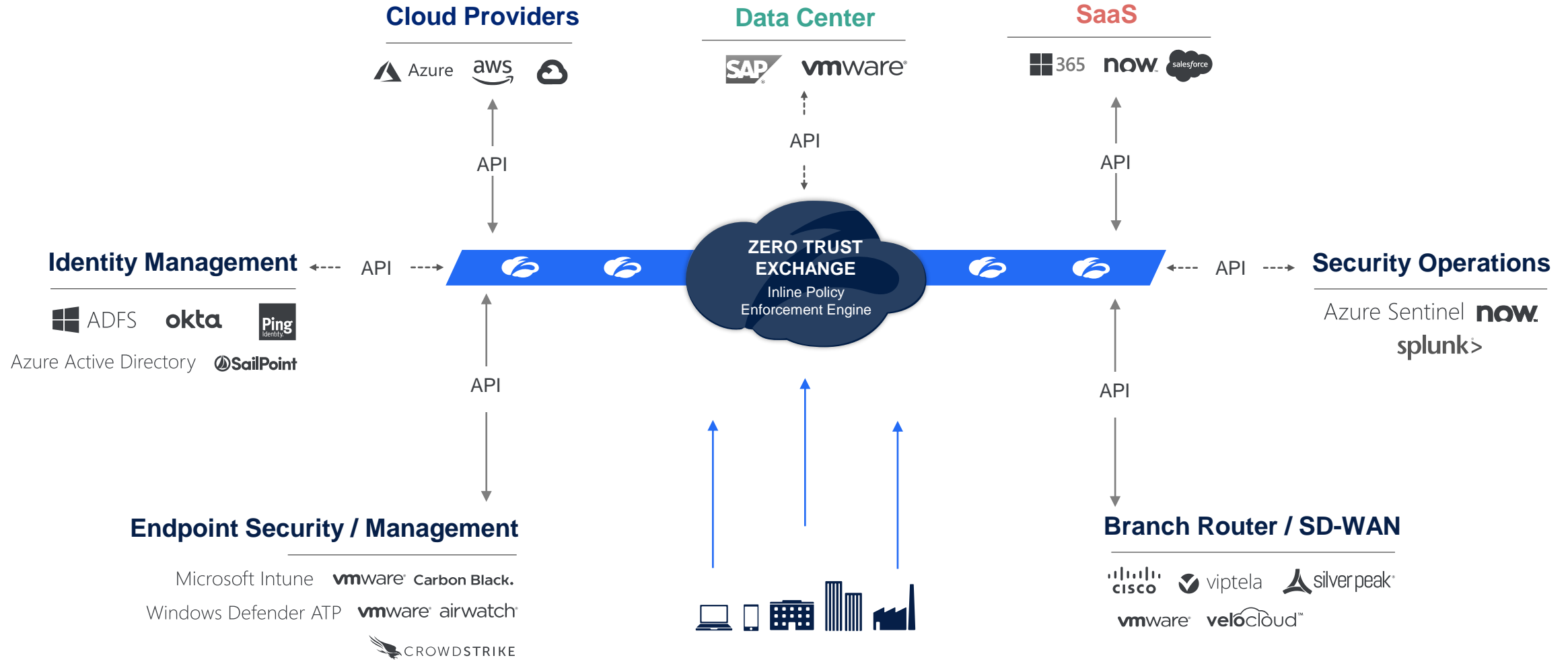
Powered by ZIA and ZPA

Zero Trust Exchange Platform

Cloud-Native, Multi-tenant, Global

Ecosystem of best-of-breed platforms

Platforms eliminate point solutions and allow for vendor consolidation



Zscaler reduces cost and operational complexity

Secular tailwinds powering adoption

Internet / SaaS
Office 365

Secure & fast access

Direct-to-Cloud
Network Transformation

Secures local breakouts that SD-WAN provides

Work from
Anywhere

Fast and secure access to applications

IaaS/ Public Cloud
(Azure / AWS)

Secure cloud workload, app-to-app communication

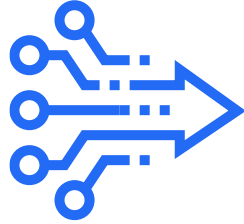
IoT/OT

Bring zero-trust to IoT/OT

5G

Enabling safe edge computing

Our competitive advantages



**Comprehensive
and Integrated
Platform at Scale**



**Focused Innovation &
Extensible Platform**



**Multi-Tenant
Security Cloud –
Growing Data,
Insights & AI/ML**



**Growing Tech
Partner Ecosystem**



**World Class
Go-to-Market &
Growing Channel**

Operational excellence

Global footprint delivers better security & user experience

150+

Data Centers

280B+

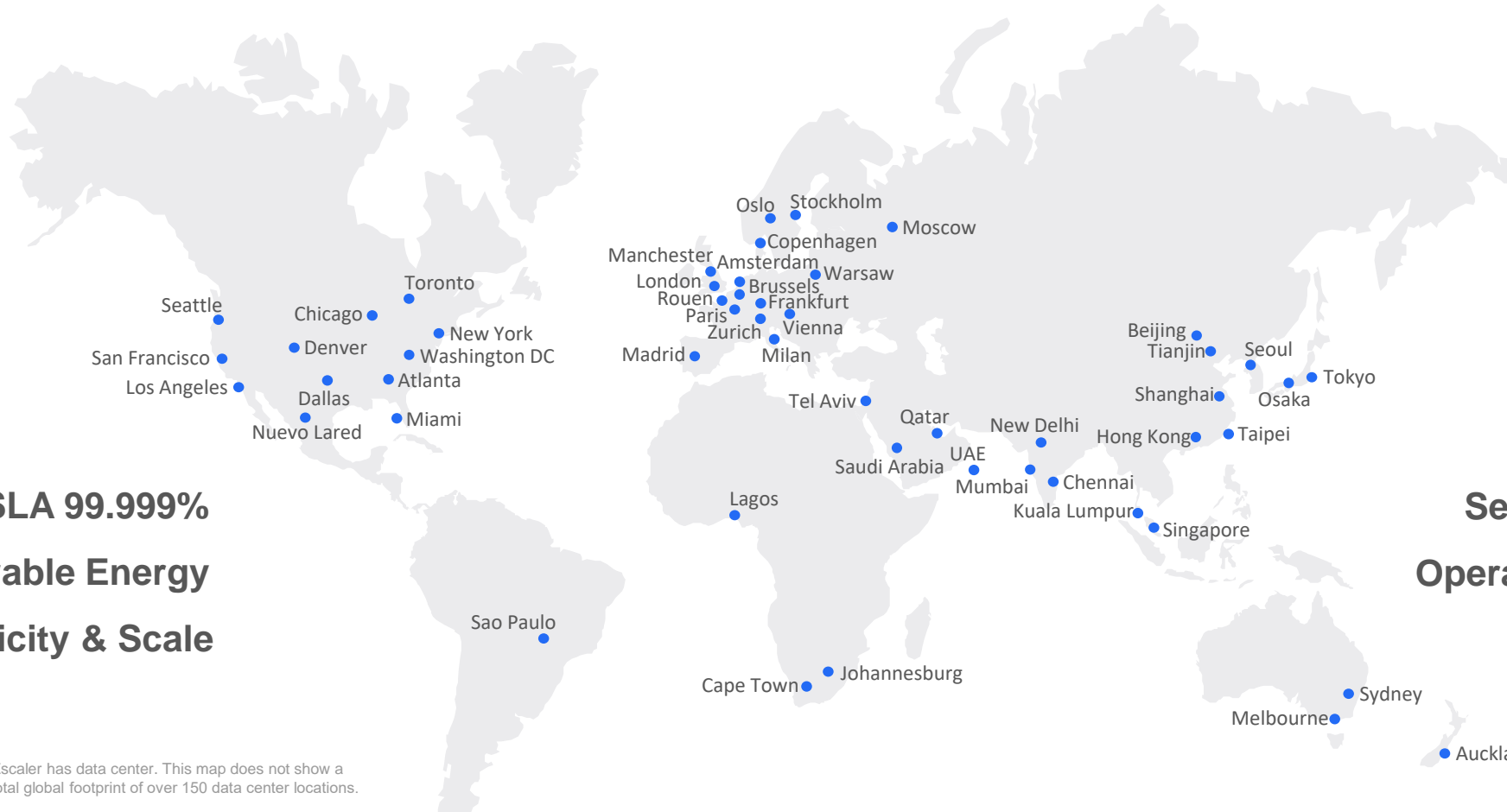
Transactions / Day

9B

Enforcements / Day

200K+

Security Updates / Day



Availability SLA 99.999%
100% Renewable Energy
Proven Elasticity & Scale



Security Hardened
Operational Compliance

*Map shows major cities where Zscaler has data center. This map does not show a comprehensive list of Zscaler's total global footprint of over 150 data center locations.

THE EXECUTION LEADER

2022 Gartner MQ for security service edge

- ▶ Highest ability to execute and 11 consecutive years of Gartner Leadership
- ▶ Largest and most proven Security Cloud for SWG, CASB and ZTNA
- ▶ Zscaler Zero Trust Exchange accelerates secure digital transformation

Figure 1: Magic Quadrant for Security Service Edge



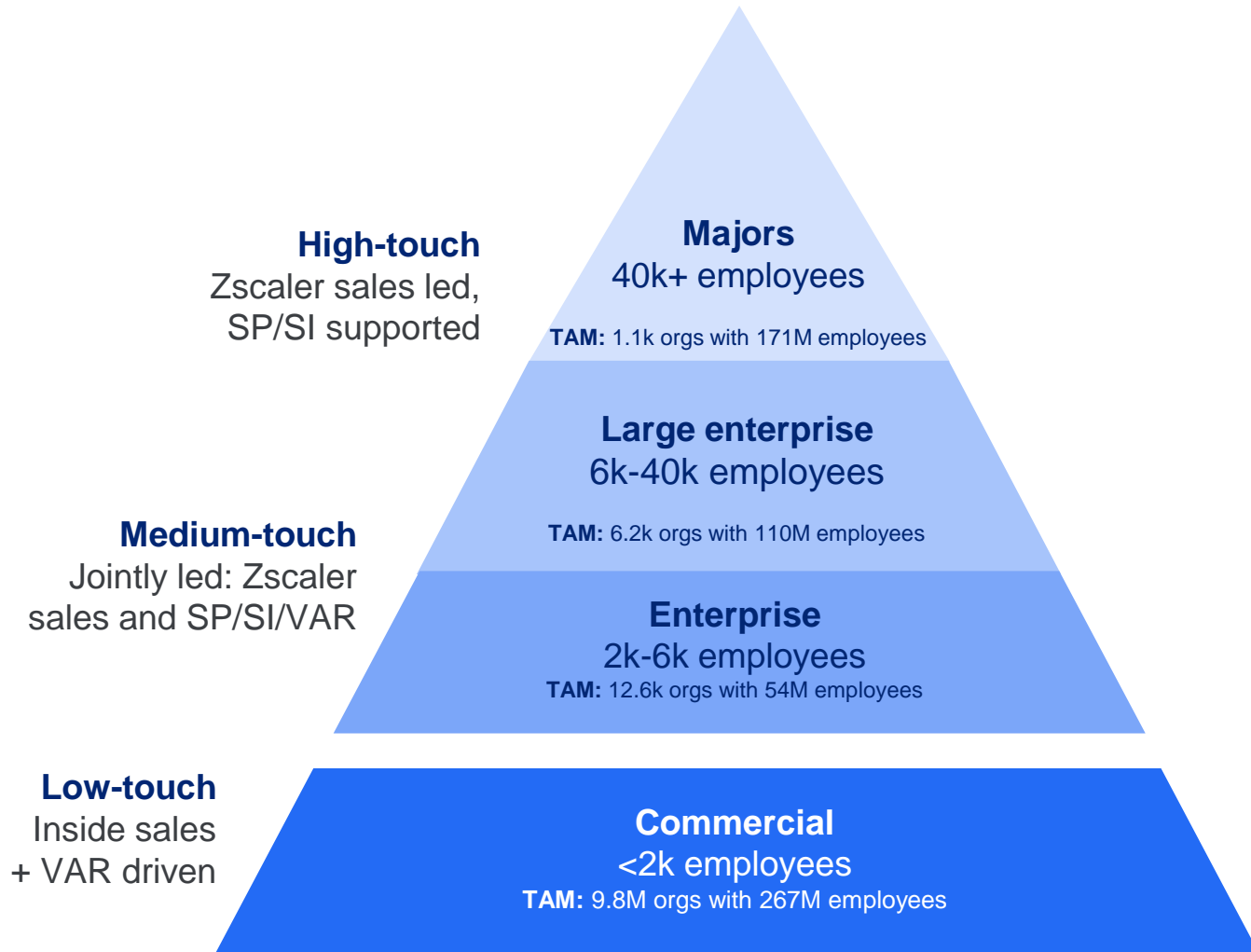
Source: Gartner (February 2022)

Enabling digital transformation requires a unique sales process



**Driving Value
Through Lifecycle
Engagement With
Customers**

Scaling with majors & large enterprises, while expanding to smaller enterprises



Targeted account-based sale with focus on enterprises

Winning with majors & large enterprises

Expanding to enterprise segment

New investment:

- Specific marketing program dollars towards <6k employee companies.
- Specific Strategy & Enablement programs/playbooks for this segment

Attractive market segment:

- Expands TAM significantly
- Shorter sales cycle
- Leverage: Channel plays a bigger role in the segment

Exploring opportunities in commercial:

via Distribution/MSP models, which are zero to low touch

- Partners asking for our help to service this market

Total Addressable Market (TAM) for Majors, Large enterprise, Enterprise and Commercial segments are based on data from ZoomInfo for total Global Parent Companies and their Total Employees, rounded to nearest digit, as of December 23, 2020.



Financial overview

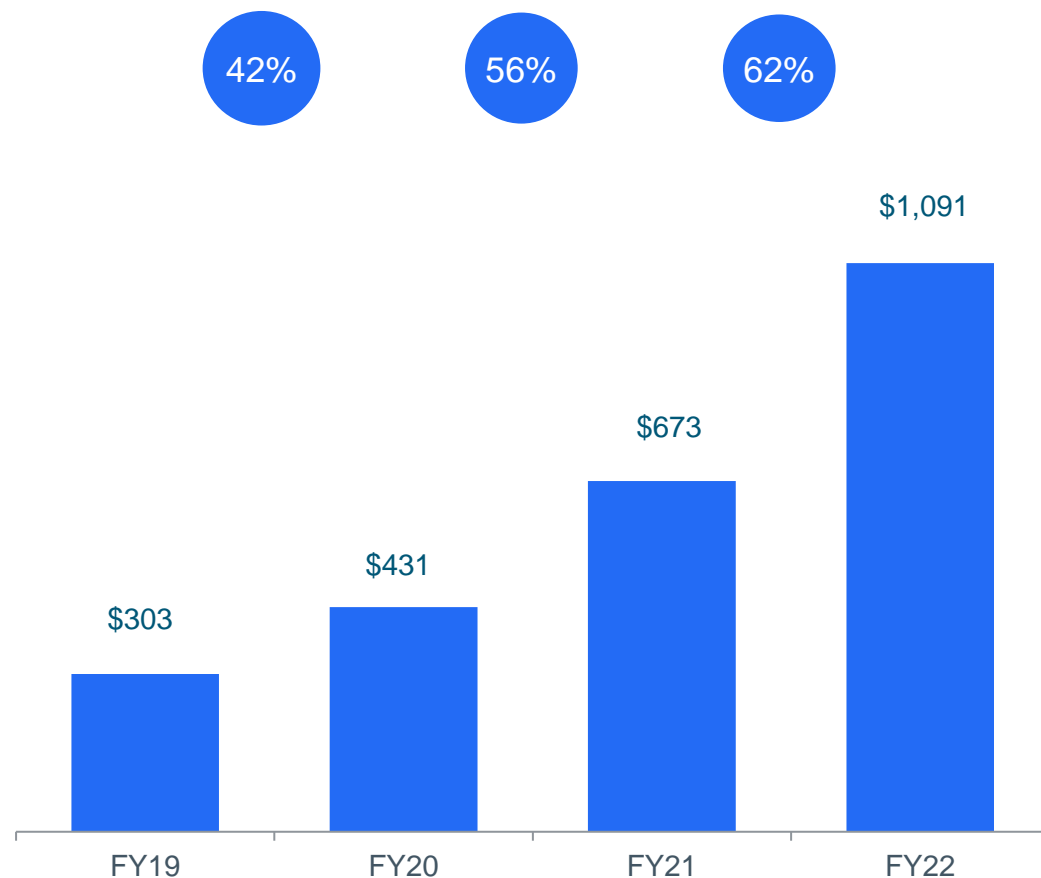
Remo Canessa — Chief Financial Officer



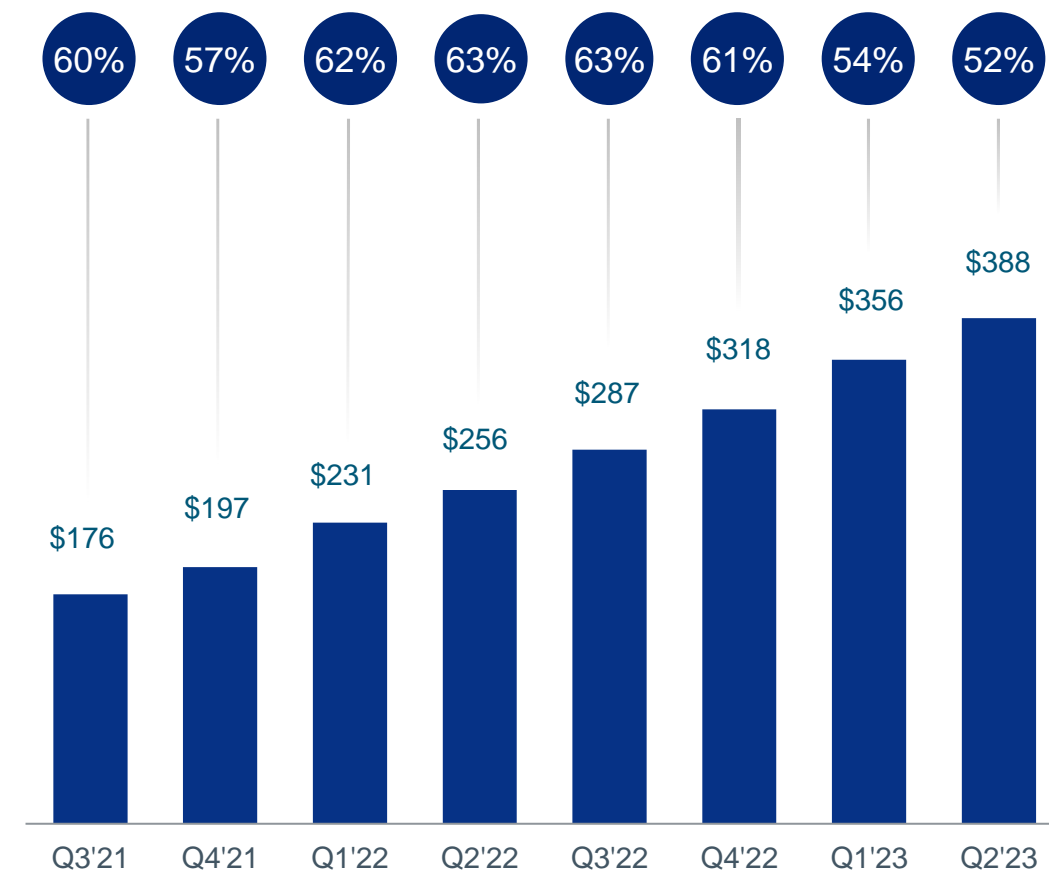
Consistent and strong revenue growth

(\$ in millions)

Annual revenue / YoY growth



Quarterly revenue / YoY growth

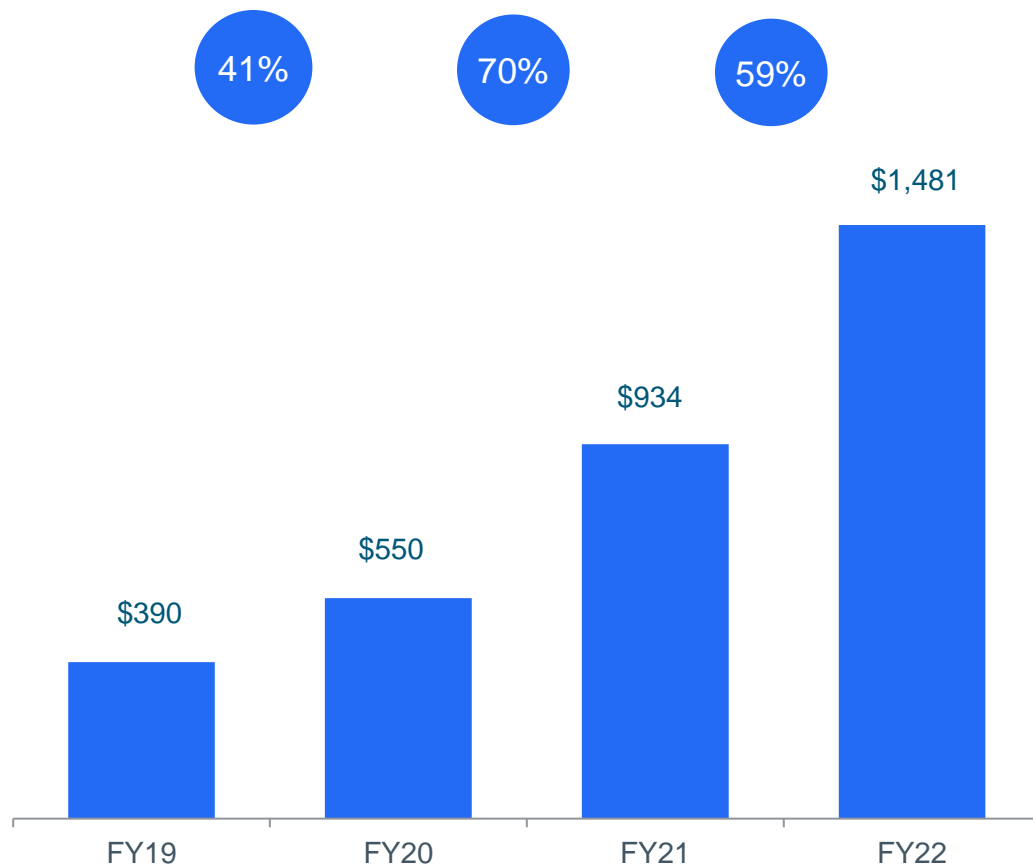


Note: Fiscal year ended July 31.

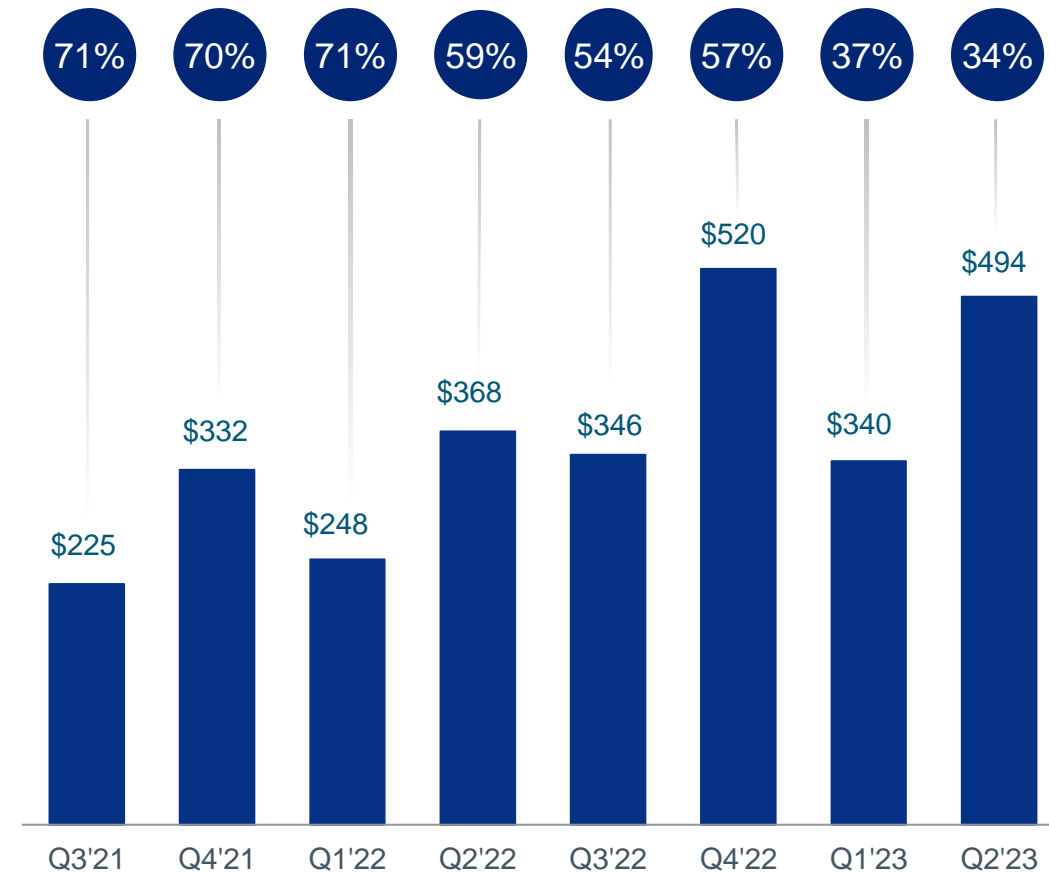
Strong YoY growth in calculated billings

(\$ in millions)

Annual billings / growth



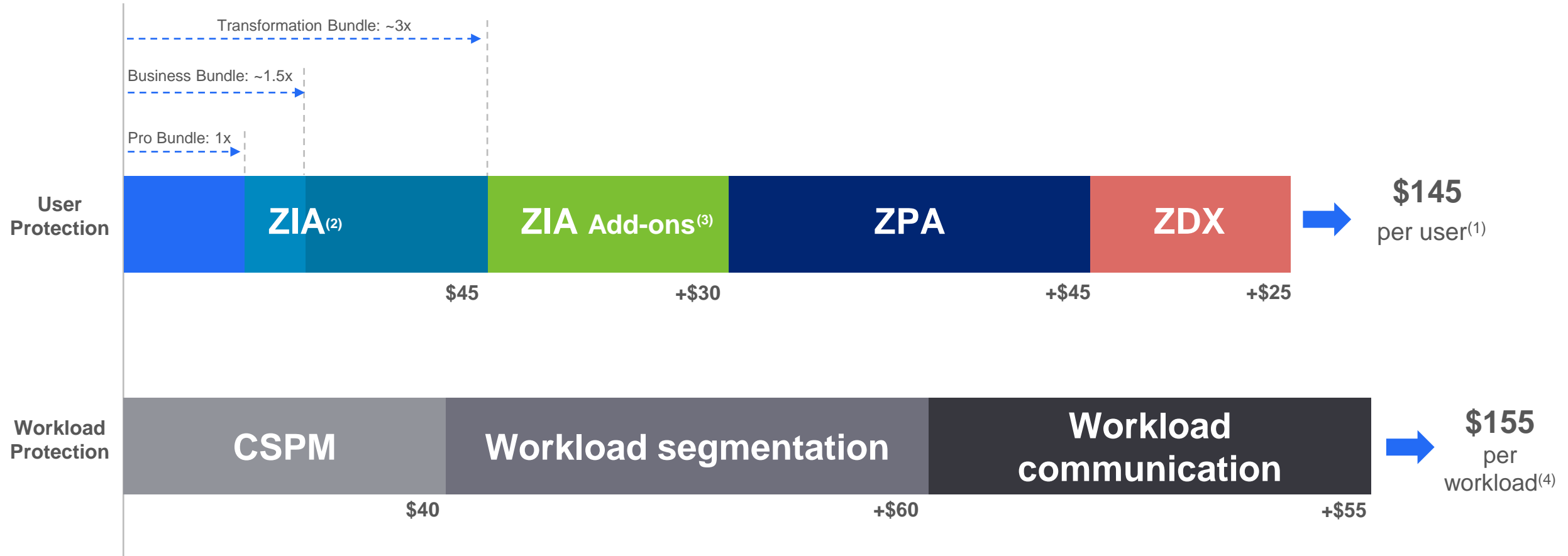
Quarterly billings / YoY growth



Note: Fiscal year ended July 31.

Annual pricing model provides significant expansion opportunities

Presented at Zscaler Analyst Day 2021 (January 11, 2021)



1) Per user pricing for individual products is effective annual prices to Zscaler for customers of 5,000 seats (also referred to as ARPU, or average revenue per user), except for new products including API CASB, Browser Isolation and ZDX, where we calculate ARPU based on closed deals with high volume purchases.

2) ZIA Professional Bundle includes Secure Web Gateway. Business Bundle includes all Professional Bundle functionality, plus SSL inspection, Advanced Threat Protection, inline Cloud Application Control, Bandwidth Control, and more. Transformation Bundle includes all Business Bundle functionality, plus Cloud Sandbox and Cloud Firewall.

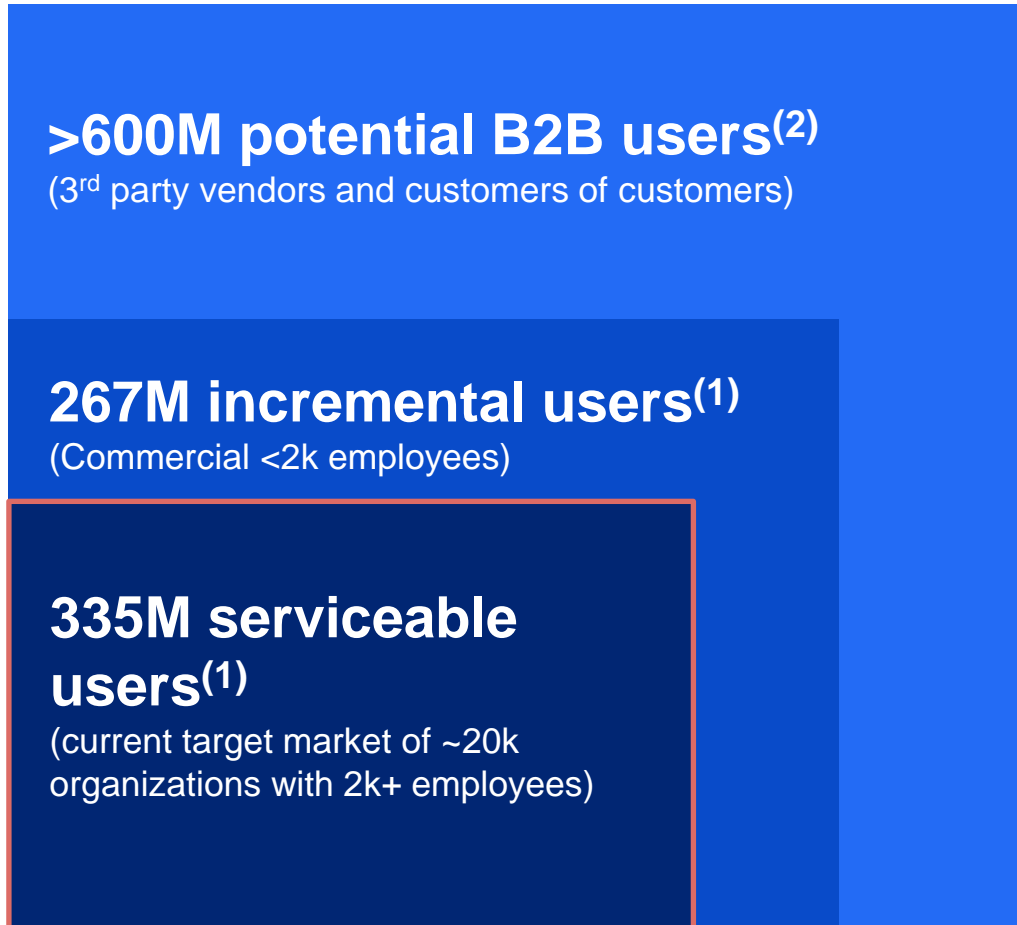
3) ZIA Add-ons include Data Loss Prevention, Exact Data Match, API CASB and Browser Isolation.

4) Per workload pricing applies to Zscaler Cloud Protection (ZCP) products, including CSPM, Workload Segmentation and Workload Communication.

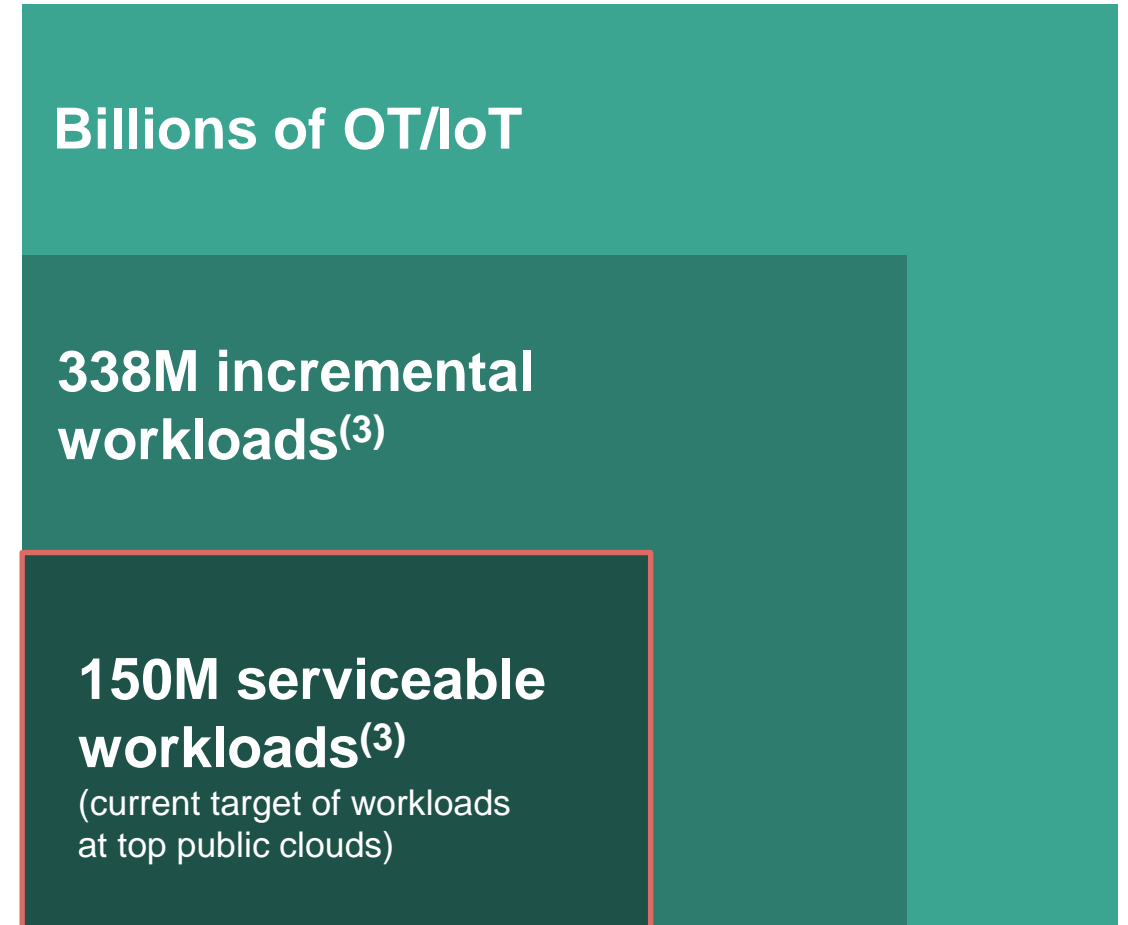
As ZCP products have been available for a short period of time, pricing per workload is effective annual prices to Zscaler in closed deals with high volume purchases, as well as Zscaler's estimate for current deals in progress.

Serviceable users of 335M and serviceable workloads of 150M

Users



Workloads & OT/IOT devices

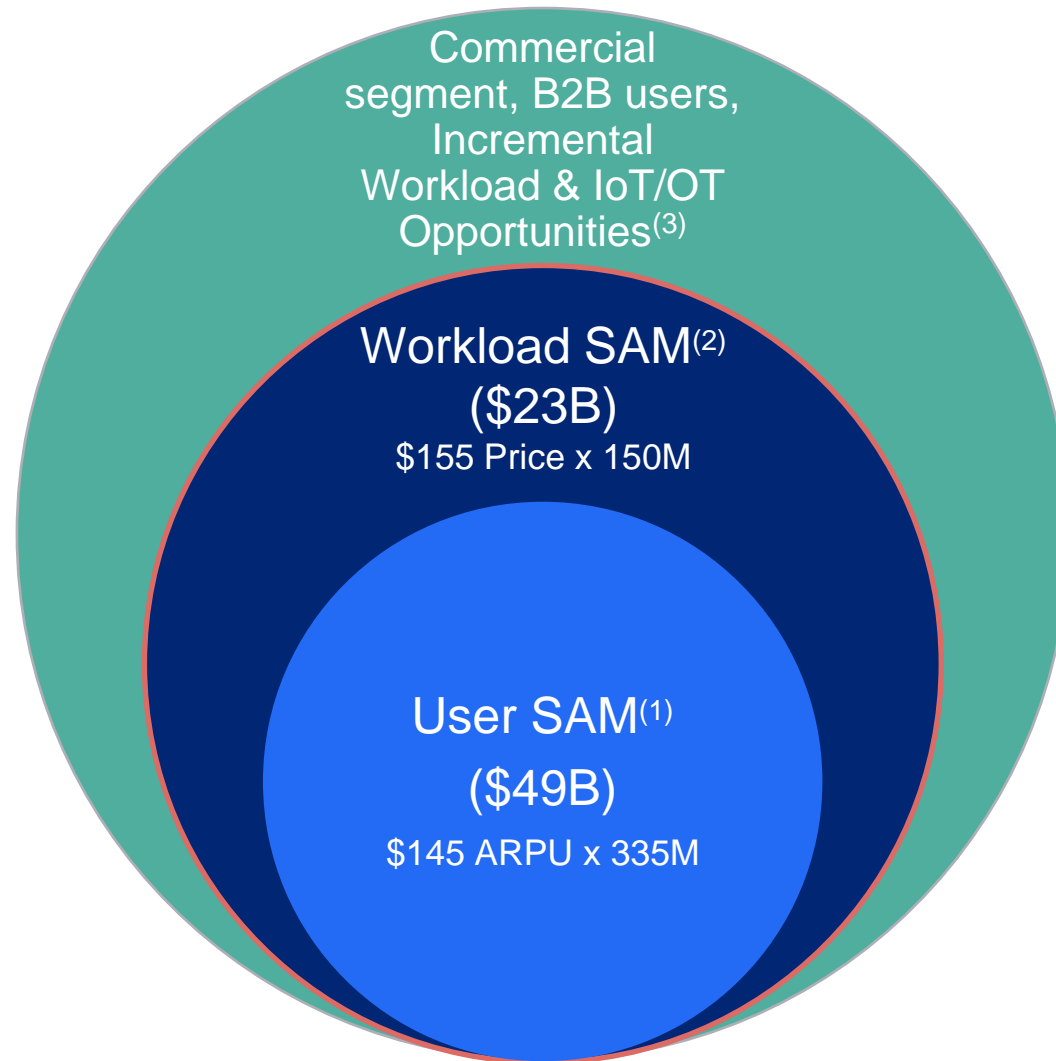


1) Based on Zscaler's analysis of worldwide organization and employee data from ZoomInfo.

2) Zscaler's estimate of potential B2B Users is based on assuming a similar number of users as total worldwide workforce. We consider B2B users to include third-party vendors and customers of our customer.

3) Based on Zscaler's analysis of workload market forecast for 2020 from 650 Research.

Serviceable market of \$72 billion, plus bigger long-term opportunity



Our \$72 billion core serviceable opportunity, comprised of:

- \$49 billion user SAM focused on enterprises with 2k+ employees
- \$23 billion workload SAM for workloads in top public clouds

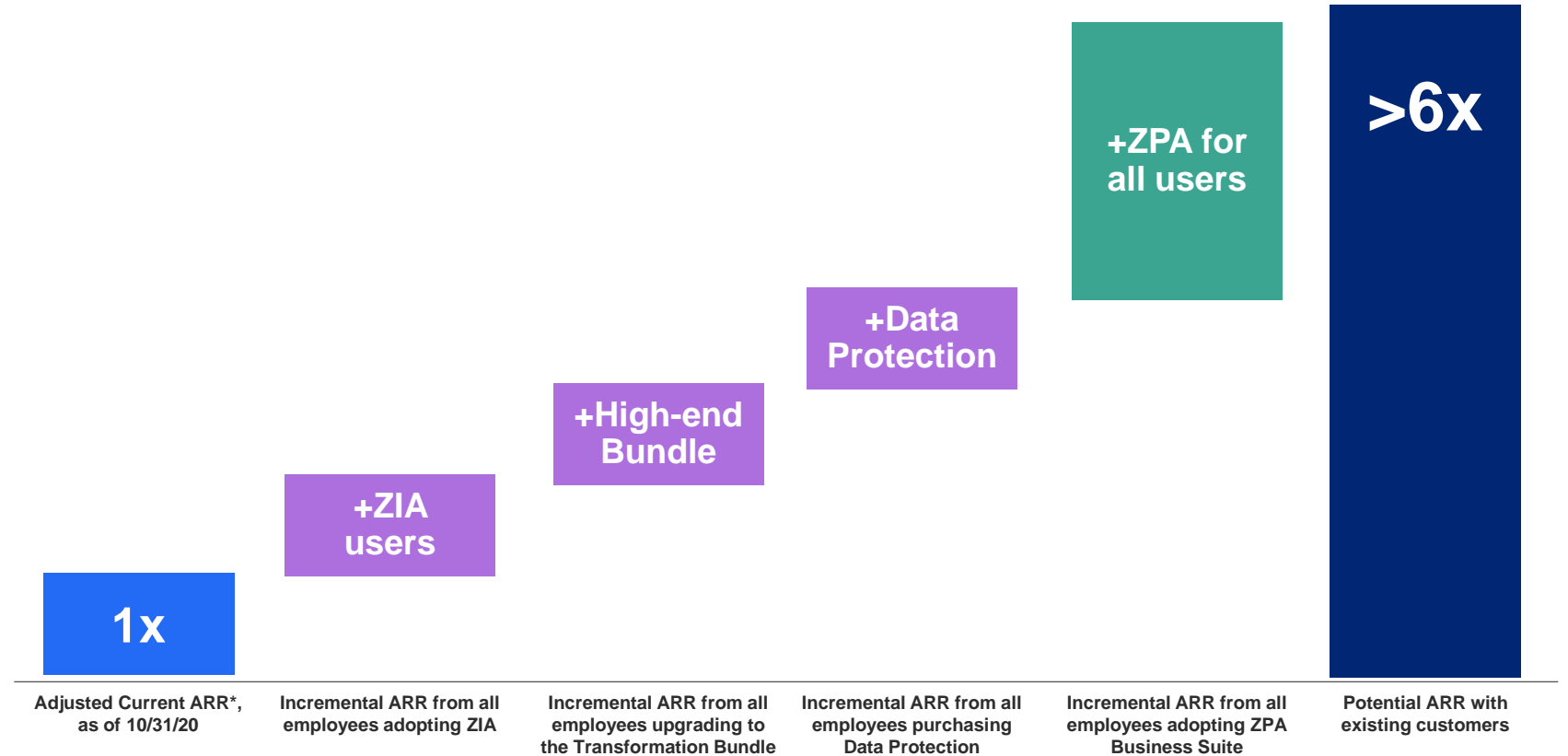
1) User SAM is based on Zscaler's analysis of ZoomInfo worldwide workforce data for organizations with 2k+ employees, multiplied by Zscaler's aggregate average revenue per user (ARPU) of approximately \$45 for ZIA Transformation bundle, \$30 for ZIA add-ons, \$45 for ZPA and \$25 for ZDX from customers purchasing 5,000 seats.

2) Workload SAM is based on Zscaler's analysis of 650 Research's workload market forecast for 2020, multiplied by Zscaler's aggregate average revenue per workload of approximately \$40 for CSPM, \$60 for Workload segmentation and \$55 for Workload Communication solutions in the ZCP family.

3) Additional future opportunity available in securing the worldwide workforce of commercial businesses with <2k employees, users of B2B third-parties and customers of customers, Incremental workloads in hybrid/private cloud and other environments, and number of connected OT/IOT devices.

>6x

Upsell opportunity
on ZIA and ZPA alone
with existing customers*



*Upsell opportunity analysis based on Annual Recurring Revenue (ARR) of customers with 100 ZIA seats or more, as of Q1'21 ending October 31, 2020; this process eliminates paid trials and other smaller deployments, which if included would increase upsell potential further. Our analysis also excludes OEM agreements and end customers with deals primarily based on traffic/usage. Including all adjustments as noted, Adjusted ARR represents over 95% of Total ARR.

We calculate total Upsell Opportunity as total incremental ARR from selling additional seats to cover total employees and additional ZIA and ZPA product functionality at their existing subscription prices, and then applying an incremental discount of 35% on the upsell. Our analysis excludes newly introduced products, including ZB2B, API CASB, Browser Isolation, ZDX and ZCP.

We determine *Incremental ARR* by calculating the potential value of: 1) additional ZIA seat subscriptions for customers that have purchased ZIA for none or for a subset of total employees, assuming purchase of equivalent product functionality/bundles as existing ZIA subscription, or ZIA Transformation Bundle where no prior ZIA subscription was purchased, for remaining employees, 2) additional product functionality in high-end Transformation Bundle, where customers purchased Professional or Business Bundles, 3) add-on subscriptions for Data Protection products, including DLP and Exact Data Match, and 4) additional ZPA seat subscription for customers that have purchased ZPA for none or for a subset of total employees, assuming purchase of equivalent product functionality/bundles as existing ZPA subscription, or ZPA Business Suite where no prior ZPA subscription was purchased, for remaining employees.

Total employee count for existing customers is Zscaler internal data based on various sources including customer-supplied information, public filings with SEC, Hoover's, Dun & Bradstreet, Discover.org and ZoomInfo.

Significant international revenue

Historically, approximately 50% of our revenue has come from outside Americas

Early big wins in Europe

Continued investment after early success with G2000 customers including Siemens and Schneider Electric

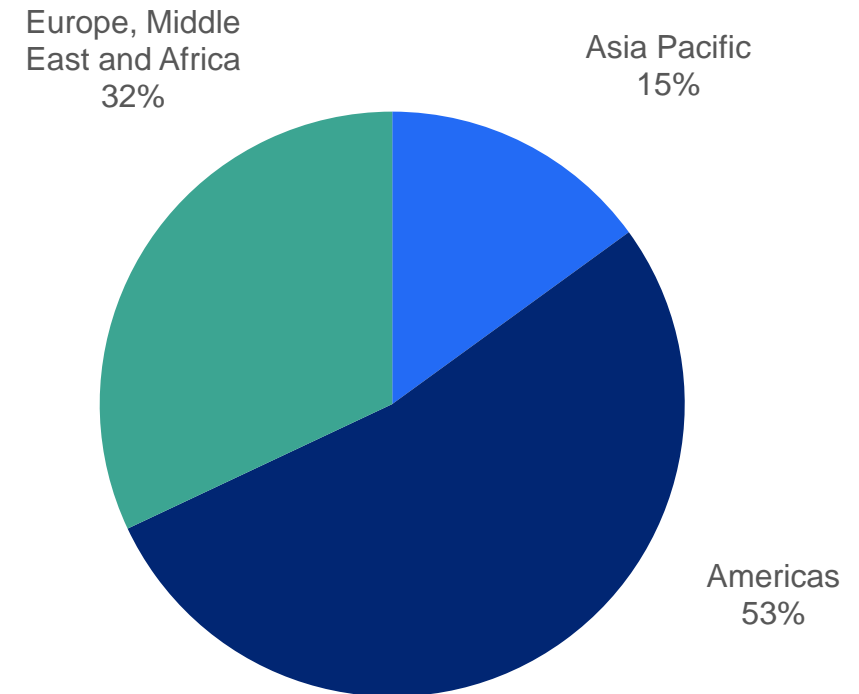
Early investment in international sales

Replicated size of U.S. sales team internationally

Global SP partners

Focused on partnering with global service providers including BT, OBS, others to efficiently expand our reach

Revenue by geography



Based on Q2'23 revenue

Attractive cloud gross margins

Purpose-built, multi-tenant architecture

Each subsystem optimized for high throughput, reducing the number of servers needed

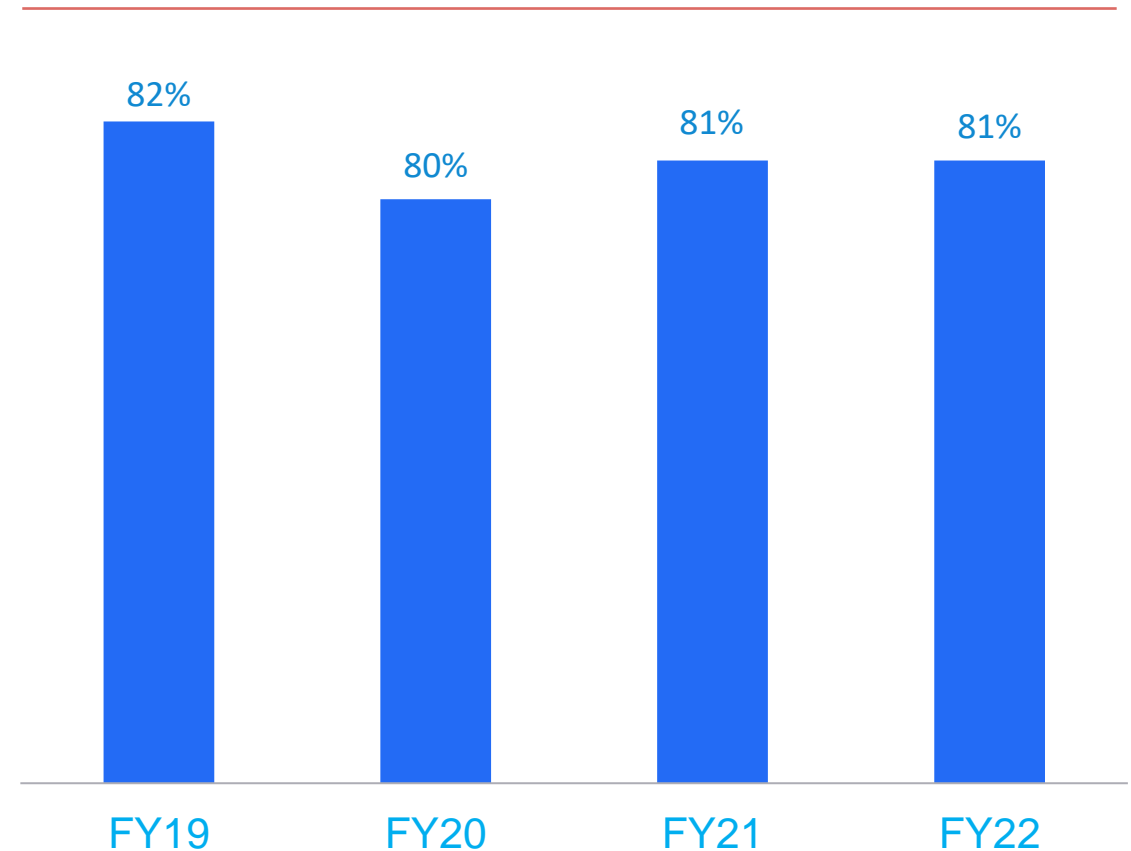
Cloud operations

Highly automated, which requires lower head count to operate the cloud

Peering with content and service providers at internet exchanges

Reduces bandwidth cost

Non-GAAP gross margin⁽¹⁾

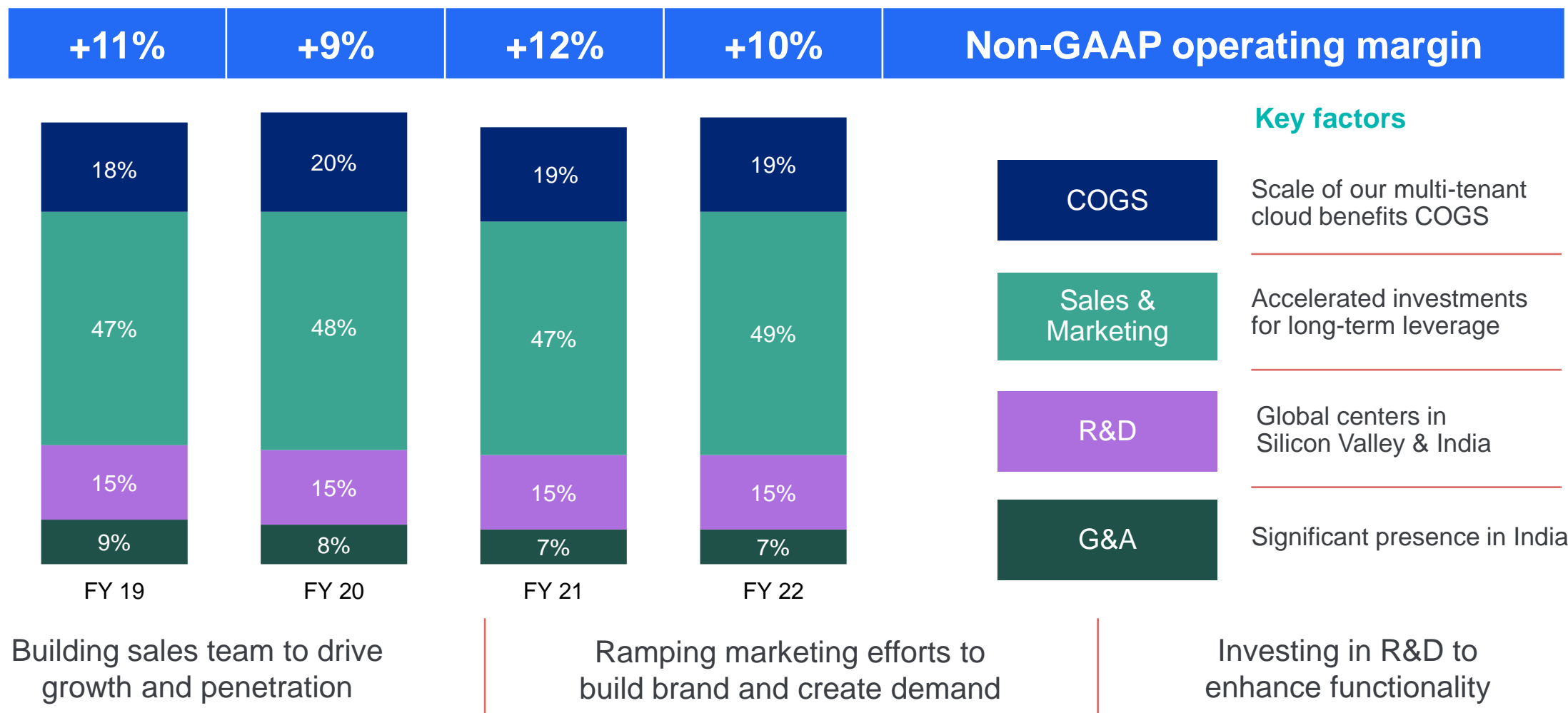


Note: Financials presented are non-GAAP; refer to the non-GAAP to GAAP reconciliation in Appendix.

1) Non-GAAP gross margin is defined as GAAP gross margin, excluding stock-based compensation expense and related payroll taxes and amortization expense of acquired intangible assets.

Investing for growth to capture large opportunity

Non-GAAP expenses ⁽¹⁾ and non-GAAP operating margin ⁽¹⁾ as % of revenue

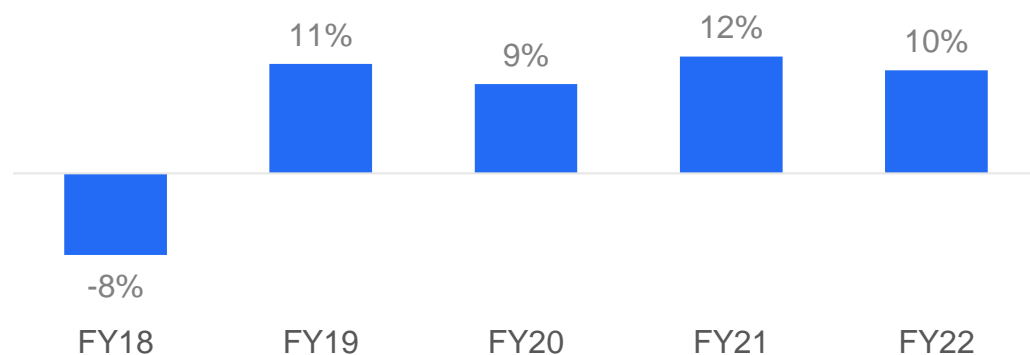


1) Non-GAAP expenses exclude stock-based compensation expenses and related payroll taxes, amortization expense of acquired intangible assets, asset impairment related to facility exits, amortization of debt discount and issuance costs and certain litigation-related expenses. Refer to the GAAP to non-GAAP reconciliation in Appendix A.

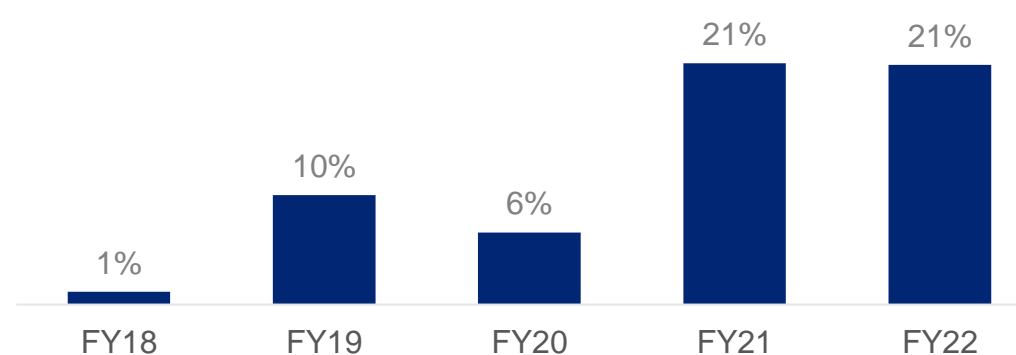
Long-term model (Non-GAAP)

	FY18	FY19	FY20	FY21	FY22	FY23 Guidance	Long-Term Targets
Non-GAAP gross margin ⁽¹⁾	80%	82%	80%	81%	81%		78% – 82%
Non-GAAP operating margin	(8%)	11%	9%	12%	10%	13.7%	20% – 22%
Non-GAAP free cash flow margin	1%	10%	6%	21%	21%		22% - 25%

Non-GAAP operating margin



Non-GAAP free cash flow margin



1) Non-GAAP gross margin is defined as GAAP gross margin, excluding stock-based compensation expense and amortization of acquired intangible assets. Starting in FY21, payroll taxes related to stock-based compensation are excluded from non-GAAP. Refer to the GAAP to non-GAAP reconciliation in Appendix A. Prior periods amounts have been recasted to conform to this presentation.

Financial Appendix

Explanation of Non-GAAP Financial Measures

In addition to our results determined in accordance with generally accepted accounting principles in the United States of America (“GAAP”), we believe that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. However, non-GAAP financial information is presented for supplemental informational purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Investors are cautioned that there are a number of limitations associated with the use of non-GAAP financial measures and key metrics as analytical tools. Investors are encouraged to review these reconciliations, and not to rely on any single financial measure to evaluate our business.

Expenses Excluded from Non-GAAP Measures

Stock-based compensation expense is excluded primarily because 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. Asset impairments related to facility exit costs are excluded because such charges are not reflective of our ongoing operational performance. Amortization of debt discount and issuance costs from our convertible senior notes are excluded because these are non-cash expenses and are not reflective of our ongoing operational performance. We also exclude certain litigation-related expenses consisting of professional fees and related costs incurred by us in defending against significant claims that we deem not to be in the ordinary course of our business and, if applicable, actual losses and accruals related to estimated losses in connection with these claims. There are many uncertainties and potential outcomes associated with any litigation, including the expense of litigation, timing of such expenses, court rulings, unforeseen developments, complications and delays, each of which may affect our results of operations from period to period, as well as the unknown magnitude of the potential loss relating to any lawsuit, all of which are inherently subject to change, difficult to predict and could adversely affect our results of operations. We estimate the tax effect of these items on our non-GAAP results and may adjust our GAAP provision for income taxes, if such effects have a material impact to our non-GAAP results

Key Non-GAAP Financial Measures Included within this Presentation:

- Non-GAAP Gross Profit and Non-GAAP Gross Margin (*)
- Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin (*)
- Non-GAAP Net Income (Loss) and Non-GAAP Net Income (Loss) per Share Attributable to Common Stockholders
- Free Cash Flow and Free Cash Flow Margin (*)

(*) Non-GAAP to GAAP reconciliations shown on the following slides.

Appendix A: Non-GAAP to GAAP Reconciliation

(\$ in thousands)

	FY 18	FY 19	FY 20	FY 21	FY 22
Revenue	\$ 190,174	\$ 302,836	\$ 431,269	\$ 673,100	\$ 1,090,946
GAAP Gross Profit	\$ 152,299	\$ 243,167	\$ 335,536	\$ 522,783	\$ 848,664
Stock-based compensation expense and related payroll taxes	757	3,453	7,851	15,272	25,292
Amortization expense of acquired intangible assets	—	512	2,030	6,468	7,975
Non-GAAP Gross profit	\$ 153,056	\$ 247,132	\$ 345,417	\$ 544,523	\$ 881,931
GAAP Gross Margin	80 %	80 %	78 %	78 %	78 %
Non-GAAP gross margin	80 %	82 %	80 %	81 %	81 %
GAAP Sales and marketing expense	\$ 116,409	\$ 169,913	\$ 277,981	\$ 459,407	\$ 735,219
Stock-based compensation expense and related payroll taxes	5,044	29,211	71,468	144,273	202,211
Amortization expense of acquired intangible assets	—	10	74	327	704
Non-GAAP sales and marketing expense	\$ 111,365	\$ 140,692	\$ 206,439	\$ 314,807	\$ 532,304
GAAP sales and marketing expense as a percentage of revenue	61 %	56 %	64 %	68 %	67 %
Non-GAAP sales and marketing expense as a percentage of revenue	59 %	47 %	48 %	47 %	49 %
GAAP research and development expense	\$ 39,379	\$ 61,969	\$ 97,879	\$ 174,653	\$ 289,139
Stock-based compensation expense and related payroll taxes	3,045	15,565	31,937	73,238	123,422
Amortization expense of acquired intangible assets	—	386	1,280	—	331
Non-GAAP research and development expense	\$ 36,334	\$ 46,018	\$ 64,662	\$ 101,415	\$ 165,386
GAAP research and development expense as a percentage of revenue	21 %	20 %	23 %	26 %	27 %
Non-GAAP research and development expense as a percentage of revenue	19 %	15 %	15 %	15 %	15 %
GAAP general and administrative expense	\$ 31,135	\$ 46,598	\$ 73,632	\$ 96,535	\$ 151,735
Stock-based compensation expense and related payroll taxes	2,378	5,928	18,380	45,779	79,095
Litigation related expenses	8,039	13,079	18,356	—	—
Asset impairment related to facility exit	—	—	746	416	—
Non-GAAP general and administrative expense	\$ 20,718	\$ 27,591	\$ 36,150	\$ 50,340	\$ 72,640
GAAP general and administrative expense as a percentage of revenue	16 %	15 %	17 %	14 %	14 %
Non-GAAP general and administrative expense as a percentage of revenue	11 %	9 %	8 %	7 %	7 %

Appendix A: Non-GAAP to GAAP Reconciliation (cont.)

(\$ in thousands)

	FY 18	FY 19	FY 20	FY 21	FY 22
GAAP total operating expenses	\$ 186,923	\$ 278,480	\$ 449,492	\$ 730,595	\$ 1,176,093
Stock-based compensation expense and related payroll taxes	10,467	50,704	121,785	263,290	404,728
Litigation related expenses	8,039	13,079	18,356	—	—
Amortization expense of acquired intangible assets	—	396	1,354	327	1,035
Asset impairment related to facility exit	—	—	746	416	—
Non-GAAP total operating expenses	\$ 168,417	\$ 214,301	\$ 307,251	\$ 466,562	\$ 770,330
GAAP total operating expenses as a percentage of revenue	98 %	92 %	104 %	109 %	108 %
Non-GAAP total operating expenses as a percentage of revenue	89 %	71 %	71 %	69 %	71 %
GAAP loss from operations	\$ (34,624)	\$ (35,313)	\$ (113,956)	\$ (207,812)	\$ (327,429)
Stock-based compensation expense and related payroll taxes	11,224	54,157	129,636	278,562	430,020
Litigation related expenses	8,039	13,079	18,356	—	—
Amortization expense of acquired intangible assets	—	908	3,384	6,795	9,010
Asset impairment related to facility exit	—	—	746	416	—
Non-GAAP income (loss) from operations	\$ (15,361)	\$ 32,831	\$ 38,166	\$ 77,961	\$ 111,601
GAAP operating margin	(18)%	(12)%	(26)%	(31)%	(30)%
Non-GAAP operating margin	(8)%	11 %	9 %	12 %	10 %
GAAP interest expense	\$ —	\$ —	\$ (5,025)	\$ (53,364)	\$ (56,579)
Amortization of debt discount and issuance costs	—	—	4,885	51,923	55,141
Non-GAAP interest expense	\$ —	\$ —	\$ (140)	\$ (1,441)	\$ (1,438)
GAAP net loss	\$ (33,646)	\$ (28,655)	\$ (115,116)	\$ (262,029)	\$ (390,278)
Stock-based compensation expense and related payroll taxes	11,224	54,157	129,636	278,562	\$ 430,020
Litigation related expenses	8,039	13,079	18,356	—	—
Amortization expense of acquired intangible assets	—	908	3,384	6,795	9,010
Asset impairment related to facility exit	—	—	746	416	—
Amortization of debt discount and issuance costs	—	—	4,885	51,923	55,141
Provision (benefit) for income taxes	—	(1,422)	(1,110)	—	(2,597)
Non-GAAP net income (loss)	\$ (14,383)	\$ 38,067	\$ 40,781	\$ 75,667	\$ 101,296
GAAP net loss attributable to common stockholders	\$ (39,978)	\$ (28,655)	\$ (115,116)	\$ (262,029)	\$ (390,278)
Stock-based compensation expense	11,224	54,157	129,636	278,562	430,020
Litigation-related expenses	8,039	13,079	18,356	—	—
Amortization expense of acquired intangible assets	—	908	3,384	6,795	9,010
Asset impairment related to facility exit	—	—	746	416	—
Amortization of debt discount and issuance costs	—	—	4,885	51,923	55,141
Accretion of Series C and D redeemable convertible preferred stock	6,332	—	—	—	—
Income tax expense effects	—	(1,422)	(1,110)	—	(2,597)
Non-GAAP net income (loss) attributable to common stockholders	\$ (14,383)	\$ 38,067	\$ 40,781	\$ 75,667	\$ 101,296

Appendix A: Non-GAAP to GAAP Reconciliation

(\$ in thousands)

	FY'18	FY'19	FY'20	FY'21	FY'22
Free cash flow	\$ 2,137	\$ 29,345	\$ 27,508	\$ 143,743	\$ 231,332
Revenue	190,174	302,836	431,269	673,100	1,090,946
Free cash flow margin	1 %	10 %	6 %	21 %	21 %

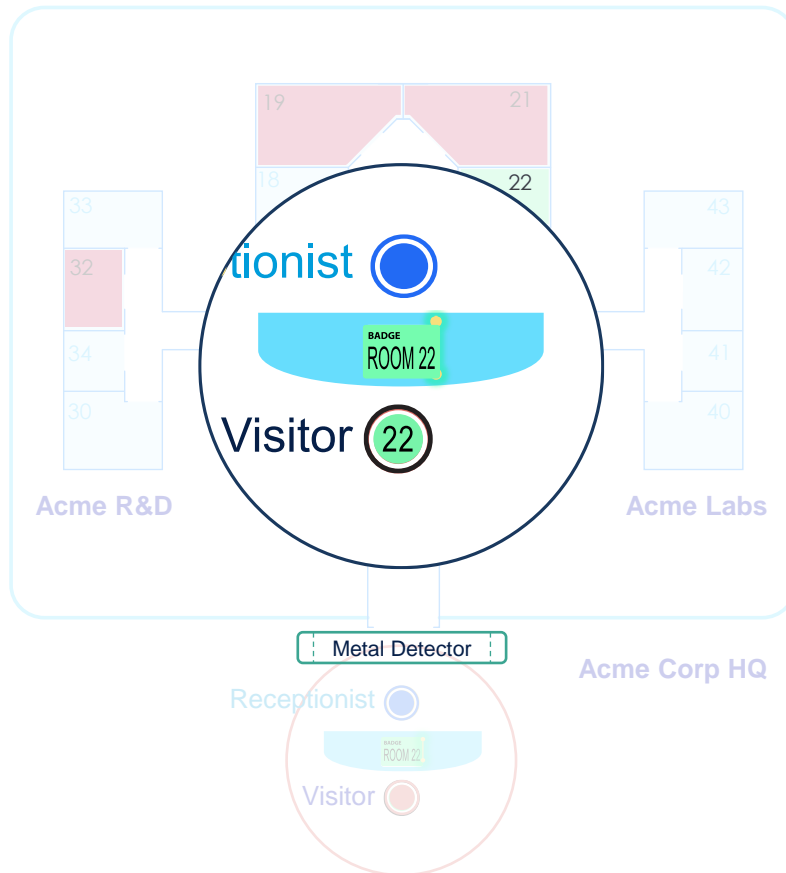
Net cash provided by operating activities	\$ 17,307	\$ 58,027	\$ 79,317	\$ 202,040	\$ 321,912
Less: Purchases of property, equipment and other assets	(13,397)	(25,520)	(43,072)	(48,165)	(69,296)
Less: Capitalized internal-use software costs	(1,773)	(3,162)	(8,737)	(10,132)	(21,284)
Free cash flow	\$ 2,137	\$ 29,345	\$ 27,508	\$ 143,743	\$ 231,332
Net cash provided by operating activities, as a percentage of revenue	9 %	19 %	18 %	30 %	30 %
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(7)%	(8)%	(10)%	(7)%	(7)%
Less: Capitalized internal-use software costs, as a percentage of revenue	(1)%	(1)%	(2)%	(2)%	(2)%
Free cash flow margin	1 %	10 %	6 %	21 %	21 %

Appendix

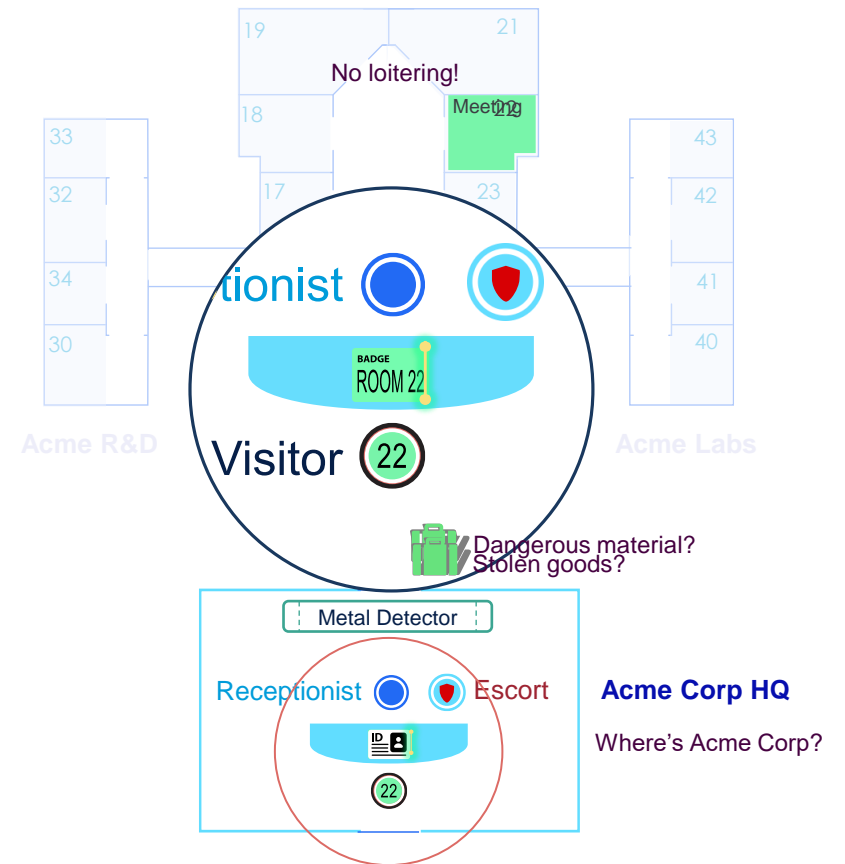
Legacy network security versus Zscaler Zero Trust Architecture

Comparing connecting users to networks versus users to apps with Zscaler

Firewalls and VPN put users on your network.
That is like allowing unescorted visitors at HQ.



Zero Trust access is like escorting a visitor to a meeting and then out. Plus hide your building (apps).



User experience challenges in a cloud & mobile first world

