



Securing your IT Transformation to the Cloud

Corporate Presentation
February 2020

Safe Harbor

Forward-Looking Statements

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In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “continues,” “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: Transformative SaaS enabling the cloud transition



Pioneer and market leader in **Cloud Security**

>3,900 customers | Over 400 of the Forbes Global 2000 | > 50% international revenue⁽¹⁾



Disrupting a large existing market

Estimated \$20.3 Billion in Market TAM⁽²⁾



Secular tailwinds creating significant opportunity

cloud shift, mobility and IoT,
rising security threats



Cloud platform with scale, **sustainable competitive differentiation**

130+ patents issued and pending,
150+ datacenters | 85B requests/day
120K updates/day | 100M threats blocked/day



Attractive profile:

recurring subscription,
rapid growth, compelling GM
~\$360M LTM revenue | ~50% historical growth per year⁽³⁾
~81% Gross Profit Margin⁽⁴⁾



Experienced, founder-led team with the conviction to build a lasting company that redefines network security

Notes

- 1) Total customers, Forbes Global 2000 customers, and International revenue by geography as of FY'19
- 2) Based on our analysis of IDC estimates, including Worldwide Network Security Forecast 2018-2022 (August 2018), Worldwide IT Security Products Forecast, 2018 - 2022 (August 2018), and Security Spending Guide Forecast 2017/H2 (July 2018)
- 3) Revenue growth rate for FY'17, FY'18 and FY'19
- 4) Gross profit margin for FY'19

DIGITAL TRANSFORMATION IS AN IMPERATIVE

Key technologies enabling digital transformation



Cloud | Agility, Scale, Collaboration



Mobility | Work Anywhere, Productivity



IoT / OT | Operational Efficiencies



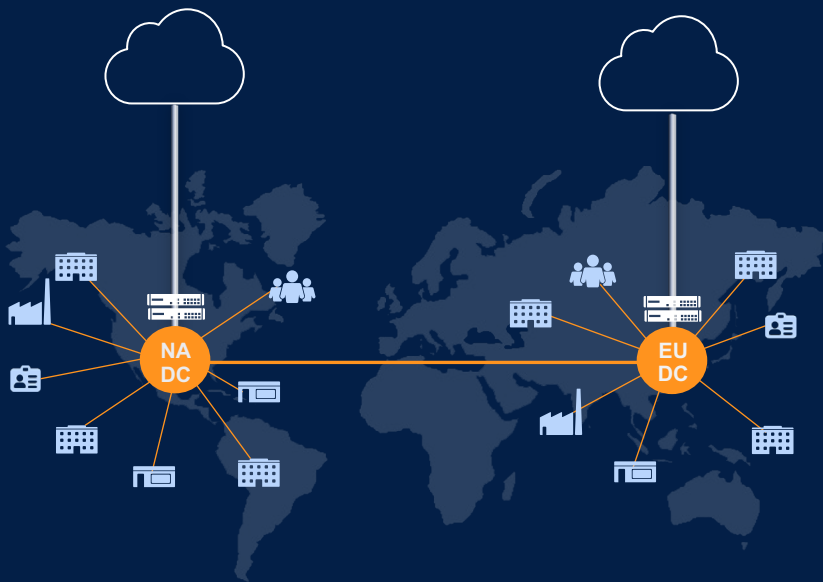
Internet | The Connectivity Layer



Traditional IT: Worked well in the pre-cloud world

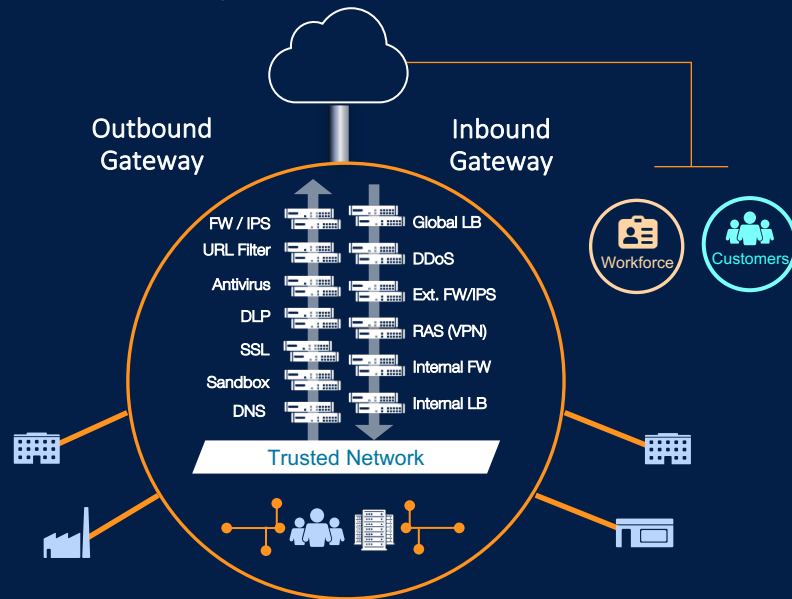
Hub & Spoke Networks

Optimized to connect users to apps in the data center



Castle & Moat Security

Perimeter security appliances to protect the network



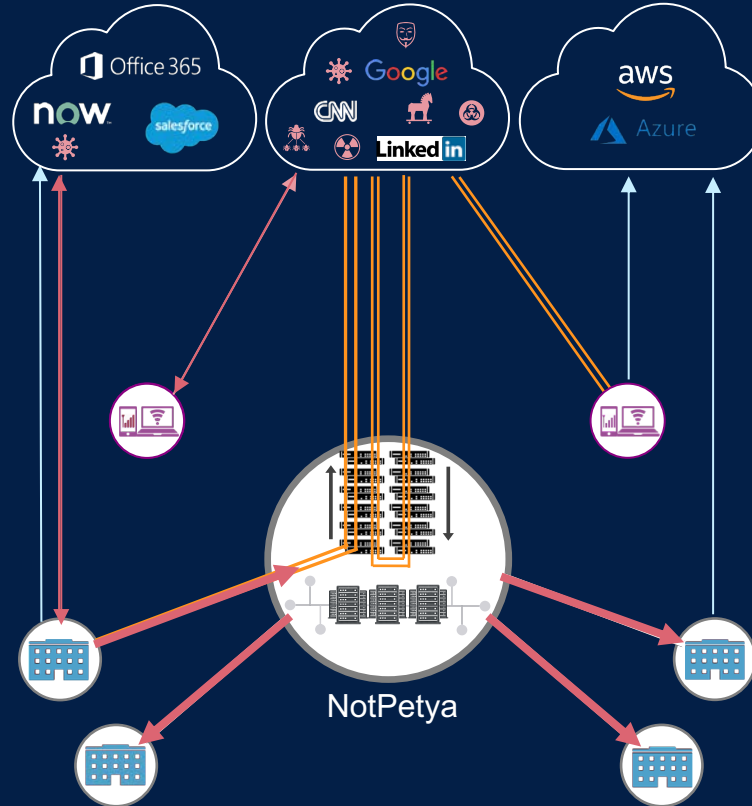
Cloud breaks legacy networks and security

The cloud is the new data center

Backhaul Traffic
Branch: MPLS / Mobile: VPN

Natural path
Direct-to-Cloud

But, security is still sitting in the DC



Poor user experience

MPLS backhaul costs

Security risk

An opportunity for IT to empower the business

Application Transformation

Data center to Cloud

Facilitates collaboration
New business models
Simplifies IT

Security Transformation

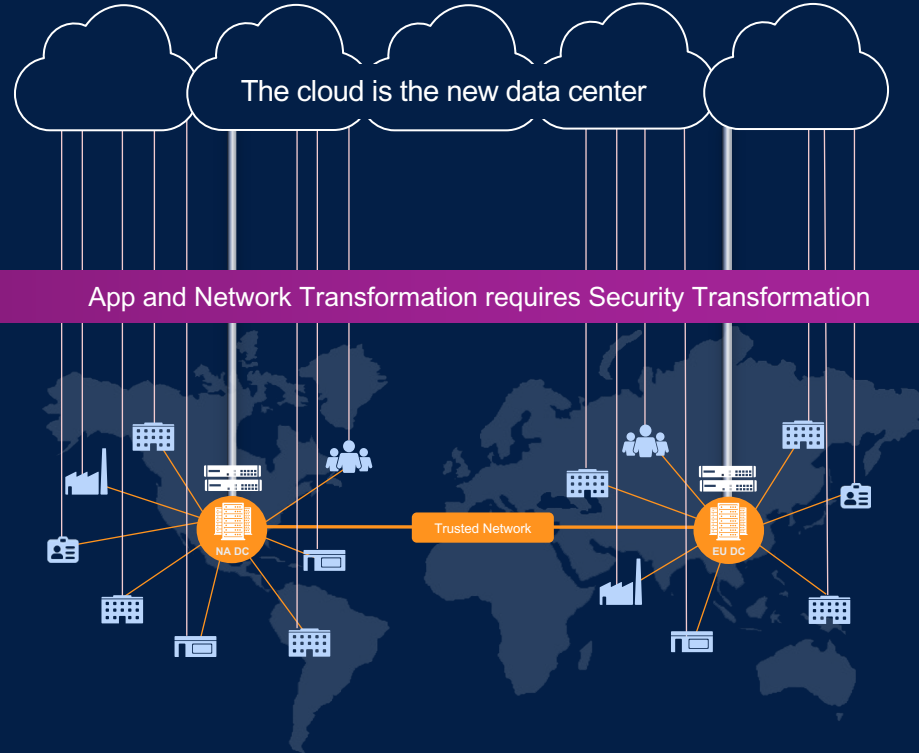
Network Security to SASE

Policy-based
Close to the user
Transparent

Network Transformation

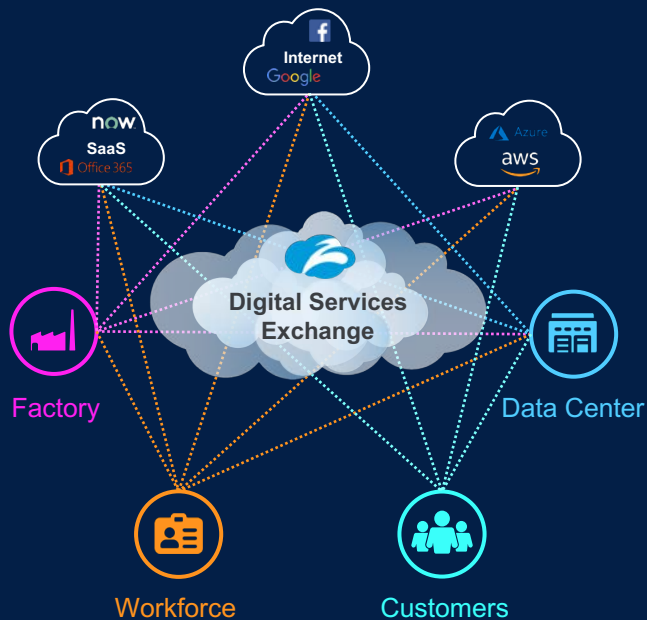
WAN to internet

Fast user experience
Network cost savings
Simplify IT (Agility)



Zscaler: Powering digital transformation

Provide fast, secure, and reliable access to data no matter where it lives




Market Leader

 **400** of the Forbes Global 2000


Industry Leader

 **9** years in a row Gartner MQ Leader

Global Scale

 **85B+** Daily transactions
150 data centers
10x Google searches

Operational Excellence

 **10+** years running an inline security cloud

80%

Faster User Experience



35x

Fewer Infected Machines

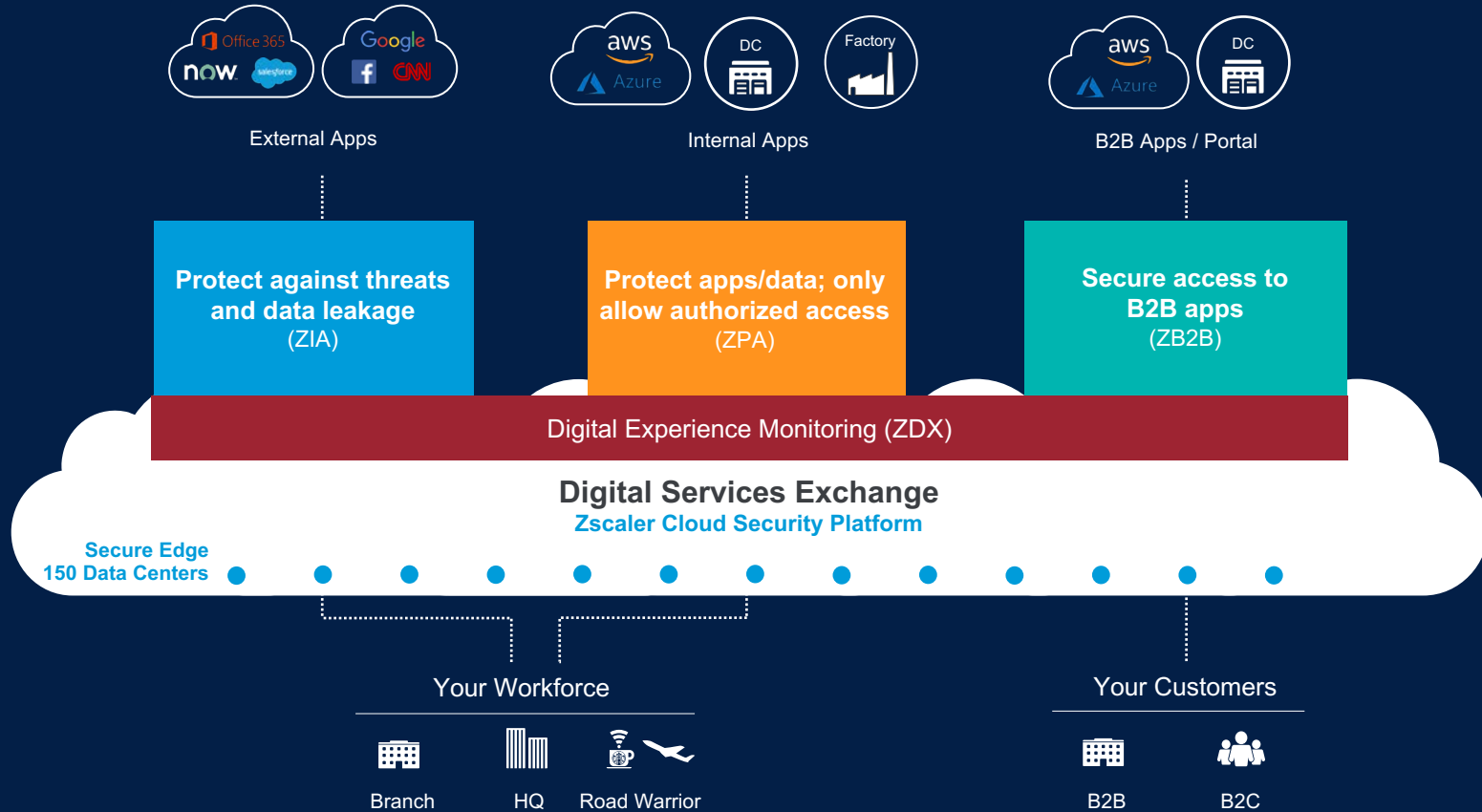


70%

Infrastructure Cost Reduction



Delivering secure, fast, and reliable access to apps/data



Blueprint for a cloud and mobile world

Better value: Easy deployment and operations



Identity Management



Microsoft okta Ping Identity

Endpoint Protection



Microsoft CROWDSTRIKE
vmware airwatch mobileiron Carbon Black.

Security Operations



splunk> IBM Radar Microsoft
ANOMALI SKYBOX SECURITY

Branch Networking



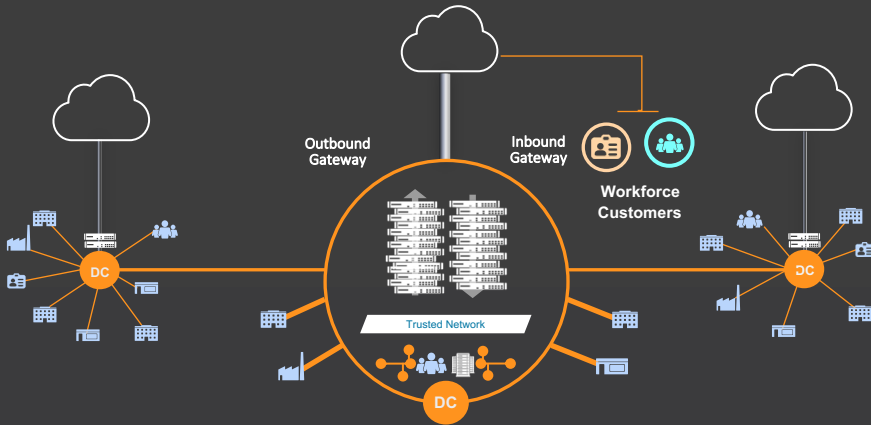
cisco vmware silverpeak
viptela velocloud™

Digital Services Exchange
Security and Policy Enforcement



Securing your cloud transformation

Legacy IT world



Applications in DC (Center of the universe)

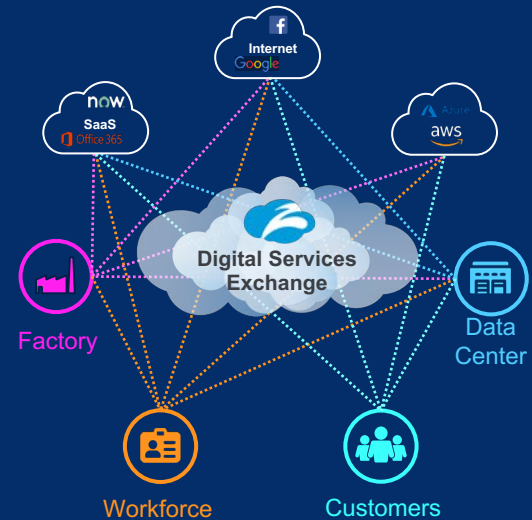
Hub-and-spoke WAN (backhaul to DC)

Castle and moat security

Trust the network

(Connect users to my network to access apps)

Cloud and mobile world



Apps are everywhere (cloud, DC)

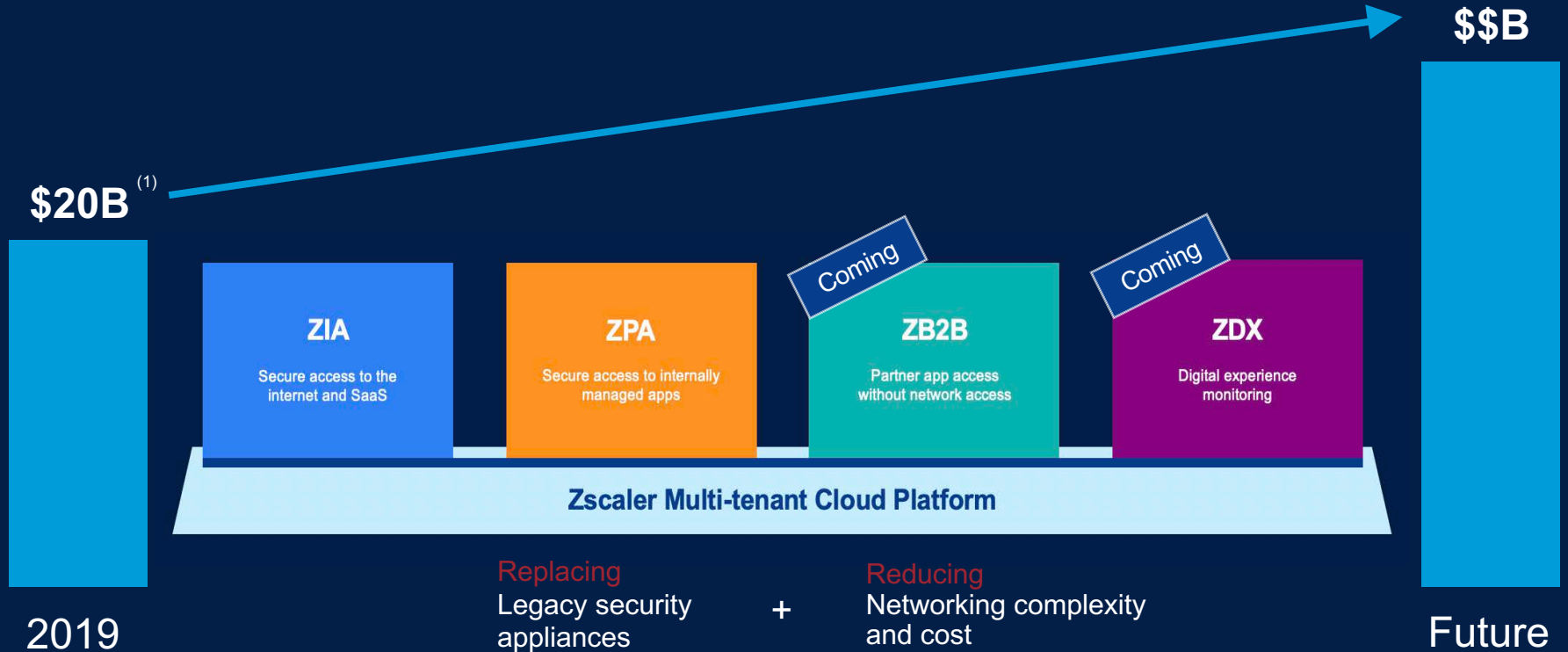
Internet is the new network (direct access)

Policy engine connects apps, devices and users

Don't trust the network (Zero Trust Network Access)

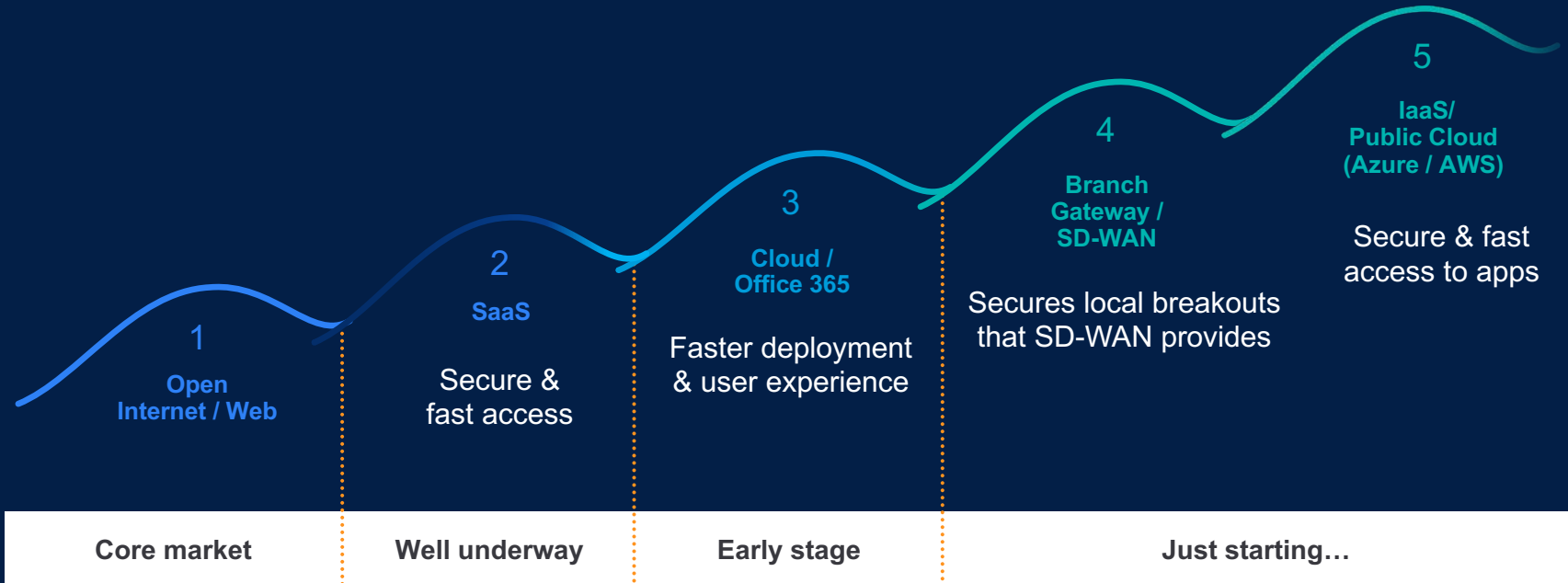
(Connect users to apps, not the network)

Large and Growing Total Addressable Market



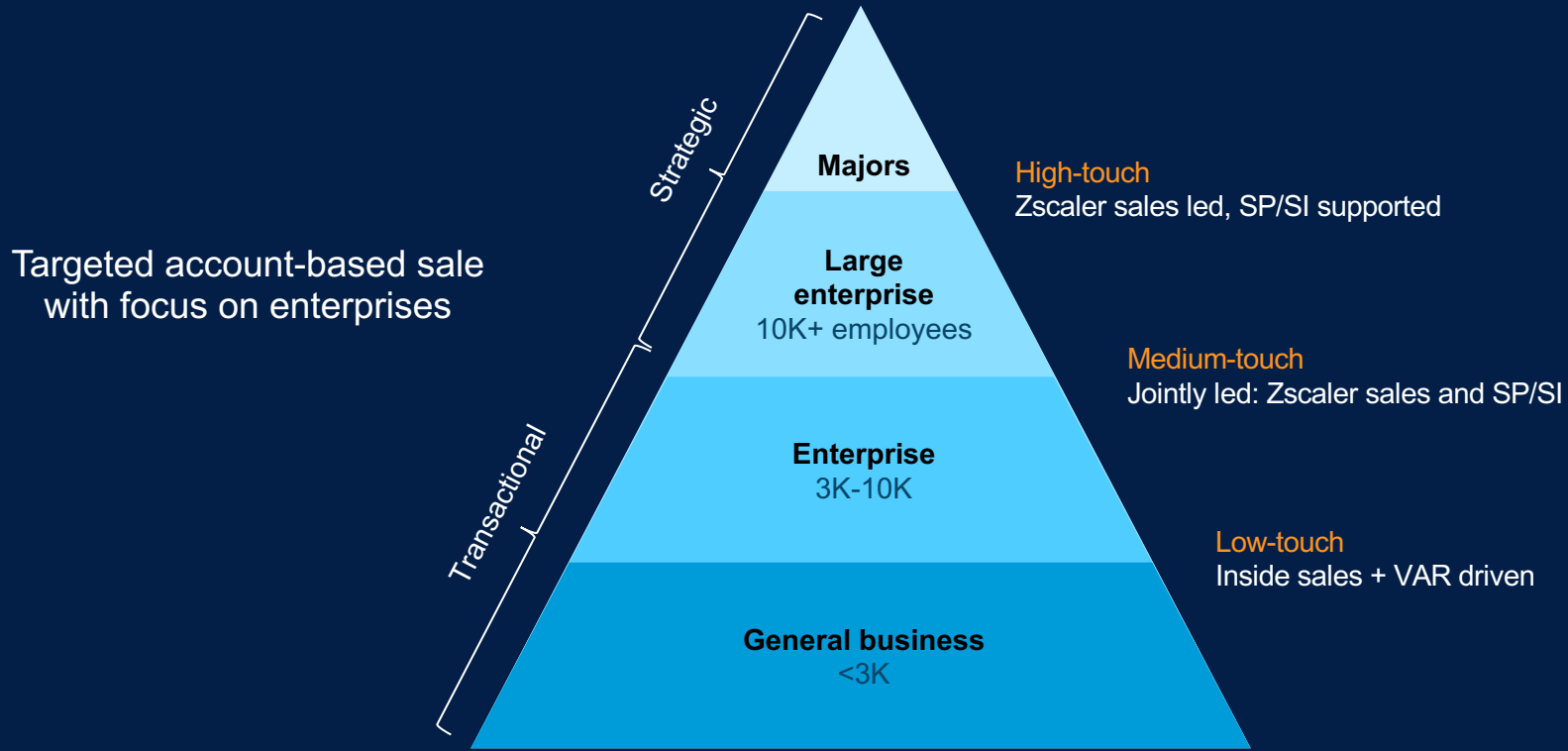
Note: (1) ZIA and ZPA addressable market based on our analysis of IDC estimates, including Worldwide Network Security Forecast 2018-2022 (August 2018), Worldwide IT Security Products Forecast, 2018 - 2022 (August 2018), and Security Spending Guide Forecast 2017'H2 (July 2018)

Five Waves Creating Tailwind for Zscaler Growth



We believe these trends position Zscaler for high, sustainable growth

Multi-Dimensional Go-to-Market Driving Adoption and Expansion

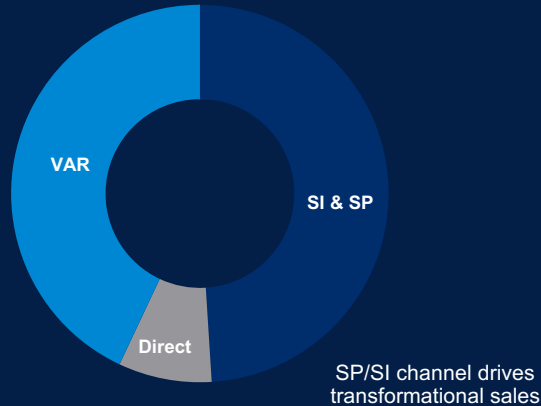


High-touch sales team with Service Provider (SP) / System Integrator (SI) channel to drive transformational sales

Strategic sales strategy and execution

Leverage from SP/SI improving

Multi-year SP/SI channel investments are beginning to pay-off. Zscaler is getting embedded in SP/SI offering, resulting in more sales with little or no touch.



Revenue by channel for FY19

Zscaler is very different than security appliance sales

	Traditional On-premises Security Sale	Zscaler Sale
Scope	Tactical Add or replace boxes	Strategic/Architectural Change Network & App access architecture
Channel	VARs (Box sellers)	SPs for: Network transformation SIs for: App transformation
Buyer	Technical (Mid-level)	Top-down - CIO, CTO, CISO (Transformation drivers)
Sales Resources	Sales reps, SEs	Strategic reps & SEs (Plus Zscaler Architects, CTO, CISOs)

We have developed competency for architectural sale - hired/trained unique sales resources and channel partners and successfully won and deployed large enterprises across verticals

Differentiated sales execution – a significant barrier to entry for competitors

Leadership team with proven ability to execute



Jay Chaudhry

Chief Executive Officer,
Chairman and Co-Founder



Remo Canessa

Chief Financial Officer



Dali Rajic

President Go-To-Market
and Chief Revenue Officer



Dr. Manoj Apte

Chief Strategy Officer



Dr. Amit Sinha

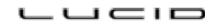
President of Engineering
and Cloud Operations,
Chief Technology Officer,
Member Board of Directors



Robert Schlossman

Chief Legal Officer

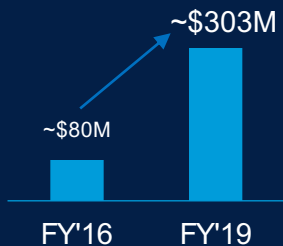
Previous experience



Financial Overview

Remo Canessa - Chief Financial Officer

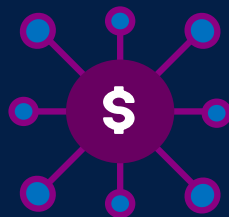
A Powerful Financial Model



Subscription Model
High Revenue Growth
~50%⁽¹⁾



Strong Gross
Margins
~81%⁽²⁾



Multi-Dimensional
Go-to-market Model



Proven Land &
Expand Model with
Net Retention of
116%⁽³⁾



Infrastructure in
Place Positioned for
Operating Leverage

1) Revenue growth for FY'17, FY'18 and FY'19.

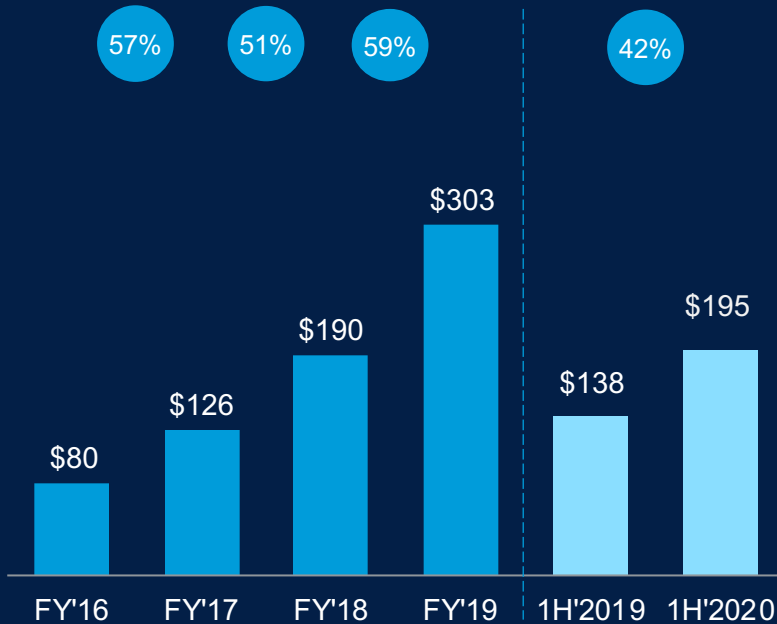
2) Gross margin for FY'19.

3) Net dollar retention rate, trailing 12 months ended January 31, 2020.

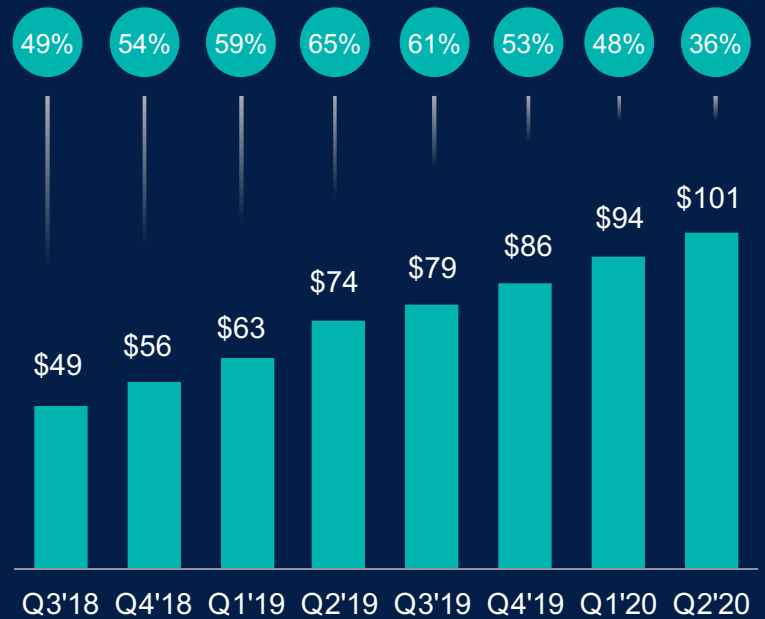
Consistent and Strong Revenue Growth

(\$ in millions)

Annual Revenue / Growth



Quarterly Revenue / YoY Growth

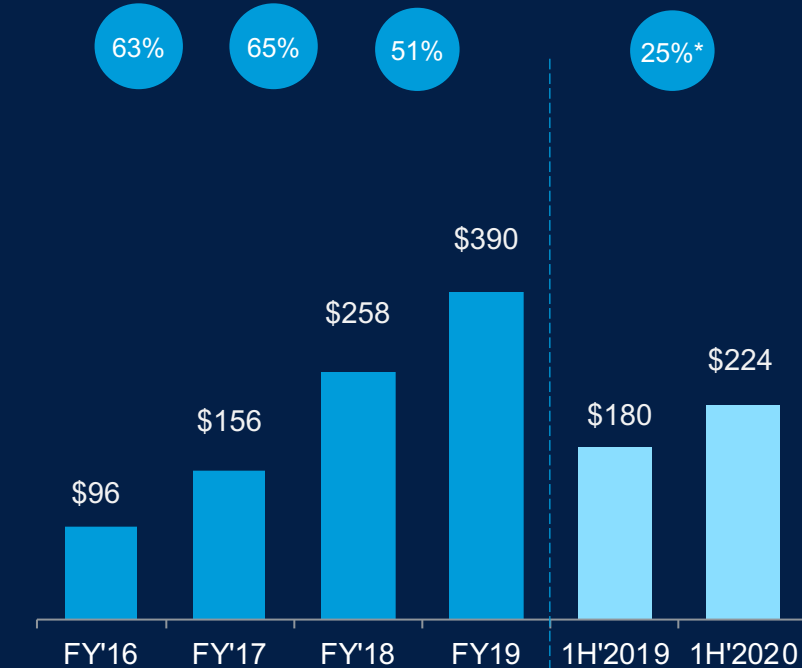


Note: Fiscal year ended July 31.

Strong YoY Growth in Calculated Billings

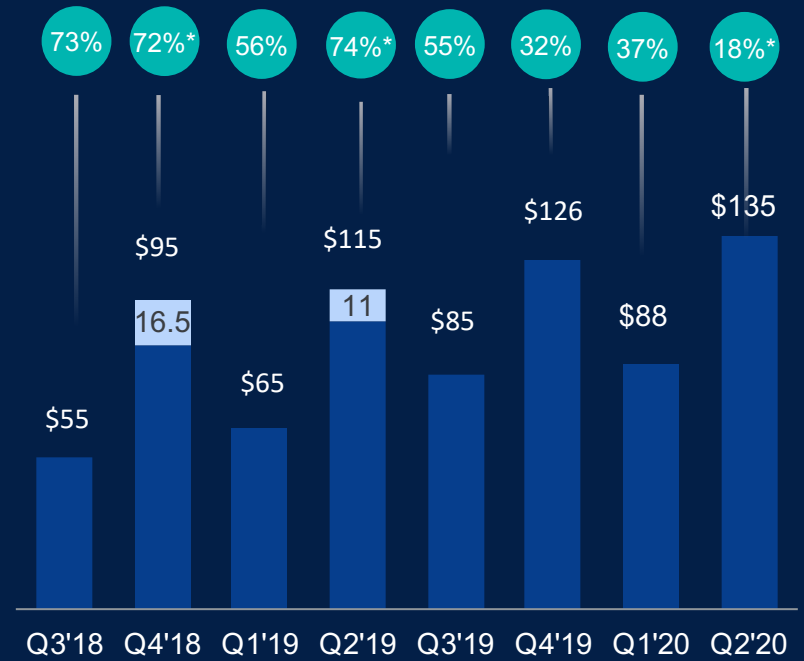
(\$ in millions)

Annual Billings / Growth



Note: Fiscal year ended July 31.

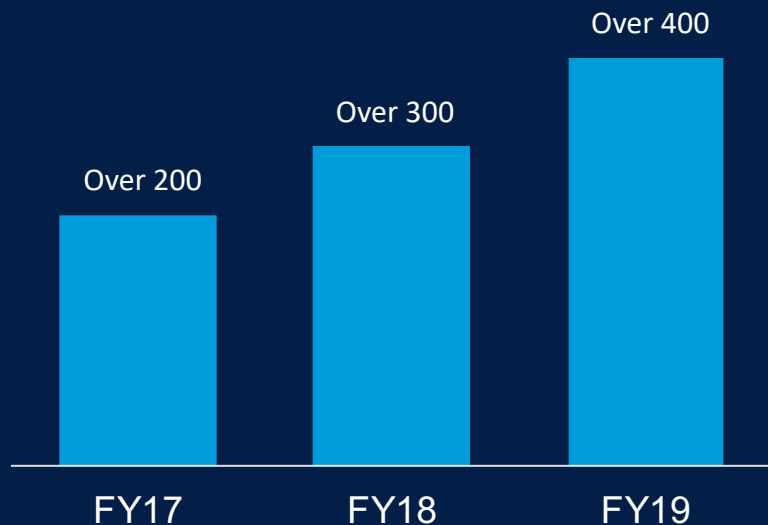
Quarterly Billings / YoY Growth



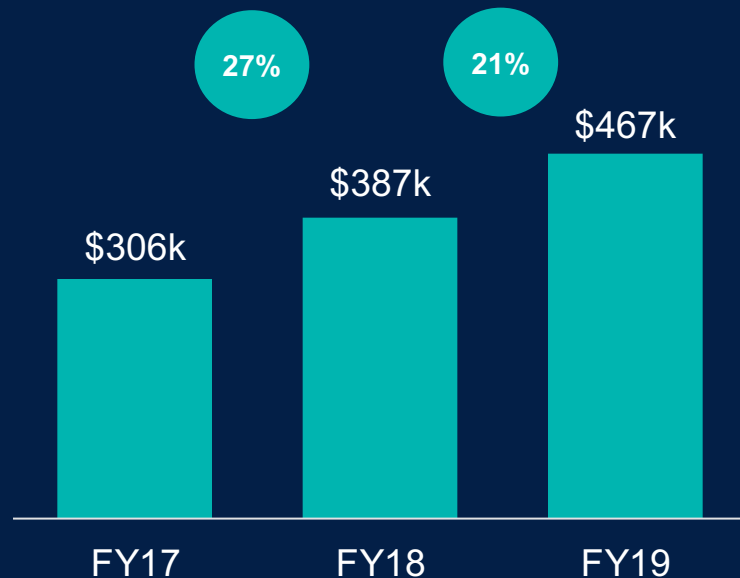
* Includes one large customer choosing to pay up-front for a multi year, private cloud enablement: \$16.5 million in Q4'18 and \$11 million in Q2'19, as shown in light blue.

Strong Adoption with G2K Customers

G2K Customers



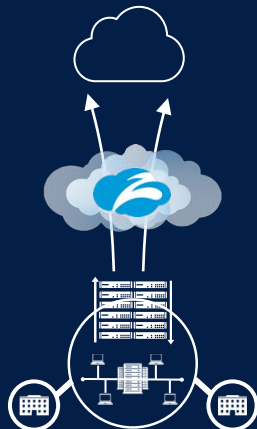
Average ARR per G2K Customer / YoY Growth



All metrics as of Q4'FY ending July 31.

A three-step journey to secure IT transformation: Land & Expand

SECURE Up-level security



Make Zscaler the next hop to the internet – no infrastructure change



SIMPLIFY Remove multiple point products



Phase out gateway appliances, reduce cost and complexity



TRANSFORM Direct-to-cloud architecture



Enable local internet breakouts (SD-WAN), better user experience, network savings



40K users in a weekend



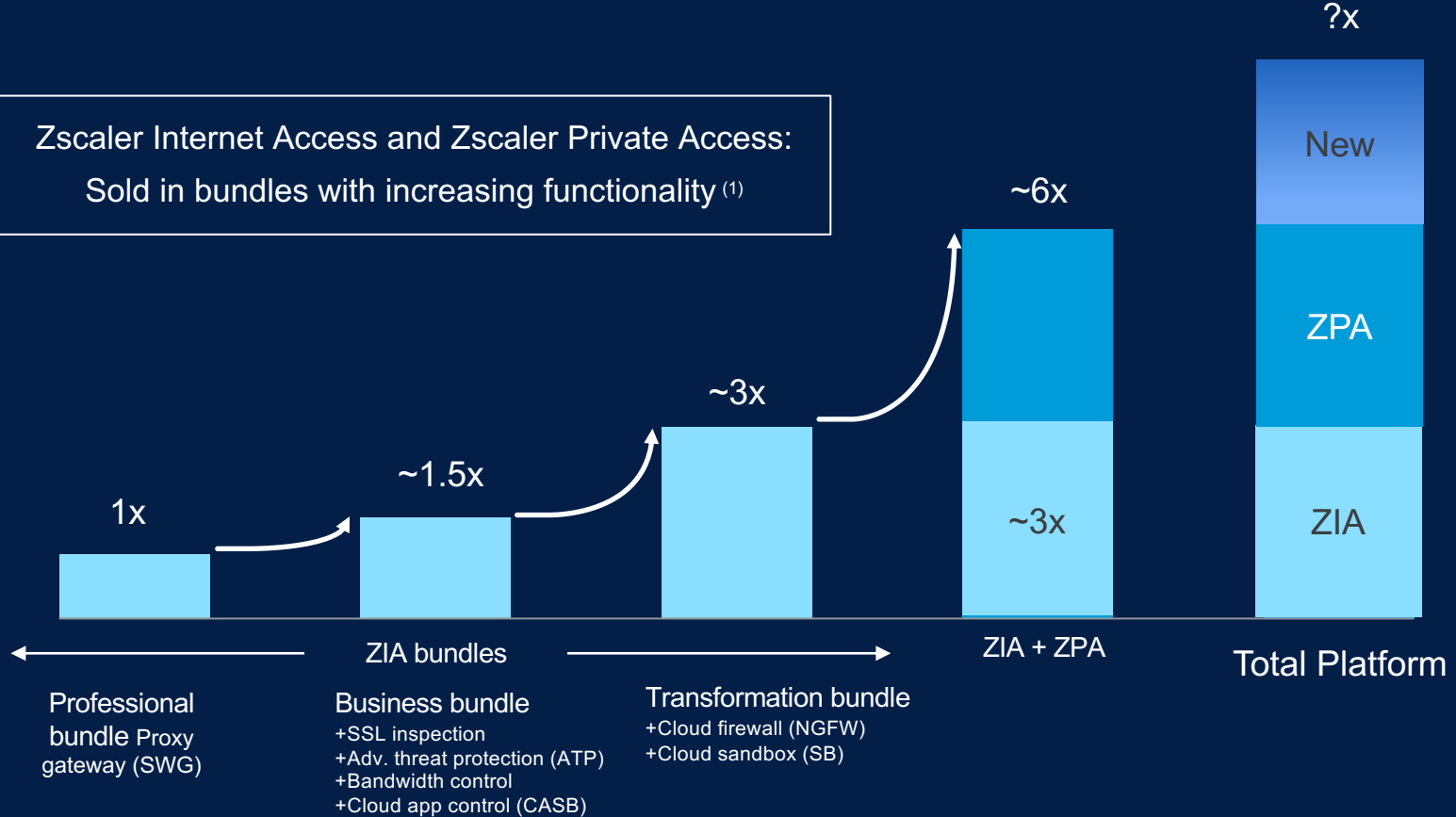
150K users in six weeks



10 local breakouts per day

Business Model Provides Significant Expansion Opportunities

Zscaler Internet Access and Zscaler Private Access:
Sold in bundles with increasing functionality ⁽¹⁾

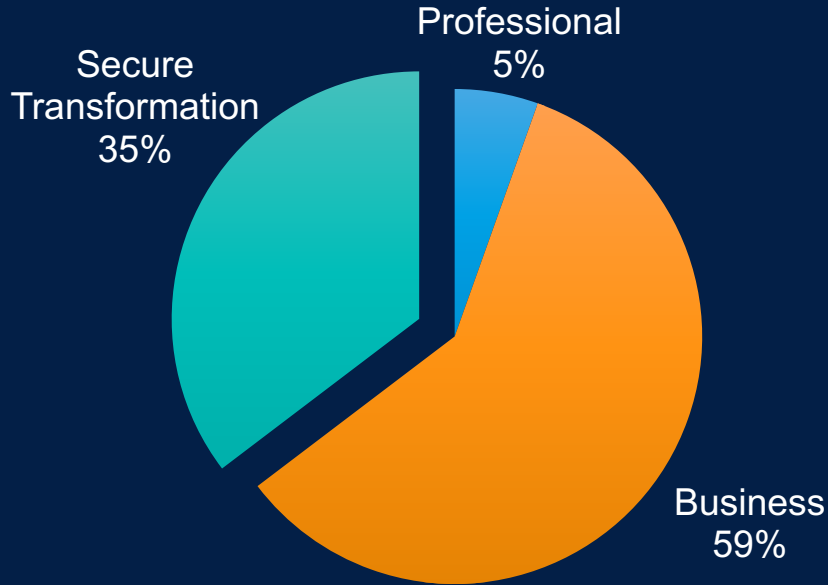


1) Based on pricing available to customers.

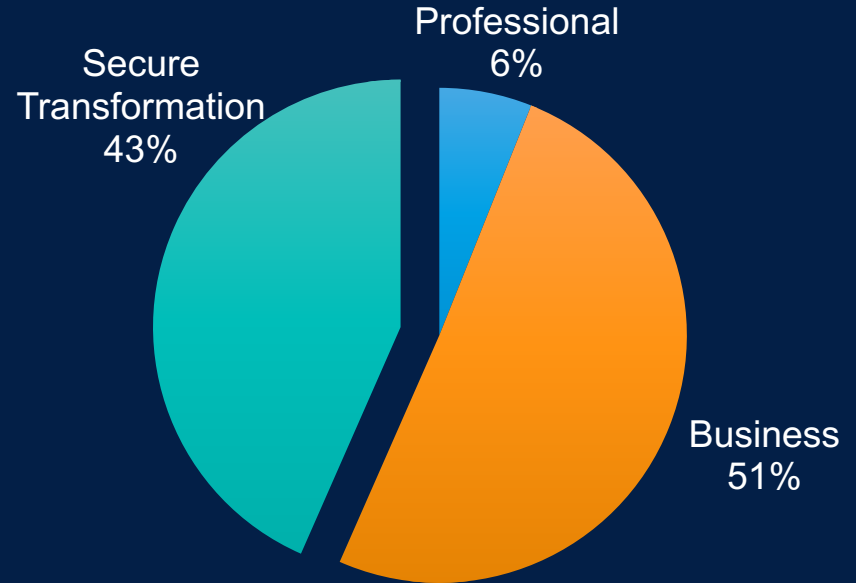
Growing Adoption of Transformation Bundle

(as % of total ZIA platform ARR)

Q4'2018



Q4'2019



Significant International Revenue

- Historically, more than 50% of our revenue has come from outside the Americas

Early big wins in Europe

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

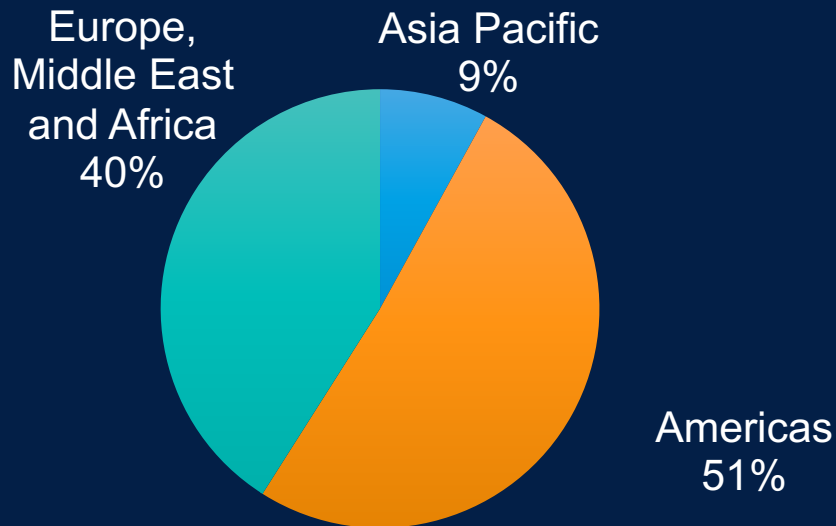
Early investment in international sales

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 Q2'20 revenue

Attractive cloud gross margins

Purpose-built, multi-tenant architecture

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

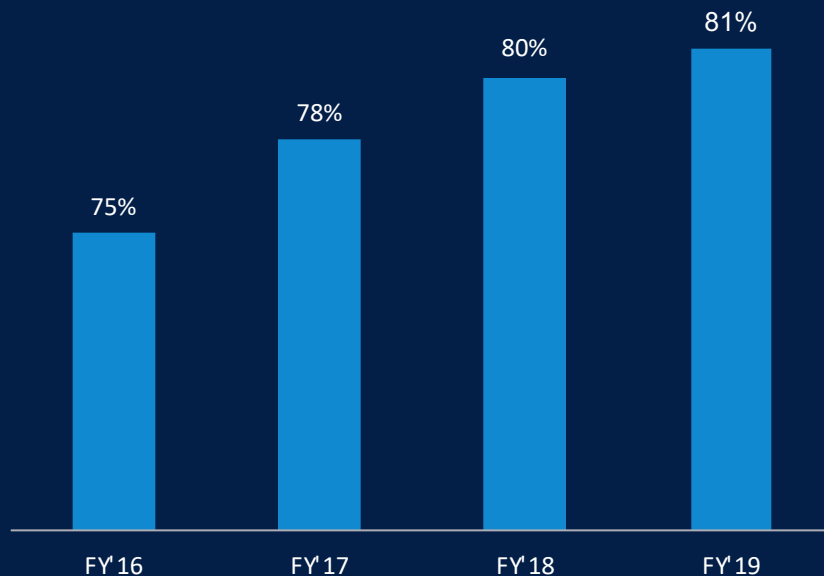
Cloud operations

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

Peering with content and service providers at internet exchanges:

Reduces bandwidth cost

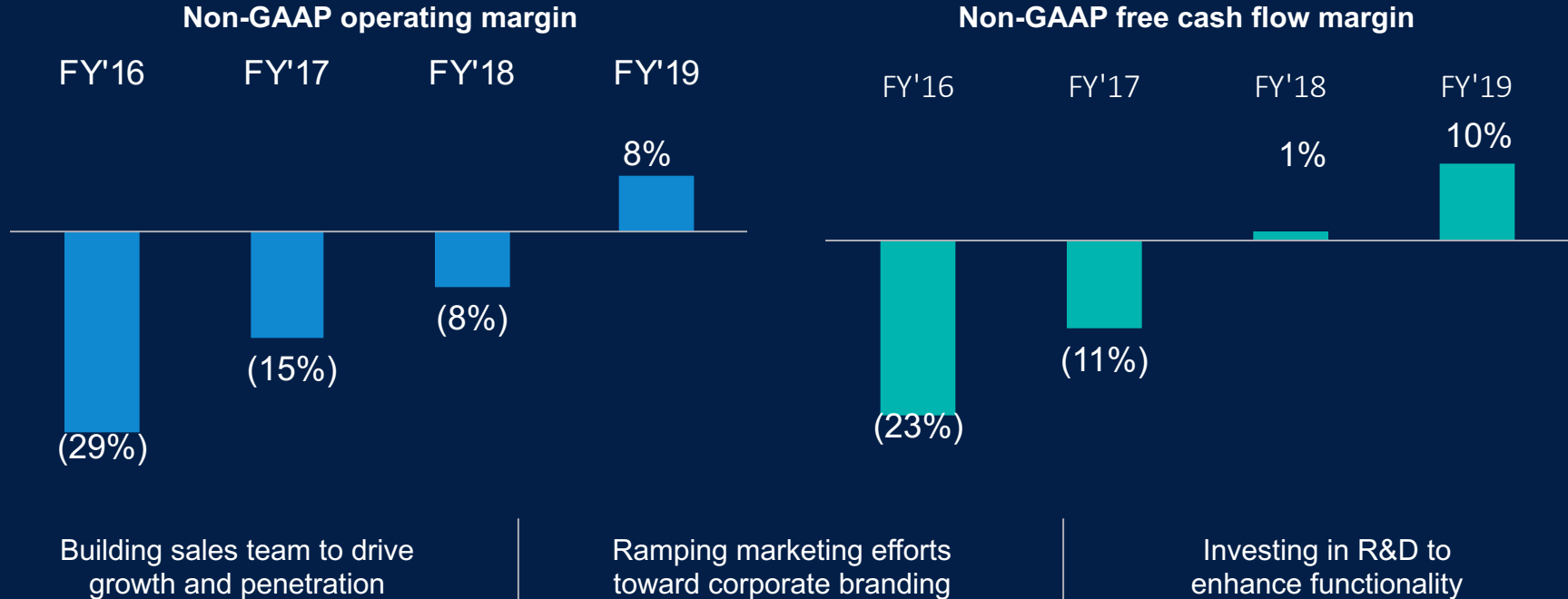
Non-GAAP gross margin⁽¹⁾



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

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

Investing for Growth to Capture Large Opportunity



Note: Non-GAAP operating margin is defined as GAAP operating margin, excluding stock-based compensation expense, certain litigation-related expenses and amortization expense of acquired intangible assets. Non-GAAP free cash flow margin is defined as free cash flow divided by revenue; free cash flow is defined as net cash provided by (used in) operations activities less purchases of property, equipment and other, and capitalized internal-use software. Refer to the Non-GAAP to GAAP reconciliation in Appendix A.

Investment highlights

Intersection of cloud and mobility megashifts

Early innings of network, application and security transformation
Significant \$20.3 billion annual total addressable market (TAM) opportunity ⁽¹⁾

Pioneer and market leader

Large security platform with over 3,900 customers ⁽²⁾
Consistently recognized as a leader by Forrester and Gartner ⁽³⁾
Historical revenue growth of ~50% per year

Proven and differentiated cloud architecture

Over 130 issued and pending patents
Over 150 worldwide data centers
Unique multi-tenant architecture, in the data path of our customers

Powerful financial model

High-growth SaaS model
Proven land and expand with higher-value offerings and ZPA
Unique, multi-dimensional channel model

1) Based on our analysis of IDC estimates, including Worldwide Network Security Forecast 2018-2022 (August 2018), Worldwide IT Security Products Forecast, 2018 - 2022 (August 2018), and Security Spending Guide Forecast 2017H2 (July 2018)

2) Customer count as of July 31, 2019.

3) Gartner Magic Quadrant for Secure Web Gateways by Lawrence Orans and Peter Firstbrook, November 26, 2018. Forrester Wave: SaaS Web Content Security, Q2 2015 by Rick Holland and Kelley Mak, June 26, 2015.

A woman's hand is extended from the left side of the frame, palm up, towards a blurred crowd of people in a professional setting. The background is a soft-focus office environment with people in business attire. The overall color palette is dominated by blue and purple tones, with a bright light source in the upper right corner.

Thank You

Appendix A: Non-GAAP to GAAP reconciliation

(\$ in thousands)

	FY'18				FY'19					YTD FY'20						
	Non-GAAP	Stock-based compensation expense	Litigation-related expenses	GAAP	Non-GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Litigation-related expenses	Income tax expense effects	GAAP	Non-GAAP	Stock-based compensation expense	Amortization of acquired intangible assets	Litigation-related expenses	Asset impairment related to facility exit	GAAP
Revenue	190,174			190,174	302,836					302,836	194,858					194,858
YOY Growth	51%			51%	59%					59%	42%					42%
Total COGS	37,118	757		37,875	56,231	2,926	512			59,669	36,425	2,961	410			39,796
Gross Profit	153,056	(757)		152,299	246,605	(2,926)	(512)			243,167	158,433	(2,961)	(410)			155,062
Gross Margin	80%			80%	80%					80%	81%					80%
S&M expense	111,365	5,044		116,409	146,795	23,118	10			169,913	99,034	21,982	16			121,032
% of revenue	59%			61%	48%					56%	51%					62%
R&D expense	36,334	3,045		39,379	46,493	15,090	386			61,969	29,031	10,951	995			40,977
% of revenue	19%			21%	15%					20%	15%					21%
G&A expense	20,718	2,378	8,039	31,135	28,230	5,289		13,079		46,598	16,603	6,348		18,341	(316)	41,608
% of revenue	11%			16%	9%					15%	9%					21%
Total OPEX	168,417	10,467	8,039	186,923	221,508	43,497	396	13,079		274,480	144,668	39,281	1,011	18,341	316	203,617
% of revenue	89%			98%	73%					92%	74%					104%
Operating Income (loss)	(15,361)	(11,224)	(8,039)	(34,624)	25,097	46,423	(908)	(13,079)		(35,313)	13,765	(42,242)	(1,421)	(18,341)	(316)	(48,555)
Operating margin	(8)%			(18)%	8%					(12)%	7%					(25)%
Interest Income, net	2,236			2,236	7,730					7,730	3,877					3,877
Other Income (expense)	79			79	(329)					(329)	(42)					(42)
Taxes	(1,337)			(1,337)	(743)						(1,510)					(1,510)
Net Income (loss)	(14,383)	(11,224)	(8,039)	(33,646)	30,333	(46,423)	(908)	(13,079)	1,422	(28,655)	16,090	(42,242)	(1,421)	(18,341)	(316)	(46,230)

Free cash flow reconciliation

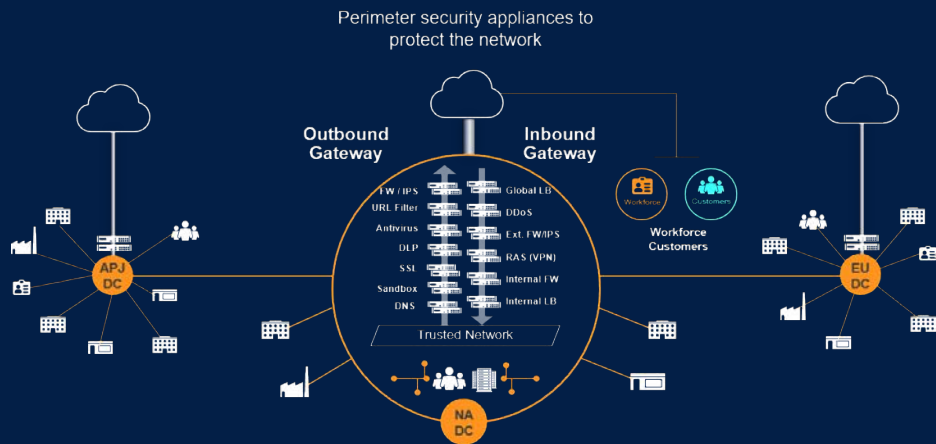
(\$ in thousands)

	FY'18	FY'19	YTD FY'20
Free cash flow	\$ 2,137	\$ 29,345	\$ 7,488
Revenue	190,174	302,836	194,858
Free cash flow margin	1%	10%	4%
Net cash provided by (used in) operating activities	\$ 17,307	\$ 58,027	\$ 26,860
Less: Purchases of property, equipment and other	(13,397)	(25,520)	(15,099)
Less: Capitalized internal-use software	(1,773)	(3,162)	(4,273)
Free cash flow	\$ 2,137	\$ 29,345	\$ 7,488
Net cash provided by (used in) operating activities, as a percentage of revenue	9%	19%	14%
Less: Purchases of property, equipment and other, as a percentage of revenue	(7)%	(8)%	(8)%
Less: Capitalized internal-use software, as a percentage of revenue	(1)%	(1)%	(2)%
Free cash flow margin	1%	10%	4%

Appendix - Technology

Securing your cloud transformation

Old World

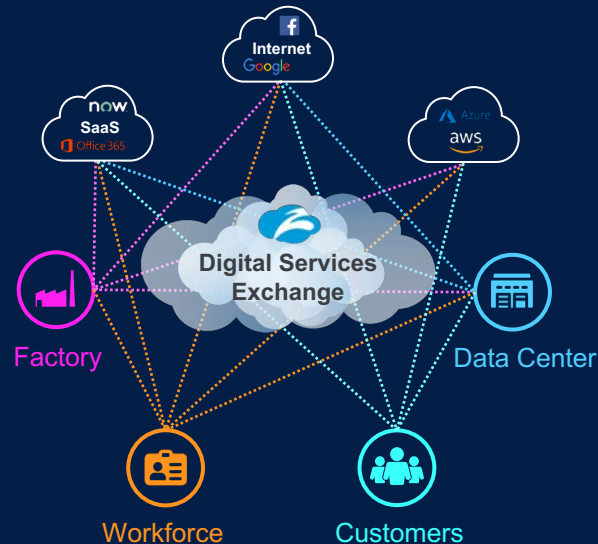


Data center is the center of the gravity
Hub-and-spoke WAN (backhaul to DC)

Castle-and-moat network security

Users connect to the network for app access (trusted)

New World



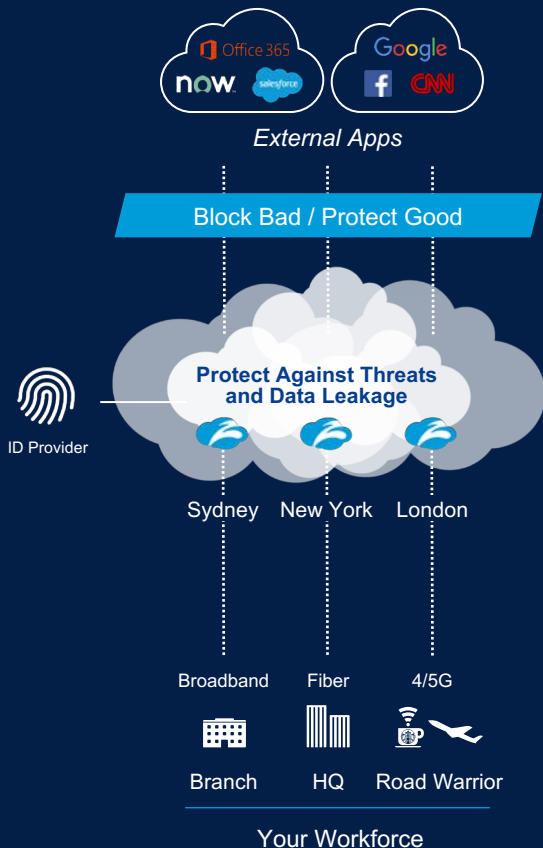
Cloud is the new data center

Internet is the new network (direct access)

Business policies connect apps, devices, and users

Users connect to an app, not the network
(Zero Trust Network Access)

Zscaler Internet Access: Secure and fast access to internet & SaaS



Use Cases

Office 365

- App prioritization/peering with Microsoft
- One-click deployment

Secure SD-WAN

- Local breakouts for branch internet
- API integration with SD-WAN vendors

Threat Protection

- Inspect encrypted traffic at scale
- Cloud-effect: Identify once, protect all

Data Protection

- Shadow IT discovery
- Protect IP / PII / Compliance

Standardization • Simplification • Identical Protection (mobile, branch, HQ)

Platform Services



Threat Prevention

- Proxy (Native SSL)
- Advanced Threat Protection
- Cloud Sandbox
- DNS Security



Access Control

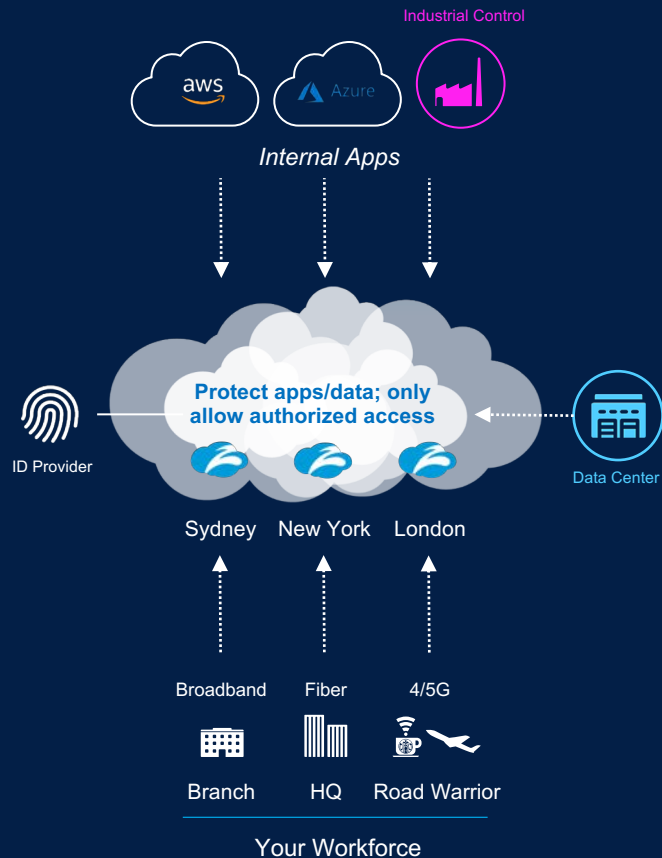
- Cloud Firewall
- URL Filtering
- Bandwidth Control
- DNS Resolution



Data Protection

- Cloud DLP
- Exact Data Match
- CASB
- Browser Isolation

Achieve Zero Trust Network Access with ZPA



Use Cases

Replace Remote Access VPN

- Fast, direct access to apps – no backhaul
- Secure contractors' connectivity to data center

Direct Access to Multi-CLOUDS

- No data center-to-cloud direct connect required
- Eliminate the need for virtual DMZs

Accelerate M&A IT Integration

- Integrate companies w/out integrating networks
- Standardize security across companies

Secure Access to Industrial Systems

- Secure critical infrastructure (invisible)
- Policy-based access from anywhere

Zero Attack Surface • App Segmentation • Zero Trust Network Access

Platform Services



Zero Trust Network Access

- Anti-VPN
- Anti-Firewall
- Anti-DDoS
- Anti-Network Segmentation



Discovery/Availability

- GSLB
- Optimal Path Selection
- App Health Monitoring
- App Discovery

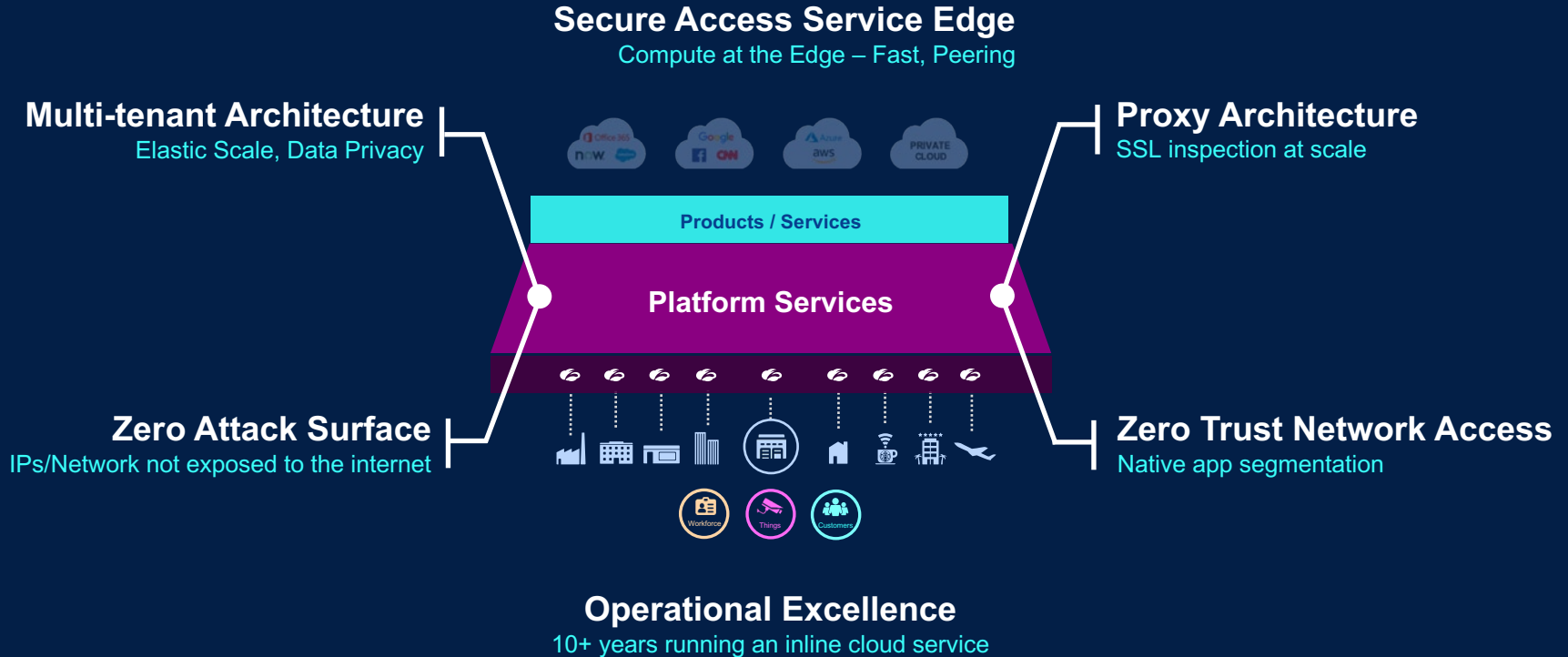


App/Device Access

- Browser Access
- Web Isolation
- Private Service Edge

Why Zscaler cloud security platform

Leading SaaS companies build their own multi-tenant platforms.



Defining a New Market Category

Secure Access Services Network



Zero Trust Network Access



1

Compute power at the edge close to each endpoint

2

Branch with just a router and cloud security

3

Delivers in-line encrypted traffic inspection at scale

- Reduce complexity now on the network security side by moving to ideally one vendor for secure web gateway (SWG), cloud access security broker (CASB), DNS, zero trust network access (ZTNA), and remote browser isolation capabilities.

internet connections. Pilot a ZTNA deployment using a digital business service that needs to be accessible to partners as a use case.

Source: Gartner, The Future of Network Security is in the Cloud, 2019

A cloud-native architecture is required to succeed in a cloud world

Would **Netflix** build their cloud service with thousands of **DVD Players**?



Datcenter
and hardware



Applications
in the datacenter



workday



Network
security



Service edge cloud architecture vs. destination clouds

Zscaler
150 Compute DCs

Firewall / Public Cloud
~20 Compute DCs

COMPUTE DESTINATIONS



SECURE ACCESS SERVICES EDGE (SASE)

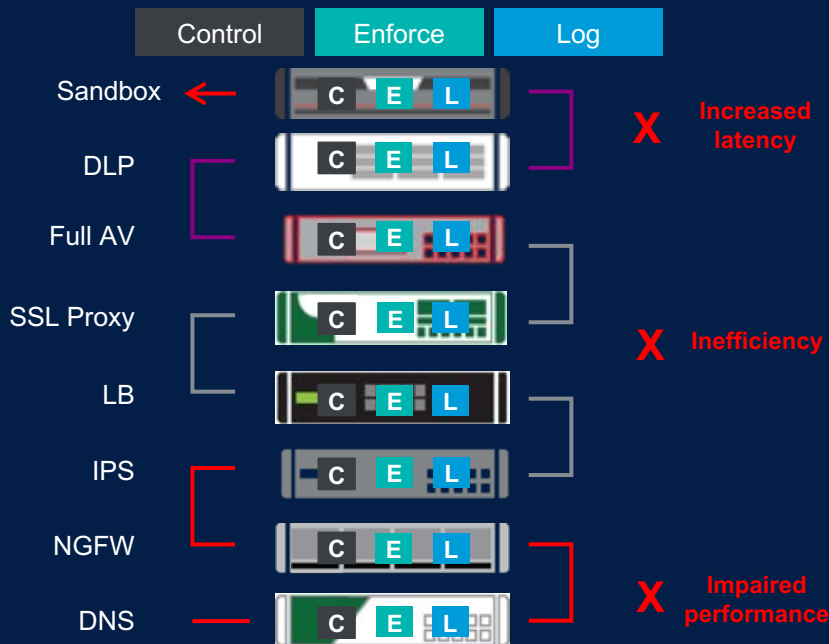


PEOPLE & DEVICES ACROSS LOCATIONS



Zscaler started with a clean slate and did not reuse legacy technology

Building a cloud with
single-tenant appliances



- Disparate redundant control, logging, and enforcement policies
- Multiple appliances, multiple hops — slow user experience
- Expensive and complex to scale and manage

Would you build a power plant
with home generators?



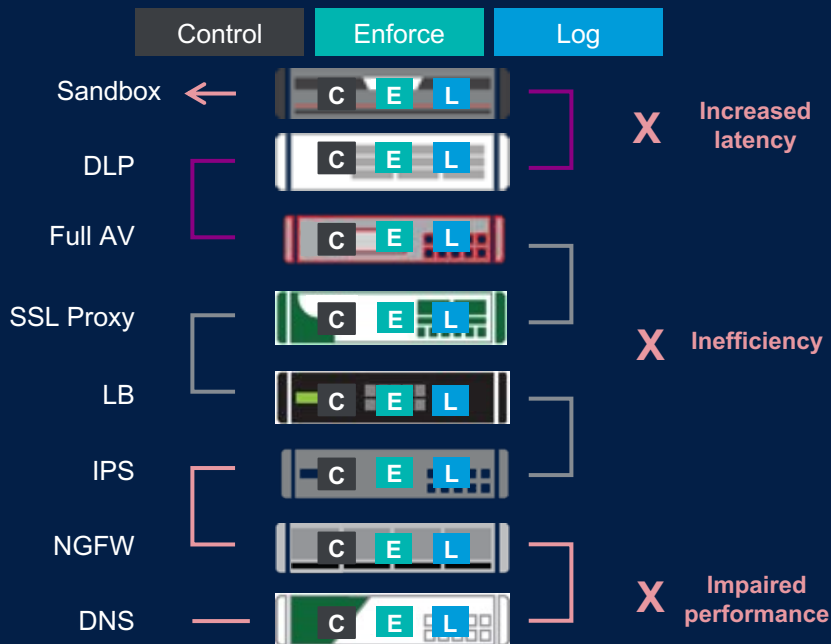
HOME POWER
GENERATORS



POWER PLANT

Zscaler started with a clean slate and did not reuse legacy technology

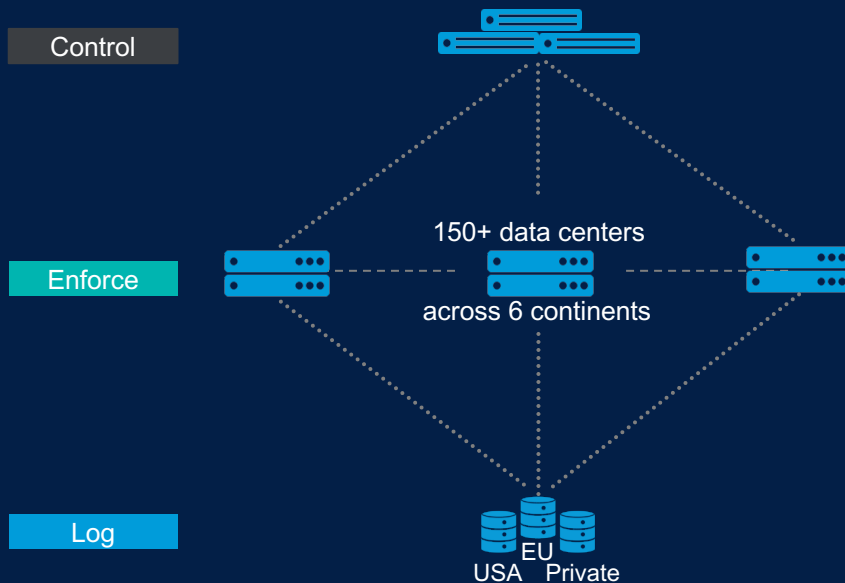
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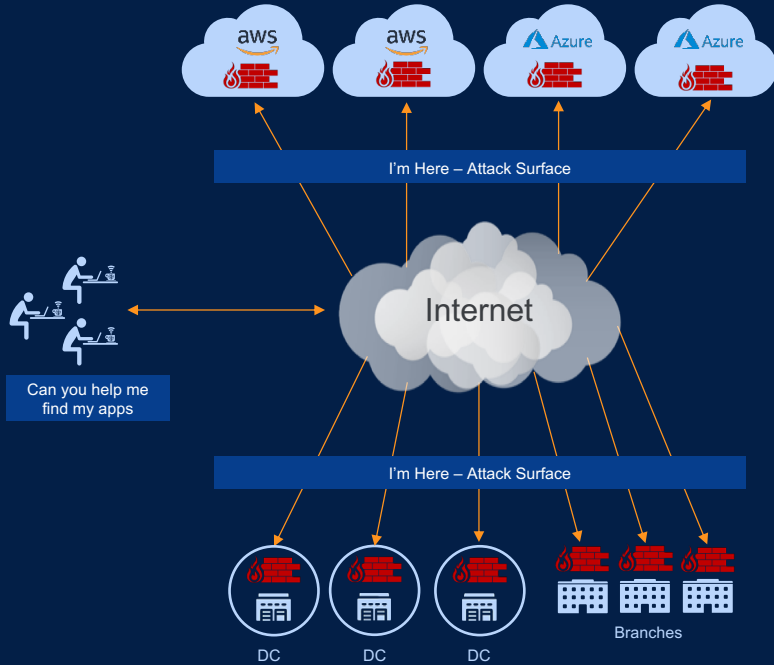
Zscaler built from scratch a highly scalable and ultra-fast multi-tenant cloud security architecture

THE ZSCALER CLOUD

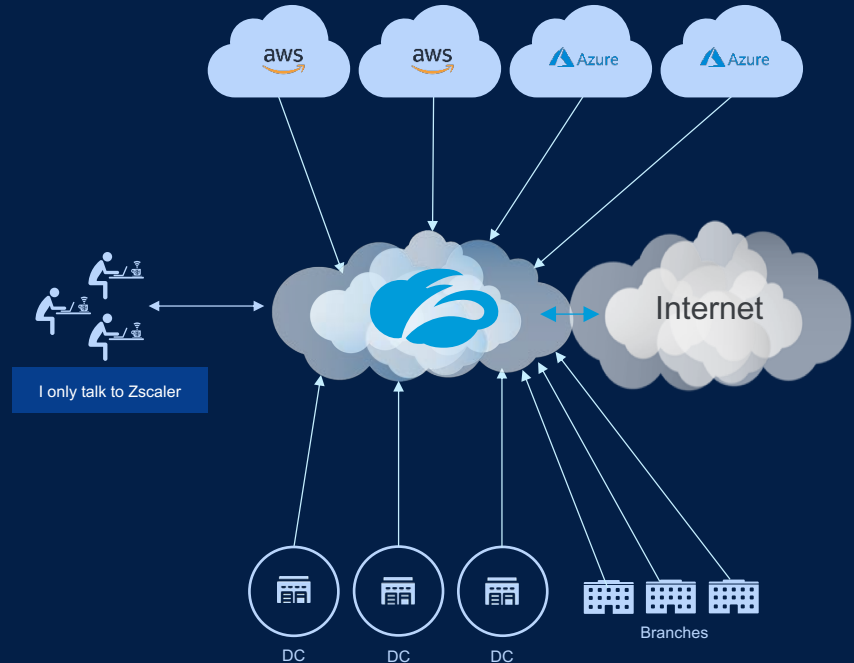


- Integrated control, logging and enforcement
- Single pass architecture — performance SLA and security efficacy
- Infinitely scalable — cost effective

You can't attack what you can't see



Every NGFW is an Attack Surface



Zscaler Eliminates the Attack Surface

User Experience Challenges in a Cloud & Mobile First World

