



# Securing your digital transformation

Corporate IR Presentation

February 2024



# Safe Harbor

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements. All statements other than statements of historical fact, including statements regarding our future financial and operating performance, including our financial outlook for the third quarter of fiscal 2024 and full year fiscal 2024, our planned products and upgrades, business strategy and plans and objectives of management for future operations of Zscaler are forward-looking statements. These statements involve known and a significant number of unknown risks, uncertainties, assumptions and other factors that could cause results to differ materially from statements made in this message, including any performance or achievements expressed or implied by the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment, and new risks may emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results or outcomes to differ materially from those contained in any forward-looking statements we may make, including but not limited to the ongoing effects of inflation and geopolitical events on our business, operations and financial results and the economy in general; our limited operating history; our ability to identify and effectively implement the necessary changes to address execution challenges; risks associated with managing our rapid growth, including fluctuations from period to period; our limited experience with new product and subscription and support introductions and the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products and subscription and support; rapidly evolving technological developments in the market for network security products and subscription and support offerings and our ability to remain competitive; length of sales cycles; and general market, political, economic and business conditions. Additional risks and uncertainties that could affect our financial and operating results are included in our most recent filings with the Securities and Exchange Commission (“SEC”). You can locate these reports through our website at <http://ir.zscaler.com> or on the SEC website at [www.sec.gov](http://www.sec.gov).

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

Founded in **2007** | Pioneer and leader in cloud security

Redefining network security, with the world's largest in-line security cloud and a 100% SaaS business model.

**\$72B** 

Serviceable market opportunity<sup>1</sup>

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

 Experienced, founder-led team

Conviction to build a lasting company with sustainable long-term growth.

## Strong growth at scale

PERFORMING BEYOND RULE-OF-40

**>\$2B**  
recurring revenue<sup>2</sup>

**35%**  
growth y/y revenue<sup>3</sup>

**121%**  
dollar-based NRR<sup>4</sup>

**21%**  
FCF margin<sup>4</sup>

## Long-term secular tailwinds

Secure digital transformation is top of mind in the C-Suite.

### KEY TRENDS:

- CLOUD SHIFT
- IoT
- RISING THREATS
- LEGACY PHASE-OUT
- MOBILITY
- 5G
- AI

## Sustainable competitive advantage

 First mover at massive scale, delivering measurable customer value.

 Virtuous cycle of growing scale, focused innovation, and data / insight.

## Total Revenue\*



## \$100K+ ARR Customers\*



\*Fiscal year ending July 31

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 as of July 31, 2023.

3. Revenue growth year-over-year for Q2'24.

4. Dollar-based net retention rate (NRR) and free cash flow (FCF) margin for fiscal FY23.

OUR VISION

# A new world of cloud and mobility, secured.

TRANSFORMATIONAL ZERO TRUST PLATFORM

## Secure

Reduce Business Risk

**35x** Fewer infected machines



## Simplify

Eliminate Cost and Complexity

**70%** Infrastructure cost reduction

**SIEMENS**

## Transform

Increase Business Agility

**1** Day to onboard M&A users

**S&P Global**

## Securing any-to-any connectivity



# The leader in secure digital transformation

## World's Largest Security Cloud

**\$2B+**

Annual recurring revenue

**390B+**

Daily transactions  
>20x Google searches<sup>1</sup>

**41M+**

Users secured across  
7,700 customers<sup>2</sup>

**500T+**

Daily signals  
powering AI/ML



## Pioneer And Market Leader

**12 Years**

Gartner MQ  
leadership

**>40%**

Fortune 500  
are customers

**>30%**

Global 2000  
are customers

**>70**

Net Promoter Score  
(vs. 30 SaaS Average)



MARKET LEADER ACROSS VERTICALS

**Customers in the top 10**

Forbes Global 2000<sup>3</sup>



Household &  
Personal Products



Capital  
Goods



Banking  
(outside of China)



Transportation



Utilities



Drugs &  
Biotechnology

- 1) Google's daily search requests based on estimates from ardorseo.com and internetlivestats.com
- 2) Customers as of July 31, 2023
- 3) Forbes Global 2000 list for 2023

# New category leaders are born when megashifts take place

Data center  
and hardware



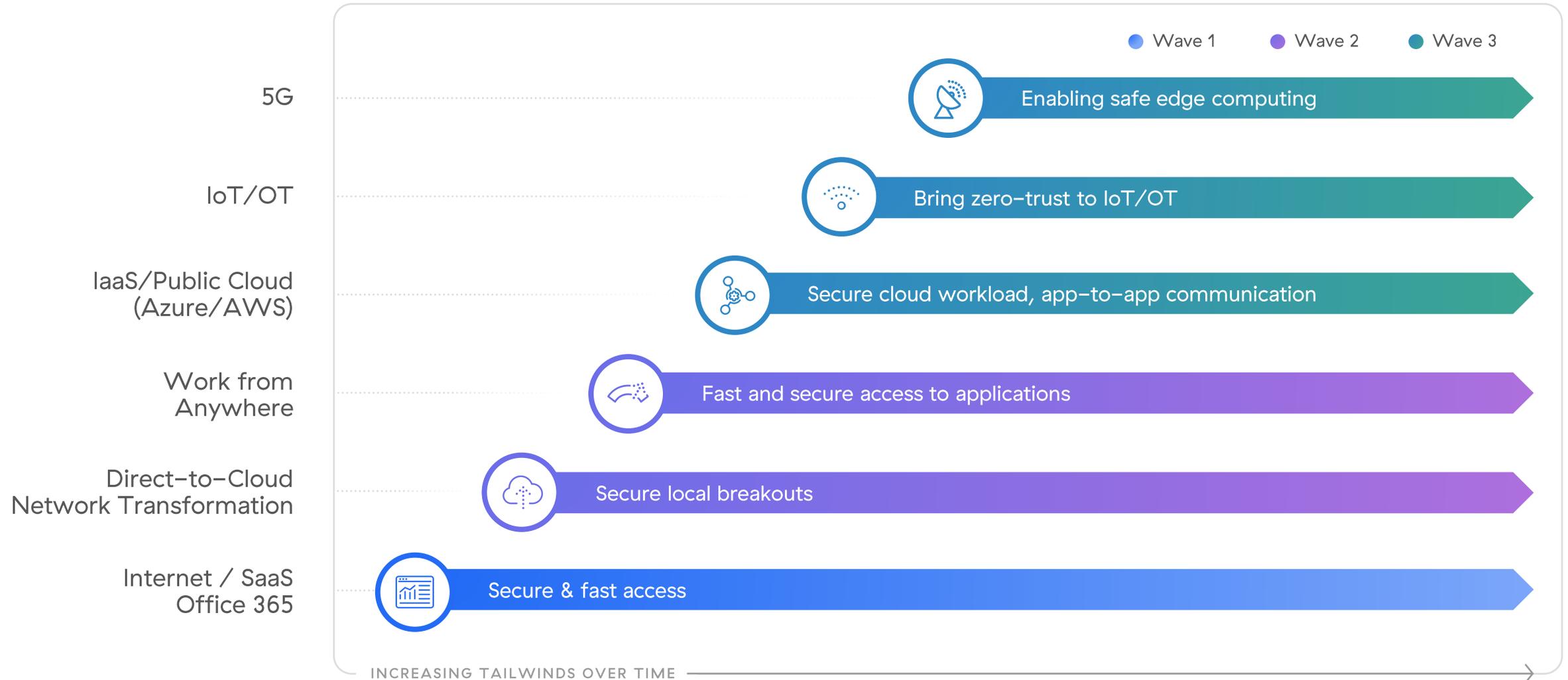
Applications in  
the data center



On-Premises  
security



# Secular tailwinds powering adoption



# Global footprint and operational excellence

COMPETITIVE ADVANTAGE IN DELIVERING A MISSION CRITICAL SERVICE

150+ data centers

390B+ transactions per day

9B+ enforcements per day

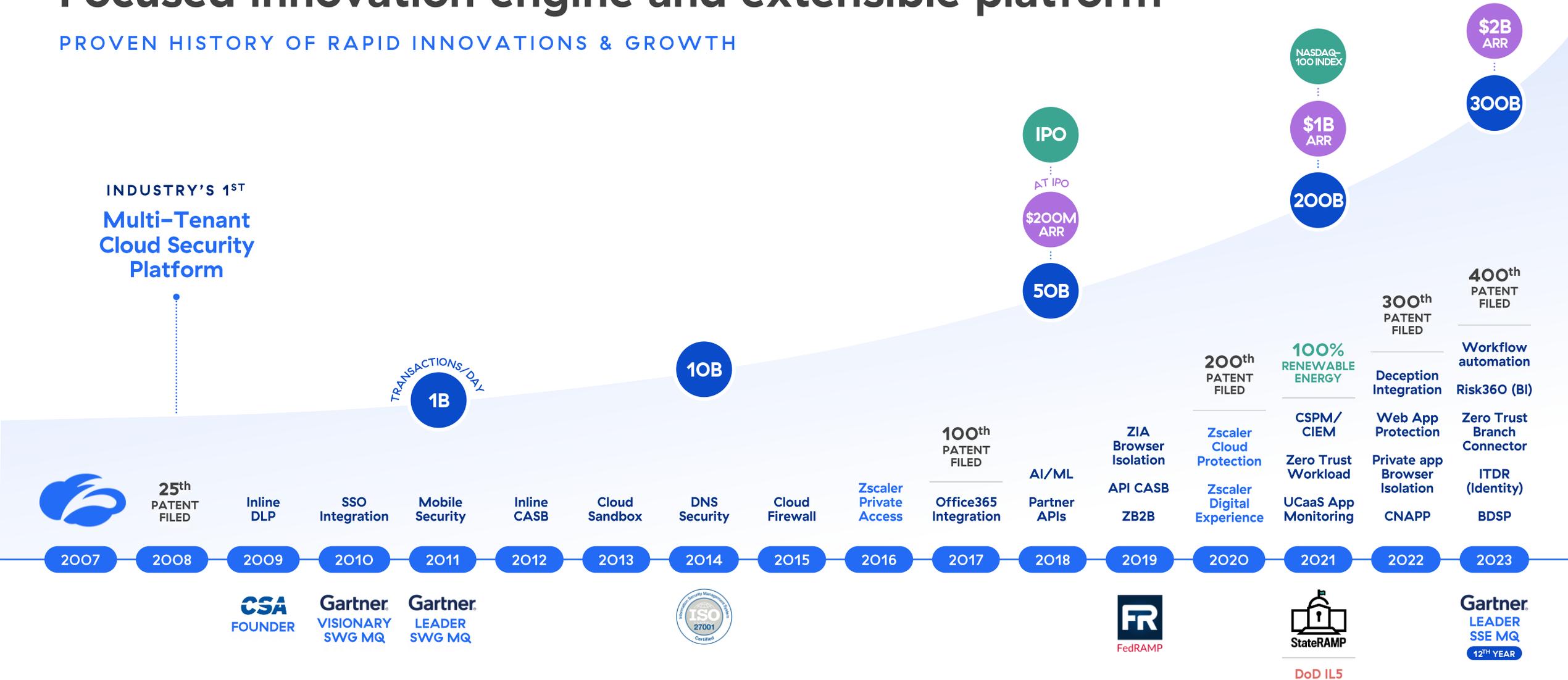
250K+ security updates per day

- 1 Availability SLA 99.999%
- 2 100% renewable energy
- 3 Proven elasticity & scale
- 4 Security hardened
- 5 Operational compliance



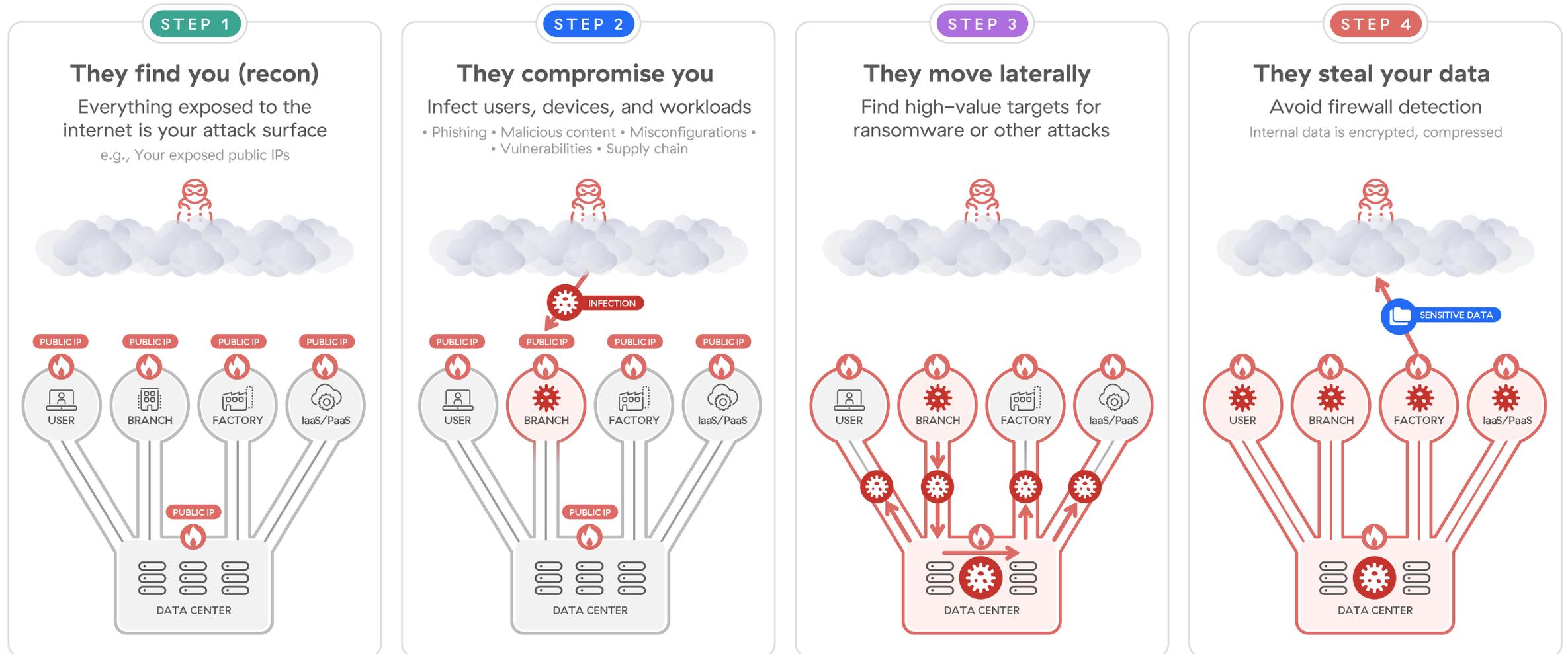
# Focused innovation engine and extensible platform

PROVEN HISTORY OF RAPID INNOVATIONS & GROWTH



# 4 stages of a breach in firewall/VPN architectures

CREATES RISK IN THE CLOUD AND MOBILE WORLD



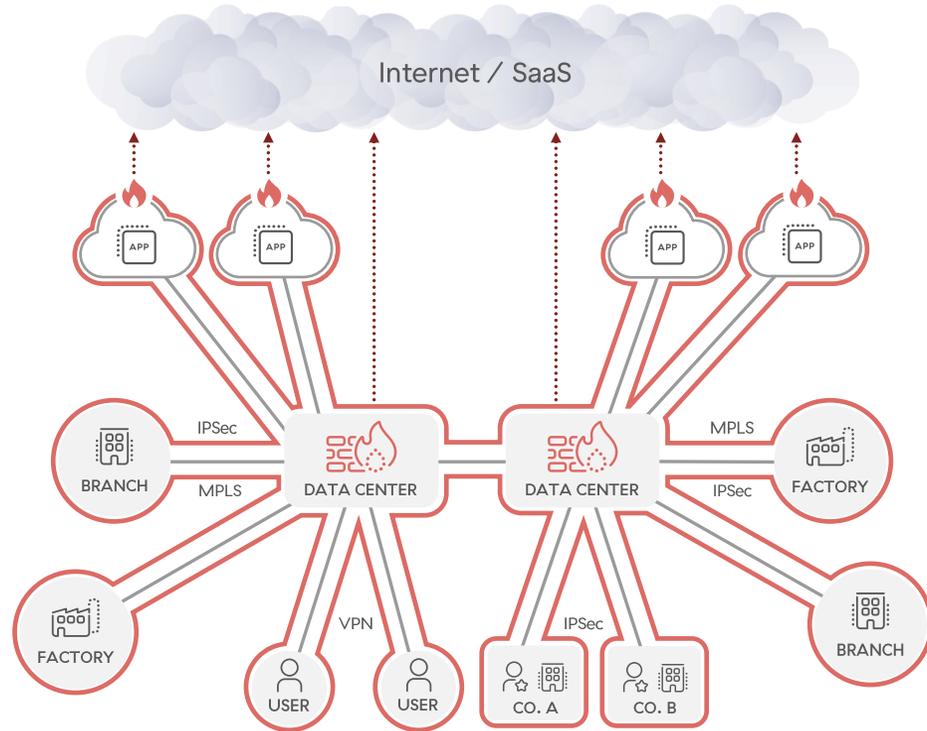
# Zscaler: Disrupting a 30-year-old paradigm in network security

## TWO OPPOSING ARCHITECTURES

### ❌ Network & Firewall-centric Architecture

Secures a trusted network, connecting one-to-many and expanding the attack surface.

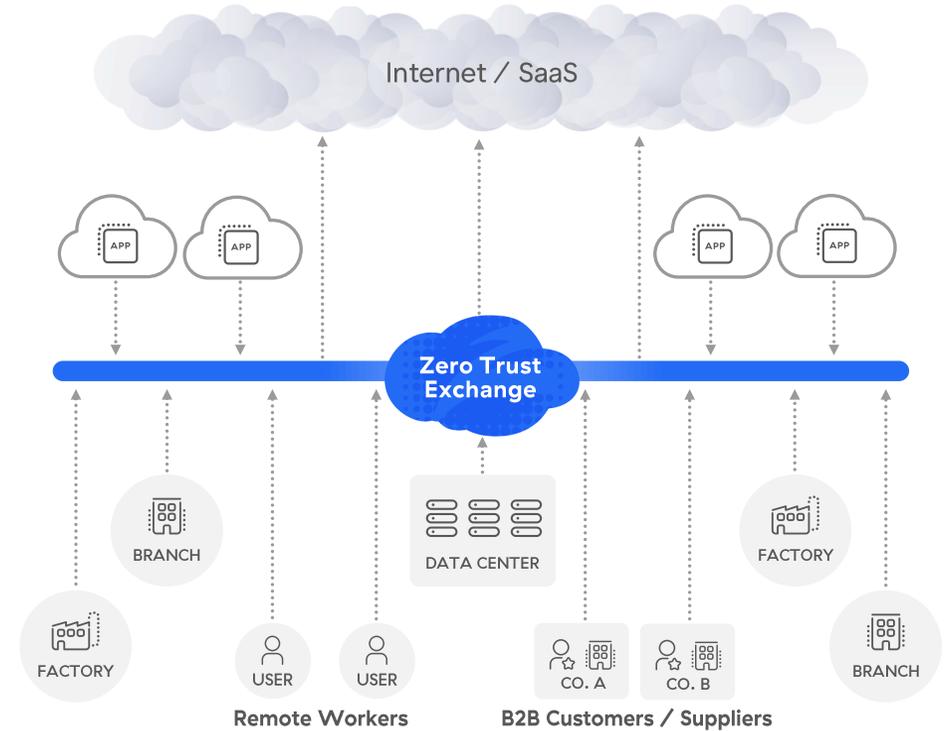
Rigid, Complex and a Security Risk  
Barrier to Transformation



### ✅ Zero Trust Architecture

Uses, apps, and devices become islands in the cloud, securely connecting one-to-one through Zscaler.

Agile, Simple and Secure  
Enables Transformation



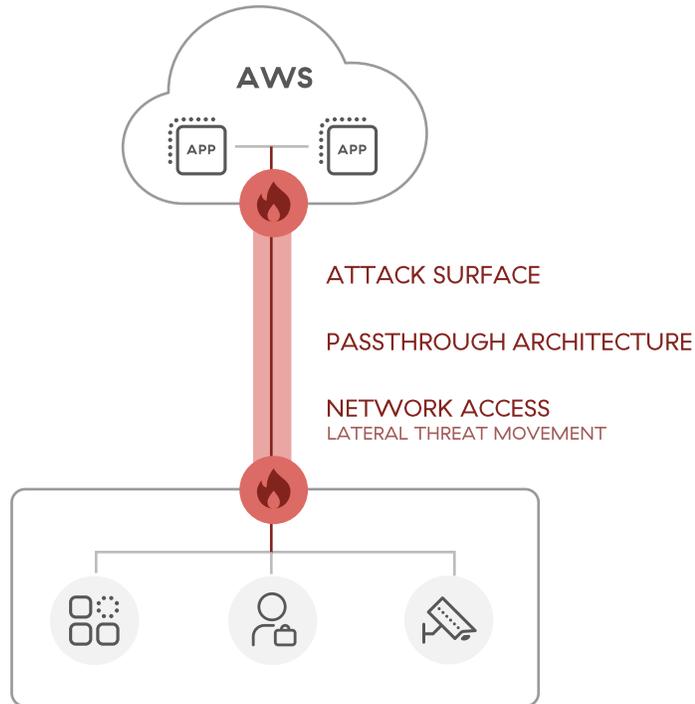
# Zscaler: Disrupting a 30-year-old paradigm in network security

OUR ARCHITECTURAL DIFFERENTIATION GIVES US A LONG-TERM ADVANTAGE

## Firewall / VPN

### Firewalls are like bridges

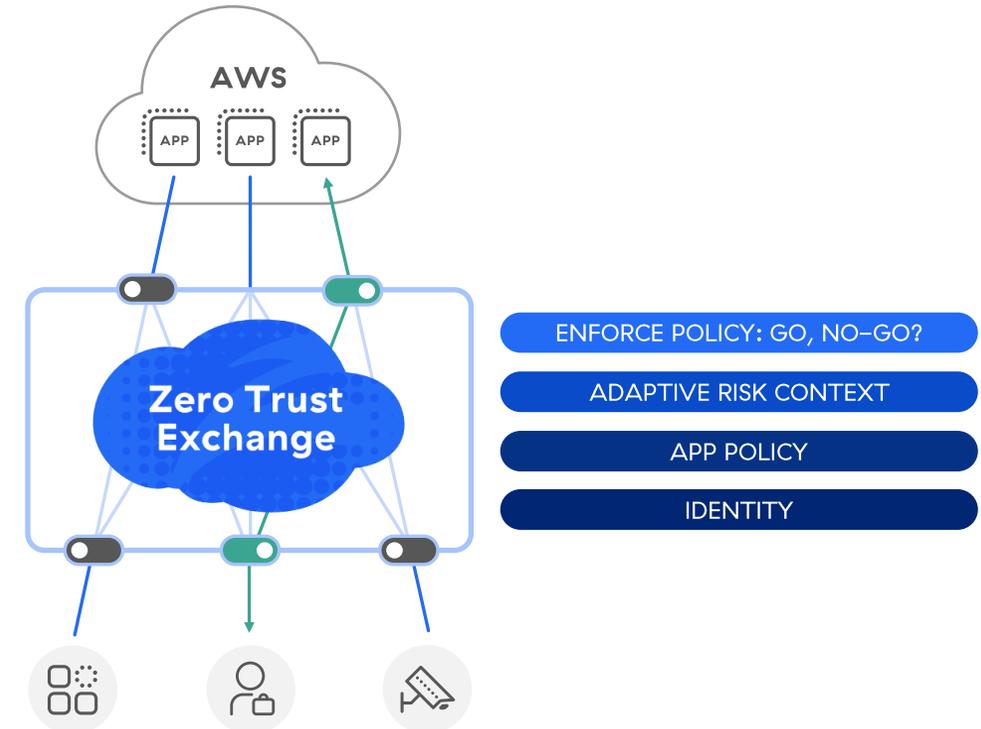
Connect users to a network, where everything is trusted, even attackers.



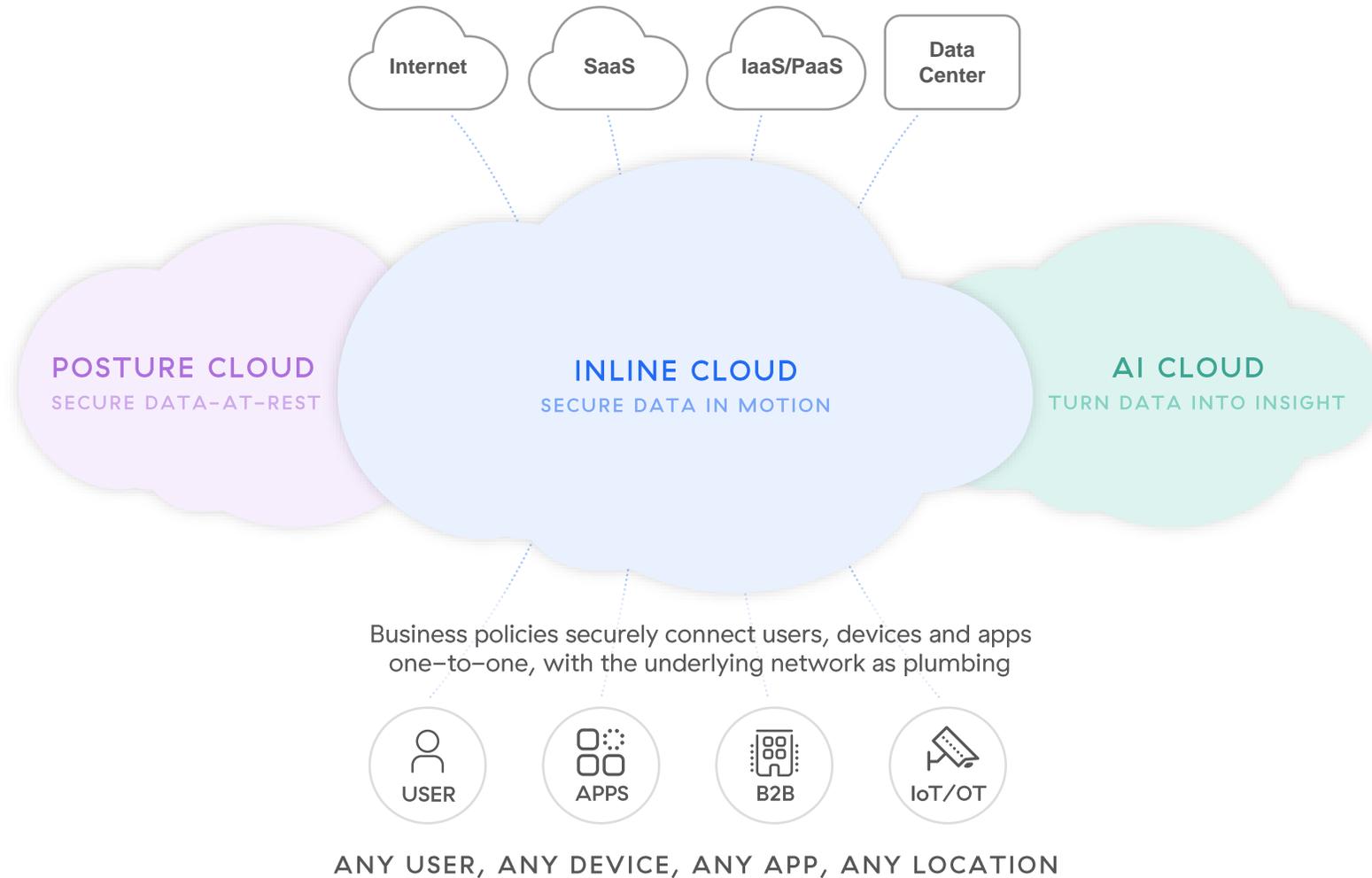
## Zero Trust

### Zscaler is like a switchboard

Securely connects one-to-one based on policies, not to the network, a core principle of Zero Trust.

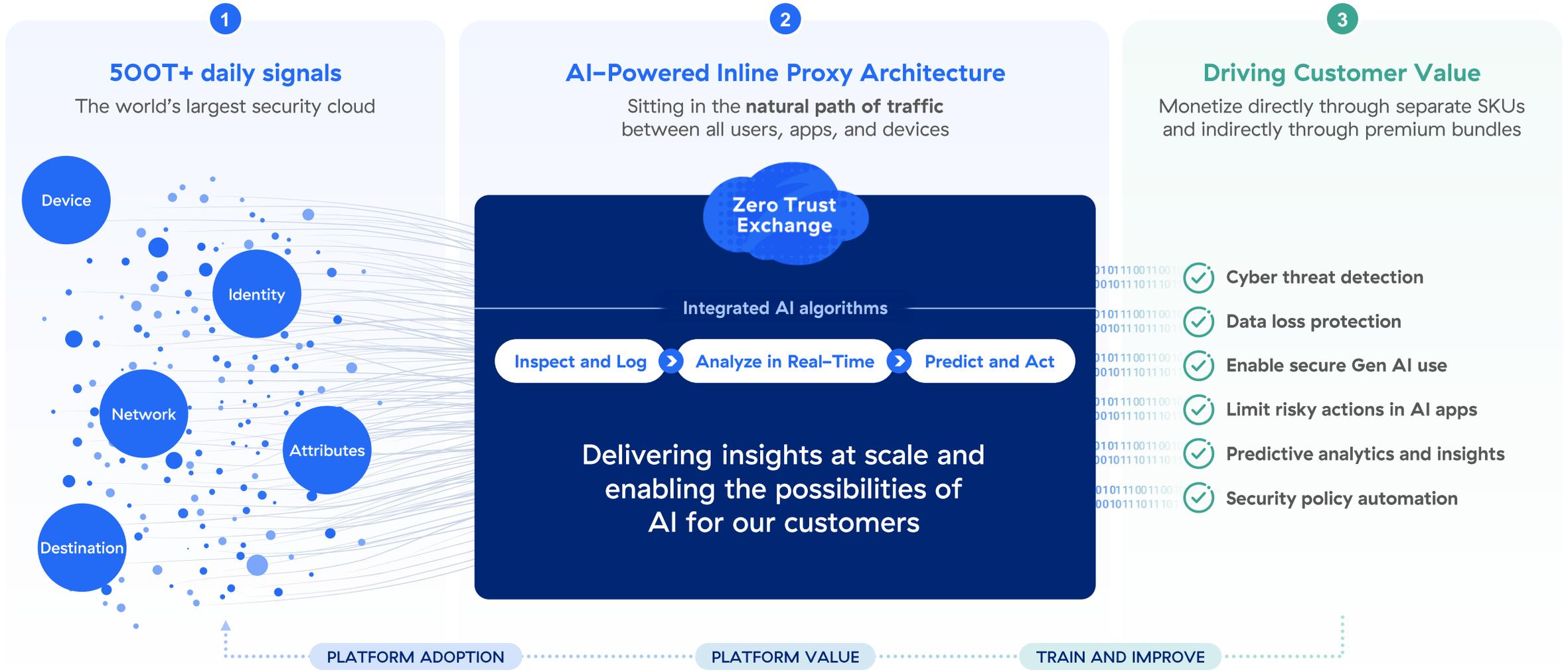


# Zscaler Zero Trust Exchange™ platform

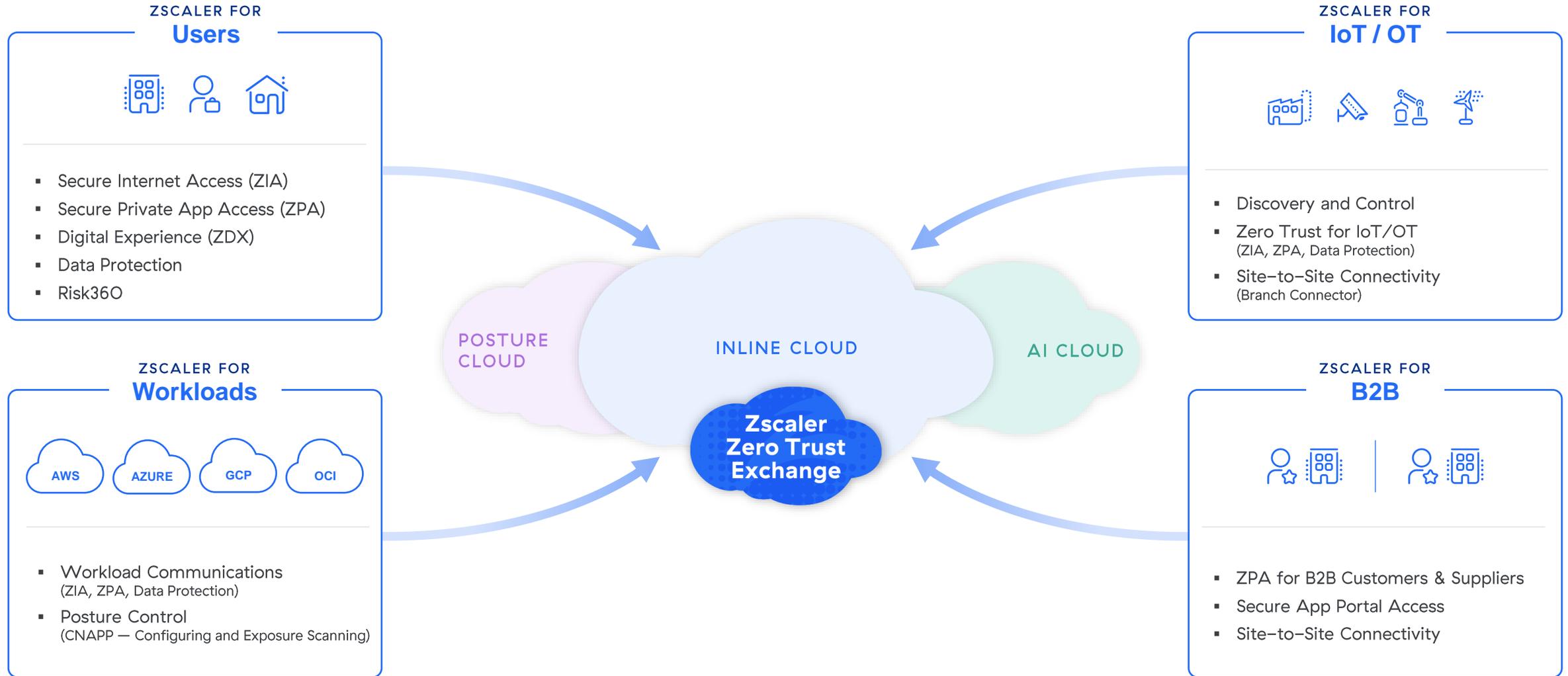


- ✓ One integrated platform to secure all traffic
- ✓ Built for scale
- ✓ Global at the edge
- ✓ Cloud from the start, not salvaging legacy tech
- ✓ Extensible innovation = Durable architecture
- ✓ Trillions of daily signals

# Our platform architecture creates a unique AI opportunity

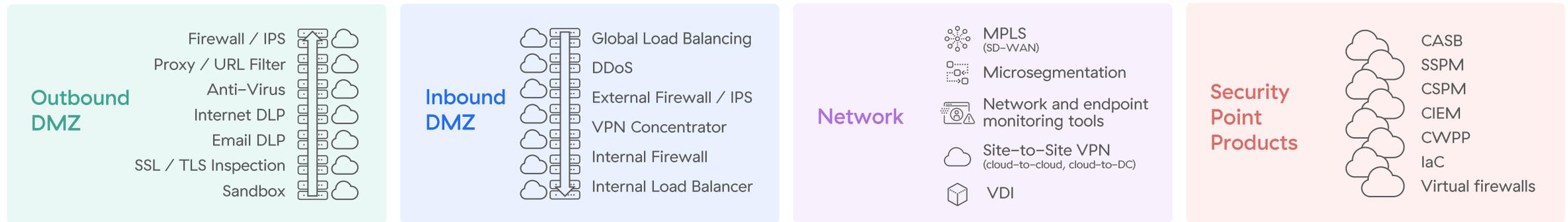


# Zscaler platform offerings



# Zscaler platform consolidates point products and simplifies IT

DESIGN ONCE, SOLVE FOR MANY



## Zscaler Zero Trust Exchange

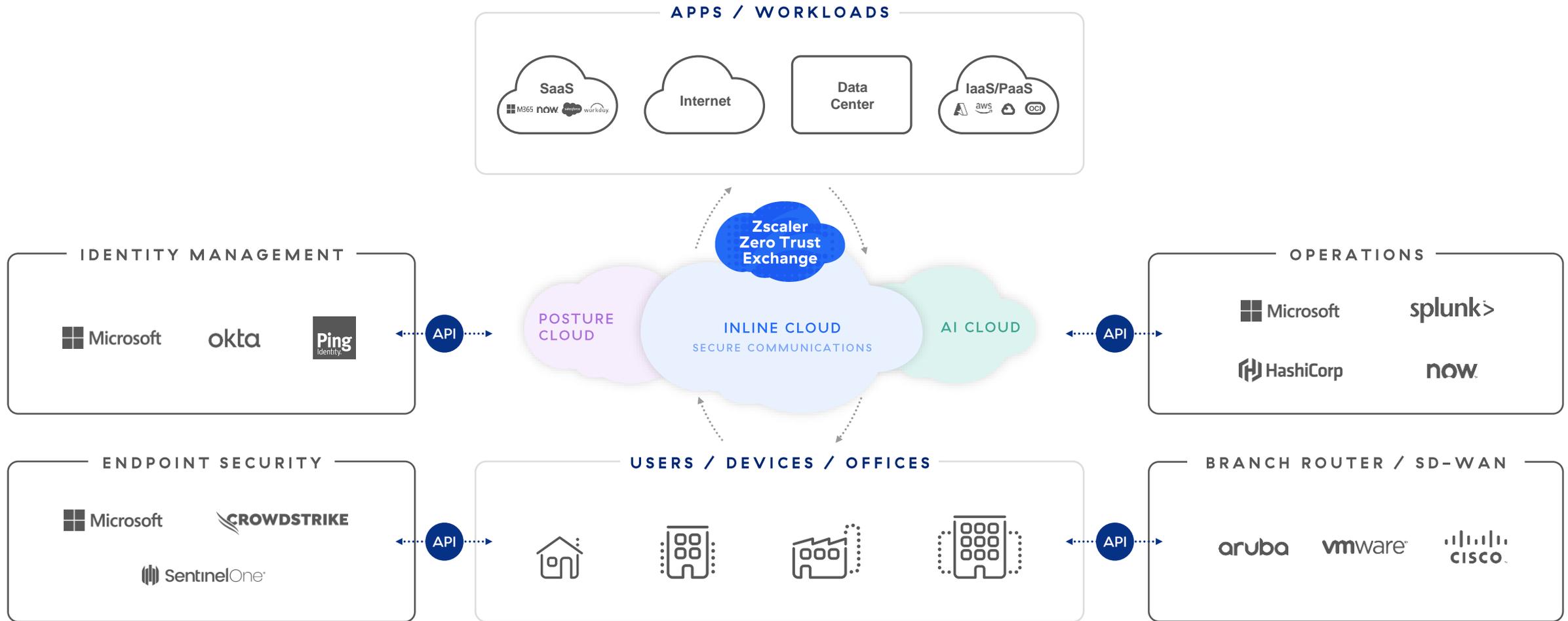
On vendor consolidation and operational savings alone, Zscaler typically provides customers:

**200%+** return on investment\*

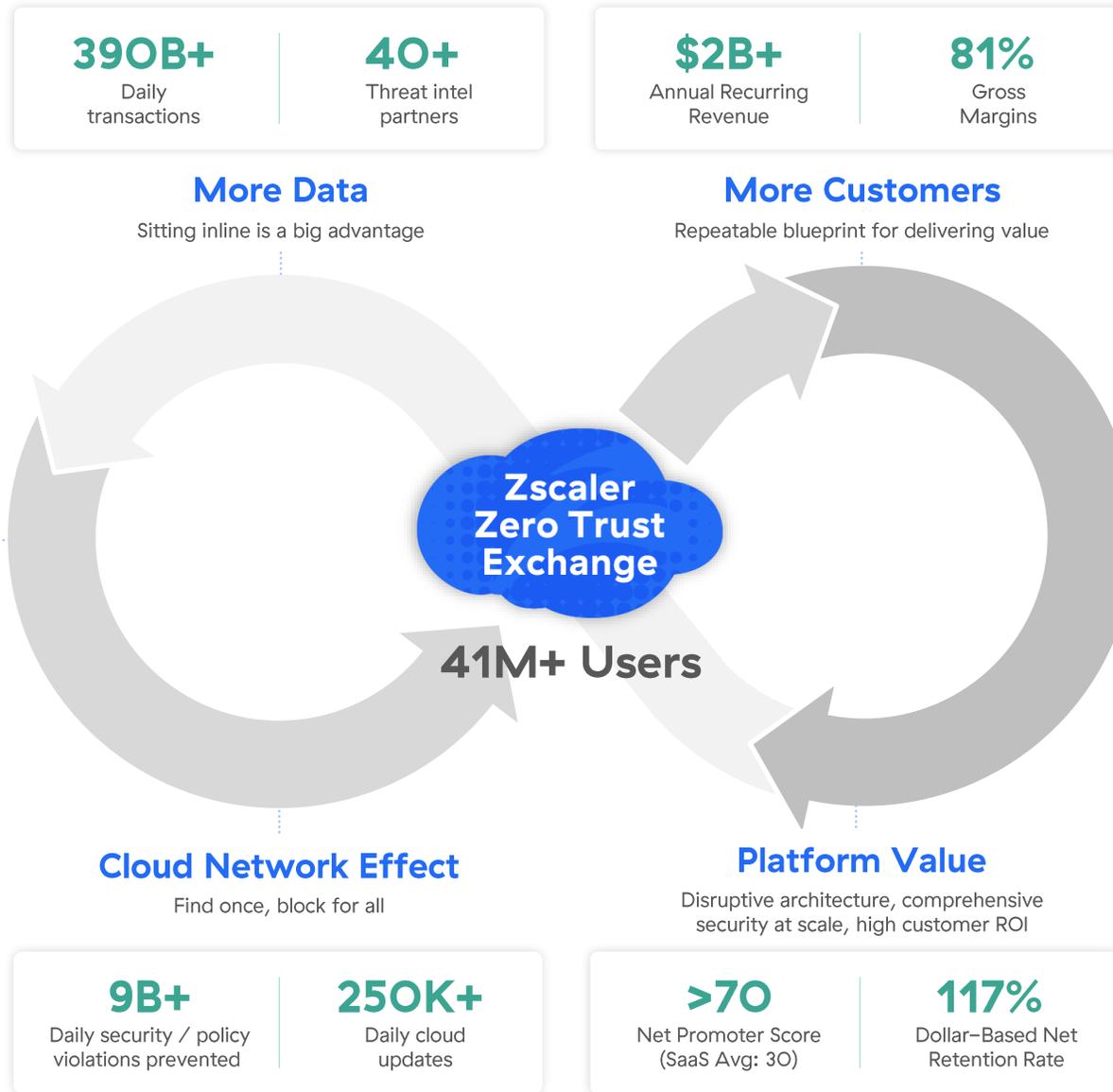
**<12 month** payback period\*

\*Zenith Live 2023 Innovations Briefing, June 15, 2023

# A critical integration partner positioned in the path of data



The network effects of a disruptive platform drives customer value at scale



Gross Margin and Dollar-Based Net Retention Rate for Q2'24.  
ARR, Net Promoter Score, and cloud stats as of January 31, 2024.  
Number of users as of July 31, 2023

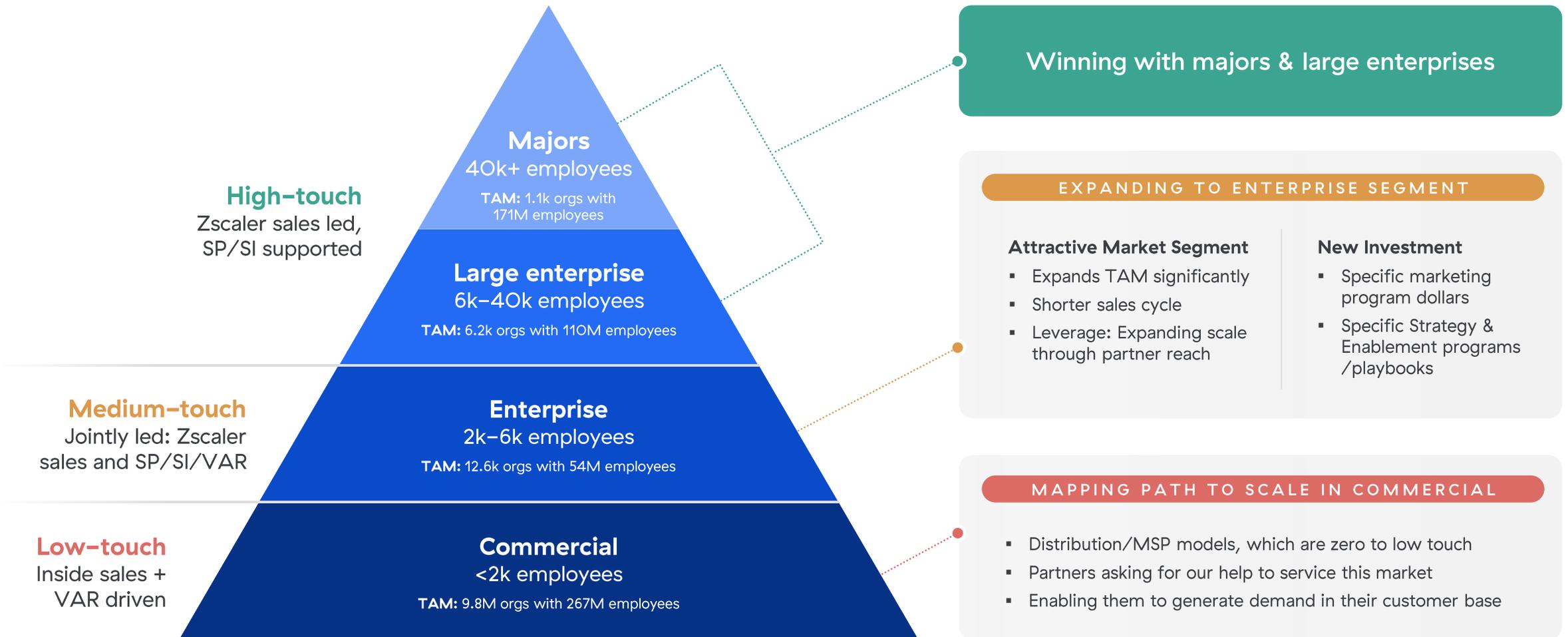
# Enabling digital transformation requires a unique sales process

Driving value through high-touch engagement with customers



# Go-to-market model built to capture our addressable market

TARGETED ACCOUNT-BASED SALE WITH FOCUS ON ENTERPRISES, WHILE EXPANDING TO SMALLER ENTERPRISES

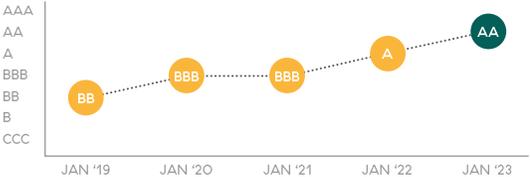


Total Addressable Market (TAM) for Majors, Large enterprise, Enterprise and Commercial segments are based on data from ZoomInfo for total Global Parent Companies and their Total Employees, rounded to nearest digit, as of December 23, 2020.

# Environmental, Social, and Governance Highlights

## ESG Performance

Leader for ability to manage ESG Risk



## Environmental

### Carbon Neutral

100% renewable energy for data centers and offices

- Scope 3 emissions are offset
- Net Zero by 2025
- Climate risk assessment
- Cloud-native solution is more efficient than legacy solutions
- Commitment to set science-based emissions target with SBTi



## External Platform and Security Certifications

ISO 27001, 27701, 27018, 27017 certified

FedRAMP moderate and high authorization<sup>1</sup>

DoD Impact Level 5 provisional authorization<sup>1</sup>



## Governance

Board oversight of ESG and cybersecurity



## Workplace Awards



### Employees



+20% growth in employees, 61% outside US<sup>2</sup>

### Strategic Alignment



92% employees aligned to strategic direction<sup>2</sup>

### Employee Engagement



88% employees are highly engaged<sup>2</sup>

1. ZIA, ZPA, and ZDX are FedRAMP authorized at moderate and high levels. ZPA is Department of Defense IL5 authorized.  
2. As of July 31, 2023



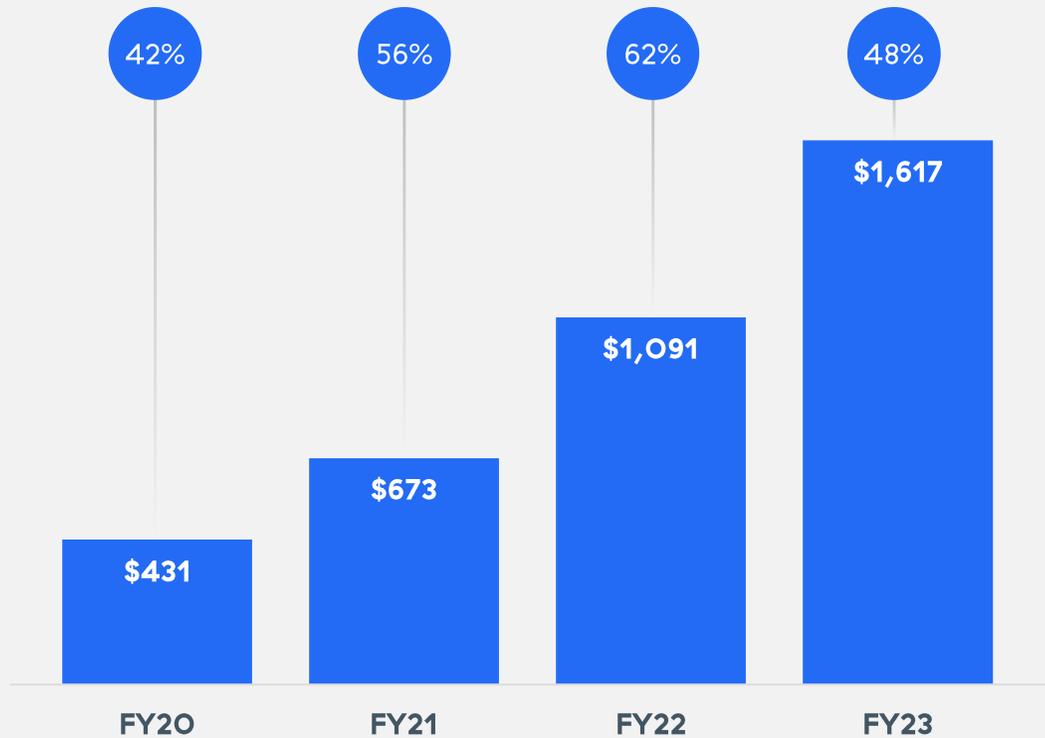
# Financial Overview



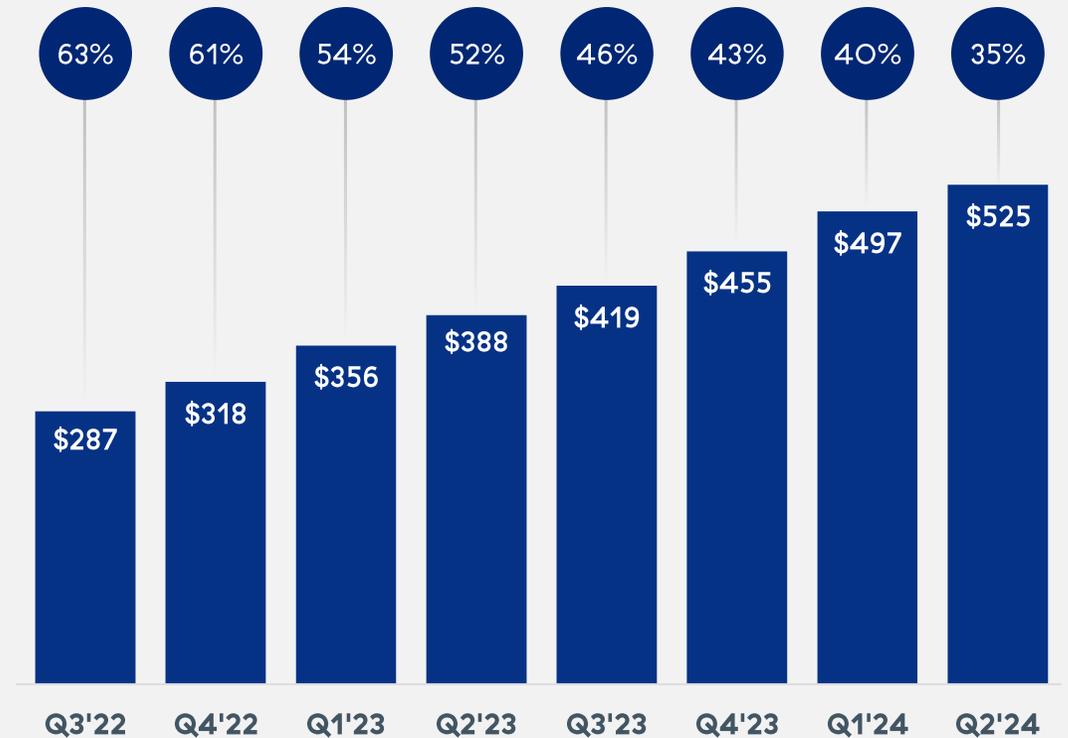
# Consistent and strong revenue growth

(\$ IN MILLIONS)

## Annual revenue / YoY growth



## Quarterly revenue / YoY growth



Note: Fiscal year ended July 31.

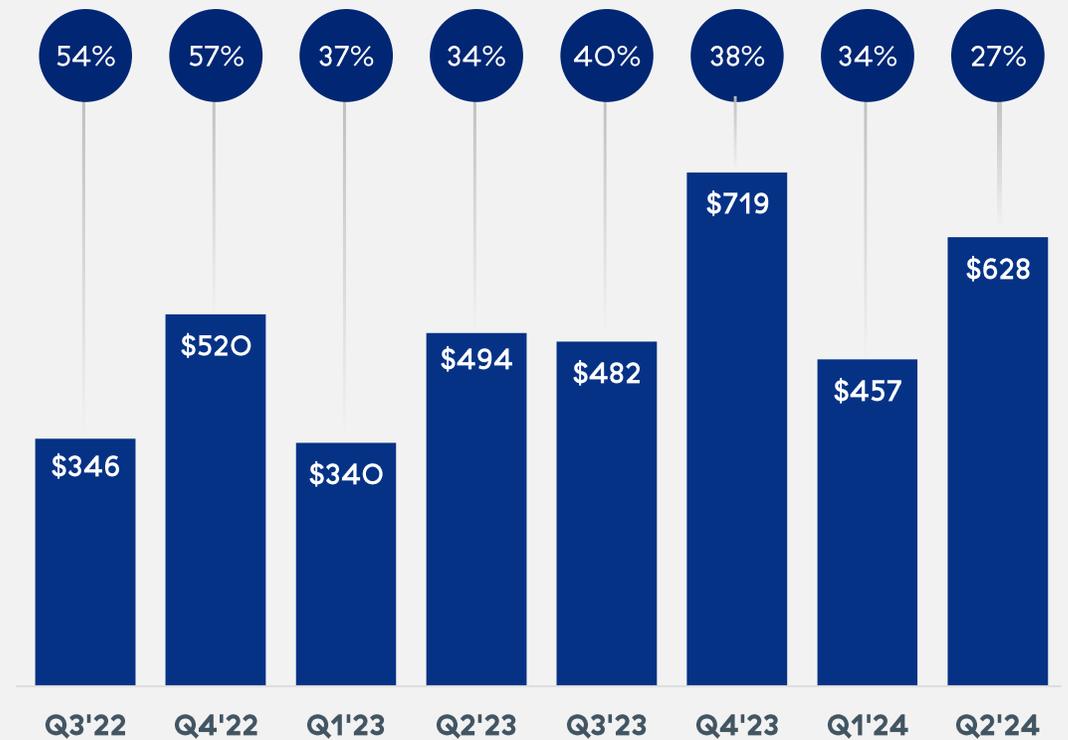
# Strong YoY growth in calculated billings

(\$ 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

**>600M** potential  
B2B users<sup>2</sup>  
(3<sup>rd</sup> party vendors and customers of customers)

**267M** incremental  
users<sup>1</sup>  
(Commercial <2k employees)

**335M** serviceable  
users<sup>1</sup>  
(Current target market of ~20k  
organizations with 2k+ employees)

## Workloads & OT/IOT devices

**Billions** of OT/IoT

**338M** incremental  
workloads<sup>3</sup>

**150M** serviceable  
workloads<sup>3</sup>  
(Current target market of  
workloads at top public clouds)

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

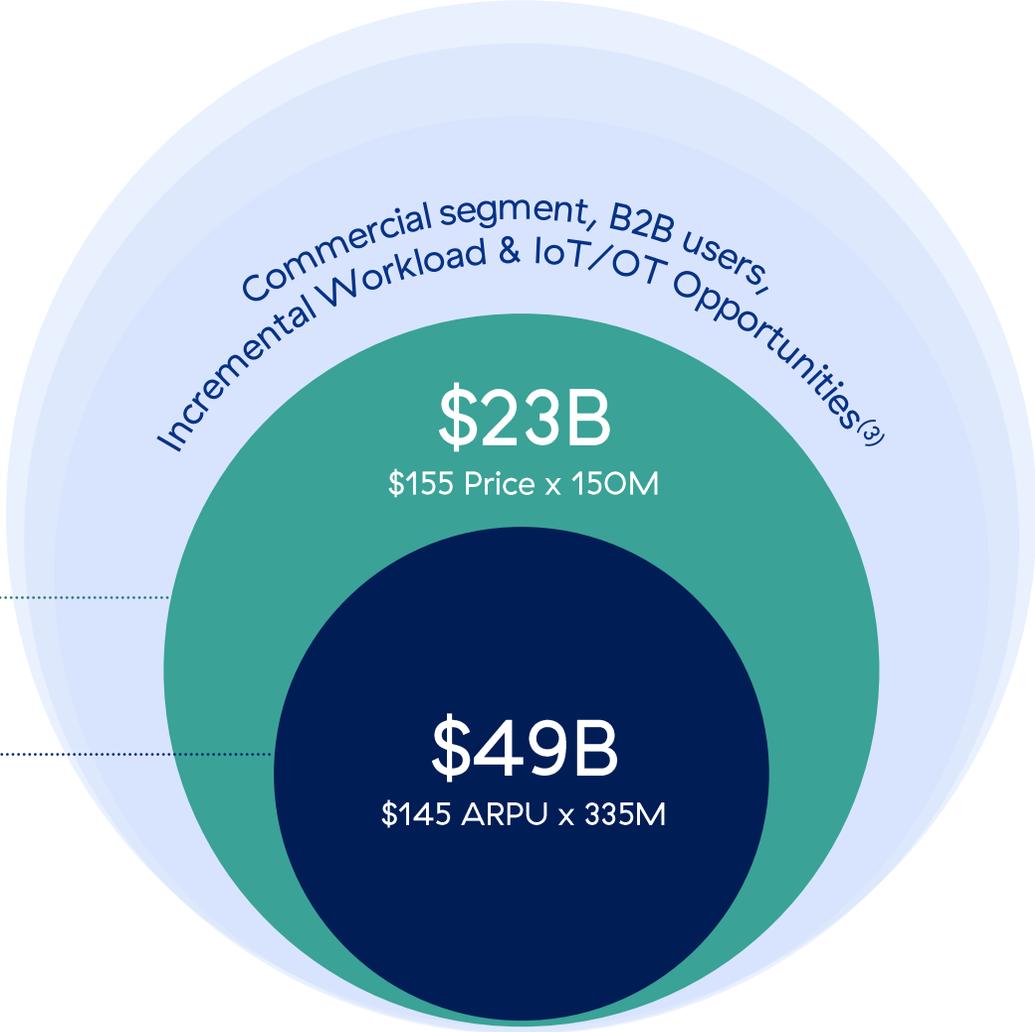
2. Zscaler's estimate of potential B2B Users is based on assuming a similar number of users as total worldwide workforce. We consider B2B users to include third-party vendors and customers of our customer.

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

# \$72 billion serviceable market, plus bigger long-term opportunity

Workload SAM<sup>2</sup> for workloads in top public clouds

User SAM<sup>1</sup> focused on enterprises with 2k+ employees



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

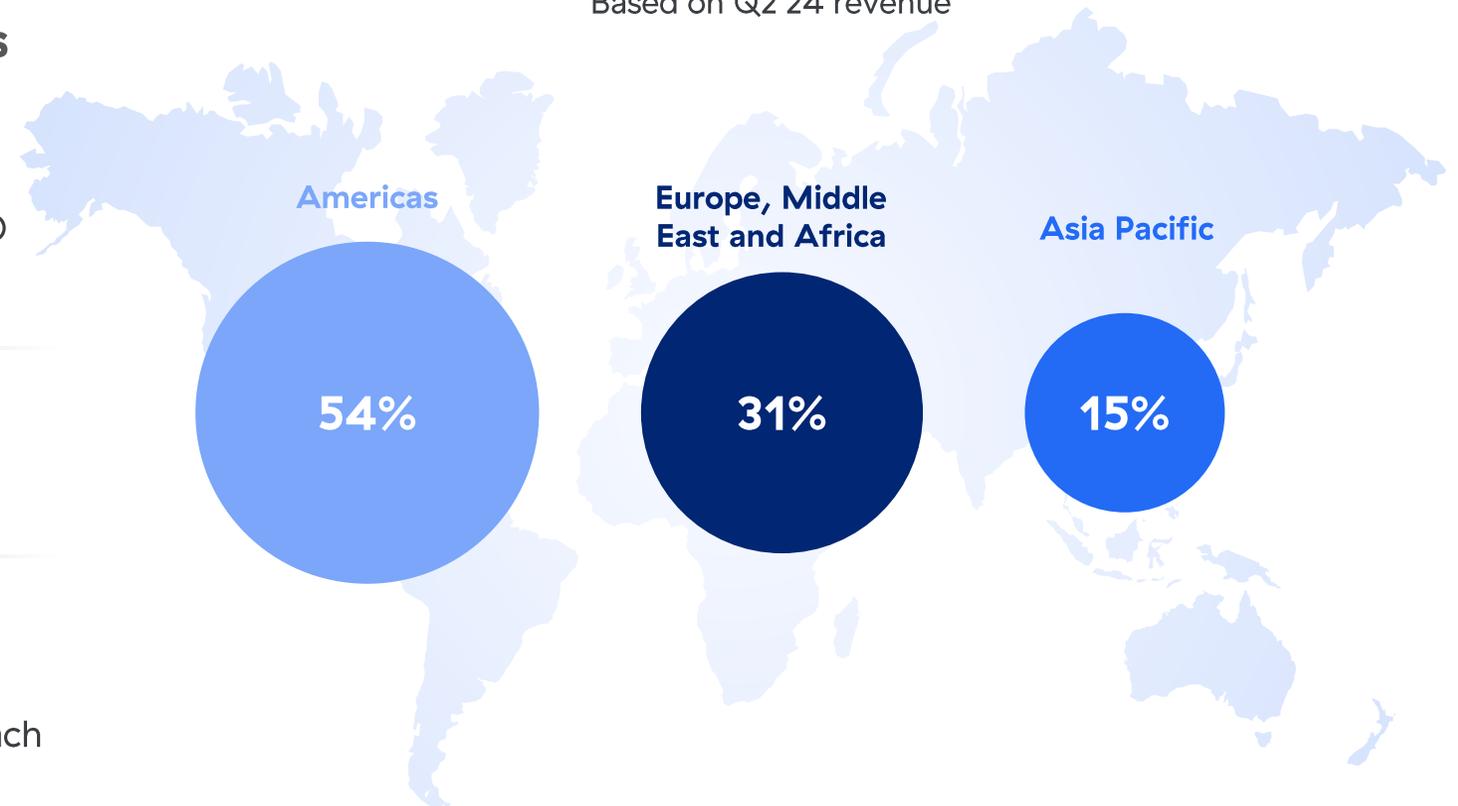
Replicated size of U.S. sales team internationally

## Global SP partners

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

## Revenue by geography

Based on Q2'24 revenue



# Attractive cloud gross margins

## Key factors

### Purpose-built, multi-tenant architecture

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

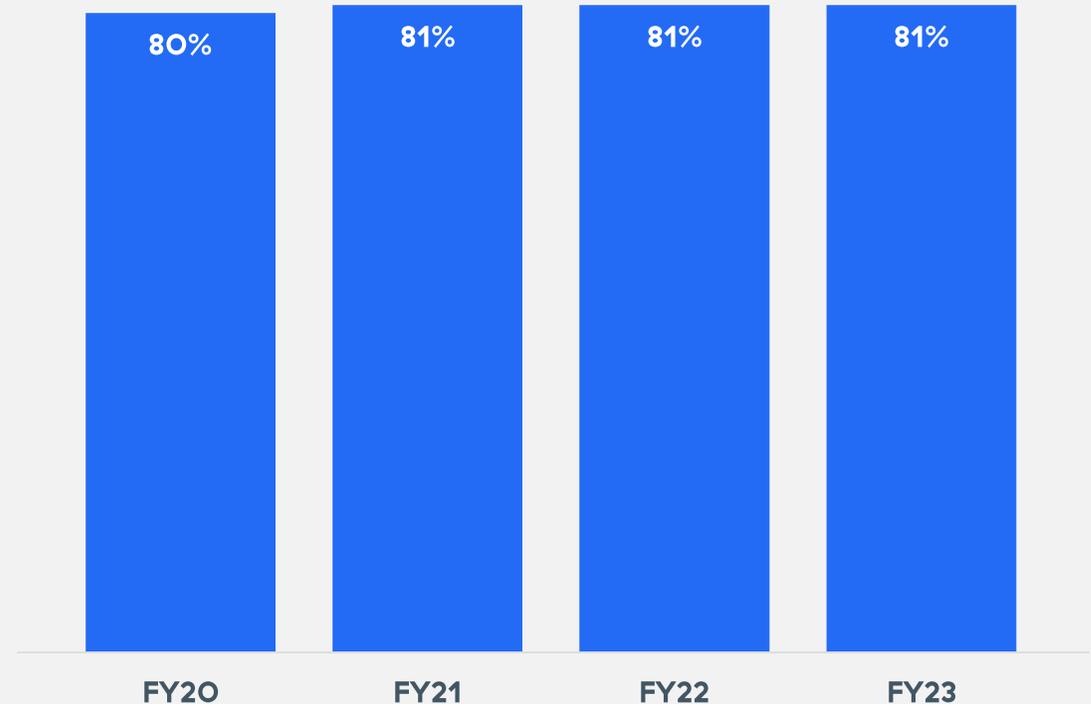
### Cloud operations

Highly automated, which requires lower head count to operate

### Peering with content and service providers at internet exchanges

Reduces bandwidth cost

## Non-GAAP gross margin<sup>1</sup>

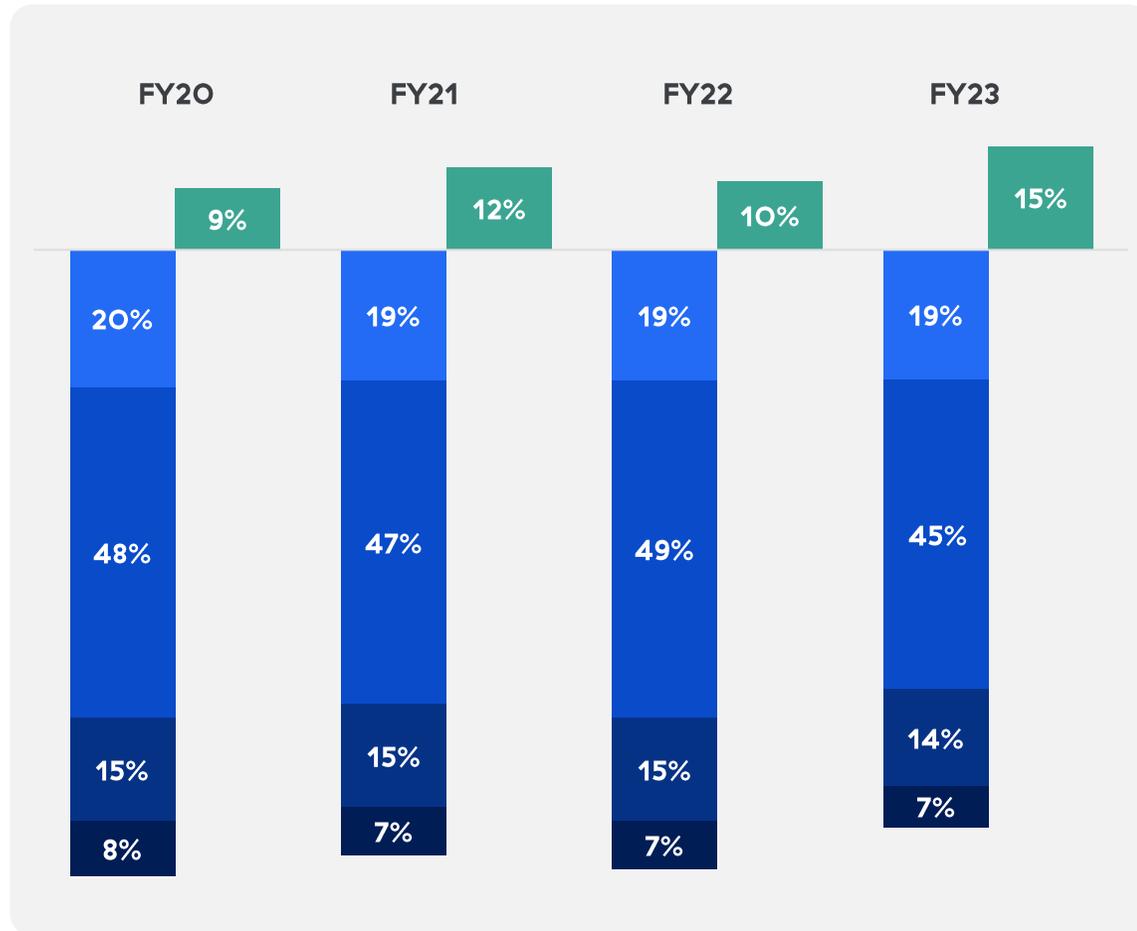


Note: Financials presented are non-GAAP; refer to the non-GAAP to GAAP reconciliation in Appendix.

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<sup>1</sup> AND NON-GAAP OPERATING MARGIN<sup>1</sup> AS % OF REVENUE



## Key factors

<b>Operating Margin</b>	60%+ contribution margins on renewal cohorts in years 2 and 3
<b>Cost of Revenue</b>	Scale of our multi-tenant cloud benefits cost of revenue
<b>Sales &amp; Marketing</b>	Investments for long-term leverage Building sales team to drive growth and penetration Ramping marketing efforts to build brand and create demand
<b>R&amp;D</b>	Global centers in Silicon Valley & India Investing in R&D to enhance functionality
<b>G&amp;A</b>	Significant presence in India

<sup>1</sup> 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.

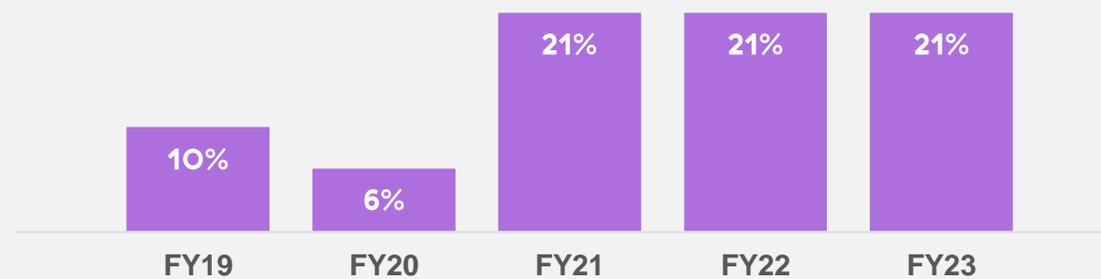
# Long-term model (Non-GAAP)

	FY19	FY20	FY21	FY22	FY23	FY24 Guidance	Long-Term Targets
Non-GAAP gross margin <sup>(1)</sup>	82%	80%	81%	81%	81%		78% – 82%
Non-GAAP operating margin	11%	9%	12%	10%	15%	18.8% <sup>2</sup>	20% – 22%
Non-GAAP free cash flow margin	10%	6%	21%	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.

2. Represents mid-point of FY24 guidance



# 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<sup>(\*)</sup>
- Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin<sup>(\*)</sup>
- 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<sup>(\*)</sup>

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

# Appendix A: Non-GAAP to GAAP Reconciliation

\$ IN THOUSANDS

	FY 19	FY 20	FY 21	FY 22	FY 23
Revenue	\$302,836	\$431,269	\$673,100	\$1,090,946	\$1,616,952
GAAP Gross Profit	\$243,167	\$335,536	\$522,783	\$848,664	1,254,120
Stock-based compensation expense and related payroll taxes	3,453	7,851	15,272	25,292	40,297
Amortization expense of acquired intangible assets	512	2,030	6,468	7,975	9,574
Non-GAAP Gross profit	\$247,132	\$345,417	\$544,523	\$881,931	\$1,303,991
GAAP Gross Margin	80%	78%	78%	78%	78%
Non-GAAP gross margin	82%	80%	81%	81%	81%
GAAP Sales and marketing expense	\$169,913	\$277,981	\$459,407	\$735,219	\$953,864
Stock-based compensation expense and related payroll taxes	29,211	71,468	144,273	202,211	222,280
Amortization expense of acquired intangible assets	10	74	327	704	773
Non-GAAP sales and marketing expense	\$140,692	\$206,439	\$314,807	\$532,304	\$730,811
GAAP sales and marketing expense as a percentage of revenue	56%	64%	68%	67%	59%
Non-GAAP sales and marketing expense as a percentage of revenue	47%	48%	47%	49%	45%
GAAP research and development expense	\$61,969	\$97,879	\$174,653	\$289,139	\$349,735
Stock-based compensation expense and related payroll taxes	15,565	31,937	73,238	123,422	121,151
Amortization expense of acquired intangible assets	386	1,280	—	331	713
Non-GAAP research and development expense	\$46,018	\$64,662	\$101,415	\$165,386	\$227,871
GAAP research and development expense as a percentage of revenue	20%	23%	26%	27%	22%
Non-GAAP research and development expense as a percentage of revenue	15%	15%	15%	15%	14%
GAAP general and administrative expense	\$46,598	\$73,632	\$96,535	\$151,735	\$177,544
Stock-based compensation expense and related payroll taxes	5,928	18,380	45,779	79,095	73,051
Litigation related expenses	13,079	18,356	—	—	—
Asset impairment related to facility exit	—	746	416	—	—
Non-GAAP general and administrative expense	\$27,591	\$36,150	\$50,340	\$72,640	\$104,493
GAAP general and administrative expense as a percentage of revenue	15%	17%	14%	14%	11%
Non-GAAP general and administrative expense as a percentage of revenue	9%	8%	7%	7%	6%
GAAP restructuring and other charges	\$—	\$—	\$—	\$—	\$7,600
Stock-based compensation expense and related payroll taxes	—	—	—	—	1,036
Restructuring and other charges, excluding stock-based compensation expense	—	—	—	—	6,564
Non-GAAP restructuring and other charges	\$—	\$—	\$—	\$—	\$—
GAAP restructuring and other charges as a percentage of revenue	%	%	%	%	%
Non-GAAP restructuring and other charges as a percentage of revenue	%	%	%	%	%

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

\$ IN THOUSANDS

	FY 19	FY 20	FY 21	FY 22	FY 23
<b>GAAP total operating expenses</b>	<b>\$278,480</b>	<b>\$449,492</b>	<b>\$730,595</b>	<b>\$1,176,093</b>	<b>\$1,488,743</b>
Stock-based compensation expense and related payroll taxes	50,704	121,785	263,290	404,728	417,518
Litigation related expenses	13,079	18,356	—	—	—
Amortization expense of acquired intangible assets	396	1,354	327	1,035	1,486
Asset impairment related to facility exit	—	746	416	—	—
Restructuring and other charges, excluding stock-based compensation expense	—	—	—	—	6,564
<b>Non-GAAP total operating expenses</b>	<b>\$214,301</b>	<b>\$307,251</b>	<b>\$466,562</b>	<b>\$770,330</b>	<b>\$1,063,175</b>
GAAP total operating expenses as a percentage of revenue	92%	104 %	109%	108%	92%
Non-GAAP total operating expenses as a percentage of revenue	71%	71%	69%	71%	66%
<b>GAAP loss from operations</b>	<b>\$(35,313)</b>	<b>\$(113,956)</b>	<b>\$(207,812)</b>	<b>\$(327,429)</b>	<b>\$(234,623)</b>
Stock-based compensation expense and related payroll taxes	54,157	129,636	278,562	430,020	457,815
Litigation related expenses	13,079	18,356	—	—	—
Amortization expense of acquired intangible assets	908	3,384	6,795	9,010	11,060
Asset impairment related to facility exit	—	746	416	—	—
Restructuring and other charges, excluding stock-based compensation expense	—	—	—	—	6,564
<b>Non-GAAP income from operations</b>	<b>\$32,831</b>	<b>\$38,166</b>	<b>\$77,961</b>	<b>\$111,601</b>	<b>\$240,816</b>
GAAP operating margin	(12) %	(26) %	(31) %	(30)%	(15)%
Non-GAAP operating margin	11%	9%	12%	10 %	15 %
<b>GAAP interest expense</b>	<b>\$—</b>	<b>\$(5,025)</b>	<b>\$(53,364)</b>	<b>\$(56,579)</b>	<b>\$(6,541)</b>
Amortization of debt discount and issuance costs	—	4,885	51,923	55,141	3,894
<b>Non-GAAP interest expense</b>	<b>\$—</b>	<b>\$(140)</b>	<b>\$(1,441)</b>	<b>\$(1,438)</b>	<b>\$(2,647)</b>
<b>GAAP net loss</b>	<b>\$(28,655)</b>	<b>\$(115,116)</b>	<b>\$(262,029)</b>	<b>\$(390,278)</b>	<b>\$(202,335)</b>
Stock-based compensation expense and related payroll taxes	54,157	129,636	278,562	\$430,020	\$457,815
Litigation related expenses	13,079	18,356	—	—	—
Amortization expense of acquired intangible assets	908	3,384	6,795	9,010	11,060
Asset impairment related to facility exit	—	746	416	—	—
Restructuring and other charges, excluding stock-based compensation expense	—	—	—	—	6,564
Amortization of debt discount and issuance costs	—	4,885	51,923	55,141	3,894
Benefit for income taxes	(1,422)	(1,110)	—	(2,597)	—
<b>Non-GAAP net income</b>	<b>\$38,067</b>	<b>\$40,781</b>	<b>\$75,667</b>	<b>\$101,296</b>	<b>\$276,998</b>

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

\$ IN THOUSANDS

	FY19	FY20	FY21	FY22	FY23
<b>Free cash flow</b>	<b>\$29,345</b>	<b>\$27,508</b>	<b>\$143,743</b>	<b>\$231,332</b>	<b>\$333,619</b>
Revenue	302,836	431,269	673,100	1,090,946	1,616,952
Free cash flow margin	10%	6%	21%	21%	21%
Net cash provided by operating activities	\$58,027	\$79,317	\$202,040	\$321,912	\$462,343
Less: Purchases of property, equipment and other assets	(25,520)	(43,072)	(48,165)	(69,296)	(97,197)
Less: Capitalized internal-use software costs	(3,162)	(8,737)	(10,132)	(21,284)	(31,527)
<b>Free cash flow</b>	<b>\$29,345</b>	<b>\$27,508</b>	<b>\$143,743</b>	<b>\$231,332</b>	<b>\$333,619</b>
Net cash provided by operating activities, as a percentage of revenue	19%	18%	30%	30%	29%
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(8)%	(10)%	(7)%	(7)%	(6)%
Less: Capitalized internal-use software costs, as a percentage of revenue	(1)%	(2)%	(2)%	(2)%	(2)%
<b>Free cash flow margin</b>	<b>10%</b>	<b>6%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>



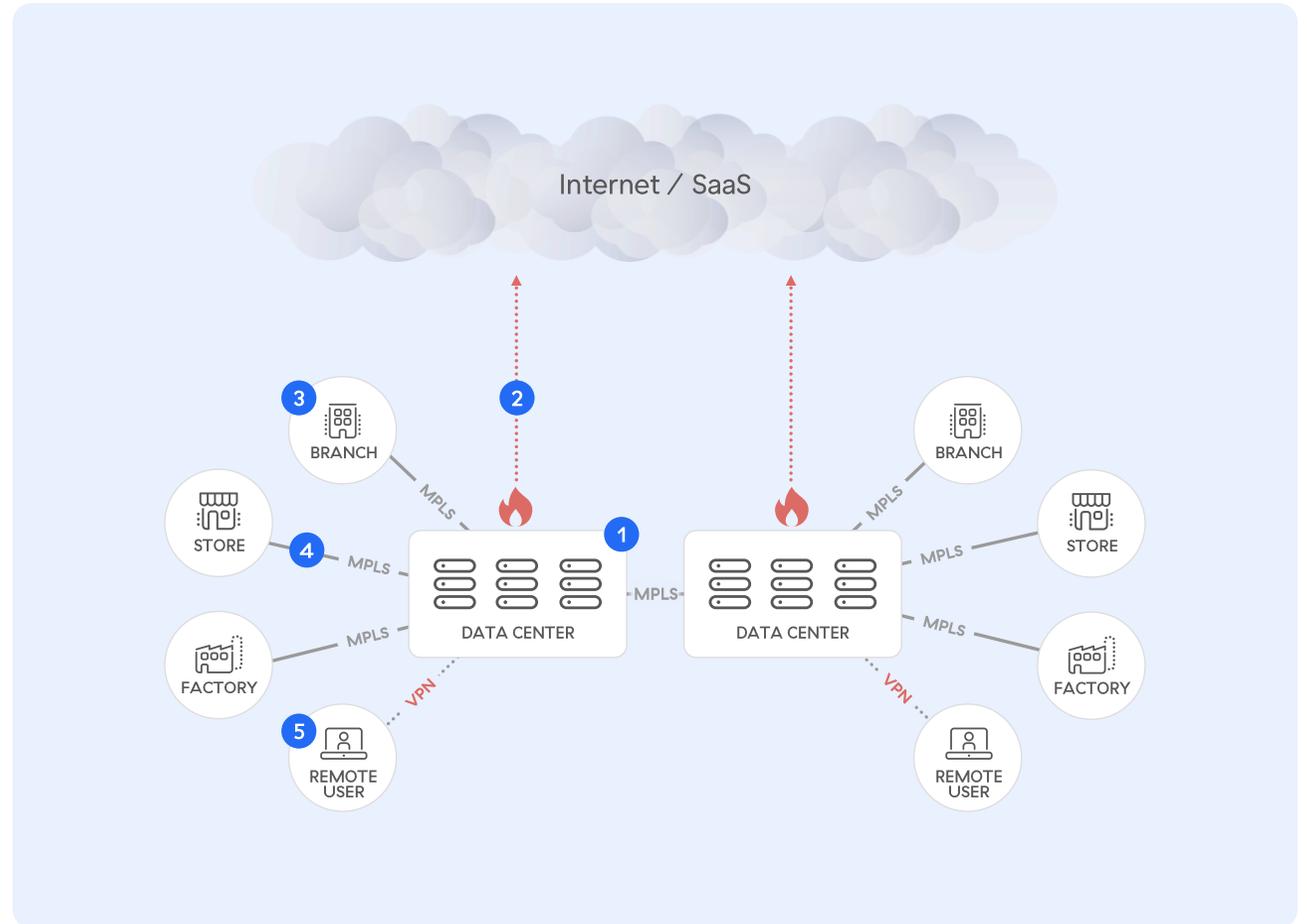
# Appendix

# Traditional IT: Hub & spoke networks

OPTIMIZED TO CONNECT USERS TO APPS IN THE DATA CENTER

The castle-and-moat/hub-and-spoke approach was based on the premise that all enterprise users, data and applications resided on the network.

- 1 A few data centers act as “hubs”
- 2 Data centers connect to the public internet via security stacks, as internet gateway
- 3 Branch locations (e.g., offices, stores, factories) connect to the hub, producing “spokes”
- 4 Private MPLS networks used to transmit traffic between hubs and spokes
- 5 Mobile/remote users expand the network via VPNs, adding new spokes

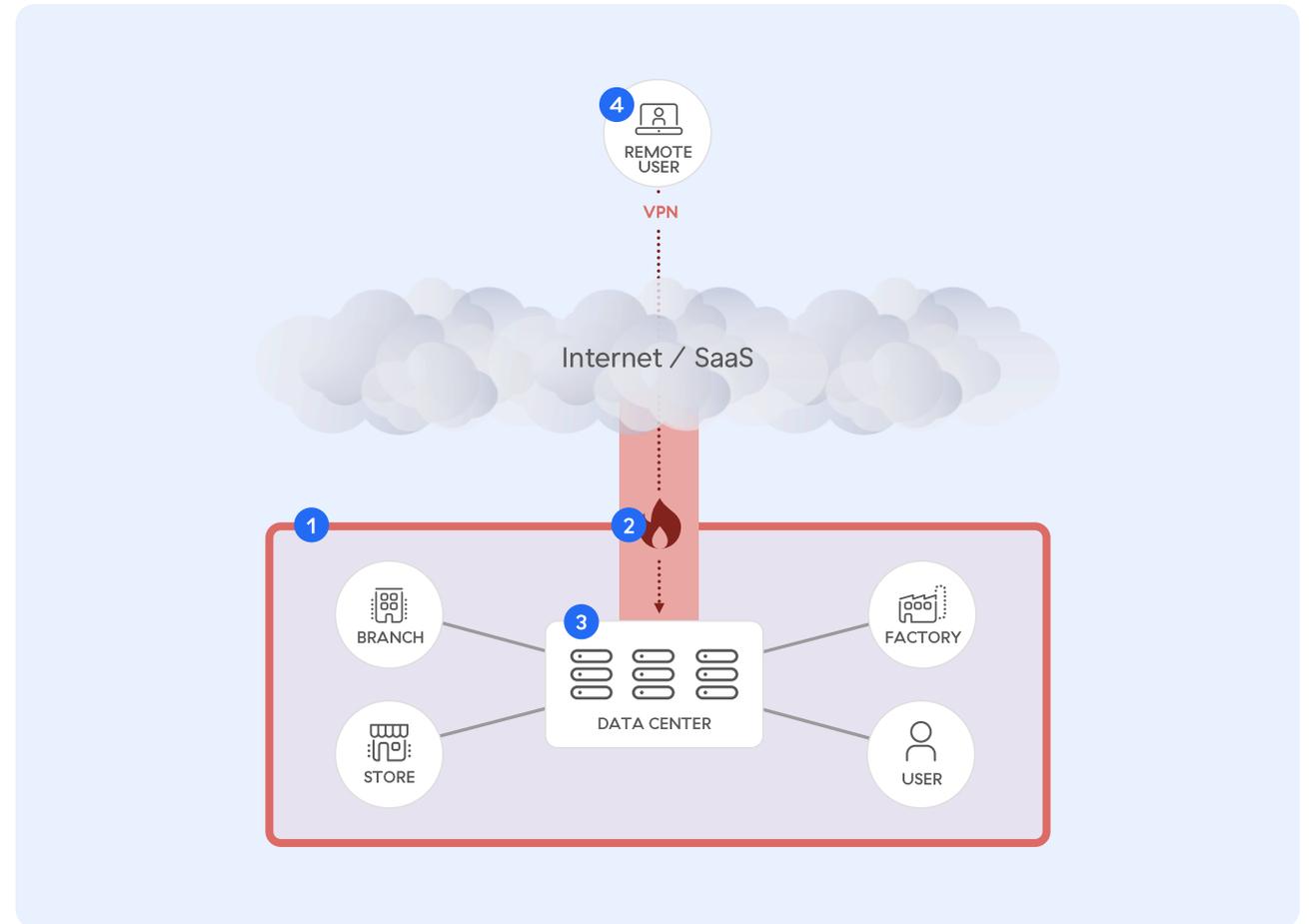


# Traditional IT: Castle & moat security

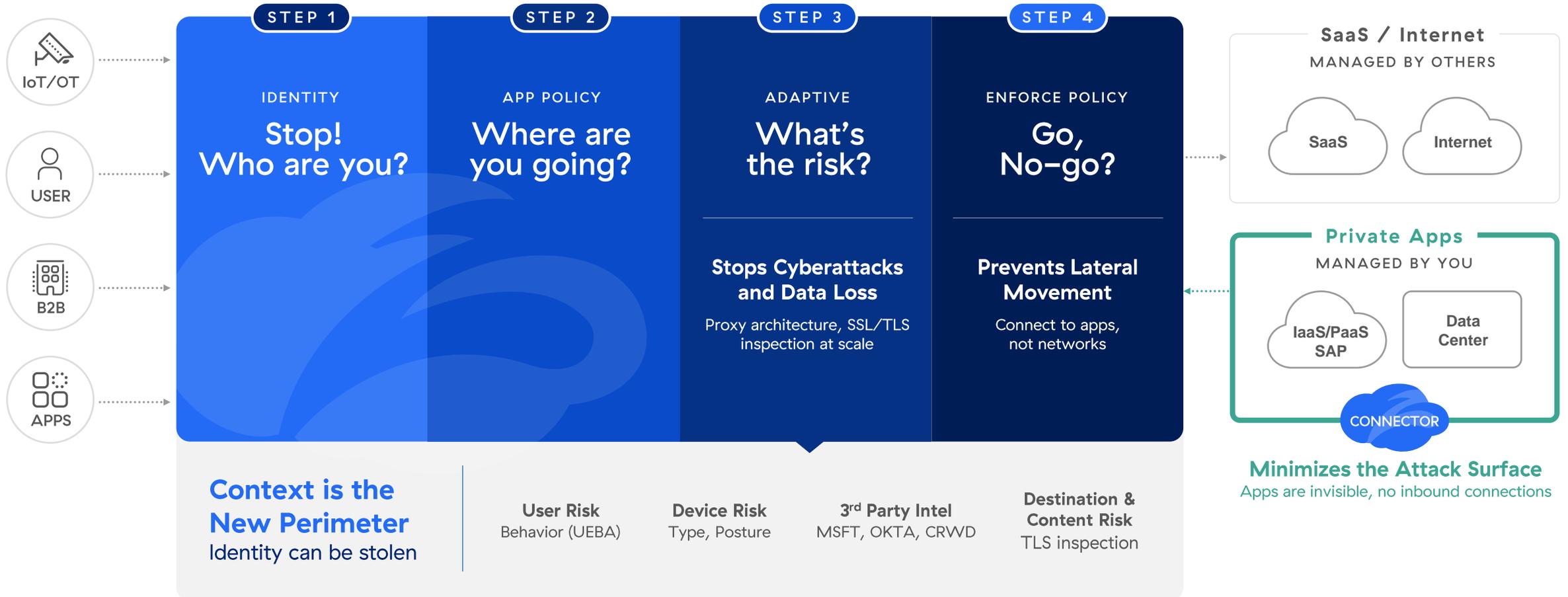
## PERIMETER SECURITY APPLIANCES TO PROTECT THE NETWORK

Within the castle, everything is trusted; outside of the castle, everything is untrusted. If an attacker gains access to the network by crossing the “moat,” they can also access any data and systems within.

- 1 The network is set up with a perimeter of security appliances, like a moat around a castle
- 2 A stack of security appliances, called a gateway, or DMZ, acts as a “drawbridge” that allows specific traffic over the “moat” in and out of the network
- 3 Once inside, users can access all applications and data within the network, like people inside a castle having free rein of the castle grounds
- 4 Mobile/remote users cross through the DMZ via VPNs



# Zscaler Zero Trust Exchange™ architecture



# Reduce your carbon footprint with the Zscaler Zero Trust Exchange

SECURE YOUR DIGITAL TRANSFORMATION WHILE LOWERING YOUR ENVIRONMENTAL IMPACT

Zscaler is carbon neutral since 2022 and has set a goal to reach net zero by 2025

## Environmental Benefit



### Decrease IT waste

Security appliances, servers, and other on-premises hardware can be retired



### Reduce energy consumption

Optimized cloud native architecture uses less energy than on-premises solutions



### Run on 100% renewable energy

Zscaler is committed to efficiency and renewable energy for our security cloud

## Potential Impact\*

**4,200**

Kilograms  
IT equipment retired

**893**

Megawatt hours  
Annual energy savings

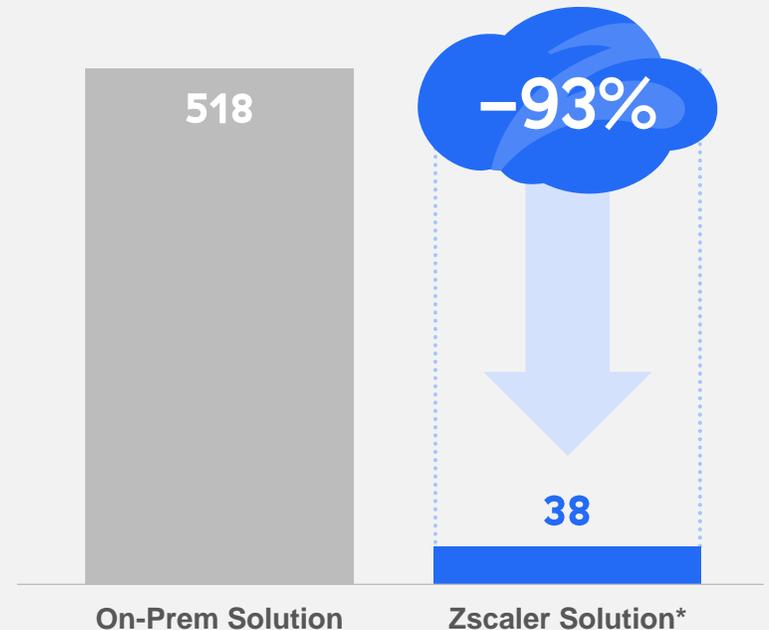
**518**

Metric tons of CO<sub>2</sub>e  
Annual carbon savings

\*Case for organization with 25,000 users across 200 facilities

## Efficient architecture with dramatically less environmental impact

Annual Carbon Footprint (MT CO<sub>2</sub>e) – Organization with 25,000 Users across 200 facilities

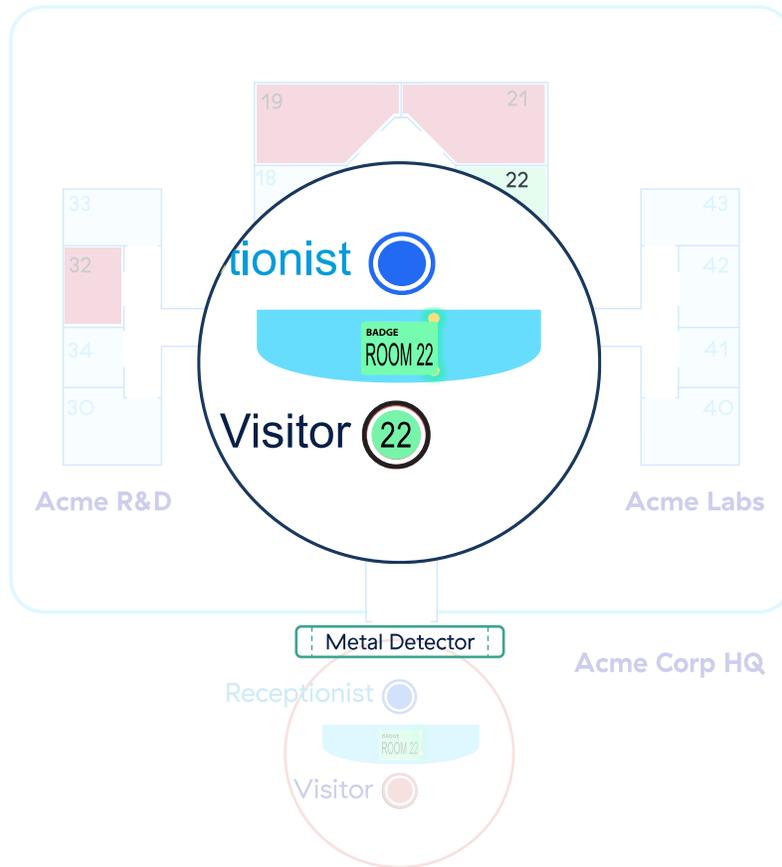


\*Gross emissions before energy purchases applied

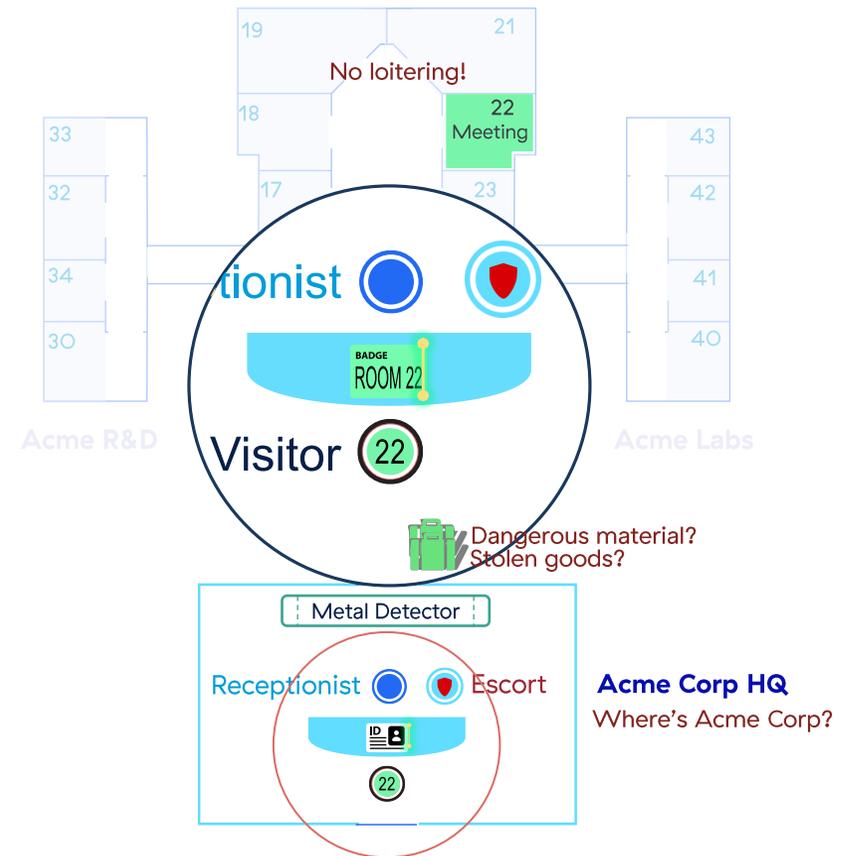
# Legacy network security versus Zscaler Zero Trust Architecture

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).



# ZDX: Pinpoint the root cause of user experience challenges

END-TO-END NETWORK VISIBILITY BY HOP

