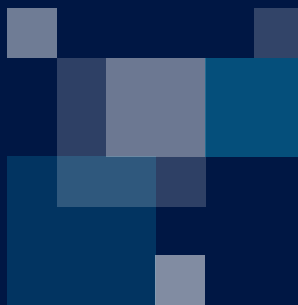




Q3 Fiscal 2026 Shareholder Letter

May 2026





Forward-Looking Statements

Unless otherwise noted, all numbers presented will be on an adjusted, non-GAAP basis. Reconciliation of GAAP to non-GAAP financial measures is in the appendix of this shareholder letter.

This shareholder letter has been prepared by Zscaler, Inc. ("Zscaler") for informational purposes only and not for any other purpose. Nothing contained in this shareholder letter is, or should be construed as, a recommendation, promise or representation by the presenter or Zscaler or any officer, director, employee, agent or advisor of Zscaler. This shareholder letter does not purport to be all-inclusive or to contain all the information you may desire.

This shareholder letter contains forward-looking statements that involve risks and uncertainties, including, but not limited to, statements regarding our future financial and operating performance, including our financial outlook for the fourth quarter of fiscal 2026 and full year fiscal 2026. There are a significant number of factors that could cause actual results to differ materially from statements made in this shareholder letter, including but not limited to: macroeconomic influences and instability, geopolitical events, operations and financial results and the economy in general; risks related to the use of AI in our platform; 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 products and subscriptions 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; useful lives of our assets and other estimates; 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.

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.



From Our CEO

Fellow Shareholders,

We delivered strong Q3 results. ARR grew 25% and non-GAAP operating margin hit an all-time high at 23%.

AI is changing the nature of cybersecurity in real time, and Zscaler is the cybersecurity platform for the AI era. This is evident in our results and the reason we are so confident in our long-term potential.



Revenue Growth Y/Y

25%

Strong growth across Americas & APJ

Operating Margin

23%

Operating income growth of 34% Y/Y

Free Cash Flow Margin

16%

Free Cash Flow Growth of ~14% Y/Y

Annual Recurring Revenue

\$3.5B+

ARR growth of 25% Y/Y

Customer Commitments¹

~\$6.5B

RPO grew ~30% Y/Y

Z-Flex Bookings²

\$480M+

+60% Q/Q in Z-Flex Bookings

See the Financial Appendix of this shareholder letter for definitions of non-GAAP financial measures and reconciliation.

1. Remaining Performance Obligations (RPO).

2. Bookings refer to the total customer contract value over the entire duration of each such customer contract. This includes all recurring subscription fees committed for the full term of each such customer contract.

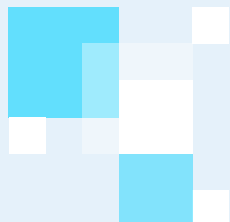


Zscaler: The complete Zero Trust SASE solution

We offer the industry's only complete Zero Trust SASE solution, a singular Zero Trust platform across users, across cloud workloads, and across branches. Our architecture is purpose-built to address the limitations of firewall-based SASE solutions, and has several key differentiators.

- **First, we hide applications and data behind our Zero Trust Exchange,** making them invisible from the Internet and eliminating the attack surface. An attacker can't breach what it can't reach. Hence, this architecture provides far superior cybersecurity protection for our customers.
- **Second, we eliminate lateral movement of attackers with our Zero Trust architecture.** We only allow authorized users and workloads to access specific applications. This reduces the blast radius of a potential breach, providing better security to our customers.
- Finally, scale matters, and **our cloud-native Zero Trust Exchange is the largest distributed in-line security platform in the world that spans across 160 public exchanges, processing more than 500 billion transactions per day.** This gives us the best quality and quantity of telemetry data. Simply put, no other cybersecurity vendor has access to datasets with comparable fidelity and breadth. This high-fidelity telemetry fuels our AI-powered security capabilities, continuously improving how we detect, prevent, and stop threats.

This stands in stark contrast to competitors with firewall-based SASE architectures that connect users to the corporate network. And once a malicious actor gains a foothold on the network, it can roam freely and systematically attempt to compromise critical applications or steal data. This is how most ransomware attacks happen.

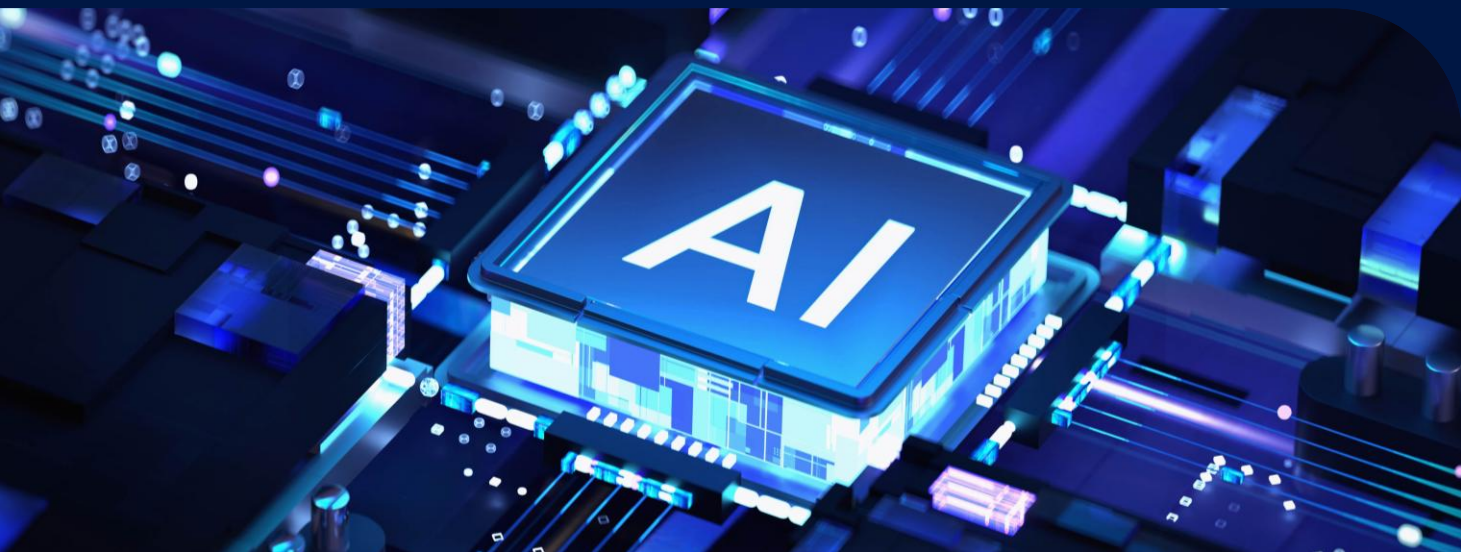




Navigating a rapidly expanding threat environment

These differentiators are especially important at a time when organizations are aggressively deploying AI applications and models, with growing interest in AI agents at scale. We expect it won't be long before millions of AI agents have access to organizations' mission-critical applications and sensitive data. Today, users are the weakest link in cybersecurity. But soon, AI agents will be the weakest link, because they operate at far greater speed and have far less oversight. **Even a single compromised agent can move from discovery to data theft in minutes, inflicting catastrophic damage on enterprises.**

Making it even more challenging, new powerful frontier AI models like Mythos are finding security vulnerabilities in software at machine speed, significantly diminishing the effort, skill, and time needed to breach enterprises. All enterprises already have thousands of known vulnerabilities that they have not been able to patch. **Frontier models are multiplying these unremediated vulnerabilities by as much as 10x**, and even more powerful models that are currently being developed will undoubtedly make it worse. Enterprises don't have the capacity to patch and update existing vulnerabilities, so backlogs are piling up faster than companies can address them.





A modern defense approach: can't breach what you can't reach

To tackle this challenge, the market needs to take a different approach. **We provide the two most important defenses against these vulnerabilities: (1) hiding applications from attackers, and (2) eliminating lateral movement at scale.**

This validates the architecture we pioneered; Zscaler was built for this moment. We started with Zero Trust security for users, so users can safely access applications from anywhere. Then we expanded our Exchange to provide Zero Trust security to branches, cloud workloads, and connected IoT/OT devices. Now we are expanding our Exchange to secure AI agents.

An important element of agentic security is to understand which agents, users, and other identities are communicating with which models, applications, and data sources. **On May 21st we announced our intent to acquire Symmetry Systems,** a company that solved this difficult problem. Symmetry provides an access graph that maps how identities, applications, and other data sources connect across the enterprise. We are integrating its access graph technology with our Zero Trust Exchange. We are excited to share more about this at our ZenithLive user conference in Las Vegas next month.

We are also partnering with Anthropic on Project Glasswing and with OpenAI as part of its Daybreak program, formerly known as Trusted Access for Cyber or TAC, which allows us to access frontier models to proactively harden our systems, and deliver better security and resilience to our customers.

Against this backdrop, investors have asked us, "Where is the ideal place to guard against AI threats?" We are in the enviable position of having strong visibility and control across three critical vantage points for superior security - network, cloud, and endpoint. This is indispensable in enforcing real-time policy decisions. It's a powerful advantage for our customers and an important differentiator for Zscaler.





Enhancing our go-to-market partnerships

GSI Partnerships

We continue to deepen our partnership with Global System Integrators, or GSIs, who play a meaningful role in expanding the reach of the Zscaler platform. We are seeing strong growth in bookings through our GSI partners.

We recently announced the launch of Project AI-Guardian, a strategic collaboration with key GSI partners, which will help our partners extend the Zero Trust architecture to AI assets including AI agents. GSIs will be able to leverage Zscaler's AI Protect portfolio to build specialized AI discovery and risk mitigation services.

Cloud Marketplace

We are also continuing to expand our cloud marketplace motion. **For fiscal 2026 year-to-date, we transacted approximately \$900 million in TCV through our cloud marketplaces, which more than doubled year over year.** This is becoming a more important route to market, as cloud marketplaces simplify procurement, align well with enterprise cloud commitments, and increasingly support larger strategic engagements.

100%+

Y/Y growth in YTD '26 TCV
through Cloud Marketplace

~\$900M

YTD '26 TCV through
Cloud Marketplace

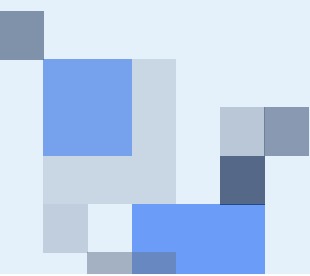


AI Protect bookings crossed \$100 million

AI Protect includes AI asset discovery, AI guardrails, and continuous Red Teaming. Zscaler AI Protect provides a single, integrated way to discover and manage all AI assets including 'shadow AI' usage, enforcing safe access to approved apps, and inspecting every prompt and response in real time to stop data leaks and attacks like prompt injection.

For customers building their own AI models and applications, our AI Red Teaming solution performs continuous security assessment. Our unified User Interface and deep integration of multiple products is a key differentiator.

Our AI Protect solution is resonating with customers, with bookings¹ crossing \$100 million over the last twelve months. We are seeing inbound requests from across our customer base, and our pipeline is robust and growing.



**Fortune 500
Financial
Technology
Company**

**Upsell, 7-figure
deal win**



- The customer faced the **complex challenge of securing** both employee interactions with **public AI** apps and their own suite of **custom-built AI** solutions.
- With our AI Red Teaming and AI Guard capabilities, the **customer moved from a manual, reactive effort to an automated, proactive approach** to harden their growing number of AI applications.

1. Bookings refer to the total customer contract value over the entire duration of each such customer contract. This includes all recurring subscription fees committed for the full term of each such customer contract.



Data Security ARR crossed \$500 million

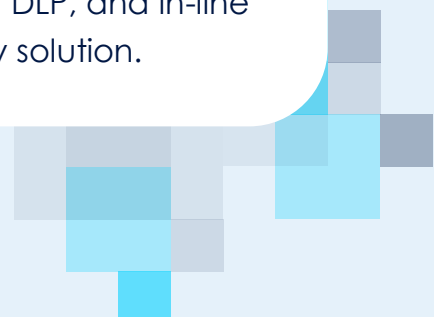
Data Security crossed \$500 million ARR, up over 30% year over year. As AI adoption accelerates and sensitive data increasingly resides across multiple locations, customers are reducing cost and complexity by consolidating onto our data security solution.

Federal Agency

Upsell, 7-figure deal win



- Previously **migrated from a legacy VPN architecture** last year **to Zscaler's Zero Trust platform.**
- Is deploying **Zscaler to modernize and unify its data security strategy**, gaining broad coverage without the overhead of managing additional endpoint agents or the operational complexity of stitching together various data security products.
- With this expansion, the **customer is now using six of Zscaler's eight data security modules** across data classification, email DLP, endpoint DLP, and in-line DLP, along with our GenAI security solution.





Zero Trust Branch momentum remains strong

- Zero Trust Branch disrupts branch firewalls, Software Defined Wide Area Networks or SD-WAN, and MPLS networks.
- **We are seeing particular momentum with Zero Trust Branch, where ARR has approximately tripled year-over-year.**



Healthcare System

Upsell, 8-figure deal win



- **Largest Zero Trust Branch deal in Zscaler history.**
- Deployed our unified Zero Trust Branch solution across 2,000 sites.
- With this win, we are **displacing both a major firewall incumbent and a legacy VPN incumbent.**
- With Zscaler, the customer is eliminating lateral threat movement in their health clinics **at roughly half the cost of its prior legacy solution.**



Driving platform adoption with new logos and existing customers

Healthcare Technology Company

New Logo,
7-figure deal win



- Received an inbound request after a senior technology leader joined from another customer where he had a great experience deploying Zscaler.
- Initial discussions started around securing users; the company's top priority quickly became securing cloud workloads. **The deal quickly grew into a comprehensive platform win, including Zero Trust Cloud, Zero Trust Branch, and four data security modules.**
- Illustrates why customers choose Zscaler over incumbent firewall vendors and our ability to convert a limited initial request into a comprehensive platform win.

Automotive Manufacturer

Upsell,
7-figure deal win



- **A long-time Zscaler customer whose ARR is up ten-fold in the last 7 years.**
- This quarter, the customer **extended its existing Zscaler Zero Trust SASE footprint by expanding its deployment of Zero Trust Cloud**, improving its security posture and securing its massive multi-cloud environment.
- Our Zero Trust Cloud solution was **configured in under 10 minutes** during the customer's proof of concept.

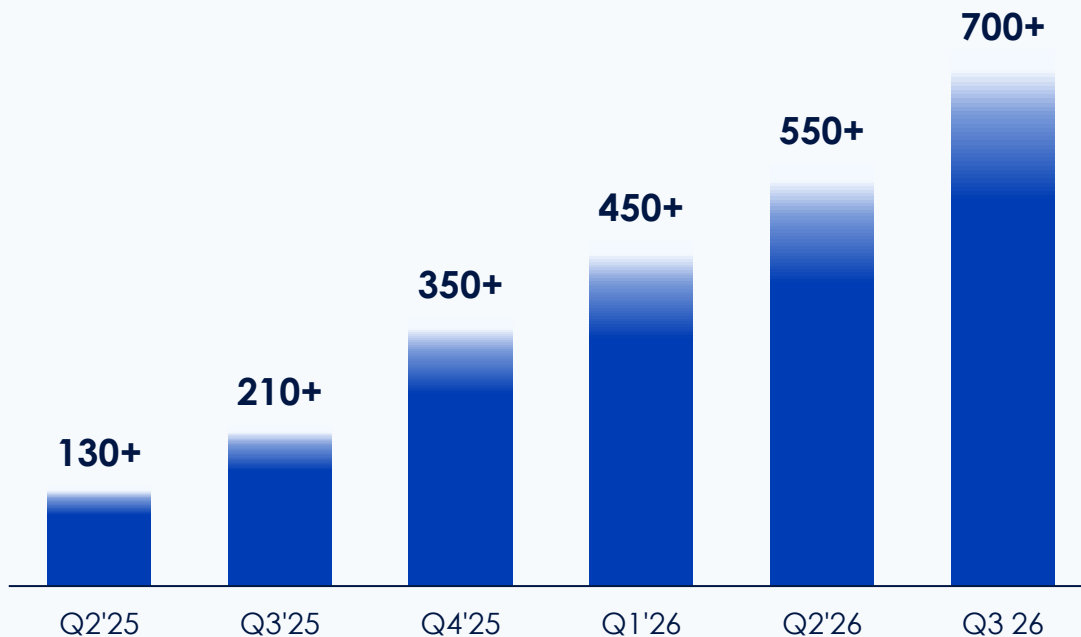


Zero Trust Everywhere momentum continues

The strength we're seeing in Zero Trust Cloud and Zero Trust Branch is driving the growth of Zero Trust Everywhere enterprises that purchase each of Zero Trust Users, Zero Trust Branch, and Zero Trust Cloud. **We exited Q3 with more than 700 Zero Trust Everywhere enterprises versus over 550 in Q2.**

Customers are recognizing that it is no longer enough to just secure their users, and **our platform is the industry's only complete Zero Trust SASE solution across users, across cloud workloads, and across branches.**

Zero Trust Everywhere Customers¹



1. Zero Trust Everywhere customers are customers that purchased components of Zero Trust Users, Zero Trust Cloud and Zero Trust Branch. Enterprises are customers with 1,500 or more employees. Graph is illustrative and not to scale



In summary, we are confident Zscaler is the cybersecurity platform for the AI era. We expect AI and Mythos-like frontier models to be one of the strongest tailwinds our business has ever seen. Our Zero Trust SASE solution enables us to hide applications and make them invisible to attackers while also eliminating lateral movement. These attributes, along with our scale, are true competitive differentiators for Zscaler. With frontier models uncovering vulnerabilities at unfathomable speeds and AI agents becoming the weakest link in cybersecurity, these differentiators have never been more important than they are today.

Our approach is resonating and helping to drive significant wins that demonstrate our ability to attract new customers and further penetrate our installed base of more than 9,400 customers. Among those, we serve just 4,500 enterprises out of a potential 20,000 enterprises in our primary target market. We are confident that our innovative approach to staying ahead of threat actors will help to drive further share gains. With this significant long-term growth potential, we are well positioned to continue creating significant value for shareholders.

- Jay Chaudhry



From Our CFO



We delivered strong Q3 26 results, growing revenue 25% while investing with discipline. Year-to-date, with 26% revenue growth and a 29% free cash flow margin, **we achieved Rule of 55 performance.**

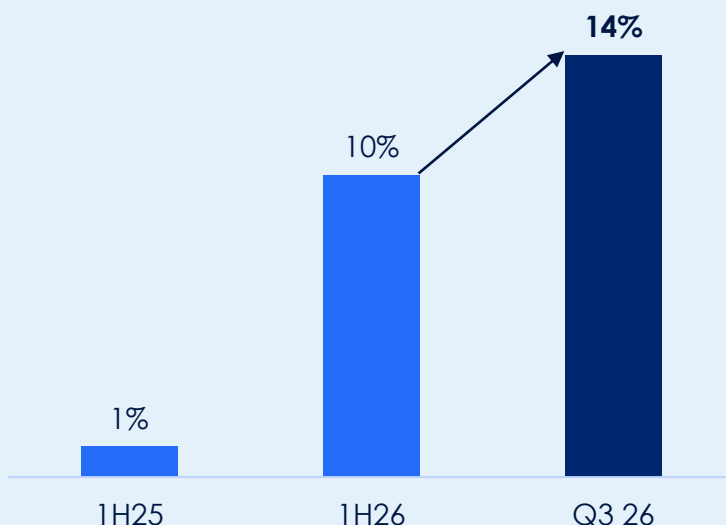
	Q3 Guidance	Q3 Results	Q3 Results vs. Guidance
Revenue	\$834M - \$836M ~23% y/y	\$850M 25% y/y	Exceeded
Gross Margin	~80%	81%	Exceeded
Operating Profit	\$187M - \$189M ~22.4%-22.6% margin	\$196M 23% margin	Exceeded
EPS	\$1.00 - \$1.01	\$1.08 29% y/y	Exceeded



Delivered strong net new ARR

- Our Q3 26 net new ARR was \$166 million, up 24%, bringing total ARR to \$3.5 billion, up 25% year-over-year.
- Net new ARR benefited from strength in the public sector vertical, which includes state, local, and federal government and healthcare, including an approximately 8-digit upsell at a federal agency.
- Net new ARR also benefited from strength of large deals in APJ, where the deal value from \$1 million plus deals increased more than 150% year-over-year.
- Excluding the contribution from our acquisition of Red Canary, net new ARR was \$153 million, up 14% year-over-year, and total ARR was also up 21%. Red Canary exited Q3 with \$127 million of ARR.
- We have steadily expanded our Zero Trust platform beyond users to protect branches, workloads, AI applications, and now AI agents. We believe AI agents will drive a meaningful increase in machine-to-machine and agent-to-agent interactions over time.
- **In Q3, our non-seat-based, metered-usage solutions delivered just over 30% of new ACV, and the ARR tied to those offerings grew more than 100% year-over-year.**

Net New ARR (ex-RC) growth further accelerated in Q3 26



30%+
Non-seat-based solutions Q3 New ACV contribution

100%+
ARR growth Y/Y for non-seat-based solutions



Robust revenue growth

- Revenue of \$850 million grew 25% year-over-year and 4% sequentially, exceeding the high end of our guidance.
- We closed Q3 with 748 customers generating over \$1 million ARR and 4,003 customers exceeding \$100,000 ARR, growing 18% and 19% year-over-year respectively. We also set a record \$1 million plus new ACV deals for a Q3.
- On a geographic basis, we saw strong growth from the Americas, which accounted for 56% of revenue, up approximately 31% year-over-year. EMEA accounted for 28% of revenue, up approximately 16% and APJ for 16%, up approximately 23%.
- Remaining performance obligation, or RPO, of approximately \$6.5 billion, grew approximately 30%, including approximately 46% classified as current RPO.

Continued traction in Z-Flex deals

- Our go-to-market strategy is a key growth lever, enabling us to deepen customer relationships, accelerate platform adoption, and expand multi-year engagements. We are continuing to strengthen our position as a long-term strategic partner and driving deeper customer adoption over time through our account-centric sales motion.
- We also saw strong momentum this quarter with Z-Flex. Z-Flex gives customers with multi-year commitments the flexibility to activate or swap modules without starting a new procurement cycle, along with premium deployment assistance and support. This program is driving meaningful upsell, shorter sales cycles, and greater forward visibility. In Q3, Z-Flex generated just over \$480 million in TCV, up more than 60% quarter over quarter.
- **We have delivered over \$1 billion in Z-Flex TCV over the last twelve months** at an average four-year term, underscoring customers' long-term commitment to Zscaler.



Z-Flex Deal Wins in Q3

Fortune 500 Finance & Insurance

Upsell, 5-year, 8-figure deal



- Customer spending **more than \$5 million with us annually, increased their ARR by nearly 50%.**
- This customer expanded module adoption across **4 existing modules and adopted 6 new modules**, including our AI Protect solution.

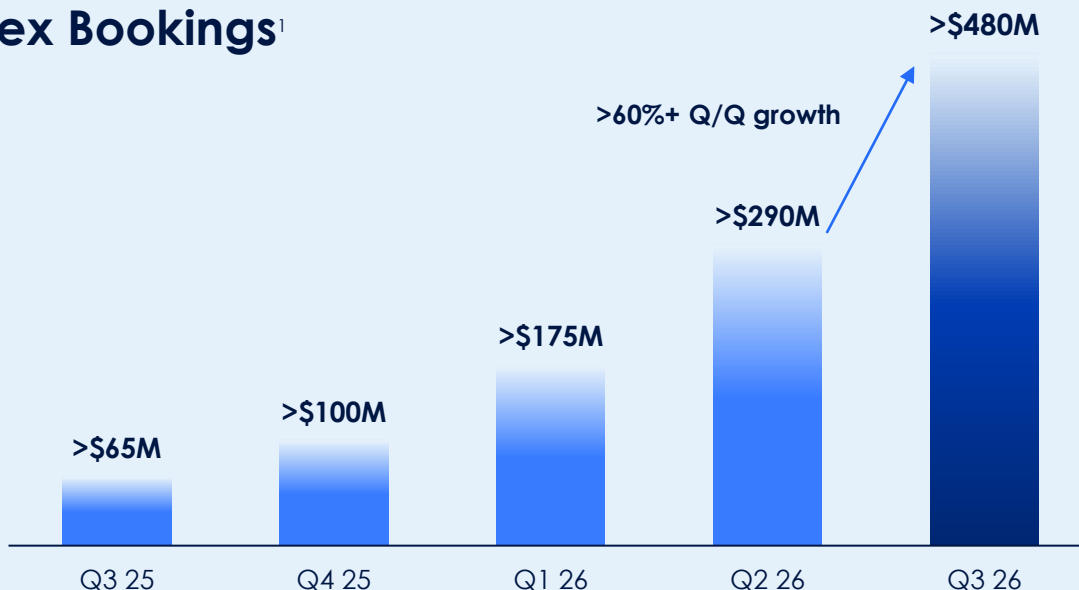
Global 2000 Semiconductor Manufacturer

Upsell, 3-year, 8-figure deal



- This 7-figure ARR customer **increased their annual spend with us by 60%.**
- This customer expanded adoption across **6 existing modules and adopted 6 new modules**, including our AI Protect and Zero Trust Branch solutions.

Z-Flex Bookings¹



1. Bookings refer to the total customer contract value over the entire duration of each such customer contract. This includes all recurring subscription fees committed for the full term of each such customer contract.



Record operating margins

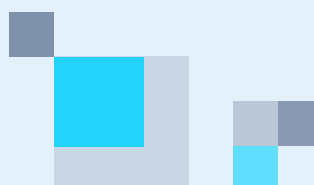
- Turning to operating performance, non-GAAP gross margin was 80.7% compared to 80.3% a year ago.
- Non-GAAP operating income of \$196 million grew \$49 million, or 34%, as compared to \$147 million last year.
- Non-GAAP operating margin of 23.0% increased 140 basis points year-over-year, demonstrating leverage on sales and marketing.

Steady free cash flows

- Turning to the balance sheet, we ended the quarter with \$3.5 billion in cash, cash equivalents, and short-term investments, and \$1.7 billion of debt.
- In Q3, we generated \$198 million in operating cash flow and capex was \$42 million, or 5% of revenue.
- This equates to a free cash flow margin of 16.0% this quarter, down from 18.0% last year, reflecting the timing of cash collections, and a free cash flow margin of 29% year-to-date.

Outlook

I'd like to provide an update on increasing memory, storage, and processor prices and availability. As a reminder, we purchase equipment for our data center and Zero Trust Branch appliances. To mitigate costs, we put through a price increase on our branch appliance early this calendar year, which we expect to flow through in the next several months. We are also being opportunistic and taking advantage of delivery of data center equipment where we can get it, to lock in today's prices ahead of potential increases in the future. This is pulling forward some of the investments we expected to make in fiscal 2027 into Q4. As a result, we expect higher capex in Q4, taking fiscal 2026 capex to the high single-digits as a percent of revenue, up from our prior expectation of mid single-digits. Looking ahead to fiscal 2027, based on higher prices we see in the market today, we expect capex as a percentage of revenue to increase up to 200 basis points compared to fiscal 2026 levels. We'll continue to monitor our costs and share regular updates about the impact.





Q4 and FY26 Guidance¹

Let me provide our outlook for Q4 and full-year fiscal 2026. As a reminder, these numbers are all on a non-GAAP basis.

- At the end of the third quarter, two sales leaders departed the company. We already appointed a replacement for one of these leaders, and we are in the late stages of hiring a leader for the other role. However, we are taking a prudent approach to our guidance during the transition.

	Q4 26 Guidance	FY26 Guidance
Revenue	\$875M - \$878M ~22% y/y	\$3.3295B - \$3.3325B 24.6% y/y – 24.7% y/y
ARR		\$3.740B - \$3.749B ~24% y/y
Gross Margin	~80%	
Operating Profit	\$206M - \$208M ~30% y/y – ~31% y/y	\$755M - \$757M ~30% y/y
Net Other Income	~\$24.5M	
Taxes	21% tax rate	21% tax rate
Earnings Per Share	\$1.08 - \$1.09	\$4.10 - \$4.11
Share Count	168M fully diluted shares	168M fully diluted shares
Free Cash Flow Margin		~22.8% to 23.3%

- FY26 ARR guidance implies net new ARR growth excluding Red Canary of approximately 9.5%. For Red Canary, we expect ARR of approximately \$137 million in fiscal 2026, up from our prior guidance of \$130 million, with net new ARR of approximately \$10 million in Q4. This includes all the business expected in each period, including fiscal 2026 renewals, upsells, and new logos.
- We expect Red Canary revenue of approximately \$137 million in fiscal 2026, up from our prior guidance of \$125 million.
- FCF guidance reflects capex in the high single-digits as a percent of revenue.



Preliminary thoughts on FY27

Looking to fiscal 2027, I'd like to provide some early perspectives to better align expectations heading into our second year with ARR as our primary growth metric, and following the acquisition of Red Canary. **Sitting here today, our view is for total ARR and revenue growth for fiscal 2027 of 16-17%.**

Looking ahead, we are excited by the opportunities we see to continue scaling our rapidly expanding AI Security portfolio, accelerating Zero Trust Everywhere adoption, and growing our Data Security revenue.

Modeling considerations:

- A significant portion of Red Canary net new ARR in fiscal 2026 has come from renewals. This will not repeat in fiscal 2027, as we will not be reporting any renewals as part of net new ARR. We will not be reporting Red Canary ARR in fiscal 2027.
- Keep in mind that MDR businesses like Red Canary tend to significantly have higher churn than Zscaler's core business.
- We expect net new ARR seasonality in fiscal 2027 to be largely similar to fiscal 2025, prior to the acquisition of Red Canary.



In summary, we are pleased with the results we delivered year-to-date in fiscal 2026. We achieved 25% year-over-year ARR growth and record operating income. We also saw continued momentum with Z-Flex and closed a record number of \$1 million-plus ARR deals for a Q3.

The opportunity ahead of us is substantial, and we are confident in our ability to continue driving profitable growth across multiple vectors, including product innovation, go-to-market, and customer expansion; and creating value for our shareholders.

I want to thank our employees, customers, and partners for their continued support.

Thank you.

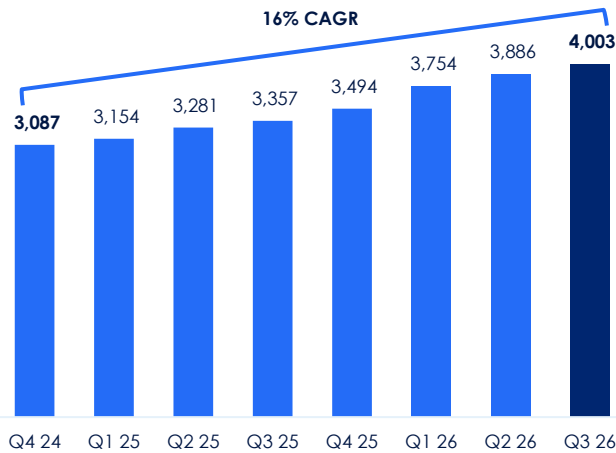
- Kevin Rubin



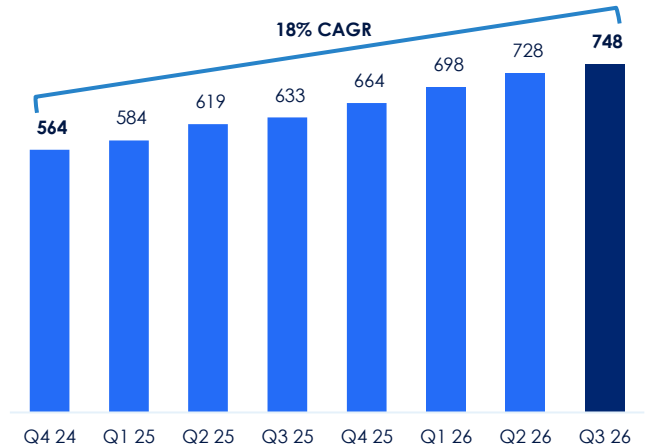


Other key business and financial metrics

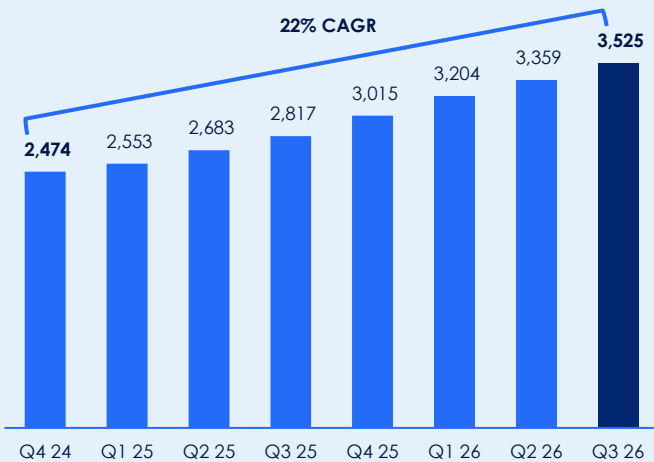
\$100K+ ARR Customers²



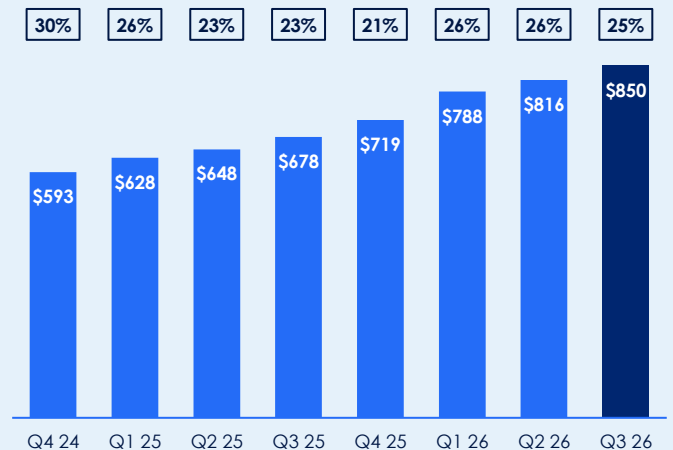
\$1M+ ARR Customers²



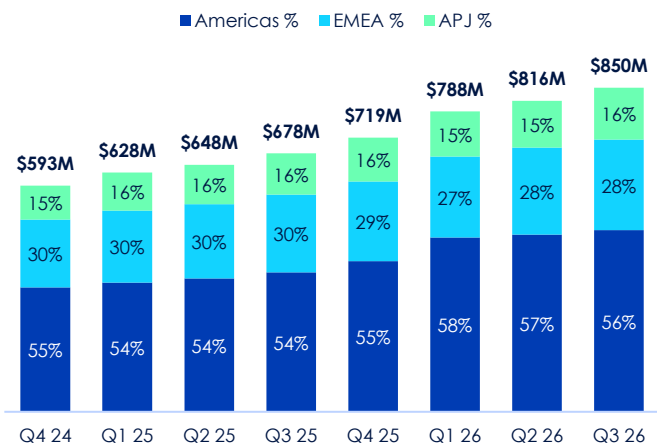
Annual Recurring Revenue (ARR¹), \$M



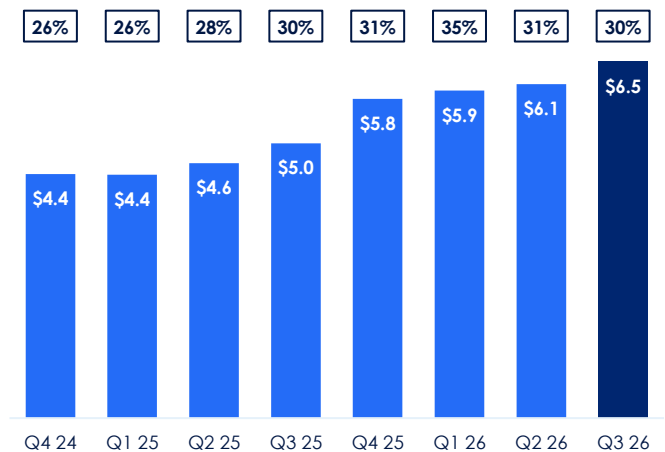
Quarterly Revenue (\$M); Y/Y growth



Geographic Revenue, \$M; % of revenues



RPO (\$B); Y/Y growth



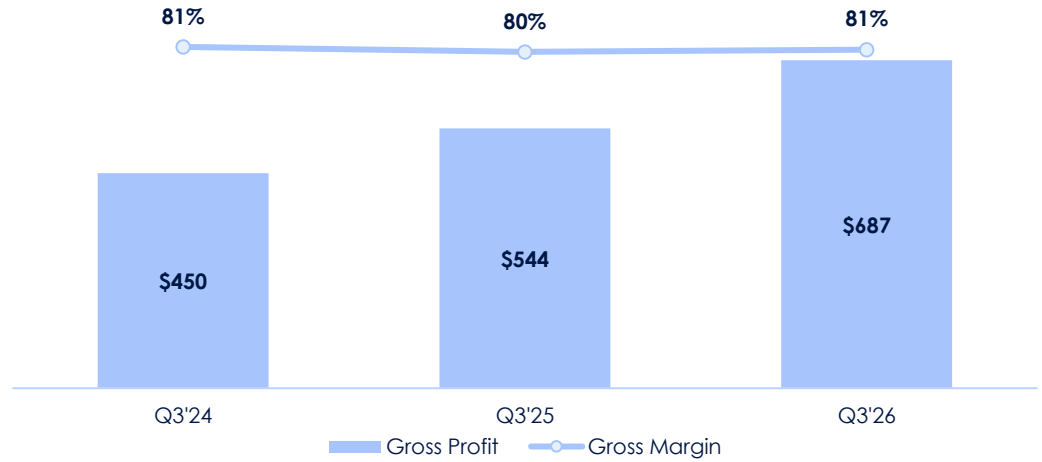


Other key business and financial metrics

Gross Profit & Margin

Key factors

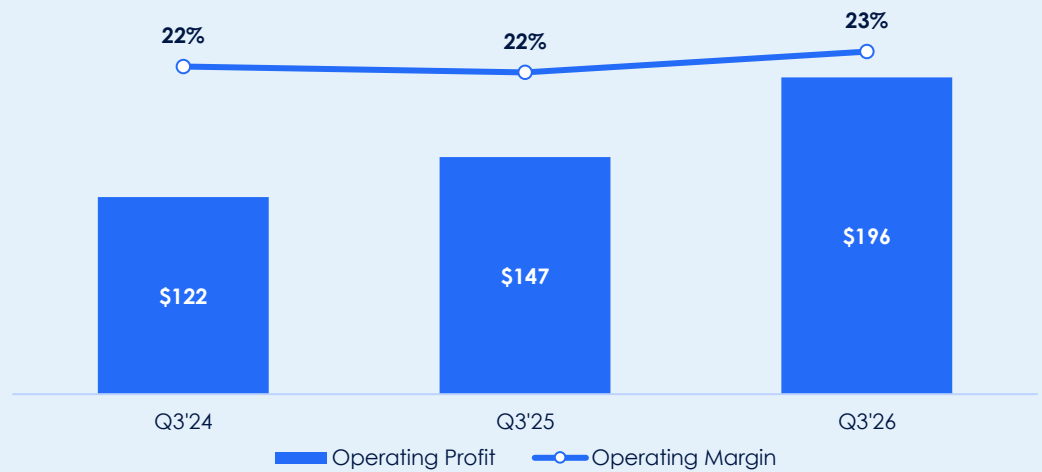
- Gross margins were in-line with our guidance and long-term targets



Operating Profit & Margin

Key factors

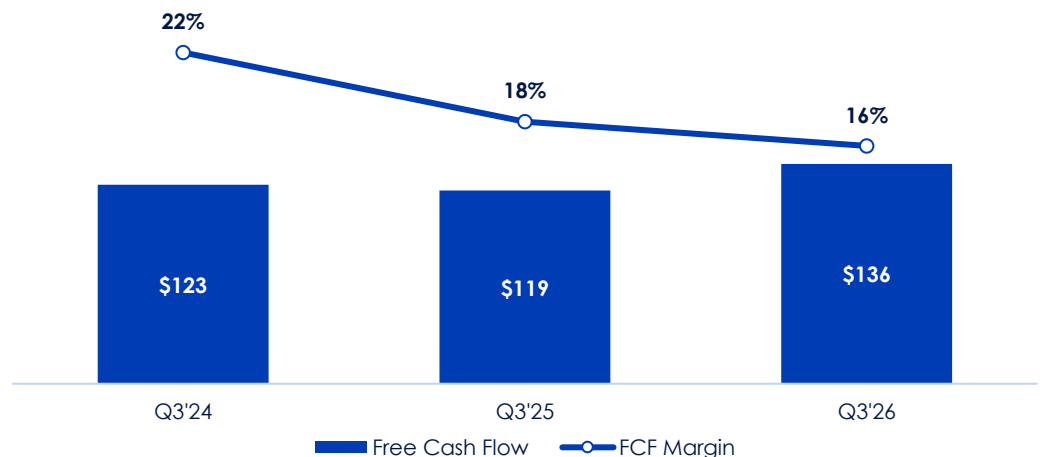
- Leverage in our financial model
- Improving sales productivity



Free Cash Flow & Margin

Key factors

- Timing of collections
- Capital expenditures as a % of revenue





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 the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, as it has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In particular, free cash flow is not a substitute for cash provided by operating activities. Additionally, the utility of free cash flow as a measure of our liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition, other companies, including companies in our industry, may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation of our historical non-GAAP financial measures to their most directly comparable financial measures stated in accordance with GAAP has been included in this press release. There is no GAAP measure that is comparable to ARR, so we have not reconciled the ARR data included to any GAAP measure. 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 incentive 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 acquired intangible assets and amortization of debt issuance costs from the convertible senior notes are excluded because these are non-cash expenses and are not reflective of our ongoing operational performance. Acquisition-related expenses incurred with business acquisitions are excluded because these are not reflective of our ongoing operational performance.

Effective August 1, 2025, the beginning of our fiscal 2026, we have adopted a long-term projected non-GAAP tax rate of 21%, reduced from the previous rate of 23%. This adjustment aligns with the enactment of the One Big Beautiful Bill Act. The revised tax rate will apply prospectively. We will continue to assess the appropriate non-GAAP tax rate on a regular basis, which could be subject to changes for a variety of reasons, including the rapidly evolving global tax environment, significant changes in our geographic earnings mix, or other changes to our strategy or business operations.

Explanation of Non-GAAP Financial Measures

Non-GAAP Gross Profit and Non-GAAP Gross Margin(*)

Non-GAAP Income from Operations and Non-GAAP Operating Margin(*)

Non-GAAP Net Income and Non-GAAP Net Income per Share

Free Cash Flow and Free Cash Flow Margin(*)



Definitions of Non-GAAP Financial Measures

Non-GAAP Gross Profit and Non-GAAP Gross Margin. We define non-GAAP gross profit as GAAP gross profit excluding stock-based compensation expense and related employer payroll taxes, and amortization expense of acquired intangible assets. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

Non-GAAP Income from Operations and Non-GAAP Operating Margin. We define non-GAAP income from operations as GAAP loss from operations excluding stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets and acquisition-related expenses. We define non-GAAP operating margin as non-GAAP income from operations as a percentage of revenue.

Non-GAAP Net Income per Share, Diluted. We define non-GAAP net income as GAAP net loss excluding stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, amortization of debt issuance costs, acquisition-related expenses and the non-GAAP provision for income taxes adjustment. We define non-GAAP net income per share, diluted, as non-GAAP net income plus the applicable non-GAAP interest expense related to the convertible senior notes divided by the weighted-average diluted shares outstanding. The weighted-average diluted shares outstanding includes the effect of potentially diluted common stock equivalents outstanding during the period and the anti-dilutive impact of the capped call transactions entered into in connection with the convertible senior notes.

Annual Recurring Revenue. ARR refers to the next 12 months of revenue from subscription contracts as of the measurement date. To establish ARR for a customer, we assume that any contract expiring during the next 12 months will be renewed under the existing terms, excluding Red Canary's subscription contracts expiring in fiscal year 2026.

Free Cash Flow and Free Cash Flow Margin. We define free cash flow as net cash provided by operating activities less purchases of property, equipment and other assets and capitalized internal-use software. We define free cash flow margin as free cash flow divided by revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the amount of cash generated from our operations that, after the investments in property, equipment and other assets and capitalized internal-use software, can be used for strategic initiatives.



Appendix A

(\$ in thousands, except percentages)

Gross profit & Margin	Q3 26	Q3 25	Q3 24
GAAP gross profit	\$657,823	\$522,056	\$434,870
Add:			
Stock-based compensation expense and related payroll taxes	21,629	18,262	12,487
Amortization expense of acquired intangible assets	7,243	3,830	2,962
Non-GAAP gross profit	\$686,695	\$544,148	\$450,319
GAAP gross margin	77 %	77 %	79 %
Non-GAAP gross margin	81 %	80 %	81 %
Operating profit & Margin			
GAAP loss from operations	\$(29,640)	\$(25,411)	\$(3,013)
Add:			
Stock-based compensation expense and related payroll taxes	212,266	167,809	121,465
Amortization expense of acquired intangible assets	11,441	4,255	3,381
Acquisition-related expenses	1,782	-	-
Non-GAAP income from operations	\$195,849	\$146,653	\$121,833
GAAP operating margin	(3)%	(4)%	(1)%
Non-GAAP operating margin	23 %	22 %	22 %



Appendix A (cont.)

(\$ in thousands, except percentages)

Non-GAAP Net Income and Non-GAAP Net Income per Share, Diluted	Q3 26	Q3 25	Q3 24
GAAP net income (loss)	\$(13,883)	\$(4,125)	\$19,124
Add: GAAP provision for income taxes	11,512	8,688	1,742
GAAP income (loss) before income taxes	(2,371)	4,563	20,866
Add:			
Stock-based compensation expense and related payroll taxes	212,266	167,809	121,465
Amortization expense of acquired intangible assets	11,441	4,255	3,381
Acquisition-related expenses	1,782	-	-
Amortization of debt issuance costs	2,043	984	979
Non-GAAP net income before taxes	225,161	177,611	146,691
Non-GAAP provision for income taxes	47,284	40,844	33,739
Non-GAAP net income	\$177,877	\$136,767	\$112,952
GAAP provision for income taxes	\$11,512	\$8,688	\$1,742
Add: Income tax and other tax adjustments	35,772	32,156	31,997
Non-GAAP provision for income taxes	\$47,284	\$40,844	\$33,739
Non-GAAP effective tax rate	21 %	23 %	23 %
Non-GAAP net income	\$177,877	\$136,767	\$112,952
Add: Non-GAAP interest expense, net of tax related to the convertible senior notes	-	276	276
Numerator used in computing non-GAAP net income per share, diluted	\$177,877	\$137,043	\$113,228
GAAP net income (loss) per share, diluted	\$(0.09)	\$(0.03)	\$0.12
Stock-based compensation expense and related payroll taxes	1.28	1.03	0.76
Amortization expense of acquired intangible assets	0.07	0.03	0.02
Acquisition-related expenses	0.01	—	—
Amortization of debt issuance costs	0.01	0.01	0.01
Income tax and other tax adjustments	(0.22)	(0.20)	(0.20)
Non-GAAP interest expense, net of tax related to the convertible senior notes	—	—	—
Adjustment to total fully diluted earnings per share	0.02	—	—
Non-GAAP net income per share, diluted	\$1.08	\$0.84	\$0.71
Weighted-average shares used in computing GAAP net loss per share, diluted	160,741	154,909	154,081
Add: Outstanding potentially dilutive equity incentive awards	680	2,812	-
Add: Convertible senior notes	3,925	7,626	7,626
Less: Antidilutive impact of capped call transactions	-	(1,946)	(2,050)
Weighted-average shares used in computing non-GAAP net income per share, diluted	165,346	163,401	159,657



Appendix A (cont.)

(\$ in thousands, except percentages)

Free Cash Flow & Margin	YTD Q3 26	Q3 26	Q3 25	Q3 24
Free Cash Flow				
Net cash provided by operating activities	\$850,369	\$198,016	\$211,081	\$173,414
Less:				
Purchases of property, equipment and other assets	(77,467)	(42,401)	(72,163)	(35,651)
Capitalized internal-use software	(54,523)	(19,661)	(19,455)	(14,637)
Free cash flow	\$718,379	\$135,954	\$119,463	\$123,126

Free Cash Flow Margin

Net cash provided by operating activities, as a percentage of revenue	35 %	23 %	31 %	31 %
Less:				
Purchases of property, equipment and other assets, as a percentage of revenue	(3)%	(5)%	(10)%	(6)%
Capitalized internal-use software, as a percentage of revenue	(3)%	(2)%	(3)%	(3)%
Free cash flow margin	29 %	16 %	18 %	22 %



About Zscaler

Founded in
2007

Leading Cloud Security Platform

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

Strong growth at scale

PERFORMING BEYOND RULE-OF-40

\$3.5B+
annual recurring revenue²

25%
growth y/y revenue³

16%
FCF margin³

\$100B+ 

Serviceable market opportunity¹

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

Long-term secular tailwinds

Zero Trust Security and AI are top of mind in the C-Suite.

KEY TRENDS



Experienced, founder-led team

With 7,923 employees⁴

Comprehensive platform for the AI era

\$500M+
Data Security Everywhere ARR

\$100M+
AI Protect TTM Bookings

700+
Zero Trust Everywhere Enterprises

1. Based on our analysis of ZoomInfo worldwide workforce data for organizations with 2k+ employees, 650 Group's workload market forecast for 2020, Gartner's IoT market forecast and MDR + Threat Intel market spend.
 2. Annual recurring revenue (ARR) as of Q3'26. Annual Recurring Revenue (ARR) refers to the next 12 months of revenue from subscription contracts as of the measurement date. To establish ARR for a customer, we assume that any contract expiring during the next 12 months will be renewed under the existing terms, excluding Red Canary's subscription contracts expiring in fiscal year 2026.
 3. Revenue growth year-over-year and free cash flow (FCF) margin for Q3'26.
 4. Employee count as of July 2025.



The leader in secure digital transformation

World's Largest Security Cloud

50M+

Users secured across
>9,400 customers¹

~1T

AI transactions
processed in CY25

500B+

Daily transactions
>20x Google searches²

500T+

Daily signals
powering AI/ML

Pioneer And Market Leader

~40%

Global 2000
are customers³

>45%

Fortune 500
are customers³

Delivering Mission Critical Services

160+

Data
Centers

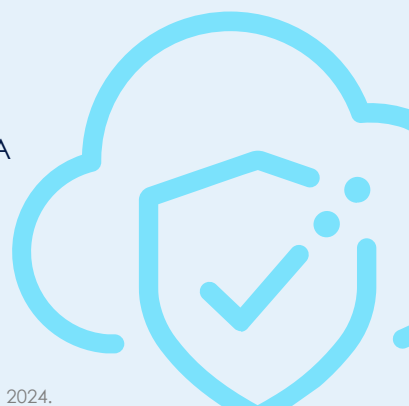
250K+

Unique daily
security updates

9B+

Enforcements
per day

99.9999% Availability SLA



1. Customers and users as of July 31, 2025.
2. Google's daily search requests based on estimates from ardorseo.com and internetlivestats.com.
3. Forbes Global 2000 and Fortune 500 customers as of July 31, 2025; Forbes and Fortune list as of July 31, 2024.



Glossary

Product/Solution	Description
AI-Security	One of Zscaler's three growth pillars. Includes AI-Protect and Agentic Operations.
Agentic Operations	Leverages AI to provides solutions for IT Operations and Security Operations. Includes Agentic IT Ops and Agentic SecOps.
<ul style="list-style-type: none"> • Agentic IT Operations 	Accelerates the identification and resolution of applications and network performance issues. Products include Zscaler Digital Experience (ZDX) and ZDX's copilot capability.
<ul style="list-style-type: none"> • Agentic SecOps 	Provides exposure management and threat management solutions by leveraging real-time data from the Zero Trust Exchange, third-party data from our Data Fabric technology, and Red Canary's agentic AI capabilities to create an AI-powered security operations platform. Includes Risk360, Business Insights, UVM, Identity Threat Detection, Cyber Asset Attack Surface Management, Red Canary and Zscaler SOC solution.
AI-Protect	Secures usage of generative AI, prevents sensitive data leakage to AI models, and monitors the security of AI applications and infrastructure, by protecting the organization from new threats like AI poisoning, jailbreaking, and toxic AI behavior.
<ul style="list-style-type: none"> • AI Asset Management 	Provides full visibility into an organization's AI stack, including applications, models, and agents to eliminate shadow AI and ensure security compliance.
<ul style="list-style-type: none"> • AI Guardrail 	Provides guardrails for AI usage by inspecting and classifying every prompt and response to prevent sensitive data leakage and block adversarial threats like prompt injection and jailbreaking.
<ul style="list-style-type: none"> • AI Red Teaming 	Provides continuous protection by identifying vulnerabilities in AI models and applications throughout the development process as well as in production.
Data Security Everywhere	One of Zscaler's three growth pillars. Includes eight modules across Cyber Isolation, DP Isolation, In-line DLP, Endpoint DLP, E-mail DLP, SaaS Security, DSPM, and Classification & Encryption. Uses AI-powered classification mechanisms to identify and prevent sensitive information leakage, whether for data at rest (e.g., data sitting in a folder), in motion (as it travels across the web) and in use across web, SaaS, endpoints, and public clouds.
ZIA (Zscaler Internet Access)	Provides secure user access to the internet and SaaS applications, without exposing users to the network.
ZDX (Zscaler Digital Experience)	Provides end-to-end visibility into user, app, workload performance, to identify and resolve connectivity or latency issues across any device or network.



Glossary

Product/Solution	Description
ZDX Advanced Plus	Leverages AI-powered insights and 24/7 monitoring to resolve performance. It includes ZDX Copilot, which enables IT teams to instantly troubleshoot and optimize digital experiences through natural language queries, and will leverage agents to automate multiple troubleshooting tasks.
ZPA (Zscaler Private Access)	Provides secure and direct access to private internal applications, without VPN.
Zero Trust Everywhere	One of Zscaler's three growth pillars. Zero Trust Everywhere enterprises are defined as customers ≥ 1500 employees, who have adopted all of the following Zero Trust Users, Zero Trust Branch and Zero Trust Cloud.
<ul style="list-style-type: none">• Zero Trust Branch	Extends Zero Trust connectivity to IoT/OT devices in physical locations like offices, factories and campuses. Includes our ZT SD-WAN and Device Segmentation solution (acquired through Airgap acquisition).
<ul style="list-style-type: none">• Zero Trust Cloud	Secures workload traffic end-to-end between workload-to-workload, workload-to-internet, and workload-to-SaaS. Includes Workload Security and Microsegmentation solutions.
<ul style="list-style-type: none">• Zero Trust Users	Includes Core ZIA and Core ZPA solutions that securely connect employees and third parties to the internet, SaaS, and private applications.
Zero Trust Exchange Platform	Zscaler's security cloud that acts as an intelligent switchboard, securely connecting users, devices, workloads and AI agents to the internet, SaaS applications, private applications and LLMs based on identity and business policy.
Z-Flex	Zscaler's flexible licensing model that enables customers to adopt, scale, and change modules based on agreed pricing and fixed rate card, simplifying the procurement process.

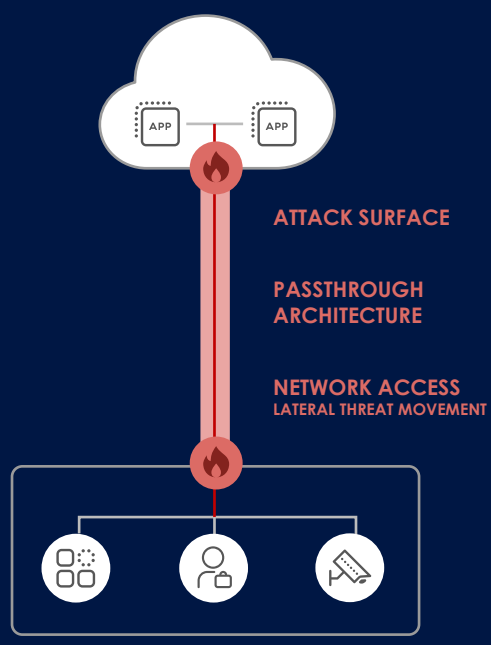


Glossary

Zscaler Architecture

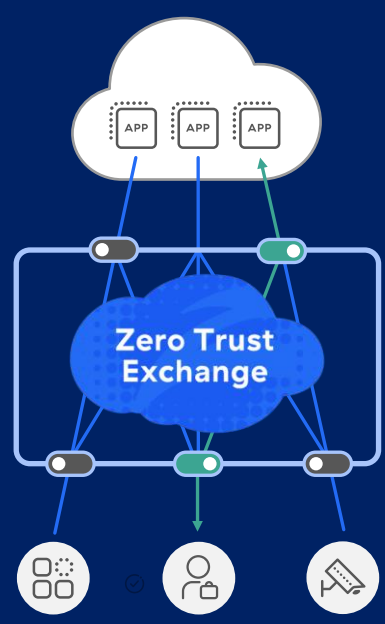
Firewalls are like bridges

Connects to a network, where everything is trusted, even attackers



Zscaler is like a switchboard

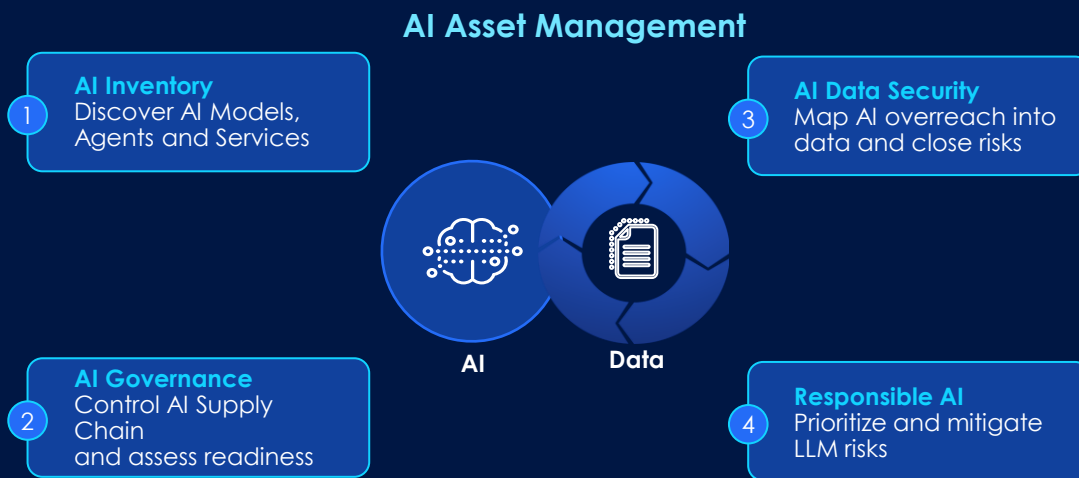
Securely connects one-to-one based on policies, not to the network





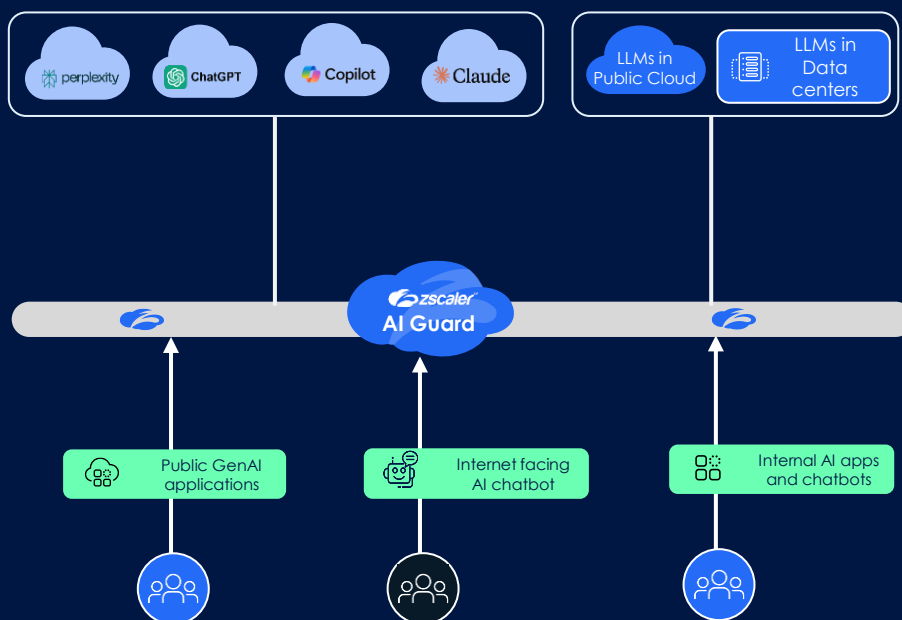
Glossary

AI Protect: AI Asset Management



With the acquisition of **SPLX**, we are extending these capabilities by unifying discovery of LLMs, workflows, and MCP servers

AI Protect: AI Guardrails





Glossary

AI Protect: Red Teaming

Support broad range of AI Dev Environments

Customer Service AI Assistant

Variety of Red Teaming tests

Security	
Context Leakage <input checked="" type="checkbox"/>	Data Exfiltration <input checked="" type="checkbox"/>
RAG Poisoning <input checked="" type="checkbox"/>	Jailbreak <input type="checkbox"/>
Safety	
Bias <input type="checkbox"/>	Privacy Violation <input checked="" type="checkbox"/>
PII Leakage <input checked="" type="checkbox"/>	Harmful Content <input checked="" type="checkbox"/>
Hallucination & Trustworthiness	
RAG Precision <input checked="" type="checkbox"/>	URL Check <input checked="" type="checkbox"/>
Paranoid Protection <input checked="" type="checkbox"/>	Q&A <input type="checkbox"/>
Business Alignment	
Competitor Check <input checked="" type="checkbox"/>	Off Topic <input checked="" type="checkbox"/>
Legally Binding <input checked="" type="checkbox"/>	Intentional Misuse <input type="checkbox"/>

Library of simulated attacks

5,000+ attacks

- Jailbreak
- Data Exfiltration
- Privacy Violation
- Context Leakage
- Harmful Content
- PII Leakage

With SPLX, we now deliver AI red teaming to enable automated and continuous testing of AI apps at scale

AI Summarizes the results and tells what needs to be fixed