

**ZSCALER, INC.**  
**Supplemental Financial Information**  
**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 Supplemental Financial Information. 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 operations. Restructuring and other charges includes severance and termination benefits in connection with a restructuring plan to streamline operations and to align people, roles and projects to our strategic priorities. These expenses are excluded because they fluctuate in amount and frequency and are not reflective of our core business operating performance.

Effective August 1, 2024, the beginning of our fiscal year ending July 31, 2025, we are using a long-term projected non-GAAP tax rate of 23% for the purpose of determining our non-GAAP net income and non-GAAP net income per share to provide better consistency across interim reporting periods. Given the significant growth of our business and non-GAAP operating income, we believe this change is necessary to better reflect the performance of our business. 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. Prior period amounts have been recast to reflect this change.

**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, restructuring and other charges 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 income (loss) excluding stock-based compensation expense and related employer payroll taxes, amortization expense of acquired intangible assets, restructuring and other charges, 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 non-GAAP interest expense related to the convertible senior notes divided by the weighted-average diluted shares outstanding, which 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.

**Calculated Billings.** We define calculated billings as revenue plus the change in deferred revenue in a period. Calculated billings in any particular period aims to reflect amounts invoiced for subscriptions to access our cloud platform, together with related support services for our new and existing customers. We typically invoice our customers annually in advance, and to a lesser extent quarterly in advance, monthly in advance or multi-year in advance.

**Annual Recurring Revenue ("ARR").** 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.

**ZSCALER, INC.**  
**Condensed Consolidated Statements of Operations**  
*(in thousands, except per share amounts)*  
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
Revenue	\$ 496,703	\$ 524,999	\$ 553,201	\$ 592,868	\$ 627,955	\$ 647,900	\$ 678,034	\$ 719,226
Cost of revenue <sup>(1)(2)(3)</sup>	111,394	117,199	118,331	130,205	141,462	148,498	155,978	172,240
Gross profit	385,309	407,800	434,870	462,663	486,493	499,402	522,056	546,986
Operating expenses:								
Sales and marketing <sup>(1)(2)</sup>	267,111	276,481	262,447	294,200	306,087	307,872	314,605	330,594
Research and development <sup>(1)(2)(3)</sup>	113,539	122,181	124,958	139,150	154,254	170,860	169,765	177,606
General and administrative <sup>(1)(4)</sup>	50,716	54,595	50,478	56,263	56,819	60,810	63,097	71,028
Total operating expenses	431,366	453,257	437,883	489,613	517,160	539,542	547,467	579,228
Loss from operations	(46,057)	(45,457)	(3,013)	(26,950)	(30,667)	(40,140)	(25,411)	(32,242)
Interest income	25,942	28,385	27,570	27,233	30,048	30,878	31,263	33,175
Interest expense <sup>(5)</sup>	(3,159)	(3,605)	(2,764)	(3,604)	(3,143)	(2,339)	(1,966)	(2,074)
Other income (expense), net	(1,212)	172	(927)	(1,783)	(652)	(4,936)	677	(762)
Income (loss) before income taxes	(24,486)	(20,505)	20,866	(5,104)	(4,414)	(16,537)	4,563	(1,903)
Provision for (benefit from) income taxes	8,997	7,964	1,742	9,774	7,637	(8,813)	8,688	15,675
Net income (loss)	\$ (33,483)	\$ (28,469)	\$ 19,124	\$ (14,878)	\$ (12,051)	\$ (7,724)	\$ (4,125)	\$ (17,578)
Net income (loss) per share								
Basic	\$ (0.23)	\$ (0.19)	\$ 0.13	\$ (0.10)	\$ (0.08)	\$ (0.05)	\$ (0.03)	\$ (0.11)
Diluted	\$ (0.23)	\$ (0.19)	\$ 0.12	\$ (0.10)	\$ (0.08)	\$ (0.05)	\$ (0.03)	\$ (0.11)
Weighted-average shares used in computing net income (loss) per share								
Basic	147,625	148,951	150,290	151,497	152,557	153,672	154,909	156,496
Diluted	147,625	148,951	154,081	151,497	152,557	153,672	154,909	156,496

<sup>(1)</sup> Includes stock-based compensation expense and related payroll taxes:

Cost of revenue	\$ 12,955	\$ 13,434	\$ 12,487	\$ 13,890	\$ 15,793	\$ 17,619	\$ 18,262	\$ 19,324
Sales and marketing	58,668	65,855	45,490	60,584	64,866	69,979	63,937	60,780
Research and development	41,043	44,120	46,346	54,598	58,865	65,896	63,753	69,149
General and administrative	20,063	22,127	17,142	20,298	21,050	22,862	21,857	31,542
Total	\$ 132,729	\$ 145,536	\$ 121,465	\$ 149,370	\$ 160,574	\$ 176,356	\$ 167,809	\$ 180,795

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

Cost of revenue	\$ 2,717	\$ 2,717	\$ 2,962	\$ 4,483	\$ 3,675	\$ 3,815	\$ 3,830	\$ 3,655
Sales and marketing	226	226	279	501	425	425	425	425
Research and development	93	140	140	140	140	5	—	—
Total	\$ 3,036	\$ 3,083	\$ 3,381	\$ 5,124	\$ 4,240	\$ 4,245	\$ 4,255	\$ 4,080

<sup>(3)</sup> Includes restructuring and other charges:

Cost of revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 138
Research and development	—	—	—	—	—	—	—	4,783
Total	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,921

<sup>(4)</sup> Includes acquisition-related expenses \$ — \$ — \$ — \$ — \$ — \$ — \$ — \$ — \$ 1,316

<sup>(5)</sup> Includes amortization of debt issuance costs \$ 977 \$ 978 \$ 979 \$ 980 \$ 981 \$ 982 \$ 984 \$ 1,346

**ZSCALER, INC.**
**Non-GAAP Condensed Consolidated Statements of Operations**
*(in thousands, except per share amounts)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
Revenue	\$ 496,703	\$ 524,999	\$ 553,201	\$ 592,868	\$ 627,955	\$ 647,900	\$ 678,034	\$ 719,226
Cost of revenue	95,722	101,048	102,882	111,832	121,994	127,064	133,886	149,123
Gross profit	400,981	423,951	450,319	481,036	505,961	520,836	544,148	570,103
Operating expenses:								
Sales and marketing	208,217	210,400	216,678	233,115	240,796	237,468	250,243	269,389
Research and development	72,403	77,921	78,472	84,412	95,249	104,959	106,012	103,674
General and administrative	30,653	32,468	33,336	35,965	35,769	37,948	41,240	38,170
Total operating expenses	311,273	320,789	328,486	353,492	371,814	380,375	397,495	411,233
Income from operations	89,708	103,162	121,833	127,544	134,147	140,461	146,653	158,870
Interest income	25,942	28,385	27,570	27,233	30,048	30,878	31,263	33,175
Interest expense	(2,182)	(2,627)	(1,785)	(2,624)	(2,162)	(1,357)	(982)	(728)
Other income (expense), net	(1,212)	172	(927)	(1,783)	(652)	(4,936)	677	(762)
Income before income taxes	112,256	129,092	146,691	150,370	161,381	165,046	177,611	190,555
Non-GAAP provision for income taxes <sup>(1)</sup>	25,819	29,691	33,739	34,585	37,118	37,965	40,844	43,830
Non-GAAP net income	\$ 86,437	\$ 99,401	\$ 112,952	\$ 115,785	\$ 124,263	\$ 127,081	\$ 136,767	\$ 146,725
Non-GAAP net income per share, diluted	\$ 0.55	\$ 0.62	\$ 0.71	\$ 0.72	\$ 0.77	\$ 0.78	\$ 0.84	\$ 0.89
Weighted-average shares used in computing non-GAAP net income per share, diluted	158,505	159,154	159,657	160,497	161,296	162,517	163,401	165,584

<sup>(1)</sup> Effective August 1, 2024, the beginning of our fiscal year ending July 31, 2025, we are using a long-term projected non-GAAP tax rate of 23% for the purpose of determining our non-GAAP net income and non-GAAP net income per share to provide better consistency across interim reporting periods in fiscal 2025 and beyond. Given the significant growth of our business and non-GAAP operating income, we believe this change is necessary to better reflect the performance of our business. 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. Prior period amounts have been recast to reflect this change.

<sup>(2)</sup> Supplemental information post-adoption of ASU 2020-06 (\*):

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
Non-GAAP net income	\$ 86,437	\$ 99,401	\$ 112,952	\$ 115,785	\$ 124,263	\$ 127,081	\$ 136,767	\$ 146,725
Add: Non-GAAP interest expense, net of tax related to the convertible senior notes	276	276	276	276	276	276	276	183
Numerator used in computing non-GAAP net income per share, diluted	\$ 86,713	\$ 99,677	\$ 113,228	\$ 116,061	\$ 124,539	\$ 127,357	\$ 137,043	\$ 146,908
Weighted-average shares used in computing GAAP net income (loss) per share, diluted	147,625	148,951	154,081	151,497	152,557	153,672	154,909	156,496
Add: Dilution from outstanding potentially dilutive equity incentive awards	3,431	4,670	—	2,699	2,348	2,988	2,812	4,457
Add: Dilution from the convertible senior notes using the if-converted method	7,626	7,626	7,626	7,626	7,626	7,626	7,626	6,211
Less: Antidilutive impact of capped call transactions (*)	(177)	(2,093)	(2,050)	(1,325)	(1,235)	(1,769)	(1,946)	(1,580)
Weighted-average shares used in computing non-GAAP net income per share, diluted	158,505	159,154	159,657	160,497	161,296	162,517	163,401	165,584

(\*) The capped calls have an antidilutive impact when the average stock price of our common stock in a given period is higher than their exercise price.

**ZSCALER, INC.**
**Condensed Consolidated Balance Sheets**
*(in thousands)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 1,361,723	\$ 1,438,586	\$ 1,259,197	\$ 1,423,080	\$ 1,553,645	\$ 1,758,506	\$ 1,990,890	\$ 2,389,023
Short-term investments	962,681	1,021,218	980,802	986,574	1,154,252	1,121,734	1,014,701	1,183,386
Accounts receivable, net	366,843	479,611	506,284	736,529	424,573	514,314	615,787	992,181
Deferred contract acquisition costs	119,417	125,591	135,095	148,873	152,475	156,079	165,752	180,819
Prepaid expenses and other current assets	80,926	77,702	88,636	101,561	108,835	114,573	128,271	148,881
Total current assets	2,891,590	3,142,708	2,970,014	3,396,617	3,393,780	3,665,206	3,915,401	4,894,290
Property and equipment, net	265,592	294,495	330,646	383,121	409,005	422,315	498,896	543,377
Operating lease right-of-use assets	77,137	87,804	92,473	89,758	84,091	83,703	71,351	89,772
Deferred contract acquisition costs, noncurrent	253,386	255,883	268,079	296,525	286,656	284,286	298,133	328,722
Acquired intangible assets, net	25,623	22,540	68,959	63,835	59,595	55,658	51,403	47,323
Goodwill	92,415	92,415	417,029	417,029	417,029	417,730	417,730	417,730
Other noncurrent assets	29,841	38,381	51,551	58,083	58,846	77,070	86,714	98,674
Total assets	<u>\$ 3,635,584</u>	<u>\$ 3,934,226</u>	<u>\$ 4,198,751</u>	<u>\$ 4,704,968</u>	<u>\$ 4,709,002</u>	<u>\$ 5,005,968</u>	<u>\$ 5,339,628</u>	<u>\$ 6,419,888</u>
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 23,234	\$ 17,137	\$ 28,030	\$ 23,309	\$ 25,368	\$ 24,600	\$ 54,609	\$ 46,906
Accrued expenses and other current liabilities	70,950	68,217	82,639	91,708	83,384	90,626	84,666	93,984
Accrued compensation	97,568	137,362	163,119	160,810	126,379	140,430	155,117	181,807
Deferred revenue	1,244,528	1,316,416	1,376,676	1,643,919	1,533,080	1,595,780	1,677,895	2,054,417
Convertible senior notes	—	—	—	1,142,275	1,145,799	1,147,513	1,148,881	—
Operating lease liabilities	38,138	44,773	50,857	50,866	49,600	49,917	47,231	52,497
Total current liabilities	1,474,418	1,583,905	1,701,321	3,112,887	2,963,610	3,048,866	3,168,399	2,429,611
Convertible senior notes, noncurrent	1,134,026	1,141,011	1,137,687	—	—	—	—	1,700,727
Deferred revenue, noncurrent	155,016	185,759	200,338	251,055	250,640	282,725	307,090	413,609
Operating lease liabilities, noncurrent	43,606	47,906	46,897	44,824	41,938	40,912	32,703	43,352
Other noncurrent liabilities	20,993	16,789	19,369	22,100	24,269	26,119	26,497	33,316
Total liabilities	2,828,059	2,975,370	3,105,612	3,430,866	3,280,457	3,398,622	3,534,689	4,620,615
<b>Stockholders' equity</b>								
Common stock	148	150	151	152	153	155	156	159
Additional paid-in capital	1,949,189	2,114,041	2,241,865	2,426,819	2,593,010	2,797,350	2,960,521	2,980,591
Accumulated other comprehensive income (loss)	(17,955)	(3,009)	(15,675)	(4,789)	(4,487)	(22,304)	16,242	8,081
Accumulated deficit	(1,123,857)	(1,152,326)	(1,133,202)	(1,148,080)	(1,160,131)	(1,167,855)	(1,171,980)	(1,189,558)
Total stockholders' equity	807,525	958,856	1,093,139	1,274,102	1,428,545	1,607,346	1,804,939	1,799,273
Total liabilities and stockholders' equity	<u>\$ 3,635,584</u>	<u>\$ 3,934,226</u>	<u>\$ 4,198,751</u>	<u>\$ 4,704,968</u>	<u>\$ 4,709,002</u>	<u>\$ 5,005,968</u>	<u>\$ 5,339,628</u>	<u>\$ 6,419,888</u>

**ZSCALER, INC.**
**Condensed Consolidated Statements of Cash flows**
*(in thousands)*
*(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (33,483)	\$ (28,469)	\$ 19,124	\$ (14,878)	\$ (12,051)	\$ (7,724)	\$ (4,125)	\$ (17,578)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	13,962	15,399	17,672	19,275	21,423	24,488	28,190	30,260
Amortization expense of acquired intangible assets	3,036	3,083	3,381	5,124	4,240	4,245	4,255	4,080
Amortization of deferred contract acquisition costs	30,111	31,393	33,207	35,428	39,068	40,123	42,308	44,811
Amortization of debt issuance costs	977	978	979	980	981	982	984	1,346
Non-cash operating lease costs	9,903	11,730	13,280	14,532	15,657	15,908	16,331	15,102
Stock-based compensation expense	129,138	140,432	113,236	144,870	157,178	172,117	159,401	172,654
Accretion of investments purchased at a discount	(3,199)	(6,383)	(5,002)	(4,478)	(5,003)	(5,107)	(3,752)	(2,061)
Unrealized (gains) losses on hedging transactions	1,564	1,277	(1,267)	(821)	3,689	(653)	(3,898)	1,231
Deferred income taxes	(43)	(1,394)	(4,332)	136	186	(17,545)	(482)	3,490
Other	1,031	372	314	1,603	644	659	(244)	(72)
Changes in operating assets and liabilities, net of effects of business acquisitions:								
Accounts receivable	215,082	(112,708)	(23,968)	(231,366)	311,975	(89,932)	(101,537)	(376,516)
Deferred contract acquisition costs	(27,680)	(40,064)	(54,907)	(77,652)	(32,801)	(41,357)	(65,828)	(90,467)
Prepaid expenses, other current and noncurrent assets	1,349	1,311	(26,112)	(16,519)	(8,767)	(3,377)	(38)	(29,390)
Accounts payable	4,596	(7,008)	9,932	(3,356)	1,043	(945)	28,849	(11,415)
Accrued expenses, other current and noncurrent liabilities	4,859	1,161	8,627	28,909	(6,240)	(5,241)	4,448	12,213
Accrued compensation	(39,232)	39,794	12,254	(2,309)	(34,431)	14,051	14,687	26,690
Deferred revenue	(40,154)	102,631	69,877	317,960	(111,254)	94,785	106,480	483,041
Operating lease liabilities	(11,011)	(11,466)	(12,881)	(13,881)	(14,202)	(16,044)	(14,948)	(16,815)
<b>Net cash provided by operating activities</b>	<b>260,806</b>	<b>142,069</b>	<b>173,414</b>	<b>203,557</b>	<b>331,335</b>	<b>179,433</b>	<b>211,081</b>	<b>250,604</b>
<b>Cash flows from investing activities</b>								
Purchases of property, equipment and other assets	(28,659)	(30,894)	(35,651)	(49,384)	(17,025)	(15,018)	(72,163)	(60,046)
Capitalized internal-use software	(7,429)	(10,387)	(14,637)	(17,855)	(22,429)	(20,987)	(19,455)	(18,637)
Payments for business acquisitions, net of cash acquired	(4,377)	—	(357,404)	(12,921)	—	(834)	—	—
Purchase of strategic investments	—	(2,000)	—	—	(561)	(225)	—	(38)
Purchases of short-term investments	(375,929)	(385,867)	(242,176)	(287,043)	(430,296)	(298,770)	(157,570)	(393,993)
Proceeds from maturities of short-term investments	253,849	340,838	244,566	293,015	268,651	336,352	270,890	225,132
Proceeds from sale of short-term investments	—	2,105	45,060	—	—	—	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>(162,545)</b>	<b>(86,205)</b>	<b>(360,242)</b>	<b>(74,188)</b>	<b>(201,660)</b>	<b>518</b>	<b>21,702</b>	<b>(247,582)</b>
<b>Cash flows from financing activities</b>								
Proceeds from issuance of common stock upon exercise of stock options	1,256	2,592	7,439	962	890	2,566	41	84
Proceeds from issuance of common stock under the employee stock purchase plan	—	18,407	—	33,591	—	22,344	—	41,219
Payment of deferred consideration related to business acquisitions	—	—	—	—	—	—	(440)	(352)
Proceeds from issuance of the 2028 convertible senior notes	—	—	—	—	—	—	—	1,725,000
Payments for issuance costs related to the 2028 convertible senior notes	—	—	—	—	—	—	—	(24,150)
Purchases of capped calls related to the 2028 convertible senior notes	—	—	—	—	—	—	—	(196,650)
Payments for settlement of the 2025 convertible senior notes	—	—	—	—	—	—	—	(1,150,040)
Other	—	—	—	(39)	—	—	—	—
<b>Net cash provided by (used in) financing activities</b>	<b>1,256</b>	<b>20,999</b>	<b>7,439</b>	<b>34,514</b>	<b>890</b>	<b>24,910</b>	<b>(399)</b>	<b>395,111</b>
Net increase (decrease) in cash and cash equivalents	99,517	76,863	(179,389)	163,883	130,565	204,861	232,384	398,133
Cash and cash equivalents at beginning of period	1,262,206	1,361,723	1,438,586	1,259,197	1,423,080	1,553,645	1,758,506	1,990,890
Cash and cash equivalents at end of period	<u>\$ 1,361,723</u>	<u>\$ 1,438,586</u>	<u>\$ 1,259,197</u>	<u>\$ 1,423,080</u>	<u>\$ 1,553,645</u>	<u>\$ 1,758,506</u>	<u>\$ 1,990,890</u>	<u>\$ 2,389,023</u>

**ZSCALER, INC.**
**GAAP to Non-GAAP Reconciliations**
*(in thousands, except percentages and per share amounts)(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
<b>GAAP gross profit</b>	<b>\$385,309</b>	<b>\$407,800</b>	<b>\$434,870</b>	<b>\$462,663</b>	<b>\$486,493</b>	<b>\$499,402</b>	<b>\$522,056</b>	<b>\$546,986</b>
Stock-based compensation expense and related payroll taxes	12,955	13,434	12,487	13,890	15,793	17,619	18,262	19,324
Amortization expense of acquired intangible assets	2,717	2,717	2,962	4,483	3,675	3,815	3,830	3,655
Restructuring and other charges	—	—	—	—	—	—	—	138
<b>Non-GAAP gross profit</b>	<b>\$400,981</b>	<b>\$423,951</b>	<b>\$450,319</b>	<b>\$481,036</b>	<b>\$505,961</b>	<b>\$520,836</b>	<b>\$544,148</b>	<b>\$570,103</b>
GAAP gross margin	78%	78%	79%	78%	77%	77%	77%	76%
Non-GAAP gross margin	81%	81%	81%	81%	81%	80%	80%	79%
<b>GAAP sales and marketing expense</b>	<b>\$267,111</b>	<b>\$276,481</b>	<b>\$262,447</b>	<b>\$294,200</b>	<b>\$306,087</b>	<b>\$307,872</b>	<b>\$314,605</b>	<b>\$330,594</b>
Stock-based compensation expense and related payroll taxes	58,668	65,855	45,490	60,584	64,866	69,979	63,937	60,780
Amortization expense of acquired intangible assets	226	226	279	501	425	425	425	425
<b>Non-GAAP sales and marketing expense</b>	<b>\$208,217</b>	<b>\$210,400</b>	<b>\$216,678</b>	<b>\$233,115</b>	<b>\$240,796</b>	<b>\$237,468</b>	<b>\$250,243</b>	<b>\$269,389</b>
GAAP sales and marketing expense as a percentage of revenue	54%	53%	47%	50%	49%	48%	46%	46%
Non-GAAP sales and marketing expense as a percentage of revenue	42%	40%	39%	39%	38%	37%	37%	37%
<b>GAAP research and development expense</b>	<b>\$113,539</b>	<b>\$122,181</b>	<b>\$124,958</b>	<b>\$139,150</b>	<b>\$154,254</b>	<b>\$170,860</b>	<b>\$169,765</b>	<b>\$177,606</b>
Stock-based compensation expense and related payroll taxes	41,043	44,120	46,346	54,598	58,865	65,896	63,753	69,149
Amortization expense of acquired intangible assets	93	140	140	140	140	5	—	—
Restructuring and other charges	—	—	—	—	—	—	—	4,783
<b>Non-GAAP research and development expense</b>	<b>\$72,403</b>	<b>\$77,921</b>	<b>\$78,472</b>	<b>\$84,412</b>	<b>\$95,249</b>	<b>\$104,959</b>	<b>\$106,012</b>	<b>\$103,674</b>
GAAP research and development expense as a percentage of revenue	23%	23%	23%	23%	25%	26%	25%	25%
Non-GAAP research and development expense as a percentage of revenue	15%	15%	14%	14%	15%	16%	16%	14%
<b>GAAP general and administrative expense</b>	<b>\$50,716</b>	<b>\$54,595</b>	<b>\$50,478</b>	<b>\$56,263</b>	<b>\$56,819</b>	<b>\$60,810</b>	<b>\$63,097</b>	<b>\$71,028</b>
Stock-based compensation expense and related payroll taxes	20,063	22,127	17,142	20,298	21,050	22,862	21,857	31,542
Acquisition-related expenses	—	—	—	—	—	—	—	1,316
<b>Non-GAAP general and administrative expense</b>	<b>\$30,653</b>	<b>\$32,468</b>	<b>\$33,336</b>	<b>\$35,965</b>	<b>\$35,769</b>	<b>\$37,948</b>	<b>\$41,240</b>	<b>\$38,170</b>
GAAP general and administrative expense as a percentage of revenue	10%	10%	9%	9%	9%	9%	9%	10%
Non-GAAP general and administrative expense as a percentage of revenue	6%	6%	6%	6%	6%	6%	6%	5%
<b>GAAP total operating expenses</b>	<b>\$431,366</b>	<b>\$453,257</b>	<b>\$437,883</b>	<b>\$489,613</b>	<b>\$517,160</b>	<b>\$539,542</b>	<b>\$547,467</b>	<b>\$579,228</b>
Stock-based compensation expense and related payroll taxes	119,774	132,102	108,978	135,480	144,781	158,737	149,547	161,471
Amortization expense of acquired intangible assets	319	366	419	641	565	430	425	425
Restructuring and other charges	—	—	—	—	—	—	—	4,783
Acquisition-related expenses	—	—	—	—	—	—	—	1,316
<b>Non-GAAP total operating expenses</b>	<b>\$311,273</b>	<b>\$320,789</b>	<b>\$328,486</b>	<b>\$353,492</b>	<b>\$371,814</b>	<b>\$380,375</b>	<b>\$397,495</b>	<b>\$411,233</b>
GAAP total operating expenses as a percentage of revenue	87%	86%	79%	83%	82%	83%	81%	81%
Non-GAAP total operating expenses as a percentage of revenue	63%	61%	59%	60%	59%	59%	59%	57%

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
<b>GAAP loss from operations</b>	<b>\$(46,057)</b>	<b>\$(45,457)</b>	<b>\$(3,013)</b>	<b>\$(26,950)</b>	<b>\$(30,667)</b>	<b>\$(40,140)</b>	<b>\$(25,411)</b>	<b>\$(32,242)</b>
Stock-based compensation expense and related payroll taxes	132,729	145,536	121,465	149,370	160,574	176,356	167,809	180,795
Amortization expense of acquired intangible assets	3,036	3,083	3,381	5,124	4,240	4,245	4,255	4,080
Restructuring and other charges	—	—	—	—	—	—	—	4,921
Acquisition-related expenses	—	—	—	—	—	—	—	1,316
<b>Non-GAAP income from operations</b>	<b>\$89,708</b>	<b>\$103,162</b>	<b>\$121,833</b>	<b>\$127,544</b>	<b>\$134,147</b>	<b>\$140,461</b>	<b>\$146,653</b>	<b>\$158,870</b>
GAAP operating margin	(9)%	(9)%	(1)%	(5)%	(5)%	(6)%	(4)%	(4)%
Non-GAAP operating margin	18%	20%	22%	22%	21%	22%	22%	22%
<b>GAAP interest expense</b>	<b>\$(3,159)</b>	<b>\$(3,605)</b>	<b>\$(2,764)</b>	<b>\$(3,604)</b>	<b>\$(3,143)</b>	<b>\$(2,339)</b>	<b>\$(1,966)</b>	<b>\$(2,074)</b>
Amortization of debt issuance costs	977	978	979	980	981	982	984	1,346
<b>Non-GAAP interest expense</b>	<b>\$(2,182)</b>	<b>\$(2,627)</b>	<b>\$(1,785)</b>	<b>\$(2,624)</b>	<b>\$(2,162)</b>	<b>\$(1,357)</b>	<b>\$(982)</b>	<b>\$(728)</b>
<b>GAAP provision for (benefit from) income taxes</b>	<b>\$8,997</b>	<b>\$7,964</b>	<b>\$1,742</b>	<b>\$9,774</b>	<b>\$7,637</b>	<b>\$(8,813)</b>	<b>\$8,688</b>	<b>\$15,675</b>
Income tax and other tax adjustments <sup>(2)</sup>	16,822	21,727	31,997	24,811	29,481	46,778	32,156	28,155
<b>Non-GAAP provision for income taxes <sup>(1)</sup></b>	<b>\$25,819</b>	<b>\$29,691</b>	<b>\$33,739</b>	<b>\$34,585</b>	<b>\$37,118</b>	<b>\$37,965</b>	<b>\$40,844</b>	<b>\$43,830</b>
Non-GAAP effective tax rate <sup>(1)</sup>	23%	23%	23%	23%	23%	23%	23%	23%
<b>GAAP net income (loss)</b>	<b>\$(33,483)</b>	<b>\$(28,469)</b>	<b>\$19,124</b>	<b>\$(14,878)</b>	<b>\$(12,051)</b>	<b>\$(7,724)</b>	<b>\$(4,125)</b>	<b>\$(17,578)</b>
Add: GAAP provision for (benefit from) income taxes	8,997	7,964	1,742	9,774	7,637	(8,813)	8,688	15,675
<b>GAAP income (loss) before income taxes</b>	<b>(24,486)</b>	<b>(20,505)</b>	<b>20,866</b>	<b>(5,104)</b>	<b>(4,414)</b>	<b>(16,537)</b>	<b>4,563</b>	<b>(1,903)</b>
Add:								
Stock-based compensation expense and related payroll taxes	132,729	145,536	121,465	149,370	160,574	176,356	167,809	180,795
Amortization expense of acquired intangible assets	3,036	3,083	3,381	5,124	4,240	4,245	4,255	4,080
Restructuring and other charges	—	—	—	—	—	—	—	4,921
Amortization of debt issuance costs	977	978	979	980	981	982	984	1,346
Acquisition-related expenses	—	—	—	—	—	—	—	1,316
<b>Non-GAAP net income before income taxes</b>	<b>112,256</b>	<b>129,092</b>	<b>146,691</b>	<b>150,370</b>	<b>161,381</b>	<b>165,046</b>	<b>177,611</b>	<b>190,555</b>
Non-GAAP provision for income taxes <sup>(1)</sup>	25,819	29,691	33,739	34,585	37,118	37,965	40,844	43,830
<b>Non-GAAP net income</b>	<b>\$86,437</b>	<b>\$99,401</b>	<b>\$112,952</b>	<b>\$115,785</b>	<b>\$124,263</b>	<b>\$127,081</b>	<b>\$136,767</b>	<b>\$146,725</b>
<b>Non-GAAP net income</b>	<b>\$86,437</b>	<b>\$99,401</b>	<b>\$112,952</b>	<b>\$115,785</b>	<b>\$124,263</b>	<b>\$127,081</b>	<b>\$136,767</b>	<b>\$146,725</b>
Add: Non-GAAP interest expense, net of tax related to the convertible senior notes	276	276	276	276	276	276	276	183
<b>Numerator used in computing non-GAAP net income per share, diluted</b>	<b>\$86,713</b>	<b>\$99,677</b>	<b>\$113,228</b>	<b>\$116,061</b>	<b>\$124,539</b>	<b>\$127,357</b>	<b>\$137,043</b>	<b>\$146,908</b>
<b>GAAP net income (loss) per share, diluted</b>	<b>\$(0.23)</b>	<b>\$(0.19)</b>	<b>\$0.12</b>	<b>\$(0.10)</b>	<b>\$(0.08)</b>	<b>\$(0.05)</b>	<b>\$(0.03)</b>	<b>\$(0.11)</b>
Stock-based compensation expense and related payroll taxes	0.84	0.91	0.76	0.93	1.00	1.09	1.03	1.09
Amortization expense of acquired intangible assets	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.02
Restructuring and other charges	—	—	—	—	—	—	—	0.03

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
Amortization of debt issuance costs	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Acquisition-related expenses	—	—	—	—	—	—	—	0.01
Income tax and other tax adjustment <sup>(2)</sup>	(0.11)	(0.14)	(0.20)	(0.15)	(0.18)	(0.29)	(0.20)	(0.17)
Non-GAAP interest expense, net of tax related to the convertible senior notes	—	—	—	—	—	—	—	—
Adjustment to total fully diluted earnings per share <sup>(3)</sup>	0.02	0.02	—	—	(0.01)	(0.01)	—	0.01
<b>Non-GAAP net income per share, diluted</b>	<b>\$0.55</b>	<b>\$0.63</b>	<b>\$0.71</b>	<b>\$0.72</b>	<b>\$0.77</b>	<b>\$0.78</b>	<b>\$0.84</b>	<b>\$0.89</b>
<b>Weighted-average shares used in computing GAAP net income (loss) per share, diluted</b>	<b>147,625</b>	<b>148,951</b>	<b>154,081</b>	<b>151,497</b>	<b>152,557</b>	<b>153,672</b>	<b>154,909</b>	<b>156,496</b>
Outstanding potentially dilutive equity incentive awards	3,431	4,670	—	2,699	2,348	2,988	2,812	4,457
Convertible senior notes	7,626	7,626	7,626	7,626	7,626	7,626	7,626	6,211
Antidilutive impact of capped call transactions <sup>(4)</sup>	(177)	(2,093)	(2,050)	(1,325)	(1,235)	(1,769)	(1,946)	(1,580)
<b>Weighted-average shares used in computing non-GAAP net income per share, diluted</b>	<b>158,505</b>	<b>159,154</b>	<b>159,657</b>	<b>160,497</b>	<b>161,296</b>	<b>162,517</b>	<b>163,401</b>	<b>165,584</b>

<sup>(1)</sup> Effective August 1, 2024, the beginning of our fiscal year ending July 31, 2025, we are using a long-term projected non-GAAP tax rate of 23% for the purpose of determining our non-GAAP net income and non-GAAP net income per share to provide better consistency across interim reporting periods in fiscal 2025 and beyond. Given the significant growth of our business and non-GAAP operating income, we believe this change is necessary to better reflect the performance of our business. 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. All periods presented have been recast to reflect this change.

<sup>(2)</sup> Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 23%.

<sup>(3)</sup> The sum of the fully diluted earnings per share impact of individual reconciling items may not total to fully diluted non-GAAP net income per share due to the weighted-average shares used in computing the GAAP net loss per share differs from the weighted-average shares used in computing the non-GAAP net income per share, and due to rounding of the individual reconciling items. The GAAP net loss per share calculation uses a lower share count as it excludes potentially dilutive shares, which are included in calculating the non-GAAP net income per share.

<sup>(4)</sup> We exclude the in-the-money portion of the convertible senior notes for non-GAAP weighted-average diluted shares as they are covered by our capped call transactions. Our outstanding capped call transactions are antidilutive under GAAP but are expected to mitigate the dilutive effect of the convertible senior notes and therefore are included in the calculation of non-GAAP diluted shares outstanding. The capped calls have an antidilutive impact when the average stock price of our common stock in a given period is higher than their exercise price.

**ZSCALER, INC.****Free Cash Flow and Free Cash Flow Margin***(in thousands, except percentages)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
<b>Revenue</b>	\$496,703	\$524,999	\$553,201	\$592,868	\$627,955	\$647,900	\$678,034	\$719,226
<b>Free cash flow</b>								
Net cash provided by operating activities	\$260,806	\$142,069	\$173,414	\$203,557	\$331,335	\$179,433	\$211,081	\$250,604
Less: Purchases of property, equipment and other assets	(28,659)	(30,894)	(35,651)	(49,384)	(17,025)	(15,018)	(72,163)	(60,046)
Less: Capitalized internal-use software	(7,429)	(10,387)	(14,637)	(17,855)	(22,429)	(20,987)	(19,455)	(18,637)
<b>Free cash flow</b>	<u>\$224,718</u>	<u>\$100,788</u>	<u>\$123,126</u>	<u>\$136,318</u>	<u>\$291,881</u>	<u>\$143,428</u>	<u>\$119,463</u>	<u>\$171,921</u>
<b>Year-over-year growth</b>	135%	60%	67%	35%	30%	42%	(3)%	26%
<b>Free cash flow margin</b>								
Net cash provided by operating activities, as a percentage of revenue	53%	27%	31%	34%	53%	27%	31%	35%
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(6)%	(6)%	(6)%	(8)%	(3)%	(2)%	(10)%	(8)%
Less: Capitalized internal-use software, as a percentage of revenue	(2)%	(2)%	(3)%	(3)%	(4)%	(3)%	(3)%	(3)%
<b>Free cash flow margin</b>	<u>45%</u>	<u>19%</u>	<u>22%</u>	<u>23%</u>	<u>46%</u>	<u>22%</u>	<u>18%</u>	<u>24%</u>

**ZSCALER, INC.****Calculated Billings, ARR and Other Selected Key Metrics***(in thousands, except percentages, ARR and customer data)**(unaudited)*

<b>Fiscal Quarter</b>	<b>Q1 FY24</b>	<b>Q2 FY24</b>	<b>Q3 FY24</b>	<b>Q4 FY24</b>	<b>Q1 FY25</b>	<b>Q2 FY25</b>	<b>Q3 FY25</b>	<b>Q4 FY25</b>
End of Fiscal Quarter	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025	4/30/2025	7/31/2025
Beginning of Fiscal Quarter	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024	2/1/2025	5/1/2025
<b>Calculated billings <sup>(1)</sup></b>								
Revenue	\$496,703	\$524,999	\$553,201	\$592,868	\$627,955	\$647,900	\$678,034	\$719,226
Add: Total deferred revenue, end of period	1,399,544	1,502,175	1,577,014	1,894,974	1,783,720	1,878,505	1,984,985	2,468,026
Less: Total deferred revenue, beginning of period	(1,439,676)	(1,399,544)	(1,502,175)	(1,577,014)	(1,894,974)	(1,783,720)	(1,878,505)	(1,984,985)
<b>Calculated billings</b>	<b>\$456,571</b>	<b>\$627,630</b>	<b>\$628,040</b>	<b>\$910,828</b>	<b>\$516,701</b>	<b>\$742,685</b>	<b>\$784,514</b>	<b>\$1,202,267</b>
Year-over-year growth	34%	27%	30%	27%	13%	18%	25%	32%
<b>Annual Recurring Revenue ("ARR") (in millions) <sup>(2)</sup></b>	<b>\$2,072</b>	<b>\$2,177</b>	<b>\$2,304</b>	<b>\$2,474</b>	<b>\$2,553</b>	<b>\$2,683</b>	<b>\$2,817</b>	<b>\$3,015</b>
<b>Other key business metrics</b>								
Customers with equal or greater than \$100,000 ARR	2,703	2,817	2,919	3,087	3,154	3,281	3,357	3,494
Customers with equal or greater than \$1.0 million ARR	462	491	522	564	584	619	633	664

<sup>(1)</sup> Beginning in the first quarter of fiscal 2026, calculated billings will no longer be reported.

<sup>(2)</sup> 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.