

**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. 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. 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.

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 and restructuring and other charges. 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, 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.

**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>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
Revenue	\$ 418,800	\$ 455,006	\$ 496,703	\$ 524,999	\$ 553,201	\$ 592,868	\$ 627,955	\$ 647,900
Cost of revenue <sup>(1)(2)</sup>	95,849	102,682	111,394	117,199	118,331	130,205	141,462	148,498
Gross profit	322,951	352,324	385,309	407,800	434,870	462,663	486,493	499,402
Operating expenses:								
Sales and marketing <sup>(1)(2)</sup>	236,273	252,810	267,111	276,481	262,447	294,200	306,087	307,872
Research and development <sup>(1)(2)</sup>	92,637	96,387	113,539	122,181	124,958	139,150	154,254	170,860
General and administrative <sup>(1)</sup>	43,486	46,380	50,716	54,595	50,478	56,263	56,819	60,810
Restructuring and other charges <sup>(1)</sup>	6,301	1,299	—	—	—	—	—	—
Total operating expenses	378,697	396,876	431,366	453,257	437,883	489,613	517,160	539,542
Loss from operations	(55,746)	(44,552)	(46,057)	(45,457)	(3,013)	(26,950)	(30,667)	(40,140)
Interest income	18,577	21,351	25,942	28,385	27,570	27,233	30,048	30,878
Interest expense <sup>(3)</sup>	(1,383)	(2,494)	(3,159)	(3,605)	(2,764)	(3,604)	(3,143)	(2,339)
Other income (expense), net	(809)	(331)	(1,212)	172	(927)	(1,783)	(652)	(4,936)
Income (loss) before income taxes	(39,361)	(26,026)	(24,486)	(20,505)	20,866	(5,104)	(4,414)	(16,537)
Provision for (benefit from) for income taxes <sup>(4)</sup>	6,685	4,648	8,997	7,964	1,742	9,774	7,637	(8,813)
Net income (loss)	\$ (46,046)	\$ (30,674)	\$ (33,483)	\$ (28,469)	\$ 19,124	\$ (14,878)	\$ (12,051)	\$ (7,724)
Net income (loss) per share								
Basic	\$ (0.32)	\$ (0.21)	\$ (0.23)	\$ (0.19)	\$ 0.13	\$ (0.10)	\$ (0.08)	\$ (0.05)
Diluted	\$ (0.32)	\$ (0.21)	\$ (0.23)	\$ (0.19)	\$ 0.12	\$ (0.10)	\$ (0.08)	\$ (0.05)
Weighted-average shares used in computing net income (loss) per share								
Basic	145,354	146,424	147,625	148,951	150,290	151,497	152,557	153,672
Diluted	145,354	146,424	147,625	148,951	154,081	151,497	152,557	153,672

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

Cost of revenue	\$ 10,025	\$ 12,016	\$ 12,955	\$ 13,434	\$ 12,487	\$ 13,890	\$ 15,793	\$ 17,619
Sales and marketing	51,417	60,181	58,668	65,855	45,490	60,584	64,866	69,979
Research and development	31,796	34,742	41,043	44,120	46,346	54,598	58,865	65,896
General and administrative	17,112	19,336	20,063	22,127	17,142	20,298	21,050	22,862
Restructuring and other charges	1,036	—	—	—	—	—	—	—
Total	\$ 111,386	\$ 126,275	\$ 132,729	\$ 145,536	\$ 121,465	\$ 149,370	\$ 160,574	\$ 176,356

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

Cost of revenue	\$ 2,695	\$ 2,765	\$ 2,717	\$ 2,717	\$ 2,962	\$ 4,483	\$ 3,675	\$ 3,815
Sales and marketing	200	217	226	226	279	501	425	425
Research and development	80	—	93	140	140	140	140	5
Total	\$ 2,975	\$ 2,982	\$ 3,036	\$ 3,083	\$ 3,381	\$ 5,124	\$ 4,240	\$ 4,245

<sup>(3)</sup> Includes amortization of debt issuance costs

\$ 974	\$ 975	\$ 977	\$ 978	\$ 979	\$ 980	\$ 981	\$ 982
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<sup>(4)</sup> Benefit from a release of valuation allowance (\*)

\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17,188
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<sup>(\*)</sup> During the three months ended January 31, 2025, we recognized a tax benefit of \$17.2 million attributable to the release of the valuation allowance on United Kingdom (U.K.) deferred tax assets.

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

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
Revenue	\$ 418,800	\$ 455,006	\$ 496,703	\$ 524,999	\$ 553,201	\$ 592,868	\$ 627,955	\$ 647,900
Cost of revenue	83,129	87,901	95,722	101,048	102,882	111,832	121,994	127,064
Gross profit	335,671	367,105	400,981	423,951	450,319	481,036	505,961	520,836
Operating expenses:								
Sales and marketing	184,656	192,412	208,217	210,400	216,678	233,115	240,796	237,468
Research and development	60,761	61,645	72,403	77,921	78,472	84,412	95,249	104,959
General and administrative	26,374	27,044	30,653	32,468	33,336	35,965	35,769	37,948
Total operating expenses	271,791	281,101	311,273	320,789	328,486	353,492	371,814	380,375
Income from operations	63,880	86,004	89,708	103,162	121,833	127,544	134,147	140,461
Interest income	18,577	21,351	25,942	28,385	27,570	27,233	30,048	30,878
Interest expense	(409)	(1,519)	(2,182)	(2,627)	(1,785)	(2,624)	(2,162)	(1,357)
Other income (expense), net	(809)	(331)	(1,212)	172	(927)	(1,783)	(652)	(4,936)
Income before income taxes	81,239	105,505	112,256	129,092	146,691	150,370	161,381	165,046
Non-GAAP provision for income taxes <sup>(1)</sup>	18,685	24,266	25,819	29,691	33,739	34,585	37,118	37,965
Non-GAAP net income	\$ 62,554	\$ 81,239	\$ 86,437	\$ 99,401	\$ 112,952	\$ 115,785	\$ 124,263	\$ 127,081
Non-GAAP net income per share, diluted	\$ 0.40	\$ 0.52	\$ 0.55	\$ 0.63	\$ 0.71	\$ 0.72	\$ 0.77	\$ 0.78
Weighted-average shares used in computing non-GAAP net income per share, diluted	155,472	157,315	158,505	159,154	159,657	160,497	161,296	162,517

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

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
Non-GAAP net income	\$62,554	\$81,239	\$86,437	\$99,401	\$112,952	\$115,785	\$124,263	\$127,081
Add: Non-GAAP interest expense, net of tax related to the convertible senior notes	276	276	276	276	276	276	276	276
Numerator used in computing non-GAAP net income per share, diluted	\$62,830	\$81,515	\$86,713	\$99,677	\$113,228	\$116,061	\$124,539	\$127,357
Weighted-average shares used in computing GAAP net income (loss) per share, diluted	145,354	146,424	147,625	148,951	154,081	151,497	152,557	153,672
Add: Dilution from outstanding potentially dilutive equity incentive awards	2,492	3,265	3,431	4,670	—	2,699	2,348	2,988
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	7,626
Less: Antidilutive impact of capped call transactions (**)	—	—	(177)	(2,093)	(2,050)	(1,325)	(1,235)	(1,769)
Weighted-average shares used in computing non-GAAP net income per share, diluted	155,472	157,315	158,505	159,154	159,657	160,497	161,296	162,517

(\*) Effective August 1, 2022, the beginning of our fiscal year ended July 31, 2023, we adopted ASC Topic 470 “Debt” and ASC Topic 815 “Derivatives and Hedging” (“ASU 2020-06”). Post-adoption of this standard, we are required to use the if-converted method to compute the potentially diluted shares related to the senior convertible notes, which results in approximately 7.63 million shares, and to add back the non-GAAP interest expense related to the convertible senior notes to the non-GAAP net income.

(\*\*) 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>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 1,275,297	\$ 1,262,206	\$ 1,361,723	\$ 1,438,586	\$ 1,259,197	\$ 1,423,080	\$ 1,553,645	\$ 1,758,506
Short-term investments	693,110	838,026	962,681	1,021,218	980,802	986,574	1,154,252	1,121,734
Accounts receivable, net	376,339	582,636	366,843	479,611	506,284	736,529	424,573	514,314
Deferred contract acquisition costs	103,896	115,827	119,417	125,591	135,095	148,873	152,475	156,079
Prepaid expenses and other current assets	78,608	91,619	80,926	77,702	88,636	101,561	108,835	114,573
Total current assets	2,527,250	2,890,314	2,891,590	3,142,708	2,970,014	3,396,617	3,393,780	3,665,206
Property and equipment, net	222,801	242,355	265,592	294,495	330,646	383,121	409,005	422,315
Operating lease right-of-use assets	68,526	70,671	77,137	87,804	92,473	89,758	84,091	83,703
Deferred contract acquisition costs, noncurrent	232,304	259,407	253,386	255,883	268,079	296,525	286,656	284,286
Acquired intangible assets, net	28,841	25,859	25,623	22,540	68,959	63,835	59,595	55,658
Goodwill	89,192	89,192	92,415	92,415	417,029	417,029	417,029	417,730
Other noncurrent assets	31,798	30,519	29,841	38,381	51,551	58,083	58,846	77,070
Total assets	<u>\$ 3,200,712</u>	<u>\$ 3,608,317</u>	<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>
<b>Liabilities and stockholders' equity</b>								
Current liabilities:								
Accounts payable	\$ 24,783	\$ 18,481	\$ 23,234	\$ 17,137	\$ 28,030	\$ 23,309	\$ 25,368	\$ 24,600
Accrued expenses and other current liabilities	51,209	64,975	70,950	68,217	82,639	91,708	83,384	90,626
Accrued compensation	123,195	136,800	97,568	137,362	163,119	160,810	126,379	140,430
Deferred revenue	1,058,901	1,281,143	1,244,528	1,316,416	1,376,676	1,643,919	1,533,080	1,595,780
Convertible senior notes	—	—	—	—	—	1,142,275	1,145,799	1,147,513
Operating lease liabilities	31,054	34,469	38,138	44,773	50,857	50,866	49,600	49,917
Total current liabilities	1,289,142	1,535,868	1,474,418	1,583,905	1,701,321	3,112,887	2,963,610	3,048,866
Convertible senior notes, noncurrent	1,140,840	1,134,159	1,134,026	1,141,011	1,137,687	—	—	—
Deferred revenue, noncurrent	116,472	158,533	155,016	185,759	200,338	251,055	250,640	282,725
Operating lease liabilities, noncurrent	42,884	41,917	43,606	47,906	46,897	44,824	41,938	40,912
Other noncurrent liabilities	10,100	12,728	20,993	16,789	19,369	22,100	24,269	26,119
Total liabilities	2,599,438	2,883,205	2,828,059	2,975,370	3,105,612	3,430,866	3,280,457	3,398,622
<b>Stockholders' equity</b>								
Common stock	146	147	148	150	151	152	153	155
Additional paid-in capital	1,660,930	1,816,915	1,949,189	2,114,041	2,241,865	2,426,819	2,593,010	2,797,350
Accumulated other comprehensive loss	(102)	(1,576)	(17,955)	(3,009)	(15,675)	(4,789)	(4,487)	(22,304)
Accumulated deficit	(1,059,700)	(1,090,374)	(1,123,857)	(1,152,326)	(1,133,202)	(1,148,080)	(1,160,131)	(1,167,855)
Total stockholders' equity	601,274	725,112	807,525	958,856	1,093,139	1,274,102	1,428,545	1,607,346
Total liabilities and stockholders' equity	<u>\$ 3,200,712</u>	<u>\$ 3,608,317</u>	<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>

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

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	<u>2/1/2023</u>	<u>5/1/2023</u>	<u>8/1/2023</u>	<u>11/1/2023</u>	<u>2/1/2024</u>	<u>5/1/2024</u>	<u>8/1/2024</u>	<u>11/1/2024</u>
<b>Cash flows from operating activities</b>								
Net income (loss)	\$ (46,046)	\$ (30,674)	\$ (33,483)	\$ (28,469)	\$ 19,124	\$ (14,878)	\$ (12,051)	\$ (7,724)
Adjustments to reconcile net loss to cash provided by operating activities:								
Depreciation and amortization expense	14,528	15,987	13,962	15,399	17,672	19,275	21,423	24,488
Amortization expense of acquired intangible assets	2,975	2,982	3,036	3,083	3,381	5,124	4,240	4,245
Amortization of deferred contract acquisition costs	25,315	27,350	30,111	31,393	33,207	35,428	39,068	40,123
Amortization of debt issuance costs	974	975	977	978	979	980	981	982
Non-cash operating lease costs	8,332	8,892	9,903	11,730	13,280	14,532	15,657	15,908
Stock-based compensation expense	107,819	122,104	129,138	140,432	113,236	144,870	157,178	172,117
Accretion of investments purchased at a discount	(1,956)	(3,193)	(3,199)	(6,383)	(5,002)	(4,478)	(5,003)	(5,107)
Unrealized (gains) losses on hedging transactions	(444)	(2,179)	1,564	1,277	(1,267)	(821)	3,689	(653)
Deferred income taxes	149	194	(43)	(1,394)	(4,332)	136	186	(17,545)
Other	(163)	127	1,031	372	314	1,603	644	659
Changes in operating assets and liabilities, net of effects of business acquisitions:								
Accounts receivable	(17,795)	(206,863)	215,082	(112,708)	(23,968)	(231,366)	311,975	(89,932)
Deferred contract acquisition costs	(46,364)	(66,384)	(27,680)	(40,064)	(54,907)	(77,652)	(32,801)	(41,357)
Prepaid expenses, other current and noncurrent assets	(21,805)	(10,317)	1,349	1,311	(26,112)	(16,519)	(8,767)	(3,377)
Accounts payable	(9,307)	(4,337)	4,596	(7,008)	9,932	(3,356)	1,043	(945)
Accrued expenses, other current and noncurrent liabilities	8,962	11,953	4,859	1,161	8,627	28,909	(6,240)	(5,241)
Accrued compensation	28,584	13,605	(39,232)	39,794	12,254	(2,309)	(34,431)	14,051
Deferred revenue	63,394	264,308	(40,154)	102,631	69,877	317,960	(111,254)	94,785
Operating lease liabilities	(8,683)	(8,594)	(11,011)	(11,466)	(12,881)	(13,881)	(14,202)	(16,044)
<b>Net cash provided by operating activities</b>	<u>108,469</u>	<u>135,936</u>	<u>260,806</u>	<u>142,069</u>	<u>173,414</u>	<u>203,557</u>	<u>331,335</u>	<u>179,433</u>
<b>Cash flows from investing activities</b>								
Purchases of property, equipment and other assets	(26,244)	(27,070)	(28,659)	(30,894)	(35,651)	(49,384)	(17,025)	(15,018)
Capitalized internal-use software	(8,339)	(7,565)	(7,429)	(10,387)	(14,637)	(17,855)	(22,429)	(20,987)
Payments for business acquisitions, net of cash acquired	(15,643)	—	(4,377)	—	(357,404)	(12,921)	—	(834)
Purchase of strategic investments	(1,000)	(1,006)	—	(2,000)	—	—	(561)	(225)
Purchases of short-term investments	(226,496)	(323,904)	(375,929)	(385,867)	(242,176)	(287,043)	(430,296)	(298,770)
Proceeds from maturities of short-term investments	161,365	153,683	253,849	340,838	244,566	293,015	268,651	336,352
Proceeds from sale of short-term investments	25,083	25,447	—	2,105	45,060	—	—	—
<b>Net cash provided by (used in) investing activities</b>	<u>(91,274)</u>	<u>(180,415)</u>	<u>(162,545)</u>	<u>(86,205)</u>	<u>(360,242)</u>	<u>(74,188)</u>	<u>(201,660)</u>	<u>518</u>
<b>Cash flows from financing activities</b>								
Proceeds from issuance of common stock upon exercise of stock options	1,090	750	1,256	2,592	7,439	962	890	2,566
Proceeds from issuance of common stock under the employee stock purchase plan	—	30,853	—	18,407	—	33,591	—	22,344
Payment of deferred consideration related to business acquisitions	—	(215)	—	—	—	—	—	—
Other	—	—	—	—	—	(39)	—	—
<b>Net cash provided by financing activities</b>	<u>1,090</u>	<u>31,388</u>	<u>1,256</u>	<u>20,999</u>	<u>7,439</u>	<u>34,514</u>	<u>890</u>	<u>24,910</u>
Net increase (decrease) in cash and cash equivalents	18,285	(13,091)	99,517	76,863	(179,389)	163,883	130,565	204,861
Cash and cash equivalents at beginning of period	<u>1,257,012</u>	<u>1,275,297</u>	<u>1,262,206</u>	<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>
Cash and cash equivalents at end of period	<u>\$ 1,275,297</u>	<u>\$ 1,262,206</u>	<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>

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

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
<b>GAAP gross profit</b>	<u>\$ 322,951</u>	<u>\$ 352,324</u>	<u>\$ 385,309</u>	<u>\$ 407,800</u>	<u>\$ 434,870</u>	<u>\$ 462,663</u>	<u>\$ 486,493</u>	<u>\$ 499,402</u>
Stock-based compensation expense and related payroll taxes	10,025	12,016	12,955	13,434	12,487	13,890	15,793	17,619
Amortization expense of acquired intangible assets	2,695	2,765	2,717	2,717	2,962	4,483	3,675	3,815
<b>Non-GAAP gross profit</b>	<u>\$ 335,671</u>	<u>\$ 367,105</u>	<u>\$ 400,981</u>	<u>\$ 423,951</u>	<u>\$ 450,319</u>	<u>\$ 481,036</u>	<u>\$ 505,961</u>	<u>\$ 520,836</u>
GAAP gross margin	77%	77%	78%	78%	79%	78%	77%	77%
Non-GAAP gross margin	80%	81%	81%	81%	81%	81%	81%	80%
<b>GAAP sales and marketing expense</b>	<u>\$ 236,273</u>	<u>\$ 252,810</u>	<u>\$ 267,111</u>	<u>\$ 276,481</u>	<u>\$ 262,447</u>	<u>\$ 294,200</u>	<u>\$ 306,087</u>	<u>\$ 307,872</u>
Stock-based compensation expense and related payroll taxes	51,417	60,181	58,668	65,855	45,490	60,584	64,866	69,979
Amortization expense of acquired intangible assets	200	217	226	226	279	501	425	425
<b>Non-GAAP sales and marketing expense</b>	<u>\$ 184,656</u>	<u>\$ 192,412</u>	<u>\$ 208,217</u>	<u>\$ 210,400</u>	<u>\$ 216,678</u>	<u>\$ 233,115</u>	<u>\$ 240,796</u>	<u>\$ 237,468</u>
GAAP sales and marketing expense as a percentage of revenue	56%	56%	54%	53%	47%	50%	49%	48%
Non-GAAP sales and marketing expense as a percentage of revenue	44%	42%	42%	40%	39%	39%	38%	37%
<b>GAAP research and development expense</b>	<u>\$ 92,637</u>	<u>\$ 96,387</u>	<u>\$ 113,539</u>	<u>\$ 122,181</u>	<u>\$ 124,958</u>	<u>\$ 139,150</u>	<u>\$ 154,254</u>	<u>\$ 170,860</u>
Stock-based compensation expense and related payroll taxes	31,796	34,742	41,043	44,120	46,346	54,598	58,865	65,896
Amortization expense of acquired intangible assets	80	—	93	140	140	140	140	5
<b>Non-GAAP research and development expense</b>	<u>\$ 60,761</u>	<u>\$ 61,645</u>	<u>\$ 72,403</u>	<u>\$ 77,921</u>	<u>\$ 78,472</u>	<u>\$ 84,412</u>	<u>\$ 95,249</u>	<u>\$ 104,959</u>
GAAP research and development expense as a percentage of revenue	22%	21%	23%	23%	23%	23%	25%	26%
Non-GAAP research and development expense as a percentage of revenue	15%	14%	15%	15%	14%	14%	15%	16%
<b>GAAP general and administrative expense</b>	<u>\$ 43,486</u>	<u>\$ 46,380</u>	<u>\$ 50,716</u>	<u>\$ 54,595</u>	<u>\$ 50,478</u>	<u>\$ 56,263</u>	<u>\$ 56,819</u>	<u>\$ 60,810</u>
Stock-based compensation expense and related payroll taxes	17,112	19,336	20,063	22,127	17,142	20,298	21,050	22,862
<b>Non-GAAP general and administrative expense</b>	<u>\$ 26,374</u>	<u>\$ 27,044</u>	<u>\$ 30,653</u>	<u>\$ 32,468</u>	<u>\$ 33,336</u>	<u>\$ 35,965</u>	<u>\$ 35,769</u>	<u>\$ 37,948</u>
GAAP general and administrative expense as a percentage of revenue	10%	10%	10%	10%	9%	9%	9%	9%
Non-GAAP general and administrative expense as a percentage of revenue	6%	6%	6%	6%	6%	6%	6%	6%
<b>GAAP restructuring and other charges</b>	<u>\$ 6,301</u>	<u>\$ 1,299</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Stock-based compensation expense and related payroll taxes	1,036	—	—	—	—	—	—	—
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	5,265	1,299	—	—	—	—	—	—
<b>Non-GAAP restructuring and other charges</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>GAAP total operating expenses</b>	<u>\$ 378,697</u>	<u>\$ 396,876</u>	<u>\$ 431,366</u>	<u>\$ 453,257</u>	<u>\$ 437,883</u>	<u>\$ 489,613</u>	<u>\$ 517,160</u>	<u>\$ 539,542</u>
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	101,361	114,259	119,774	132,102	108,978	135,480	144,781	158,737
Amortization expense of acquired intangible assets	280	217	319	366	419	641	565	430
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	5,265	1,299	—	—	—	—	—	—
<b>Non-GAAP total operating expenses</b>	<u>\$ 271,791</u>	<u>\$ 281,101</u>	<u>\$ 311,273</u>	<u>\$ 320,789</u>	<u>\$ 328,486</u>	<u>\$ 353,492</u>	<u>\$ 371,814</u>	<u>\$ 380,375</u>

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
GAAP total operating expenses as a percentage of revenue	90%	87%	87%	86%	79%	83%	82%	83%
Non-GAAP total operating expenses as a percentage of revenue	65%	62%	63%	61%	59%	60%	59%	59%
<b>GAAP loss from operations</b>	\$ (55,746)	\$ (44,552)	\$ (46,057)	\$ (45,457)	\$ (3,013)	\$ (26,950)	\$ (30,667)	\$ (40,140)
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	111,386	126,275	132,729	145,536	121,465	149,370	160,574	176,356
Amortization expense of acquired intangible assets	2,975	2,982	3,036	3,083	3,381	5,124	4,240	4,245
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	5,265	1,299	—	—	—	—	—	—
<b>Non-GAAP income from operations</b>	<u>\$ 63,880</u>	<u>\$ 86,004</u>	<u>\$ 89,708</u>	<u>\$ 103,162</u>	<u>\$ 121,833</u>	<u>\$ 127,544</u>	<u>\$ 134,147</u>	<u>\$ 140,461</u>
GAAP operating margin	(13)%	(10)%	(9)%	(9)%	(1)%	(5)%	(5)%	(6)%
Non-GAAP operating margin	15%	19%	18%	20%	22%	22%	21%	22%
<b>GAAP interest expense</b>	\$ (1,383)	\$ (2,494)	\$ (3,159)	\$ (3,605)	\$ (2,764)	\$ (3,604)	\$ (3,143)	\$ (2,339)
Amortization of debt issuance costs	974	975	977	978	979	980	981	982
<b>Non-GAAP interest expense</b>	<u>\$ (409)</u>	<u>\$ (1,519)</u>	<u>\$ (2,182)</u>	<u>\$ (2,627)</u>	<u>\$ (1,785)</u>	<u>\$ (2,624)</u>	<u>\$ (2,162)</u>	<u>\$ (1,357)</u>
<b>GAAP provision for (benefit from) income taxes</b>	\$ 6,685	\$ 4,648	\$ 8,997	\$ 7,964	\$ 1,742	\$ 9,774	\$ 7,637	\$ (8,813)
Income tax and other tax adjustments <sup>(3)</sup>	12,000	19,618	16,822	21,727	31,997	24,811	29,481	46,778
<b>Non-GAAP provision for income taxes <sup>(2)</sup></b>	<u>\$ 18,685</u>	<u>\$ 24,266</u>	<u>\$ 25,819</u>	<u>\$ 29,691</u>	<u>\$ 33,739</u>	<u>\$ 34,585</u>	<u>\$ 37,118</u>	<u>\$ 37,965</u>
Non-GAAP effective tax rate <sup>(2)</sup>	23%	23%	23%	23%	23%	23%	23%	23%
<b>GAAP net income (loss)</b>	\$ (46,046)	\$ (30,674)	\$ (33,483)	\$ (28,469)	\$ 19,124	\$ (14,878)	\$ (12,051)	\$ (7,724)
Add: GAAP provision for (benefit from) income taxes	6,685	4,648	8,997	7,964	1,742	9,774	7,637	(8,813)
<b>GAAP income (loss) before income taxes</b>	<u>(39,361)</u>	<u>(26,026)</u>	<u>(24,486)</u>	<u>(20,505)</u>	<u>20,866</u>	<u>(5,104)</u>	<u>(4,414)</u>	<u>(16,537)</u>
Add (less):								
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	111,386	126,275	132,729	145,536	121,465	149,370	160,574	176,356
Amortization expense of acquired intangible assets	2,975	2,982	3,036	3,083	3,381	5,124	4,240	4,245
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	5,265	1,299	—	—	—	—	—	—
Amortization of debt issuance costs	974	975	977	978	979	980	981	982
<b>Non-GAAP net income before income taxes</b>	<u>81,239</u>	<u>105,505</u>	<u>112,256</u>	<u>129,092</u>	<u>146,691</u>	<u>150,370</u>	<u>161,381</u>	<u>165,046</u>
Non-GAAP provision for income taxes <sup>(2)</sup>	18,685	24,266	25,819	29,691	33,739	34,585	37,118	37,965
<b>Non-GAAP net income</b>	<u>\$ 62,554</u>	<u>\$ 81,239</u>	<u>\$ 86,437</u>	<u>\$ 99,401</u>	<u>\$ 112,952</u>	<u>\$ 115,785</u>	<u>\$ 124,263</u>	<u>\$ 127,081</u>
<b>Non-GAAP net income</b>	\$ 62,554	\$ 81,239	\$ 86,437	\$ 99,401	\$ 112,952	\$ 115,785	\$ 124,263	\$ 127,081
Add: Non-GAAP interest expense, net of tax related to the convertible senior notes	276	276	276	276	276	276	276	276
<b>Numerator used in computing non-GAAP net income per share, diluted</b>	<u>\$ 62,830</u>	<u>\$ 81,515</u>	<u>\$ 86,713</u>	<u>\$ 99,677</u>	<u>\$ 113,228</u>	<u>\$ 116,061</u>	<u>\$ 124,539</u>	<u>\$ 127,357</u>
<b>GAAP net income (loss) per share, diluted</b>	\$ (0.32)	\$ (0.21)	\$ (0.23)	\$ (0.19)	\$ 0.12	\$ (0.10)	\$ (0.08)	\$ (0.05)
Stock-based compensation expense and related payroll taxes <sup>(1)</sup>	0.72	0.80	0.84	0.91	0.76	0.93	1.00	1.09

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
Amortization expense of acquired intangible assets	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.03
Restructuring and other charges, excluding stock-based compensation expense <sup>(1)</sup>	0.03	0.01	—	—	—	—	—	—
Amortization of debt issuance costs	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Income tax and other tax adjustment <sup>(3)</sup>	(0.08)	(0.12)	(0.11)	(0.14)	(0.20)	(0.15)	(0.18)	(0.29)
Non-GAAP interest expense related to the convertible senior notes	—	—	—	—	—	—	—	—
Adjustment to total fully diluted earnings per share <sup>(4)</sup>	0.02	0.01	0.02	0.02	—	—	(0.01)	(0.01)
<b>Non-GAAP net income per share, diluted</b>	<b>\$ 0.40</b>	<b>\$ 0.52</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>Weighted-average shares used in computing GAAP net income (loss) per share, diluted</b>	<b>145,354</b>	<b>146,424</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>
Outstanding potentially dilutive equity incentive awards	2,492	3,265	3,431	4,670	—	2,699	2,348	2,988
Convertible senior notes	7,626	7,626	7,626	7,626	7,626	7,626	7,626	7,626
Antidilutive impact of capped call transactions <sup>(5)</sup>	—	—	(177)	(2,093)	(2,050)	(1,325)	(1,235)	(1,769)
<b>Weighted-average shares used in computing non-GAAP net income per share, diluted</b>	<b>155,472</b>	<b>157,315</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>

<sup>(1)</sup> In connection with a restructuring plan announced in March 2023, we incurred stock-based compensation expense of approximately \$1.0 million for the three months ended April 30, 2023, which is included in stock-based compensation expense and related payroll taxes.

<sup>(2)</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>(3)</sup> Consists of income tax adjustments related to our long-term non-GAAP effective tax rate of 23%. In the three months ended January 31, 2025, the adjustments exclude the tax benefit of \$17.2 million attributable to the release of the valuation allowance on U.K. deferred tax assets.

<sup>(4)</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>(5)</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>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
<b>Revenue</b>	\$418,800	\$455,006	\$496,703	\$524,999	\$553,201	\$592,868	\$627,955	\$647,900
<b>Free cash flow</b>								
Net cash provided by operating activities	\$108,469	\$135,936	\$260,806	\$142,069	\$173,414	\$203,557	\$331,335	\$179,433
Less: Purchases of property, equipment and other assets	(26,244)	(27,070)	(28,659)	(30,894)	(35,651)	(49,384)	(17,025)	(15,018)
Less: Capitalized internal-use software	(8,339)	(7,565)	(7,429)	(10,387)	(14,637)	(17,855)	(22,429)	(20,987)
<b>Free cash flow</b>	<u>\$73,886</u>	<u>\$101,301</u>	<u>\$224,718</u>	<u>\$100,788</u>	<u>\$123,126</u>	<u>\$136,318</u>	<u>\$291,881</u>	<u>\$143,428</u>
<b>Year-over-year growth</b>	69%	35%	135%	60%	67%	35%	30%	42%
<b>Free cash flow margin</b>								
Net cash provided by operating activities, as a percentage of revenue	26%	30%	53%	27%	31%	34%	53%	27%
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(6)%	(6)%	(6)%	(6)%	(6)%	(8)%	(3)%	(2)%
Less: Capitalized internal-use software, as a percentage of revenue	(2)%	(2)%	(2)%	(2)%	(3)%	(3)%	(4)%	(3)%
<b>Free cash flow margin</b>	<u>18%</u>	<u>22%</u>	<u>45%</u>	<u>19%</u>	<u>22%</u>	<u>23%</u>	<u>46%</u>	<u>22%</u>

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

<b>Fiscal Quarter</b>	<b>Q3 FY23</b>	<b>Q4 FY23</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>
End of Fiscal Quarter	4/30/2023	7/31/2023	10/31/2023	1/31/2024	4/30/2024	7/31/2024	10/31/2024	1/31/2025
Beginning of Fiscal Quarter	2/1/2023	5/1/2023	8/1/2023	11/1/2023	2/1/2024	5/1/2024	8/1/2024	11/1/2024
<b>Calculated billings</b>								
Revenue	\$418,800	\$455,006	\$496,703	\$524,999	\$553,201	\$592,868	\$627,955	\$647,900
Add: Total deferred revenue, end of period	1,175,373	1,439,676	1,399,544	1,502,175	1,577,014	1,894,974	1,783,720	1,878,505
Less: Total deferred revenue, beginning of period	(1,111,880)	(1,175,373)	(1,439,676)	(1,399,544)	(1,502,175)	(1,577,014)	(1,894,974)	(1,783,720)
<b>Calculated billings</b>	<b>\$482,293</b>	<b>\$719,309</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>
Year-over-year growth	40%	38%	34%	27%	30%	27%	13%	18%
<b>Other key business metrics</b>								
Customers with equal or greater than \$100,000 annualized recurring revenue ("ARR")	2,432	2,609	2,708	2,820	2,922	3,100	3,165	3,291
Customers with equal or greater than \$1.0 million ARR	400	449	468	497	523	567	585	620