Fiscal Q3 2025 Earnings Call

May 2025

zscaler™

Safe Harbor

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 presentation.

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This presentation contains forward-looking statements. All statements other than statements of historical fact, including statements regarding our future financial and operating performance, including our financial outlook for the fourth quarter of fiscal 2025 and full year fiscal 2025, our planned products and upgrades, business strategy and plans and objectives of management for future operations of Zscaler are forward-looking statements. These statements involve known and a significant number of unknown risks, uncertainties, assumptions and other factors that could cause results to differ materially from statements made in this message, including any performance or achievements expressed or implied by the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment, and new risks may emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results or outcomes to differ materially from those contained in any forward-looking statements we may make, including but not limited to the ongoing effects of inflation and geopolitical events on our business, operations and financial results and the economy in general; our limited operating history; our ability to identify and effectively implement the necessary changes to address execution challenges; risks associated with managing our rapid growth, including fluctuations from period to period; our limited experience with new product and subscription and support introductions and the risks associated with new products and subscription and support offerings, including the discovery of software bugs; our ability to attract and retain new customers; the failure to timely develop and achieve market acceptance of new products and subscriptions as well as existing products and subscription and support; rapidly evolving technological developments in the market for network security products and subscription and support offerings and our ability to remain competitive; length of sales cycles; and general market, political, economic and business conditions. Additional risks and uncertainties that could affect our financial and operating results are included in our most recent filings with the Securities and Exchange Commission ("SEC"). You can locate these reports though 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.

Q3'25 results exceeded guidance on all metrics

	Q3 Guidance	Q3 Results	Q3 Results vs. Guidance
Revenue	$665M - $667M *20%-21% y/y*	$678M *23% y/y*	*Exceeded*
Calculated Billings	*+200-260bps Q/Q*	$785M *+600bps Q/Q*	*Exceeded*
Calculated Current Billings	No Guidance	$760M *24% y/y*	*No Guidance*
Gross Margin	~80%	80.3%	*Exceeded*
Operating Profit	$140M - $142M *~21% margin*	$147M *21.6% margin*	*Exceeded*
EPS	$0.75 - $0.76	$0.84 *18% y/y*	*Exceeded*
Free Cash Flow	No Guidance	$119M *18% margin*	*No Guidance*

All numbers presented on an adjusted, non-GAAP basis. See appendix of this presentation for a reconciliation of GAAP to non-GAAP financial measures.

Key business metrics sustain growth momentum

Growth at scale with strong profitability

Revenue Growth Y/Y
23%+
Strong growth across all geos

Operating Margin
22%
Operating Profit growth +20% Y/Y

Free Cash Flow Margin
18%
Free Cash Flow growth -3% Y/Y

Customers increasing commitments with Zscaler

RPO[1]
~$5B
RPO growth +30% Y/Y

Annual Recurring Revenue (ARR)[2]
~$2.9B
ARR growth +23% Y/Y

TCV Bookings
$1B+
a Q3 record

Latest innovations resonating with customers

New growth categories[3] ARR
~$1B
growing faster than total ARR

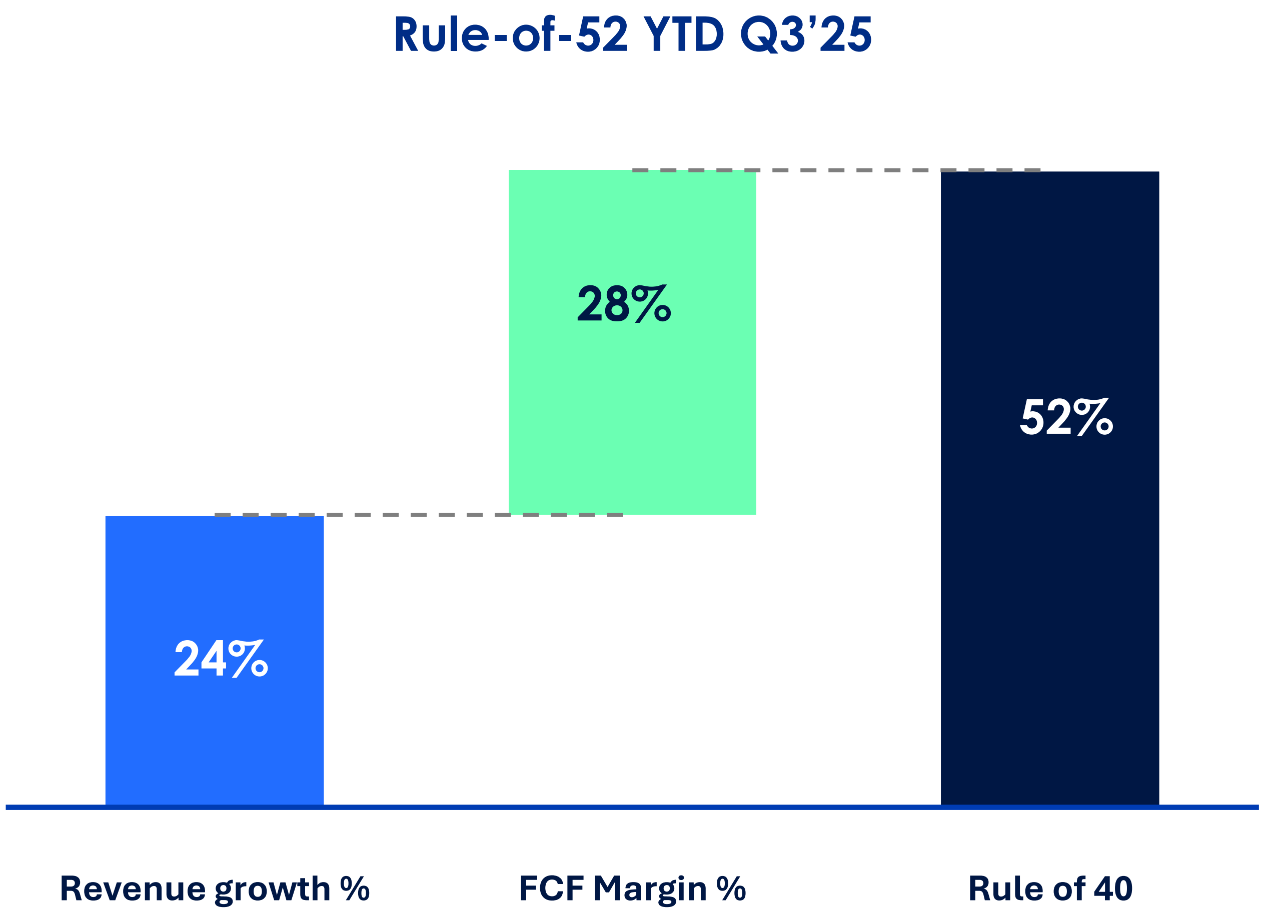
Zero Trust Everywhere
>210 enterprises
Up 60%+ Q/Q

Zero Trust Branch purchases
59%
new logo customers

1. Remaining Performance Obligations (RPO).
2. To establish ARR for a customer, we use the total amount of each order booked to compute the annual recurring value of revenue that we would recognize if the customer continues to renew all contractual subscriptions.
3. New Growth Categories include Zero Trust Everywhere, Data Security Everywhere, and Agentic Operations

Operating at rule of 52% for Year-to-date FY25

In a rarefied category among large publicly traded SaaS companies



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50M user milestone achieved!

50M+

Total Users secured on our platform

20+ Petabytes

Traffic flowing through Zero Trust Exchange Cloud every day

500B+

Daily transactions
>50x number of daily google searches

More users extend our competitive advantage and more high-quality data for our AI solutions

Longest running leader for user security

14 years

Leadership in user security

Zscaler's Zero Trust Platform goes far beyond user security. We deliver Zero Trust Everywhere:

- Zero Trust Branch
- Zero Trust Devices (IoT/OT)
- Zero Trust Cloud

Z-Flex: Customer benefits

- **Flexible consumption:** Flexibility to swap modules in-contract
- **Simplified procurement:** no friction as products are added / swapped
- **Predictable Budget:** no retrospective billing
- **Favorable Pricing:** discounts scale with increasing commitments
- **White-glove deployment and support:** best in class support & dedicated deployment experts

Z-Flex - Customer case study

Fortune 500 Technology customer

	Before **Z-Flex**	After **Z-Flex** plan
ARR	~$13M	~$19M ARR uplift 40%
Seats	34,000	40,000
User ARPU	$198	$281 ARPU uplift 41%
Data Security (% of ARR)	9%	22%
Contract Duration	3 years	5 years

20 modules added/expanded :

8 modules added

- Threat Hunting
- Micro Segmentation
- ITDR
- Device Segmentation
- Zero Trust Branch
- Endpoint DLP
- E-mail DLP
- DSPM

12 modules expanded

- App Protection
- Deception
- Workload Protection
- DP Isolation
- Encryption/ Classification
- Cyber Isolation
- SaaS Security
- Inline DLP
- Private Access
- Internet Access
- Sandbox
- Firewall

New Growth Categories

Zero Trust Everywhere

All Entities, All Locations

Data Security Everywhere

Cloud, SaaS, Endpoint

Agentic Operations

SecOps, IT Ops

AI Everywhere

Three new growth categories

"Zero Trust Everywhere"[1]

- Zero Trust Users (ZIA/ZPA)
- Zero Trust Cloud (Posture Control, Workloads)
- Zero Trust Branch (Branch Connector, Device Segmentation)

Data Security Everywhere

- Cyber Isolation
- Inline DLP
- SaaS Security
- Classification & Encryption
- DP Isolation
- Endpoint DLP
- E-mail DLP
- DSPM

Agentic Operations

- **ITOps**, including ZDX, ZDX Copilot
- **Security Ops**, including Risk360, Business Insights, Unified VM, Identity Threat Detection, and Cyber Asset Attack Surface Management

Three emerging growth categories approaching

$1B

in combined ARR

1. "Zero Trust Everywhere" ARR is from customers that purchased components from each of Zero Trust Users, Zero Trust Cloud and Zero Trust Branch.

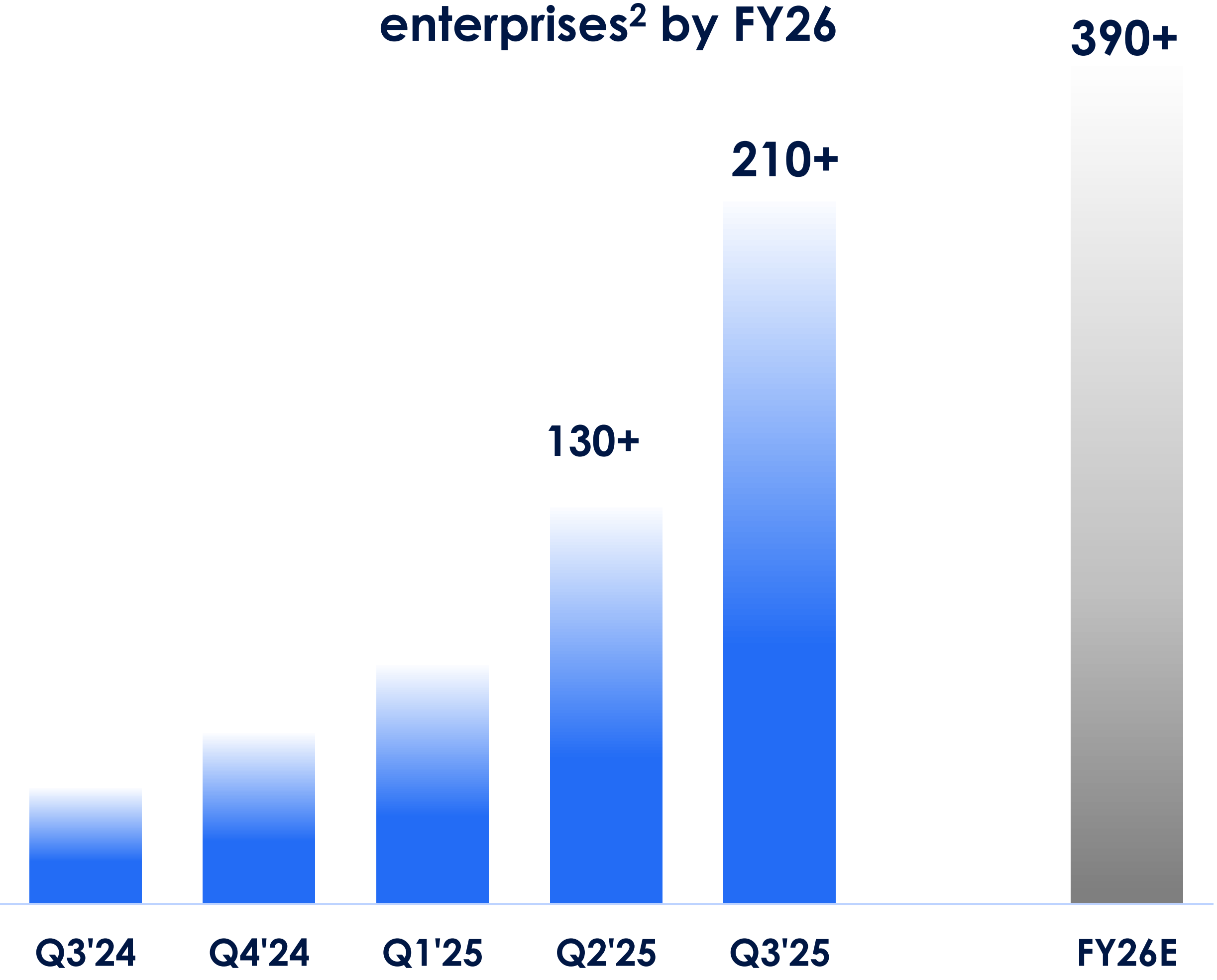
Growing adoption of Zero Trust Everywhere

Zero Trust Everywhere

Data Security Everywhere

Agentic Operations

Goal: 390+ "Zero Trust Everywhere"[1] enterprises[2] by FY26



Graph is illustrative, not to scale.

"Zero Trust Everywhere"

Better security, lower costs

- Reduce Attack Surface
- Eliminate Lateral Propagation
- 200%+ Return on Investment[3]

Eliminate legacy security stack

- ✗ Firewall
- ✗ MPLS
- ✗ VPN
- ✗ VDI
- ✗ DDoS
- ✗ NAC

...and more

1. "Zero Trust Everywhere" customers are customers that purchased components of Zero Trust Users, Zero Trust Cloud and Zero Trust Branch.
2. Enterprises are customers with 1,500 or more employees.
3. 200% ROI is a potential customer outcome as shown in the Zenith Live Innovations Briefing, June 15, 2023. Not indicative of every deployment.

Zero Trust Branch and **Zero Trust Cloud** driving Zero Trust Everywhere growth

Zero Trust Everywhere

Data Security Everywhere

Agentic Operations

Zero Trust Branch

59%

of customers who bought Zero Trust branch were new logos

Launched Unified Branch appliance, which brings together Zero-trust branch connectivity and Zero trust device segmentation (Airgap)

Zero Trust Cloud

7-Figure ACV deal

Global Bank

- Protecting all their workload traffic with Zscaler, after securing employees and mobile banking applications

Zero Trust Cloud eliminates the need for:

- ✖ East-West firewalls
- ✖ North-South firewalls
- ✖ VPNs
- ✖ Express Routes
- ✖ Direct Connect

Most comprehensive Data Security Everywhere platform

Zero Trust Everywhere

Data Security Everywhere

Agentic Operations

Zscaler Data Security Modules

- Cyber Isolation
- Inline DLP
- SaaS Security
- Classification & Encryption
- DP Isolation
- Endpoint DLP
- Email DLP
- DSPM

Gen AI Security Deal Wins

- G2K Tech Company
- Fleet Management Company
- Large Federal Customer

Data Protection land deal

Fortune 100 F&B

New, 7-figure ACV deal

- Customer purchased Data security in this land deal in addition to Zero Trust security for users
- Data Security is now becoming important for customers in less regulated industry verticals

Data Protection expansion deal

Fortune 50 manufacturer

Upsell, 7-figure ACV deal

- Customer added endpoint DLP module, PRA, and expanded their Zero Trust for Users with more ZPA seats; now has **6 data security modules**
- Annual spend increased >50% Y/Y to **$10M+**

Rapid expansion in our Agentic Operations portfolio

Zero Trust Everywhere

Data Security Everywhere

Agentic Operations

IT OPS

7-Figure ZDX deal

US healthcare provider

Upsell, 7-figure ACV deal

- Customer purchased ZDX Adv. Plus SKU for 140k users, expanding on ZT User purchases
- ZDX Copilot was an important consideration for this win

Bookings for "ZDX Advanced Plus" grew by **70%+ to ~$75M** since the launch of ZDX Copilot

SECURITY OPS

7-Figure UVM Deal

US healthcare provider

Upsell, 7-figure ACV deal

- Customer purchased Vuln. Management for 400K assets, as they wanted Data Fabric to be the single source of truth for all data dump
- *"What Zscaler's data fabric accomplished within 2 hours for asset inventory would have taken us 6 months" - customer*

SecOps portfolio is gaining traction and helped drive **>120% Y/Y growth in SecOps ACV**

Scaling Zscaler's Platform Vision with Red Canary

Deal rationale

Highly talented and experienced detection and threat intel engineers

Red Canary has developed sophisticated agentic AI technology for reasoning and workflow

Red Canary's technology will be embedded in Zscaler's platform to accelerate our vision of AI-driven SoC. Accelerates our time to have a comprehensive solution by 12-18months

A seasoned go-to-market team that knows the SoC buyer personas, and can act as a SecOps specialist team to partner closely with the larger Zscaler go-to-market engine

Deal terms

$675M in Cash

+

Equity for employees

Accelerating our vision of AI-powered SoC

Zero Trust Exchange + Data Fabric + Red Canary

Select Q3'25 deal summaries

Success in selling the broader platform

F500 Technology

Upsell, 7-figure deal

ZIA	40,000 users
ZPA	40,000 users
ZDX	40,000 users
Data Protection	40,000 users

- Made a multi-year commitment under Z-Flex program
- Adopted several of our Data Protection and SoC modules
- ARR for the customer increased by more than 40%

Global Bank

Upsell, 7-figure deal

ZIA	150,000 users
ZPA	150,000 users
ZDX	150,000 users
Data Protection	150,000 users

- Protecting all their workload traffic with Zscaler, after securing employees and mobile banking applications

F50 Automotive

Upsell, 7-figure deal

ZIA	75,000 users
ZPA	75,000 users
ZDX	75,000 users
Data Protection	75,000 users

- Expanded Zero Trust users purchase and added Endpoint DLP and Privileged Remote Access modules
- Annual spend of this customer increased by more than 50% to over $10M

F100 Beverage

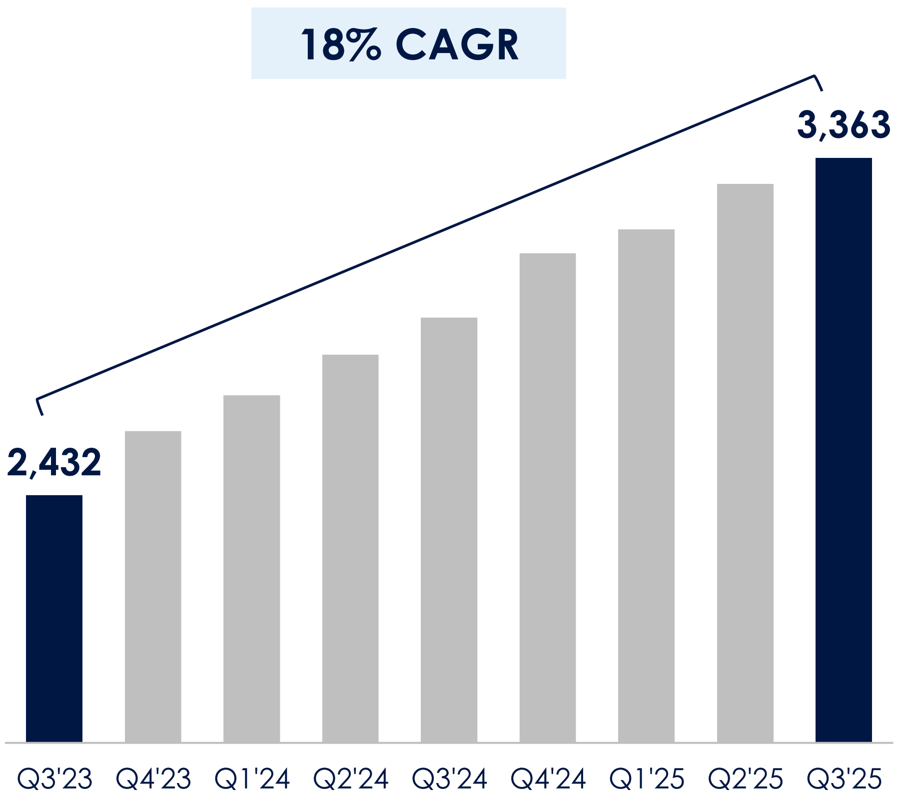
New Logo, 7-figure deal

ZIA	100,000 users
ZPA	100,000 users
ZDX	100,000 users
Data Protection	100,000 users

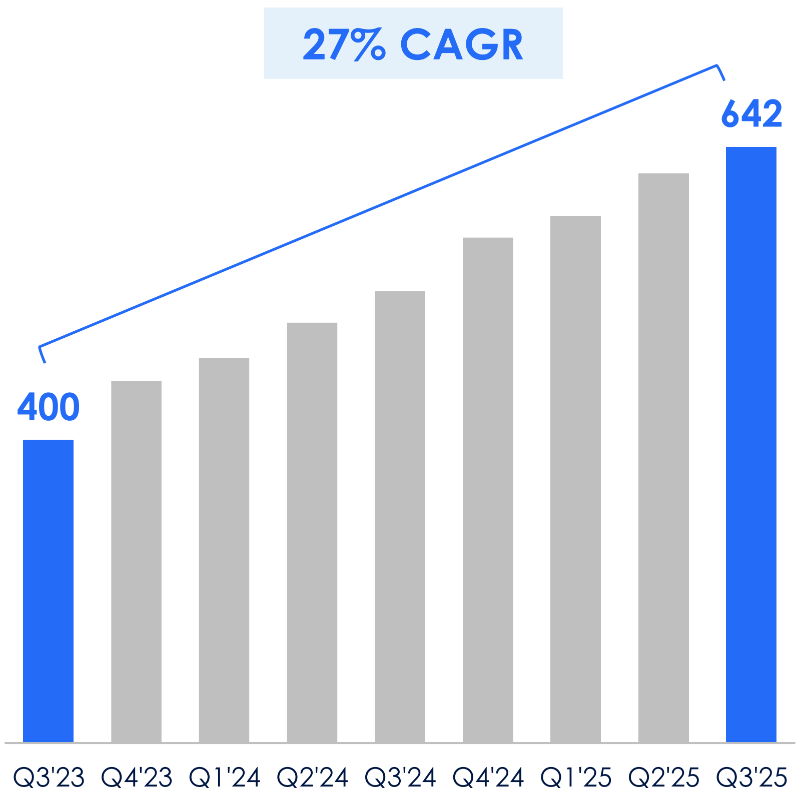
- Adopted ZIA and ZPA to enable Zero Trust security for users
- As part of this land deal, the customer also made an initial purchase of our Data Security Everywhere solution

Sustained Large customer momentum

$100K+ ARR Customers



$1M+ ARR Customers



~45%

Fortune 500 Customers[1]

>35%

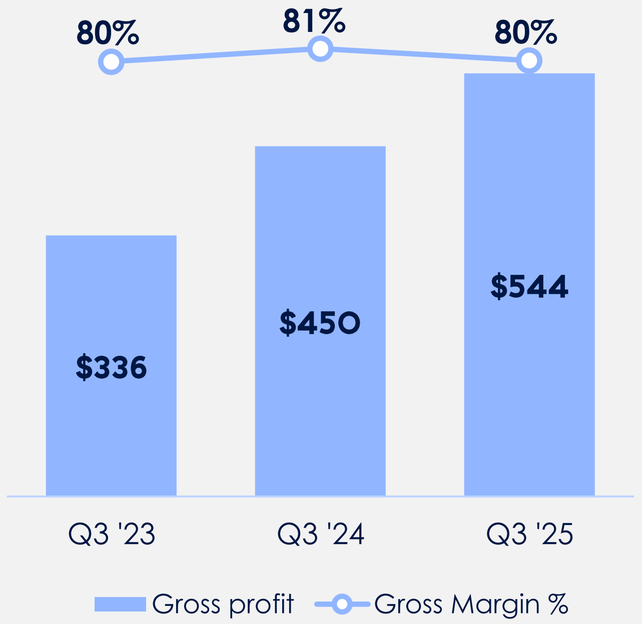
Global 2000 Customers[1]

1) Forbes Global 2000 list and Fortune 500 list customers, for July 31, 2024.

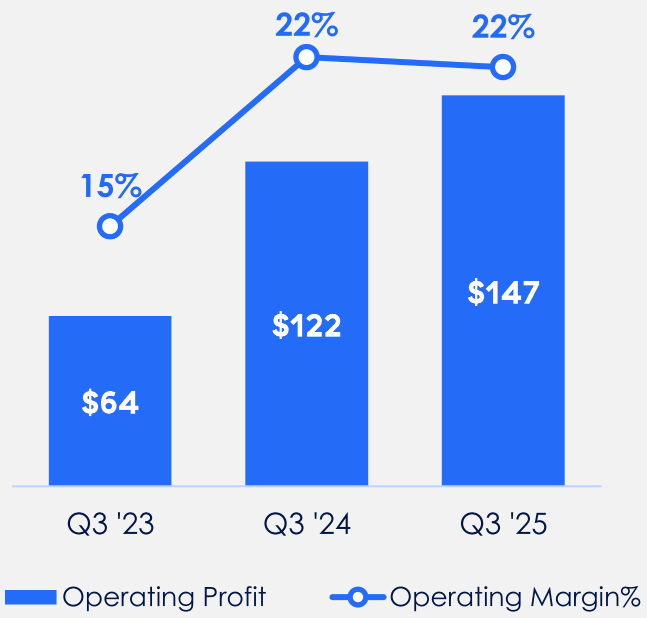
Improving operating efficiency, profitability & cash flow

(in $ M)

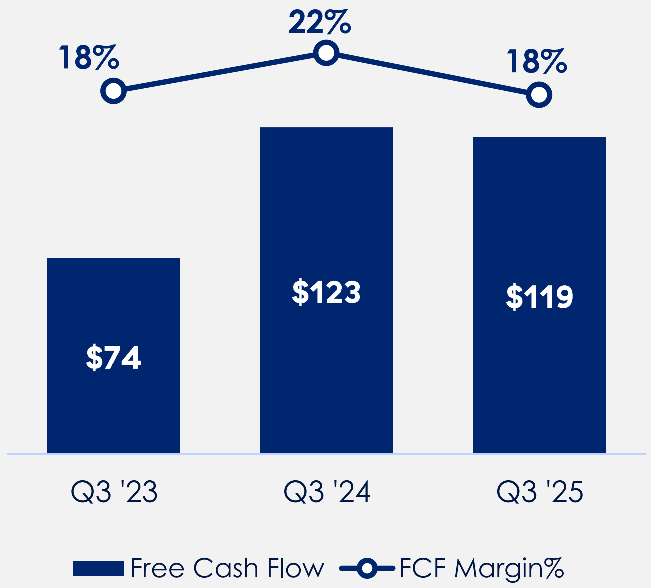
Gross Profit & Margin



Operating Profit & Margin



Free Cash Flow & Margin



Key factors

- New products use public clouds and are optimized for faster go-to-market than gross margins
- As the new products scale, we will optimize them for margins

Key factors

- Leverage in our financial model
- Pace of hiring & higher investments in R&D

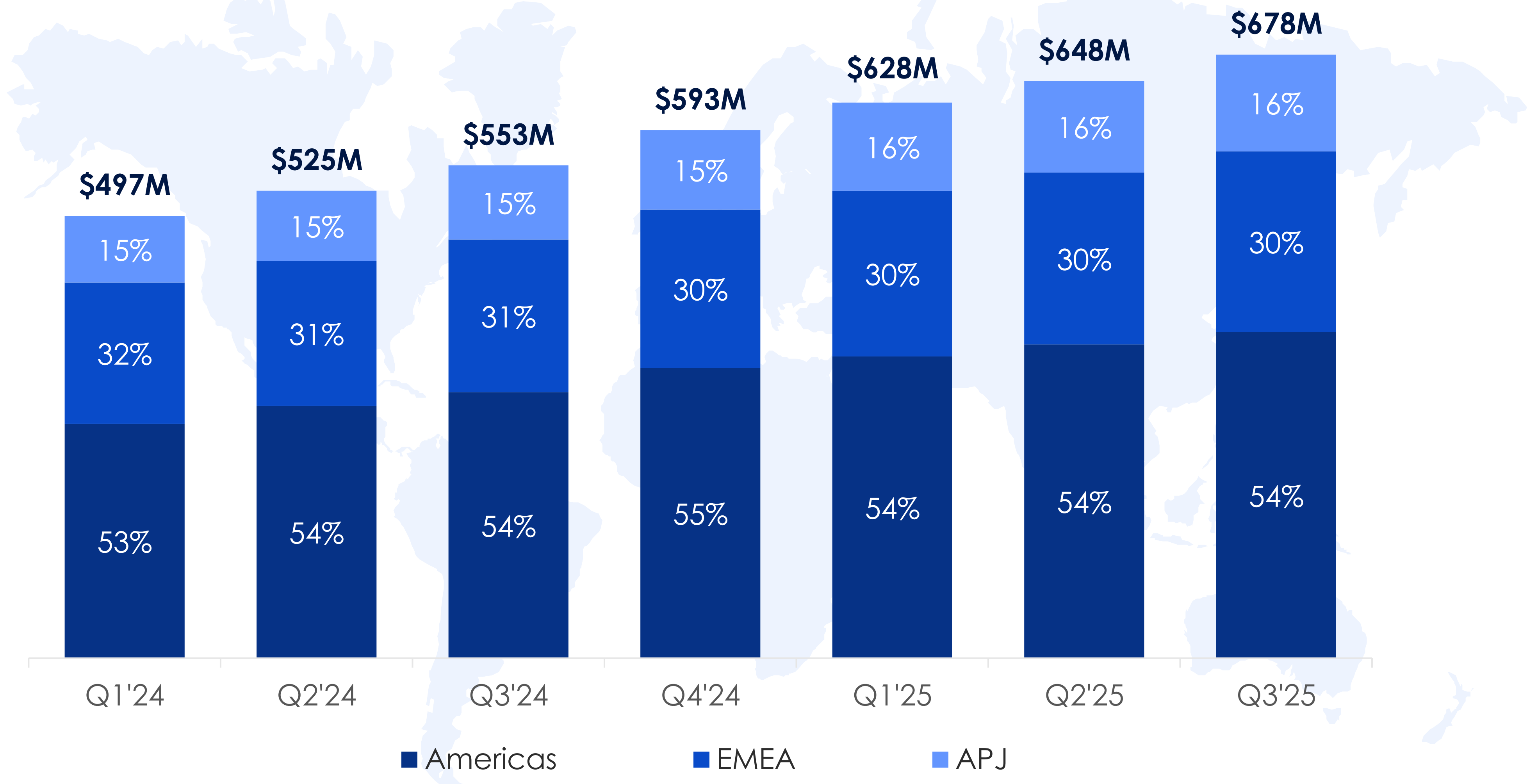
Key factors

- Billings collections in the quarter
- Data center capital expenditures as a % of revenue

All numbers presented on an adjusted, non-GAAP basis. See appendix of this presentation for a reconciliation of GAAP to non-GAAP financial measures.

Growing across all geographies

Revenue mix by geographies



FY25 guidance

	Prior FY25 Guidance	New FY25 Guidance	New vs. Prior FY25 Guidance
Revenue	$2.640B - $2.654B *~22% y/y*	$2.659B - $2.661B *~23% y/y*	*Increased*
Calculated Billings	$3.153B - $3.168B *20%-21% y/y*	$3.184B - $3.189B *21% -22% y/y*	*Increased*
Operating Profit	$562M - $572M *21%-22% margin*	$573M - $575M *~22% margin*	*Increased*
Earnings Per Share	$3.04 - $3.09	$3.18 - $3.19	*Increased*
Free Cash Flow Margin	24.5%-25.0%	25.5%-26.0%	*Increased*

All numbers presented on an adjusted, non-GAAP basis. See appendix of this presentation for a reconciliation of GAAP to non-GAAP financial measures.

Financial Appendix

Explanation of Non-GAAP Financial Measures

In addition to our results determined in accordance with generally accepted accounting principles in the United States of America ("GAAP"), we believe that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. However, non-GAAP financial information is presented for supplemental informational purposes only and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Investors are cautioned that there are a number of limitations associated with the use of non-GAAP financial measures and key metrics as analytical tools. Investors are encouraged to review these reconciliations, and not to rely on any single financial measure to evaluate our business.

Expenses Excluded from Non-GAAP Measures

Stock-based compensation expense is excluded primarily because it is a non-cash expense that management believes is not reflective of our ongoing operational performance. Employer payroll taxes related to stock-based compensation, which is a cash expense, are excluded because these are tied to the timing and size of the exercise or vesting of the underlying equity 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.

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.

Key Non-GAAP Financial Measures Included within this Presentation:

- 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(*)

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

Appendix A: GAAP to Non-GAAP Reconciliation

$ in thousands, EXCEPT PERCENTAGES

	Q3 '25	Q3 '24	Q3 '23
Revenue	**$ 678,034**	**$ 553,201**	**$ 418,800**
Non-GAAP Gross Profit and Non-GAAP Gross Margin			
GAAP gross profit	$ 522,056	$ 434,870	$ 322,951
Add: Stock-based compensation expense and related payroll taxes	18,262	12,487	10,025
Add: Amortization expense of acquired intangible assets	3,830	2,962	2,695
Non-GAAP gross profit	**$ 544,148**	**$ 450,319**	**$ 335,671**
GAAP gross margin	77 %	79 %	77 %
Non-GAAP gross margin	80 %	81 %	80 %
Non-GAAP Income from Operations and Non-GAAP Operating Margin			
GAAP loss from operations	$ (25,411)	$ (3,013)	$ (55,746)
Add: Stock-based compensation expense and related payroll taxes	167,809	121,465	111,386
Add: Amortization expense of acquired intangible assets	4,255	3,381	2,975
Add: Restructuring and other charges, excluding stock-based compensation expense	—	—	5,265
Non-GAAP income from operations	**$ 146,653**	**$ 121,833**	**$ 63,880**
GAAP operating margin	(4)%	(1)%	(13)%
Non-GAAP operating margin	22 %	22 %	15 %

Appendix A: GAAP to Non-GAAP Reconciliation

$ in thousands, EXCEPT PER SHARE AMOUNTS

	Q3 '25	Q3 '24
Non-GAAP Net Income per Share, Diluted		
GAAP net income (loss)	$ (4,125)	$ 19,124
Add: GAAP provision for income taxes	8,688	1,742
GAAP income before income taxes	4,563	20,866
Add:		
Stock-based compensation expense and related payroll taxes	167,809	121,465
Amortization expense of acquired intangible assets	4,255	3,381
Amortization of debt issuance costs	984	979
Non-GAAP net income before taxes	177,611	146,691
Non-GAAP provision for income taxes	40,844	33,739
Non-GAAP net income	$ 136,767	$ 112,952
GAAP provision for income taxes	$ 8,688	$ 1,742
Add: Income tax and other tax adjustments	32,156	31,997
Non-GAAP provision for income taxes	$ 40,844	$ 33,739
Non-GAAP effective tax rate	23%	23%
Non-GAAP net income	$ 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	$ 137,043	$ 113,228
GAAP net income (loss) per share, diluted	$ (0.03)	$ 0.12
Stock-based compensation expense and related payroll taxes	1.03	0.76
Amortization expense of acquired intangible assets	0.03	0.02
Amortization of debt issuance costs	0.01	0.01
Income tax and other tax adjustments	(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	—	—
Non-GAAP net income per share, diluted	$ 0.84	$ 0.71
Weighted-average shares used in computing GAAP net income (loss) per share, diluted	154,909	154,081
Add: Outstanding potentially dilutive equity incentive awards	2,812	—
Add: Convertible senior notes	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	163,401	159,657

Appendix A: GAAP to Non-GAAP Reconciliation

$ in thousands, EXCEPT PER SHARE AMOUNTS

	Q3 '25	Q3 '24	Q3 '23
Calculated Billings			
Revenue	$ 678,034	$ 553,201	$ 418,800
Add: Total deferred revenue, end of period	1,984,985	1,577,014	1,175,373
Less: Total deferred revenue, beginning of period	(1,878,505)	(1,502,175)	(1,111,880)
Calculated Billings	$ 784,514	$ 628,040	$ 482,293
Calculated Current Billings			
Revenue	$ 678,034	$ 553,201	$ 418,800
Add: Current deferred revenue, end of period	1,677,895	1,376,676	1,058,901
Less: Current deferred revenue, beginning of period	(1,595,780)	(1,316,416)	(1,000,359)
Calculated Current Billings	$ 760,149	$ 613,461	$ 477,342
Free Cash Flow			
Net cash provided by operating activities	$ 211,081	$ 173,414	$ 108,469
Less: Purchases of property, equipment and other assets	(72,163)	(35,651)	(26,244)
Less: Capitalized internal-use software	(19,455)	(14,637)	(8,339)
Free Cash Flow	$ 119,463	$ 123,126	$ 73,886
Free Cash Flow Margin			
Net cash provided by operating activities, as a percentage of revenue	31 %	31 %	26 %
Less: Purchases of property, equipment and other assets, as a percentage of revenue	(10)%	(6)%	(6)%
Less: Capitalized internal-use software, as a percentage of revenue	(3)%	(3)%	(2)%
Free Cash Flow Margin	**18 %**	**22 %**	**18 %**