

Brian Colley, Analyst

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Changes	Previous	Current
Rating	--	Overweight
Target Price	--	\$200.00

Price:	\$127.81
Fully Diluted Shares Out (mil.):	141.09
52-Week High:	\$376.11
52-Week Low:	\$125.12
Market Cap (mil.):	\$18,032.1
Fiscal Year End:	Jul

Average Daily Volume:	2,635,426
Float:	58.6%
Debt/Cap:	64.7%
Cash/Shr:	\$11.95
Dividend/Yield:	\$0.00/0.0%
Book Value/Shr:	\$3.82

EPS	2021A	2022E	2023E
Oct	(\$0.41)A	(\$0.65)A	(\$0.82)
Jan	(\$0.50)A	(\$0.71)A	(\$0.85)
Apr	(\$0.43)A	(\$0.79)	(\$0.88)
Jul	(\$0.59)A	(\$0.73)	(\$0.91)
FY	(\$1.93)A	(\$2.89)	(\$3.46)
P/E	NM	NM	NM

Non-GAAP EPS	2021A	2022E	2023E
Oct	\$0.14A	\$0.14A	\$0.19
Jan	\$0.10A	\$0.13A	\$0.22
Apr	\$0.15A	\$0.11	\$0.24
Jul	\$0.14A	\$0.19	\$0.28
FY	\$0.52A	\$0.57	\$0.95
P/E	245.8x	224.2x	134.5x

Rev. \$673.1M \$1.05B \$1.42B

Founded in 2007, Zscaler provides cloud-based internet security solutions. Zscaler pioneered a new approach to network security with its multi-tenant cloud platform, the Zero Trust Exchange (ZTE). Distributed across >150 data centers globally, ZTE acts as an intelligent switchboard using business policies to securely connect users, devices, and applications over any network. ZTE delivers four integrated solutions: Zscaler Internet Access (ZIA), Zscaler Private Access (ZPA), Zscaler Digital Experience (ZDX), and Zscaler Cloud Protection (ZCP).

Zscaler, Inc.

ZS – NASDAQ

Overweight**Reason for Report:** Initiation of Coverage**Modernizing Network Security Architectures; Pure Play on Zero Trust; Initiate OW****INVESTMENT CONCLUSION:**

We are initiating coverage of Zscaler with an **Overweight** rating and \$200 price target, which is based on 18x EV/CY23 sales. Zscaler is a leader in Cloud Security and Zero Trust with a distinct architecture and unmatched scale. Our positive thesis is predicated on five key points: 1) ZS' architecturally differentiated platform addresses top security spending priorities (Zero Trust, Cloud Security, SASE), 2) massive platform scale with strong IP provides sustainable competitive advantages, 3) ZS' sizable \$72B market opportunity, 4) strong secular tailwinds and multiple company-specific growth drivers, and 5) an attractive mix of growth and FCF. We believe secular trends and consistent innovation combined with the competitive advantages of ZS' platform position the company to deliver industry-leading growth rates and healthy FCF generation over the coming years. With the stock trading at ~13x EV/NTM sales, we believe current levels represent an attractive entry point for a top-tier cybersecurity asset.

KEY POINTS:

Architecturally Differentiated Platform Addressing Top Spending Priorities. ZS' platform was purpose built for modern era of security, with solutions squarely addressing top spending priorities (Zero Trust, Cloud Security, and SASE) and delivering improved security, better user experience, and lower cost.

Massive Scale and Strong IP Provide Tech Moat. Significant scale with network effects and strong IP provide sustainable competitive advantages that we believe will translate into durable and industry-leading growth over the coming years.

Large Serviceable Market Opportunity ZS has a massive \$72B SAM with a much larger longer-term opportunity from incremental users, workloads and OT/IoT devices that provide a long runway for growth ahead.

Strong Secular Tailwinds and Multiple Company Specific Growth Drivers. The acceleration in digital transformation, cloud migration, and Zero Trust adoption have significantly increased the pace of adoption of ZS' platform. Company specific growth drivers include: new logos, cross-sell/upsell, product innovation, and expansion into new markets.

Attractive Mix of Growth and FCF. ZS is delivering a Rule of ~70 with ~50% sales growth and ~20% FCF margins. We believe this level of growth and FCF justify a premium valuation.

See important disclosures and analyst certification on pages 43 - 44 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

Risks:

- **Competition.** ZS faces increasing competition from larger well-established software vendors, existing network security vendors and new entrants. Competitive pressure from these players could negatively impact revenue growth.
- **Elevated Valuation.** ZS trades at a valuation premium to many other security software peers due to its high growth rate. Shares could be disproportionately impacted by a rotation out of growth stocks.
- **Data Breach.** Any breach of ZS' platform could negatively impact customer perception of the company's solutions.
- **Platform Expansion and Upsell.** ZS continues to expand its security platform with a growing number of new/emerging products (vs. its core SWG/ZIA product) that make up a significant portion of revenue and growth. Failure to upsell new solutions to customers would negatively impact growth.
- **Deceleration in Growth.** We believe a deceleration in the growth rate of revenue, billings, new logos, and/or DBNR beyond expectations would negatively impact the stock.
- **Profitability.** If ZS is unable to meet or exceed expectations for FCF and profitability, the stock could react negatively.
- **Demand Slowdown.** A broad slowdown in security spending/demand could negatively impact growth.
- **Management Turnover.** We believe the leadership of ZS' current CEO and founder is an important aspect of the story. In addition, any turnover in other positions on the management team could create disruption.

Catalysts:

- **Cybersecurity Demand.** Cybersecurity demand/spending is on the rise as companies are focused on 1) improving/modernizing their IT security systems and 2) responding to an evolving threat landscape and the increasing volume and sophistication of cyberattacks. This creates a favorable demand backdrop for ZS' products.
- **Rising Importance of Secure Web Gateway (SWG) & Cloud Security.** SWG and cloud security are becoming increasingly important due to the growing number of cloud workloads/data and a dissolving network perimeter driven by digital transformation and the rise in remote work.
- **Zero Trust Adoption.** Increasing adoption of Zero Trust security architectures is a tailwind for SWG security as it is foundational to a Zero Trust security framework.
- **Increasing Cyberattacks.** Future cyberattacks could spur additional spending on ZS' security solutions.
- **New Product Introductions.** The introduction of new solutions could accelerate growth with new and existing customers.
- **Quarterly Earnings & Guidance.** Greater than anticipated upside to expectations/guidance for revenue, billings, RPO/cRPO, customer adds, DBNR, operating margins and FCF could serve as a catalyst.
- **Long-Term Targets.** We believe any increase to / or outperformance of long-term targets could be a catalyst.



Zscaler, Inc. (ZS)
Initiating Coverage Report
Overweight Rating
\$200 Price Target

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Source: Company documents and Stephens

ZS Company Overview

Company Description

- Founded in 2007 and headquartered in San Jose, California, Zscaler provides cloud-based internet security solutions. The company pioneered a new approach to network security with its multi-tenant cloud platform, the Zscaler Zero Trust Exchange (ZTE).
- Distributed across >150 data centers globally, ZS' ZTE is the world's largest in-line cloud security platform. ZTE acts as an intelligent switchboard that uses business policies to directly and securely connect users, devices, and applications themselves over any network. This new approach removes the need for traditional on-premises security appliances, enforces zero trust principles, eliminates the attack surface and backhauling traffic, and stops lateral movement.
- The company's ZTE delivers four integrated solutions that include: 1) Zscaler Internet Access (ZIA), 2) Zscaler Private Access (ZPA), 3) Zscaler Digital Experience (ZDX), and 4) Zscaler Cloud Protection (ZCP).

Estimates

(January FYE) (Dollars in millions)	3Q22E		FY22E		FY23E	
	<u>Stephens</u>	<u>Cons</u>	<u>Stephens</u>	<u>Cons</u>	<u>Stephens</u>	<u>Cons</u>
Billings	\$320	\$316	\$1,367	\$1,346	\$1,816	\$1,796
Y/Y Growth	42%	41%	46%	44%	33%	33%
Revenue	\$272	\$271	\$1,050	\$1,049	\$1,419	\$1,424
Y/Y Growth	54%	54%	56%	56%	35%	36%
Gross Margins	79%	79%	80%	79%	80%	79%
EBIT	\$20	\$20	\$98	\$96	\$160	\$162
Margin	7%	7%	9%	9%	11%	11%
FCF	\$49	\$51	\$234	\$229	\$328	\$323
Margin	18%	19%	22%	22%	23%	23%
Rule of 40	72%	73%	78%	78%	58%	58%

Stock Information

Company		Market	
Ticker	ZS	Market Cap (M)	\$18,032
Headquarters	San Jose, CA	- Net Cash (\$M)	\$681
Founded / IPO	2017 / 2018	Enterprise Value	\$17,351
Trading		1-Yr Price Returns	
Shares Out. (M)	141.1	ZS	(25%)
ADV (M)	2.6	IGV	(23%)
ADV (\$M)	\$339	COMP	(16%)
Ownership		Short Interest	
Institutional	45%	Shares Short (M)	5.4
Top 10	19%	% of Float	9%
Insiders	41%	Days to Cover	3.5

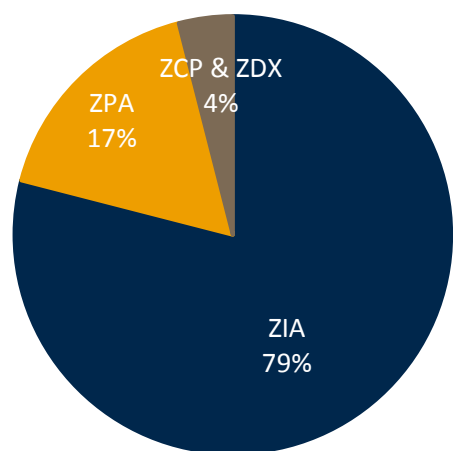
Ratings & Price Targets

Rating	#	%	Avg. Target
Buy	26	79%	\$278
Hold	6	18%	\$249
Sell	1	3%	\$283
Total	33	100%	\$276
Stephens	Overweight		\$200

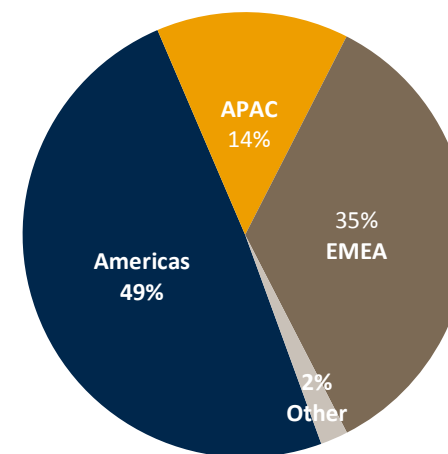
Source: Company documents, FactSet Research Systems, and Stephens estimates

Company Profile

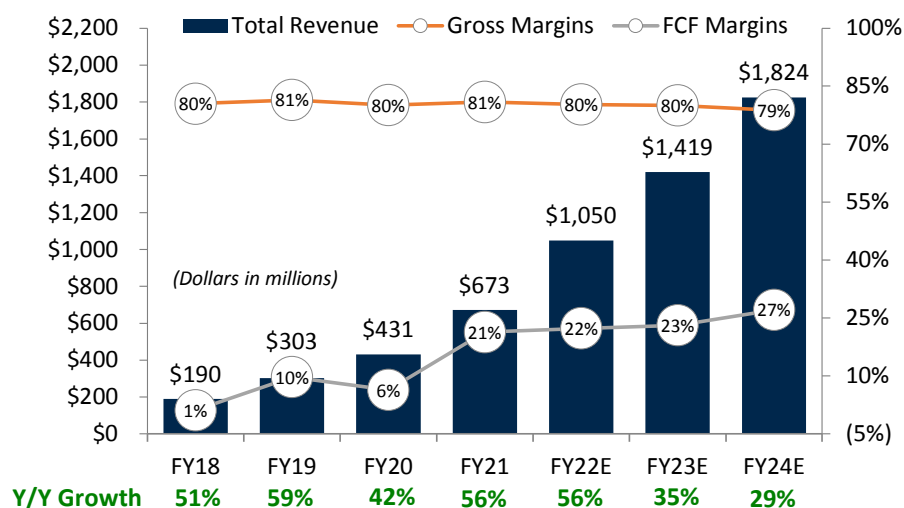
Estimated Sales Mix By Product



Sales Mix By Geography



Revenue & Margins



Long-Term Targets

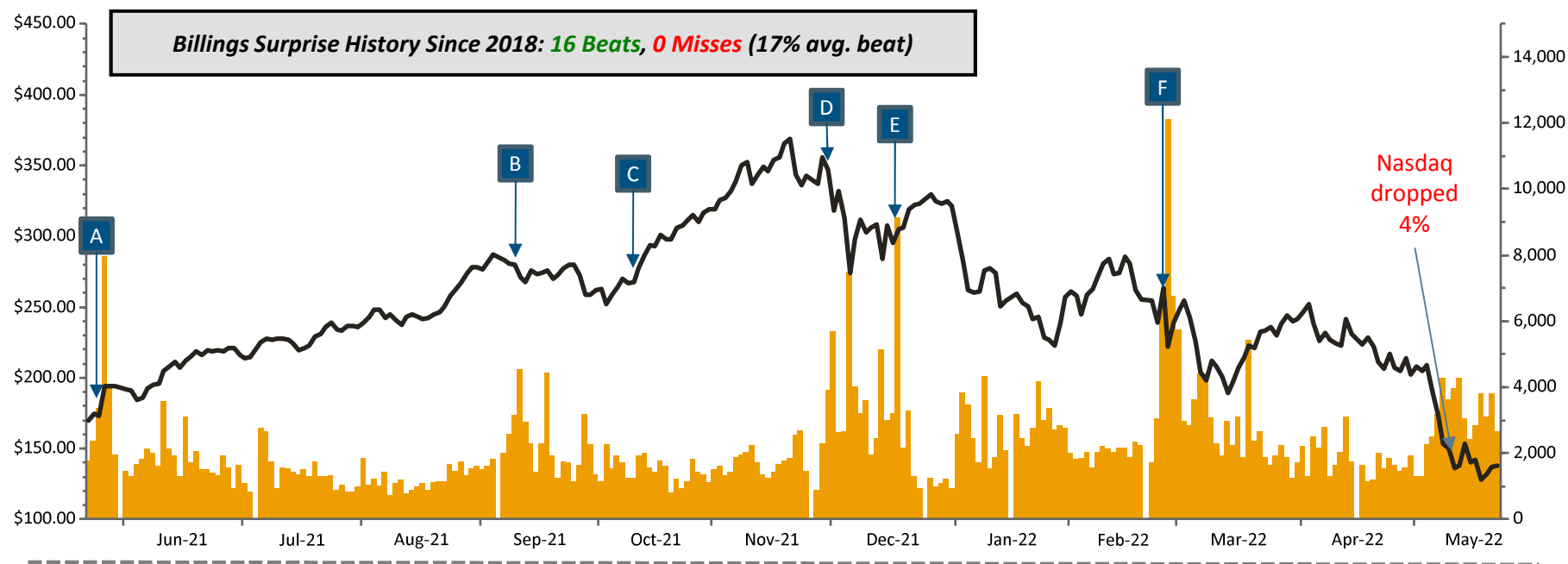
LT ARR Target: \$5 Billion

(Dollars in millions)	2019	2020	2021	2022 Guide	Long-Term
Total Revenue	\$303	\$431	\$673	\$1,048	-
Growth	59%	42%	56%	56%	-
Billings	\$390	\$550	\$934	\$1,368	-
Growth	51%	41%	70%	46%	-
Gross Margin	81%	80%	81%	-	78% - 82%
Sales & Marketing %	48%	49%	47%	-	33% - 37%
Research & Development %	15%	15%	15%	-	15% - 17%
General & Administrative %	14%	13%	8%	-	7% - 8%
Operating Income %	8%	7%	12%	9%	20% - 22%
FCF	10%	6%	21%	-	22% - 25%

Source: Company documents and Stephens estimates

ZS One-Year Annotated Stock Price Chart

(May 18, 2021– May 24, 2022)



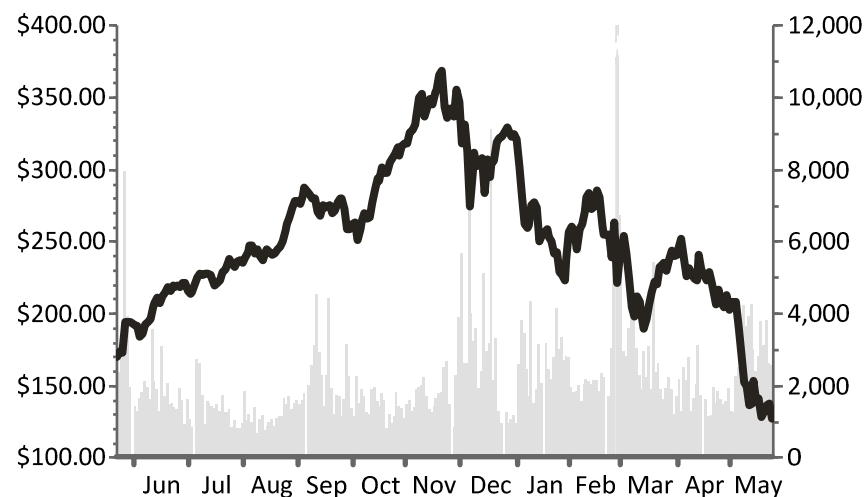
- A** 5/25/21: 3Q21 Earnings; Billings beat by 21%; **Stock up 12%**
- B** 9/9/21: 4Q21 Earnings; Billings beat by 19.5%; **Stock down 3%**
- C** 10/12/21: ZS joins CrowdStrike's CrowdXDR Alliance to facilitate integrations of zero trust protection of internal and external apps

- D** 11/30/21: 1Q22 Earnings; Billings beat by 22%; **Stock down 8%**
- E** 12/14/21: ZS added to Nasdaq-100 Index
- F** 2/24/22: 2Q22 Earnings; Billings beat by 16%; **Stock down 16%**

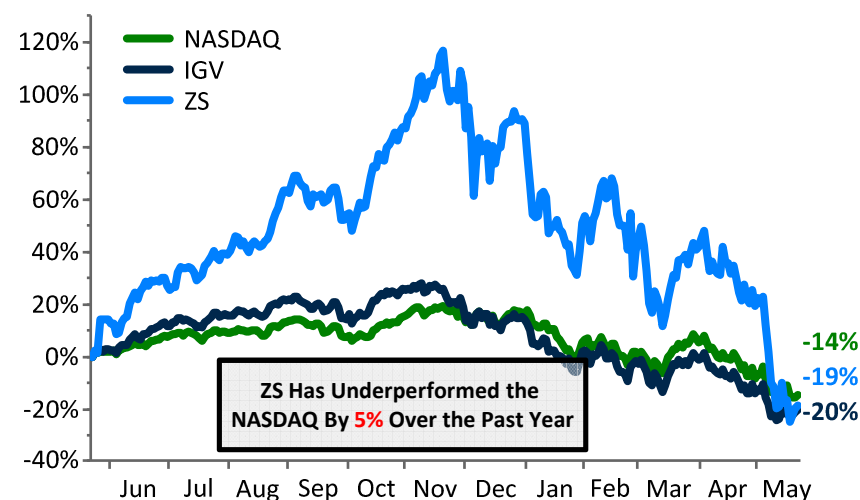
Source: FactSet Research Systems and Stephens

Historical Stock Price Performance

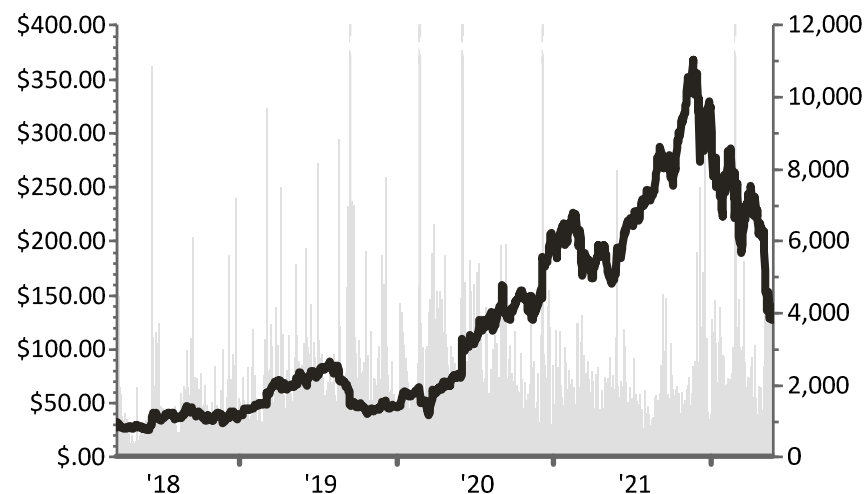
ZS 1-Year Price/Volume Chart



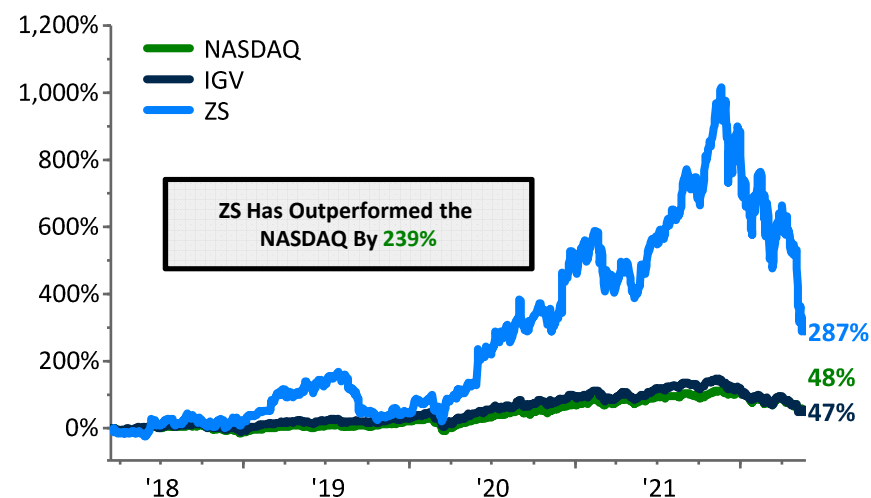
1-Year Stock Performance vs. NASDAQ & IGV



ZS 4-Year Price/Volume Chart



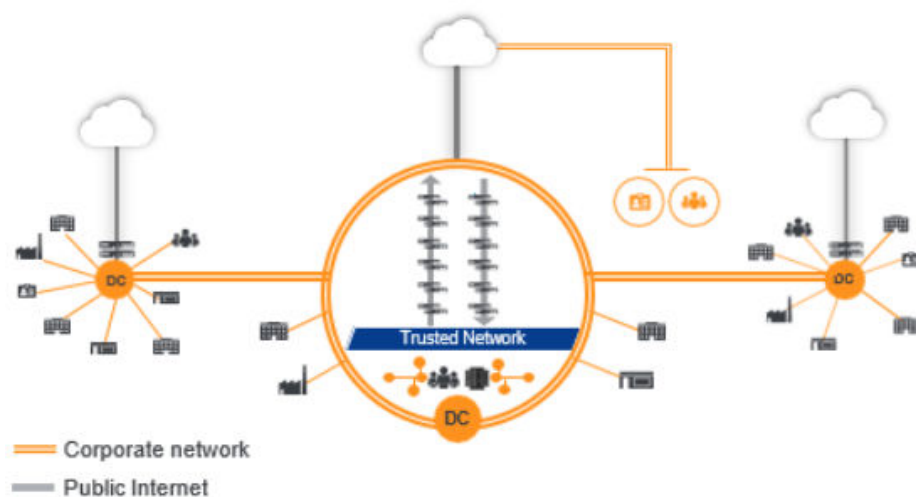
4-Year Stock Performance vs. NASDAQ & IGV



Source: FactSet Research Systems and Stephens

Driving Transition from Legacy On-Prem to Cloud

NETWORK SECURITY Perimeter defenses



Castle-and-Moat Security
Hub-and-Spoke Network

ZERO TRUST EXCHANGE Any-to-any connectivity

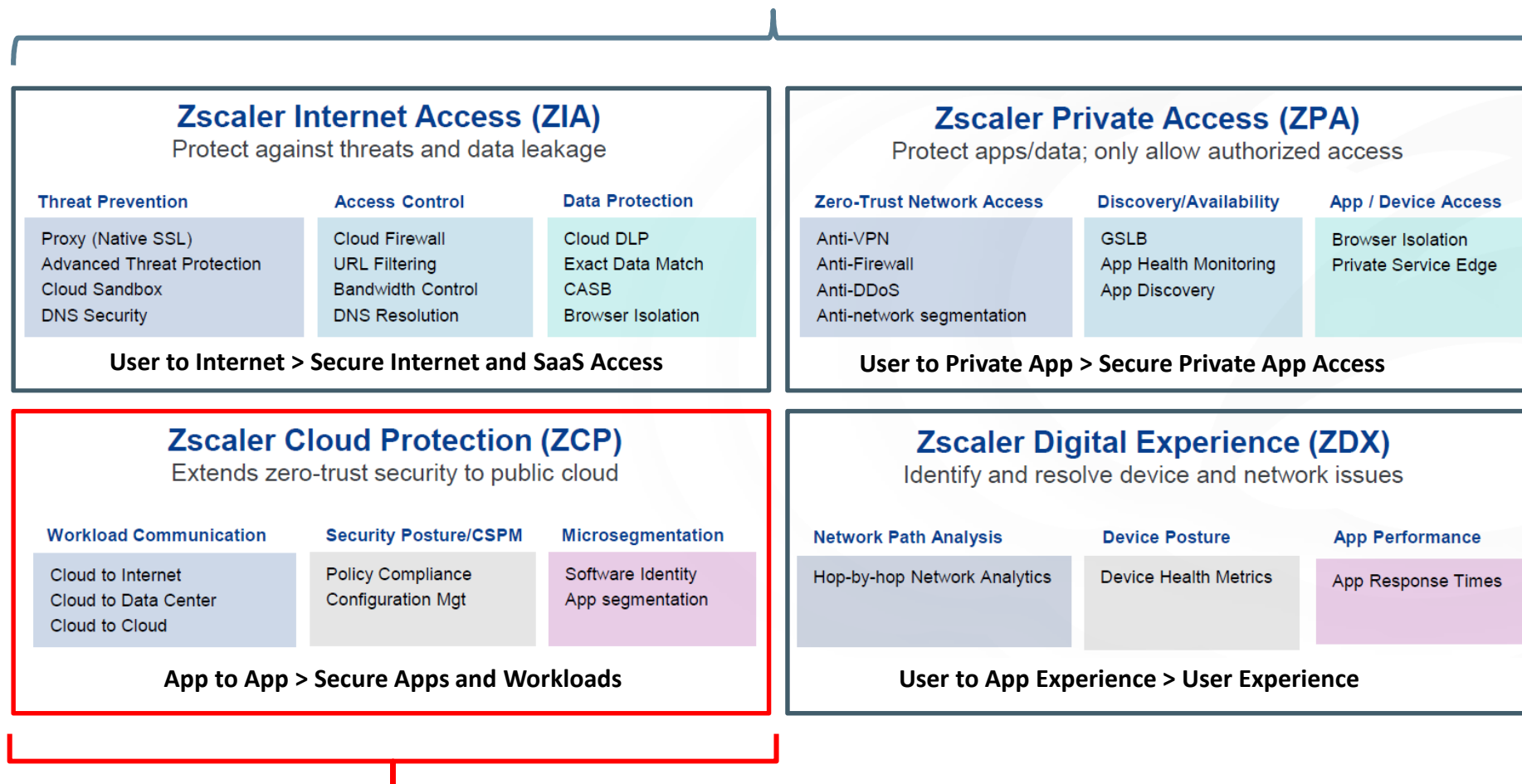


Source: Company documents

Zscaler Platform

Simplify IT and reduce costs by consolidating and eliminating point products

User Protection & Experience



Workload & Server Protection

Source: Company documents

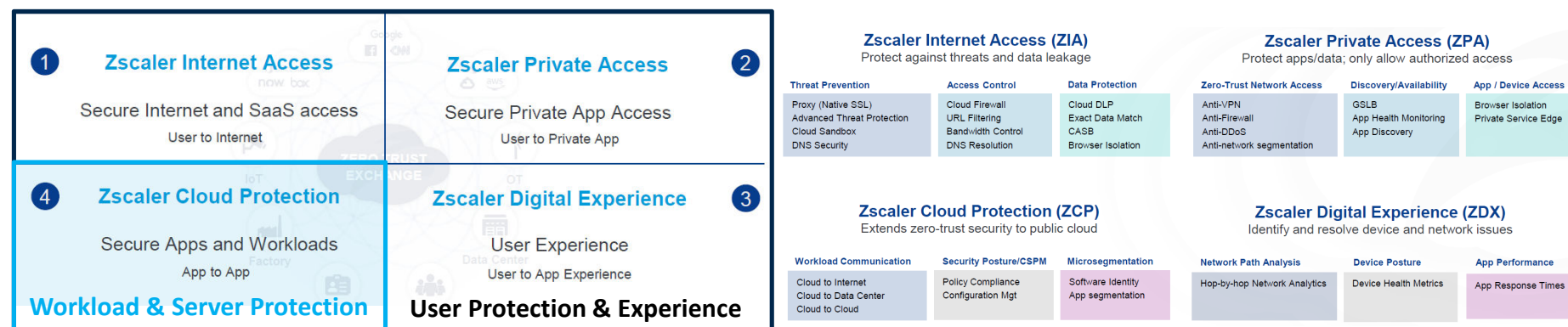
Product Overview

Zscaler Internet Access (ZIA). Provides users, servers, OT, and IoT devices secure access to externally managed apps, including SaaS apps and internet destinations regardless of device, location or network. ZIA provides in-line content inspection and firewall access controls across all ports and protocols to protect organizations and users from external threats as well as protecting an organization's data while at rest and preventing data from leaking out to unauthorized sites. Policies follow the user to provide identical protection on any device, regardless of location; any policy changes are enforced for users worldwide. ZS' cloud security platform provides full in-line content inspection to assess and correlate the risk of the content to protect against sophisticated attacks, including ransomware and phishing.

Zscaler Private Access (ZPA). Provides secure access to internally managed applications, either hosted internally in data centers or hosted in private or public clouds. ZPA was designed around four key tenets that fundamentally change the way users access internal apps: 1) connect users to apps without bringing users on the network; 2) never expose apps to the internet; 3) segment access to apps without relying on the traditional approach of network segmentation; and 4) provide remote access over the internet without VPNs. ZPA enforces a global policy engine that manages access to internally managed apps regardless of location. If access is granted to a user, ZPA connects the user's device only to the authorized app without exposing the identity or location of the app. Hence apps are not exposed to the internet, further limiting the external attack surface. This results in reduced cost and complexity, while offering better security and an improved user experience.

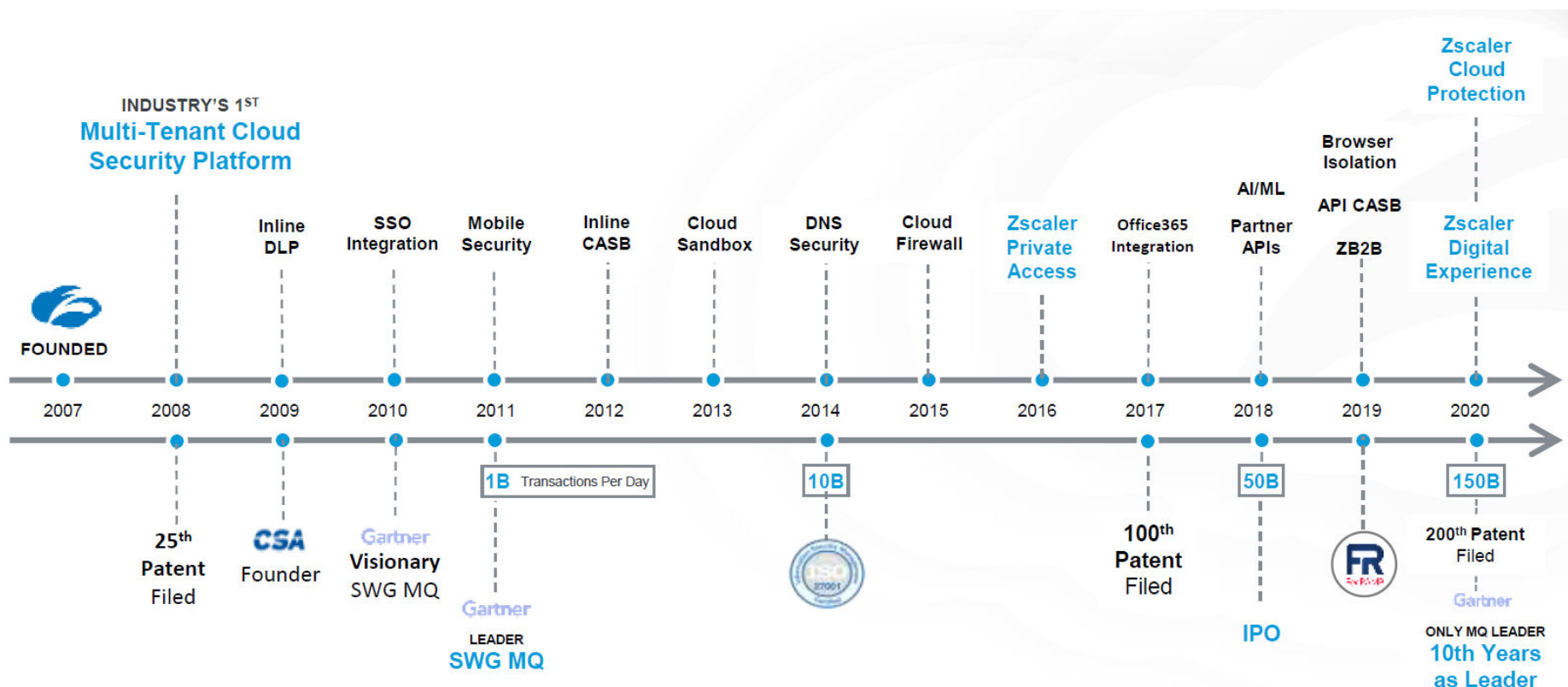
Zscaler Digital Experience (ZDX). Measures end-to-end user experience across key business apps, providing an easy to understand digital experience score for each user, app and location within an enterprise. As users have become mobile and apps have moved to the cloud, traditional network performance monitoring tools have become increasingly irrelevant. With ZDX, enterprises can quickly determine if an issue is associated with a single user, app or location or indicates a broader issue potentially impacting other users, apps or locations all via a simple visual workflow.

Zscaler Cloud Protection (ZCP). Minimizes the risk of moving to the cloud while reducing operational complexity. The core elements of ZCP address the key security and operations challenges that must be overcome in order to secure deployment of public cloud platforms. ZCP includes broad functionality categorized by the following areas: 1) **Workload Posture:** Automatically identifies and remediates cloud service, application, and identity misconfigurations by deploying three distinct functionalities (CSPM, CIEM, and DLP); 2) **Workload Communications:** Extend Zscaler's Zero Trust Exchange to public cloud workloads using a cloud-native zero trust access service that provides fast and secure app-to-internet (via ZIA) and app-to-app (via ZPA) connectivity across multi- and hybrid cloud environments; 3) **Workload Segmentation:** Secures application-to-application communications inside public clouds and data centers to stop lateral threat movement, preventing application compromise and reducing the risk of data breaches.



Source: Company documents and Stephens

Proven History of Rapid Innovations & Growth



Source: Company documents

Key Investment Highlights

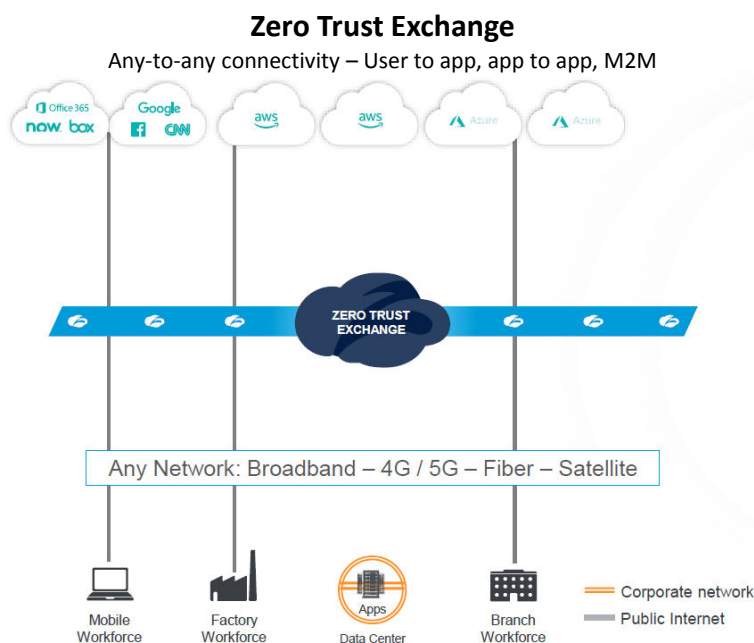
We Are Initiating on ZS With an Overweight Rating and \$200 Price Target

- 1 Architecturally Differentiated Platform Addressing Top Spending Priorities**
 - ZS' platform was purpose built for modern era of security, with solutions squarely addressing top spending priorities (Zero Trust, Cloud Security, and SASE) and delivering improved security, better user experience, and lower cost.
- 2 Massive Scale and Strong IP Provide Tech Moat**
 - Significant scale with network effects and strong IP provide sustainable competitive advantages that we believe will translate into durable and industry-leading growth over the coming years.
- 3 Large Serviceable Market Opportunity**
 - ZS has a massive \$72B SAM with a much larger longer term opportunity from incremental users, workloads and OT/IoT devices that provide a long runway for growth ahead.
- 4 Strong Secular Tailwinds and Multiple Company Specific Growth Drivers**
 - The acceleration in digital transformation, cloud migration, and Zero Trust adoption have significantly increased the pace of adoption of ZS' platform. Company specific growth drivers include: new logos, cross-sell/upsell, product innovation, and expansion into new markets.
- 5 Attractive Mix of Growth and FCF**
 - ZS is delivering a Rule of ~70 with ~50% sales growth and ~20% FCF margins. We believe this level of growth and FCF justify a premium valuation.

Source: Company documents and Stephens

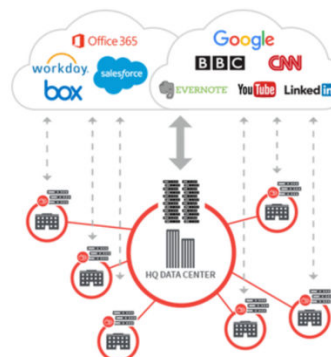
1 Differentiated Platform Built for the Modern Era of Security

- ZS was founded in 2007 based on a vision that the internet would become the new corporate network as the cloud becomes the new data center.
- Fast forward to today and this vision has become a reality. Rapid cloud adoption and increasing workforce mobility has resulted in traditional perimeter security approaches becoming insufficient.
- ZS pioneered a new approach to network security with its multi-tenant cloud platform, the Zscaler Zero Trust Exchange (ZTE), that represents a fundamental shift in the architectural design of network security. Distributed across >150 data centers globally, ZS' Zero Trust Exchange acts as an intelligent switchboard that uses business policies to directly and securely connect users, devices, and applications themselves over any network.
- This new approach removes the need for traditional on-premises security appliances, enforces zero trust principles, eliminates the attack surface and backhauling traffic, and stops lateral movement.

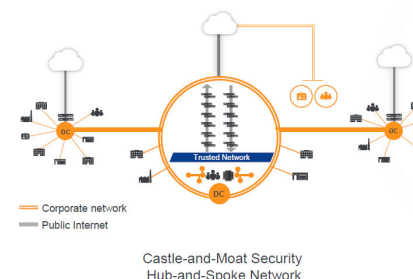


Fundamentally Differentiated Architecture

Traditional Network Security



Zero Trust Exchange



Castle-and-moat

Connect users to networks for application access

Apps published on internet, increased attack surface

Passthrough firewall architecture; limited ability to inspect/protect

VS.

Zero Trust Exchange

1 Zero network access
Connect users to apps, not corporate networks, to prevent lateral movement

2 Zero attack surface
Make apps invisible so they can't be attacked

3 Zero passthrough connections
Deny all privileges; proxy architecture for better cyberthreat and data protection

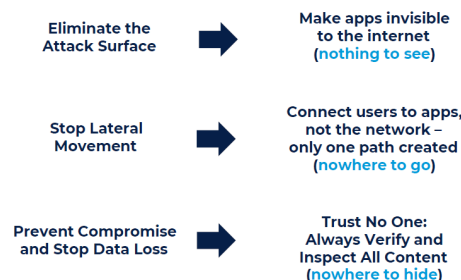
Source: Company documents and Stephens

1 Differentiated Platform Built for the Modern Era of Security

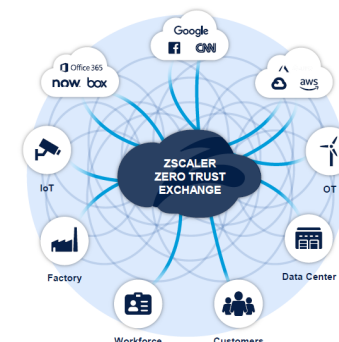
- ZS' approach directly secures users and data vs. securing the network itself. It treats apps as destinations, directly connecting users to those apps instead of the network. With only one path being created, this prevents lateral movement in the network.
- Before connecting users/apps/devices to applications, ZTE requires identity verification and checks device posture and security status to prevent compromise and stop data loss.
- With apps sitting behind the ZTE platform, they are invisible to the internet, thereby eliminating the attack surface.
- This approach and architecture are fundamentally differentiated from many of ZS' competitors and position the company to solve today's key security challenges by enabling true zero trust and SASE/SSE adoption.
- Bottom line, ZS' platform was purpose built for the modern security era.

ZS Platform Enforces Zero Trust Principles

Zero Trust is needed to defend the cloud-first enterprise

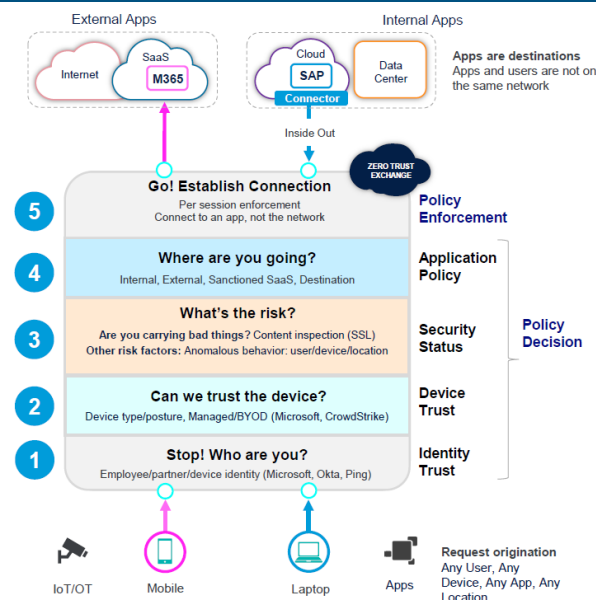


ZERO TRUST EXCHANGE Any-to-any connectivity



When your traffic goes through ZS' Zero Trust Exchange, it is like going through an international airport

1. You are stopped at security
2. Your ID is checked by a security
3. Security assesses your threat level based on known info – your identity, background, destination
4. Security opens and physically inspects your luggage
5. You are cleared and proceed to your destination (and nowhere else)



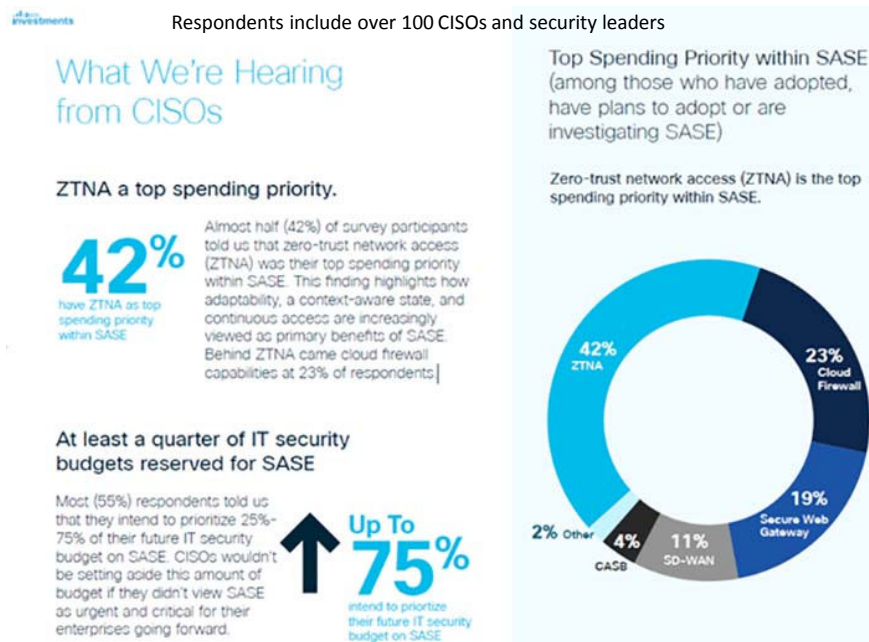
Source: Company documents and Stephens

1 Differentiated Platform Built for the Modern Era of Security

- ZS' platform addresses some of today's highest priority areas of security spending:
- **Zero Trust:** ZS' Zero Trust Exchange acts as an intelligent switchboard that uses business policies to directly and securely connect users, workloads, devices, and applications over any network.
- **Cloud Security:** Zscaler Cloud Protection (ZCP) capabilities include Workload Posture (CSPM, CIEM, DLP), Workload Segmentation, and Workload Communication. Zscaler Internet Access also includes Cloud Access Security Broker (CASB) capability.
- **SASE / SSE:** SASE is essentially zero trust at its core, and ZS addresses the SSE framework with its SWG, ZTNA, and CASB capabilities.
- In short, ZS' platform is comprised of emerging security technologies that should see strong adoption and growth trends for the foreseeable future.

Cisco Security Survey (Dec. 2021)

Respondents include over 100 CISOs and security leaders



Addressing Top Security Spending Priorities

Zero Trust

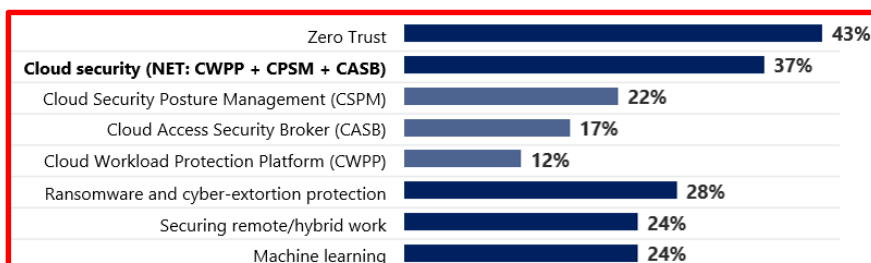
Cloud Security

SASE

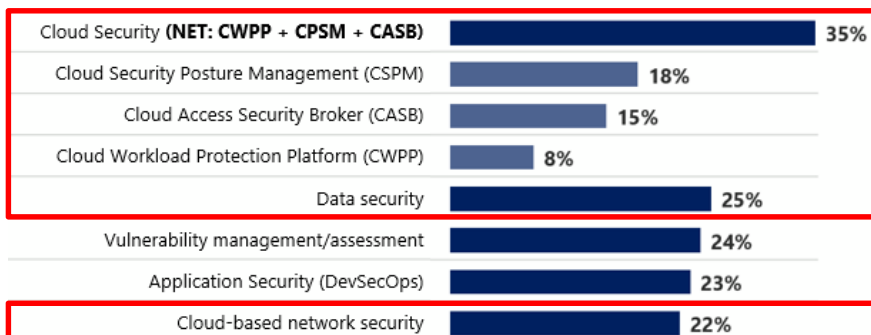
Microsoft Security Survey (Jan. 2022)

Undisclosed number of survey respondents

Security Topics of Interest



Most Interested in Investing in Next 12 Months



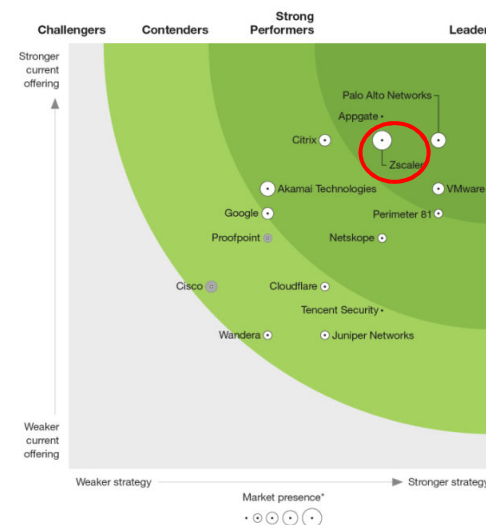
Source: Cisco Investments CISO Survival Guide to Emerging Trends From the Startup Ecosystem, Microsoft, and Stephens

1 A Leader in SASE and Zero Trust Cloud Security

- ZS has been a Gartner Magic Quadrant leader for 11 consecutive years. This includes 10 years as a leader in the company's core secure web gateway (SWG) market, and most recently as a leader in Gartner's newly coined security service edge (SSE) market. ZS was also recognized as a leader in the zero trust network access (ZTNA) market by Forrester.
- Gartner discontinued its SWG MQ after 2020 and introduced the SSE MQ in 2022. SSE represents the network security portion of the secure access service edge (SASE) framework, combining SWG, CASB, and ZTNA technologies (excludes the networking/SD-WAN portion of SASE). A SASE/SSE-based architecture aligns with zero trust principles, delivering secure access to any user on any device to any service running public or private clouds. We estimate SSE market spend will reach \$10B by 2025, growing at ~30%+ 3-year CAGR.
- By 2025, Gartner expects 1) at least 60% of enterprises will have explicit strategies to adopt SASE (up from 10% in 2020) and 2) 80% of SSE-related security purchases will be a consolidated SSE solution vs. stand-alone CASB/SWG/ZTNA offerings (up from 15% in 2021).
- As a leader in SSE and zero trust, we expect ZS to be a key beneficiary of rising adoption of these technologies.

The Forrester New Wave: Zero Trust Network Access, 3Q21

- Largest market presence and greatest mindshare among Forrester clients
- Differentiated single agent architecture
- Enormous scalability



2020 Gartner MQ for Secure Web Gateway

- Gartner MQ Leader in SWG for **10 years in a row**
- The **only vendor** in Gartner's SWG Leader quadrant in 2020
- SWG requires Proxy architecture – firewall vendors were not considered due to lack of **proxy architecture**. Firewalls are designed to build a moat around the castle, wrong architecture for securing users



2022 Gartner MQ for Security Service Edge

- Highest ability to execute and **11 consecutive years** of Gartner Leadership
- **Largest and most proven Security Cloud** for SWG, CASB and ZTNA
- Zscaler Zero Trust Exchange accelerates secure digital transformation



Source: Gartner and Forrester via Zscaler website, Company documents, and Stephens

2 Massive Scale and Strong IP Provide Defensible Tech Moat

- ZS' platform operates at a massive scale with 150+ data centers (points of presence or POPs) processing >200B daily transactions a day (i.e., specific internet requests) across 6 continents and preventing 7B+ policy/security violations per day. For context, there are ~8B Google searches a day.
- In addition, the platform also 1) supports >26M licensed seats spanning 185 countries, 2) performs 200K+ daily security updates, and 3) receives 300 trillion daily signals.
- Importantly, the massive and growing amount of traffic on the platform **creates network effect that serves as a meaningful competitive advantage** as 300+ trillion daily signals feed ZS' machine learning and AI engines, resulting in superior threat protection and better detection of user and application traffic anomalies.
- This level of scale can't be replicated by legacy vendors offering SASE on a single-tenant, VM-based architecture running on public clouds.
- ZS also has **strong IP barriers to entry** with 275 patents granted or pending and a platform consisting of 10M lines of code.

Extensible Platform with IP Barrier to Entry

10 million lines of code

Mars Rover was 5 million
Linux 2.6 was 5.2 million

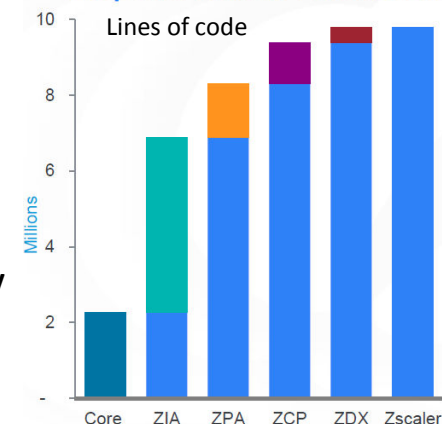
275 patents granted or pending

Disruptive innovation
IP protection

Extensible Platform for easy functionality increase

Rapid development
Day one scalability

Comprehensive Platform Deep and Wide in Functionality



Scale Creates Barrier to Entry

150+

Data Centers

200B+

Transactions / Day

7B+

Enforcements / Day

200K+

Security Updates / Day

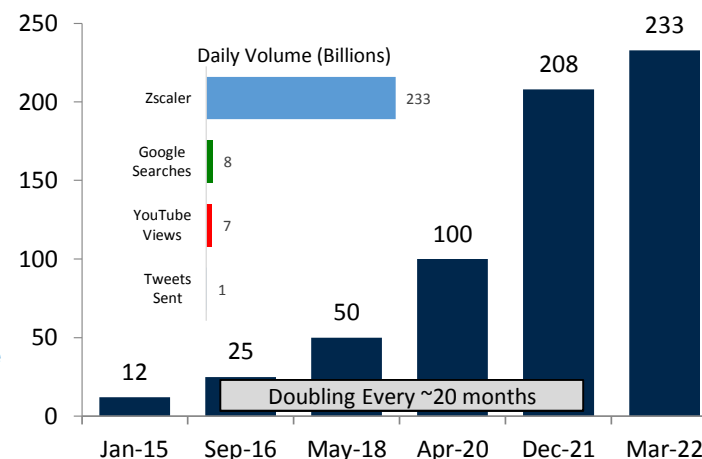
Availability SLA 99.999%
100% Renewable Energy
Proven Elasticity & Scale



Security Hardened
Operational Compliance



Zscaler Daily Cloud Transaction Volume Peak (Billions)



Source: Company documents and Stephens

2 Massive Scale and Strong IP Provide Defensible Tech Moat

- ZS' platform drives meaningful improvement in security, significantly faster user experience, and sizable cost reductions **at scale**.
- This is evidenced by several case studies at large customers that implemented Zscaler:
 - 35x reduction in infected machines at NOV
 - 80% faster user experience
 - 70% cost reduction at Siemens
- The value of ZS' platform is also evidenced by 1) an NPS score >70 (vs. avg. SaaS NPS of 30) 2) only 2.7 support tickets per billion transactions, 3) 35% penetration of the Fortune 500 and 25% penetration of the Global 2000.

Platform Highlights

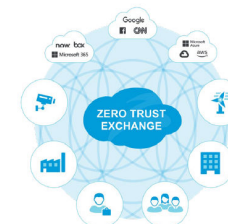
Pioneer and leader

Market leader
11 Consecutive years of Gartner MQ leadership

Technology innovator
275 Patents issued or pending

Highly rated
>70 Net Promoter Score (Avg SaaS NPS is 30)

Transformational zero trust platform Any-to-any connectivity



Security cloud you can trust

Customer-proven
25% of the Forbes 2019 Global 2000

Exceptional cyber-protection
7B Security incidents and policy violations prevented per day

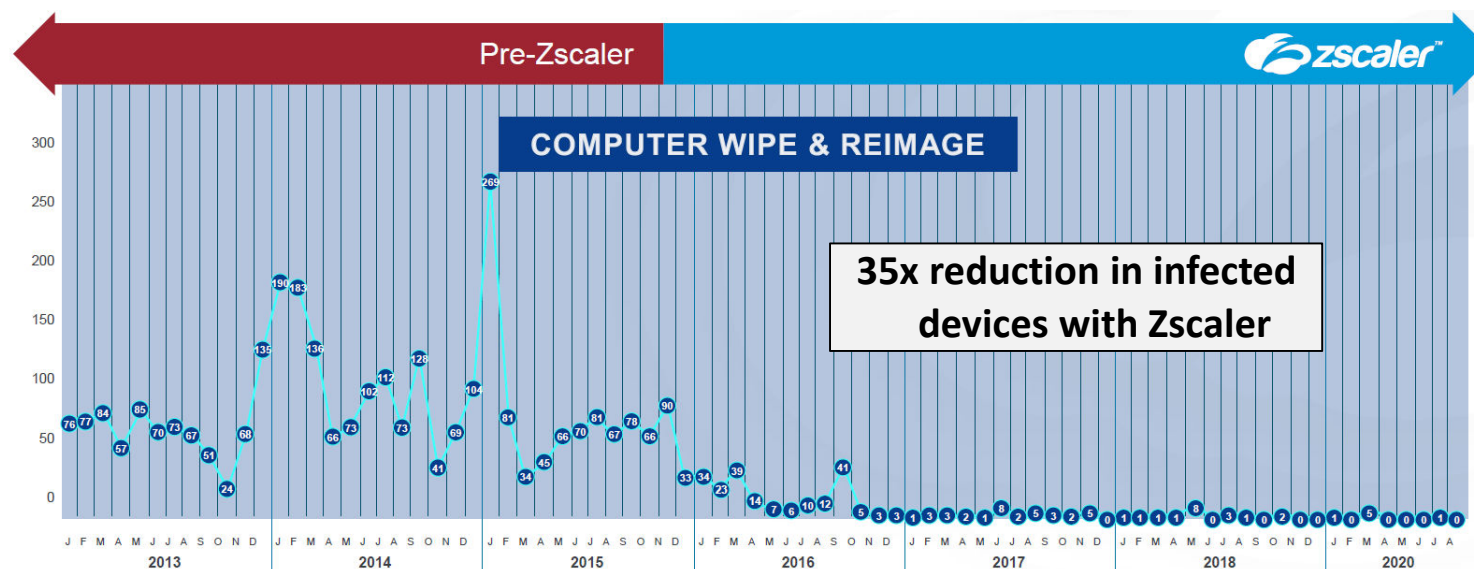
Largest security cloud (150 DCs)
210B Daily requests >10x Google searches

80% Faster user experience

35x Fewer infected machines

70% Cost reduction

Customer Case Study: National Oilwell Varco

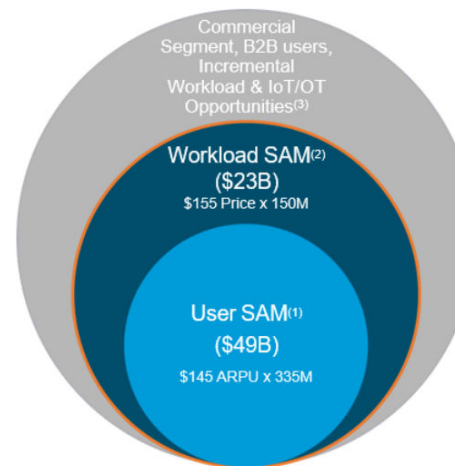


Source: Company documents and Stephens

3 Large Serviceable Market Opportunity

- ZS estimates the user SAM for its ZIA, ZPA, and ZDX solutions is \$49B. This is based on multiplying 1) 335M serviceable users at ~20K enterprises with 2K+ employees by 2) an aggregate ARPU of \$145/user when combining ZIA (\$75/user), ZPA (\$45/user), and ZDX (\$25/user).
- ZS also sees a \$23B workload SAM for its ZCP solution. This based on ZS' estimate that there are 150M serviceable workloads in top public clouds and an aggregate ARPU of \$155/workload when combining CSPM (\$40/user), Workload Segmentation (\$60/workload) and Workload Communication (\$55/workload).
- Longer term, ZS sees an incremental \$91B opportunity comprised of 1) \$39B from 267M users at companies with <2K employees and 2) \$52B from 338M incremental workloads.
- Putting it all together, ZS has a core serviceable addressable market of \$72B with a longer term opportunity of \$163B. We would note this longer term TAM still excludes the opportunity from >600M potential B2B users and billions of OT/IoT devices.

\$72B SAM + Bigger Long-Term Opportunity



\$72B core serviceable opportunity, comprised of:

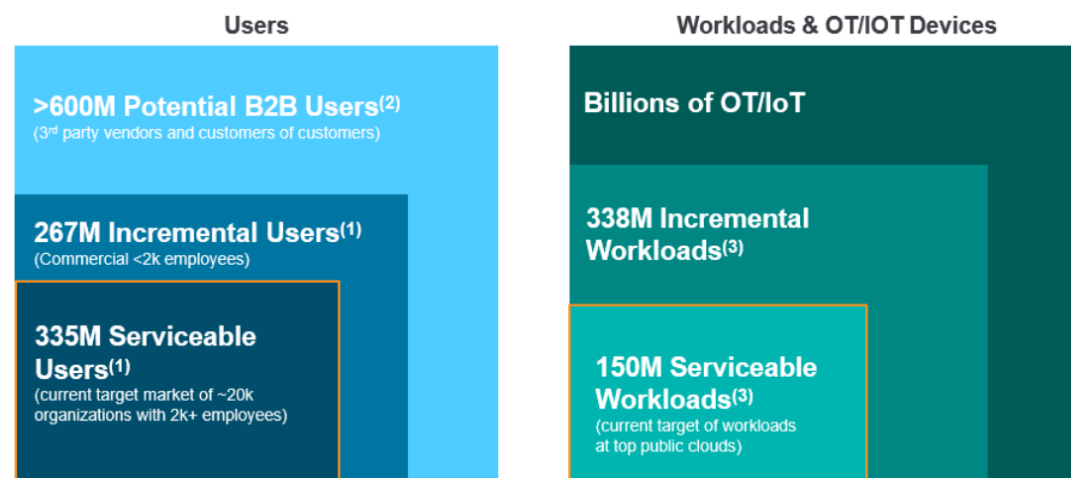
- \$49B user SAM focused on enterprises with 2K+ employees
- \$23B workload SAM for workloads in top public clouds

\$91B incremental opportunity from:

- \$39B users at companies with <2K employees
- \$52B of incremental workloads

\$163B Long-Term TAM

Just Scratching the Surface



	User Protection	Workload Protection	Total
Max ARPU (\$)	\$145	\$155	\$148
Users/Workloads (M)	335	150	485
Target SAM (\$B)	\$49	\$23	\$72
Incremental Opportunity:			
Users/Workloads (M)	267	338	605
Incremental SAM (\$B)	\$39	\$52	\$91
Long-Term SAM (\$B)	\$87	\$76	\$163
ZS User/Workload Goal (M)	200	100	300
% of Target SAM	60%	67%	62%
% of Total SAM	33%	20%	28%

Source: Company documents and Stephens

4 Strong Secular Tailwinds and Company Specific Growth Drivers

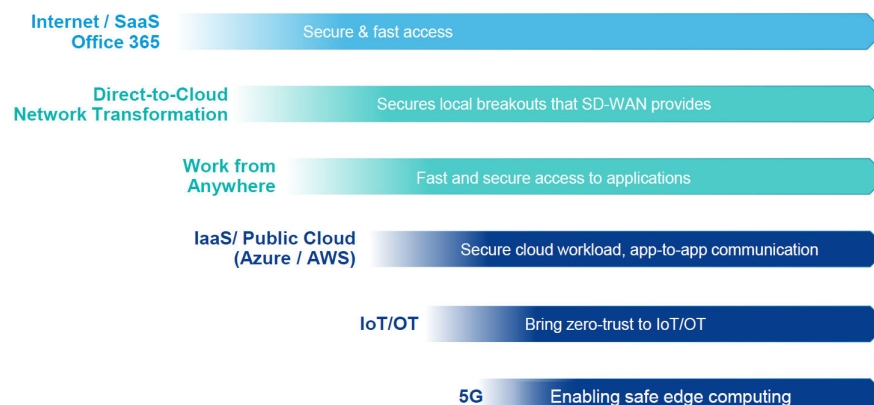
Secular Tailwinds

- **Digital transformation, Zero Trust and cloud adoption.** The acceleration in digital transformation, increased workforce mobility and migration to the cloud have significantly expanded the attack surface and eroded the traditional network perimeter. These factors are driving organizations to adopt SASE/SSE/zero trust architectures designed to secure user access to any application from any device, regardless of location.
- **Increasing cloud workloads.** The migration of applications to the cloud has resulted in a rapid increase in cloud workloads that are not effectively secured by traditional network security. Zscaler Cloud Protection (ZCP) addresses key security risks around cloud workloads.
- **Growing number of IoT/OT devices.** The significant increase in the number of IoT/OT devices connected to networks, internet and cloud has resulted in the need to secure these device's connection to the internet and cloud.
- **5G.** 5G pushes computing further to the edge, requiring a more distributed architecture capable of enforcing policy across thousands.

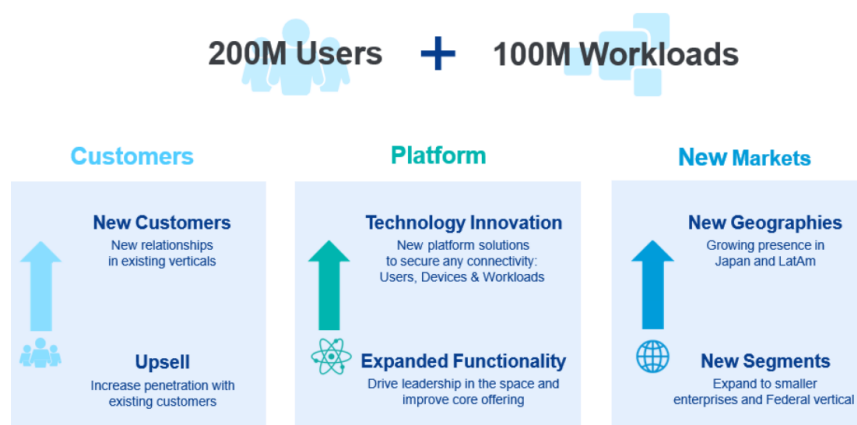
Company Specific Growth Drivers

- **New Customers.** Comparing ZS' 5.6K customer base to those of larger security vendors like PANW (85K) and FTNT (565K), we believe the company has significant runway to expand its customer base.
- **Expand with existing customers.** ZS has meaningful room to grow with its existing customer base as its ZIA and ZPA solutions alone represent a 6x upsell opportunity.
- **Expansion and innovation of services.** ZS continues to invest in R&D and acquire new technologies/products in order to add new solutions to its existing product portfolio and to improve the overall functionality, reliability, availability and scalability of its cloud security platform.
- **Expansion into additional market segments.** ZS is expanding into additional market segments and geographies, which primarily include 1) expanding down market with smaller enterprises (2K – 6K employees), 2) U.S. federal government agencies and 3) growing its presence in additional international markets like Japan and Latin America.

Secular Tailwinds Powering Adoption



Company Specific Growth Drivers

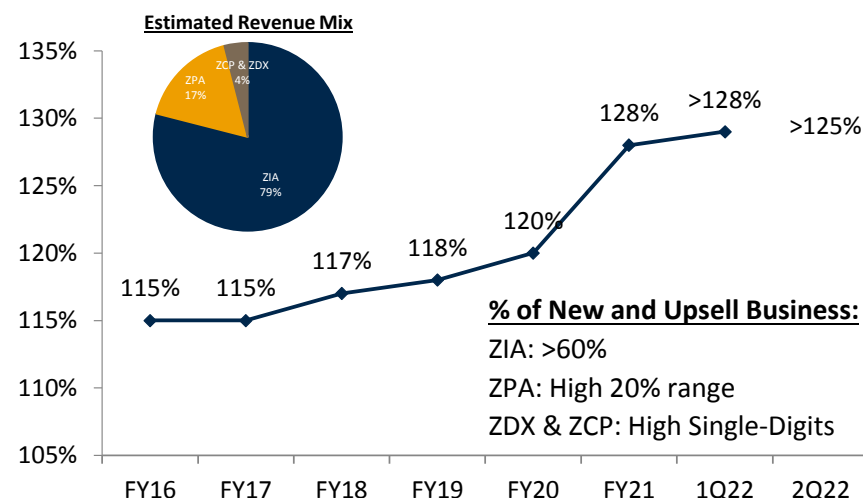


Source: Company documents and Stephens

4 Massive Upsell Opportunity Within Existing Base

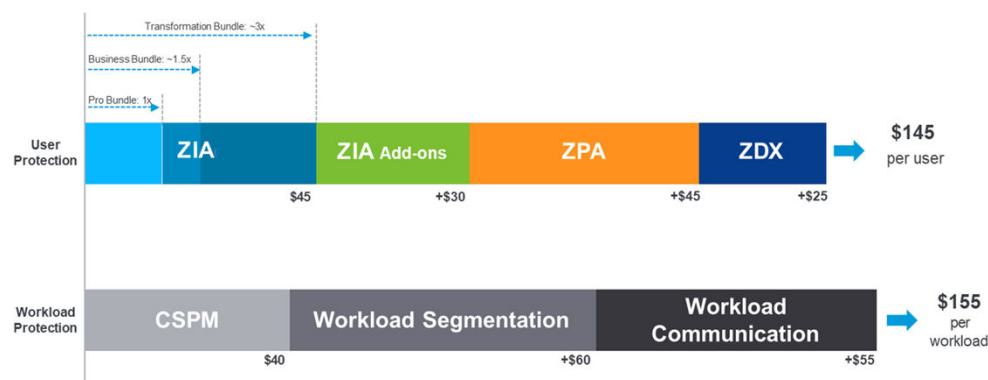
- ZS has significant runway to grow with its existing customers as the upsell opportunity from selling its full ZIA and ZPA solutions alone to all users within its existing customer base represents 6x its ARR at 10/31/20. And based on ZS' current 30M user base, we estimate ZDX represents an incremental upsell opportunity of ~\$750M.
- Upsell has consistently represented a significant portion of ZS' growth, making up 55% of the mix of net new ACV between new vs. upsell in 2Q22.
- Successfully selling the broader platform coupled with strong gross retention have resulted in an impressively high net retention of >125%.
- Upselling is resulting in increasing deal sizes as large customers are buying more of ZS' expanding platform, as evidenced by 1) the number of \$1M ARR customers growing 85% y/y in 2Q22 to 251 and 2) >50% of G2K customers adopting both ZIA and ZPA (vs. 44% in 4Q21). ZPA has clearly become ZS' second flagship product as it has consistently represented high 20%'s of new/upsell ACV since FY20.
- Looking ahead, ZS expects a growing contribution from its emerging products (ZDX and ZCP), with the mix of new/upsell ACV from these product anticipated to increase from HSDs in FY21 to low teens in FY22.

Land-and-Expand Motion Drives Impressive NRR

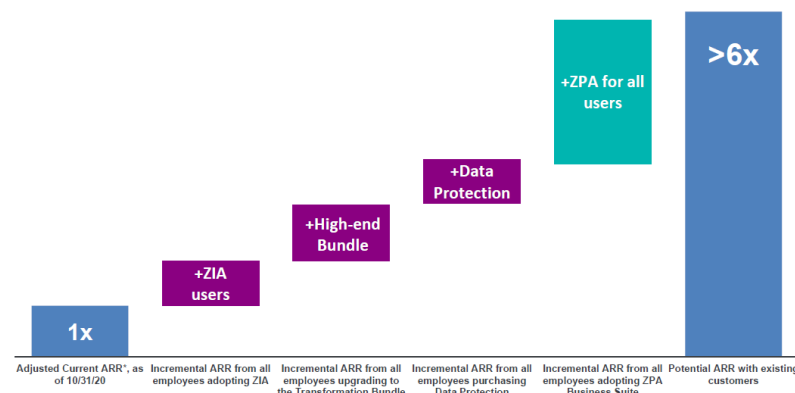


>6x Upsell Opportunity Within Existing Customer Base for ZIA and ZPA

Max Pricing Per User for User Workload Protection Solutions



>6x Upsell Opportunity on ZIA and ZPA alone with existing customers

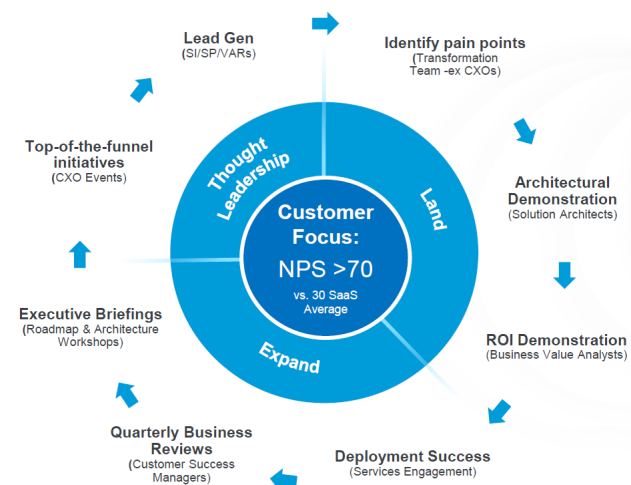


Source: Company documents and Stephens

4 Go-to-Market Strategy

- ZS has strong penetration with large organizations, claiming 35% of the Fortune 500 and 25% of the Global 2000 as customers.
- Moving forward, ZS is focusing its GTM investments more heavily on expanding its presence down market into the enterprise (2K - 6K employees) and commercial (<2K employees) segments.
- ZS is only ~10% penetrated in the >2K FTE enterprise segment that it has quantified to have an addressable market of ~20K companies.
- ZS only started focusing on the enterprise segment in FY21 and has recently been investing heavily in building out its sales team in this market. This segment significantly expands ZS' TAM (\$8B user SAM), has faster sales cycles, and provides leverage as channel plays a bigger role in this market.
- The Federal vertical also represents an attractive opportunity for ZS given 1) it is the only security vendor with the 2 highest FedRAMP certifications and 2) recent legislation requiring Federal agencies to adopt zero trust. While this segment underperformed expectations last quarter due to delayed budget approval, we expect a rebound in future quarters following approval in March.

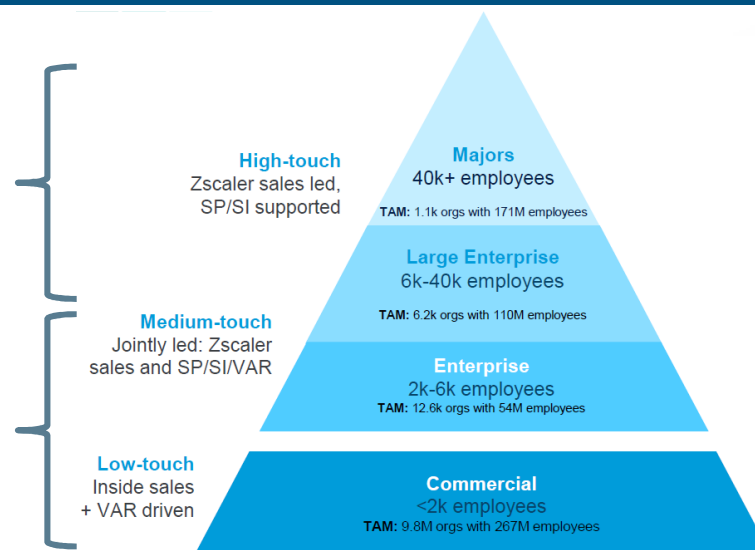
Lifecycle Engagement With Customers



Scaling with Majors & Large Enterprises, While Expanding To Smaller Enterprises

ZS has strong penetration at the upper end of the market with:
35% of the Fortune 500
25% of the Global 2000

Primary area of focus for GTM investments going forward is on lower segments of the market (enterprise and commercial) where ZS is less penetrated



Targeted account-based sale with focus on enterprises

Winning with Majors & Large Enterprises

Expanding To Enterprise Segment

New Investment:

- Specific marketing program dollars towards <6k employee companies.
- Specific Strategy & Enablement programs/playbooks for this segment

Attractive Market Segment:

- Expands TAM significantly
- Shorter sales cycle
- Leverage: Channel plays a bigger role in the segment

Exploring Opportunities in Commercial:

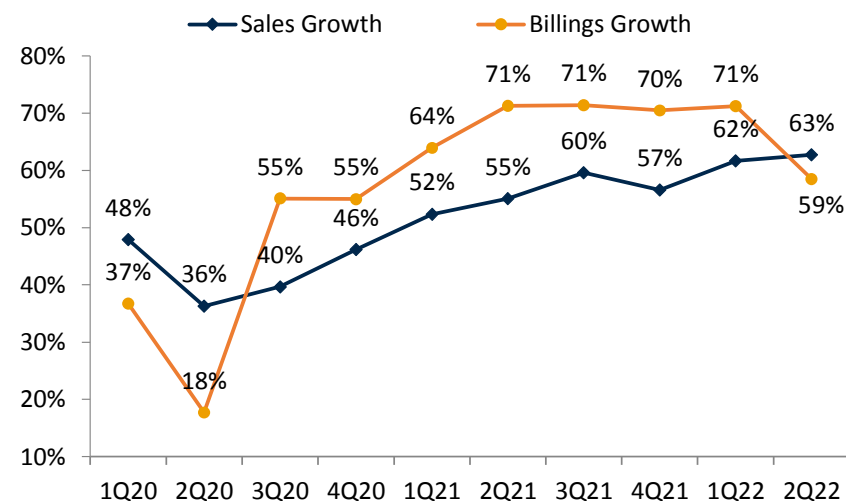
- via Distribution/MSP models, which are zero to low touch
- Partners asking for our help to service this market

Source: Company documents and Stephens

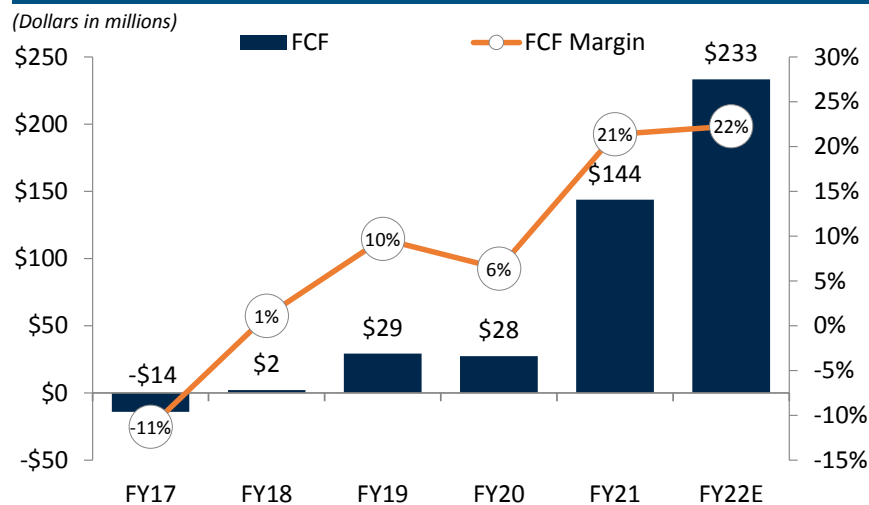
5 Attractive Mix of Growth and FCF

- ZS' is one of the fastest growing security companies behind only CRWD and S, but is also one of the fastest growing enterprise software vendors at its scale.
- In addition, the company has increasingly attractive FCF profile, with FCF margins inflecting from only 6% in FY20 to 20%+ in FY21/FY22.
- Combined with mid-50% expected revenue growth in FY22, we view ZS as a scarce asset in software with a rule of 80.
- While billings growth decelerated 12% to 59% following four consecutive quarters of >70% growth, management noted that the Federal vertical underperformed its expectations due to delayed budget approval. In addition, the 2-year stacked billings growth rate of 130% only decelerated 5% from 1Q and was the 2nd highest growth rate since the IPO.
- Looking ahead, ZS appears to tracking towards reaching the low end of its FY24 FCF margin target of 22% - 25% in FY22.
- We believe this strong cash flow profile should help to provide increased valuation support in an unforgiving market for unprofitable companies.

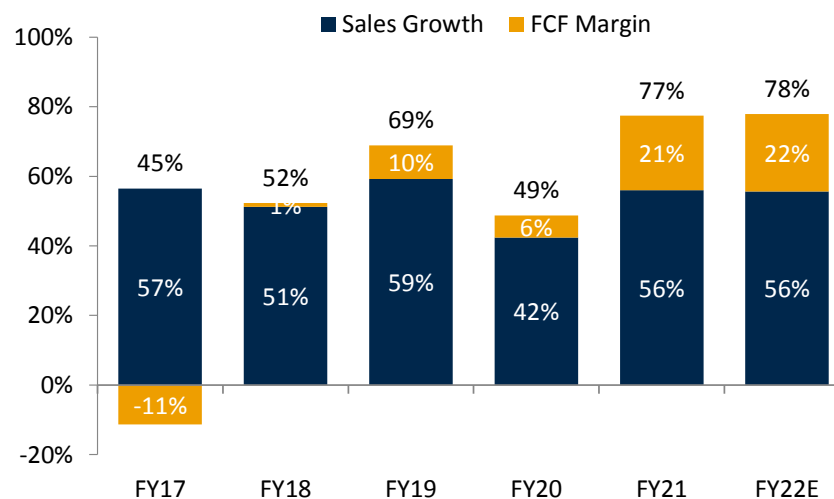
Quarterly Revenue and Billings Growth



FCF Inflecting Higher



Approaching Rule of 80



Source: Company documents and Stephens estimates

5 ARR and Margin Outlook

- At ZS' analyst day in January 2021, the company provided FY24 financial targets that included achieving operating margins of 20% - 22%.
- However, ZS provided an updated margin framework on its 4Q21 earnings pushing these targets out beyond FY24 in order to prioritize growth.
- Under its updated framework, if revenue growth is above 30%, ZS expects operating margin expansion to be less than 300 bps. If revenue growth is 30% or less, ZS expects margin expansion of 300 bps or more.
- In November 2021, ZS provided a long-term target to reach \$5B in ARR (vs. >\$1B currently) but did not give a timeframe for achieving this goal. However, the company did note at its analyst day that it would be disappointed if revenue growth was below the 31% revenue CAGR through FY24 projected by consensus at the time.
- Using annualized 4Q revenue as a proxy for ARR, we run a growth sensitivity based on new ARR growth of 10% - 35% from FY23 - FY5. This implies a 3-year ARR CAGR of 30% - 44%, with ZS reaching \$5B in ARR in 4 - 7 years.

ARR* Growth Sensitivity

(Dollars in millions)

*Uses annualized 4Q revenue for ARR as actual ARR is not disclosed

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	'21 - '25 CAGR
ARR	\$504	\$788	\$1,176	\$1,602	\$2,070	\$2,586	35%
Growth	46%	57%	49%	36%	29%	25%	
New ARR	\$159	\$285	\$387	\$426	\$469	\$515	16%
Growth	33%	79%	36%	10%	10%	10%	
ARR	\$504	\$788	\$1,201	\$1,697	\$2,291	\$3,005	40%
Growth	46%	57%	52%	41%	35%	31%	
New ARR	\$159	\$285	\$413	\$495	\$595	\$713	26%
Growth	56%	79%	45%	20%	20%	20%	
ARR	\$504	\$788	\$1,227	\$1,819	\$2,618	\$3,697	47%
Growth	46%	57%	56%	48%	44%	41%	
New ARR	\$159	\$285	\$439	\$592	\$799	\$1,079	40%
Growth	56%	79%	54%	35%	35%	35%	

Margin Outlook

	FY'18	FY'19	FY'20	FY'21	FY'22 Guidance	Long-Term Targets
Non-GAAP gross margin ⁽¹⁾	80%	82%	80%	81%	79%	78% – 82%
S&M ⁽²⁾	59%	47%	48%	47%		33% – 37%
R&D ⁽²⁾	19%	15%	15%	15%		15% – 17%
G&A ⁽²⁾	11%	9%	8%	7%		7% – 8%
Non-GAAP operating margin	(8%)	11%	9%	12%	9%	20% – 22%
Non-GAAP free cash flow margin	1%	10%	6%	21%		22% - 25%

Key factors

Scale of our multi-tenant cloud benefits COGS

Accelerated investments for long-term leverage

Global centers in Silicon Valley & India

Significant presence in India

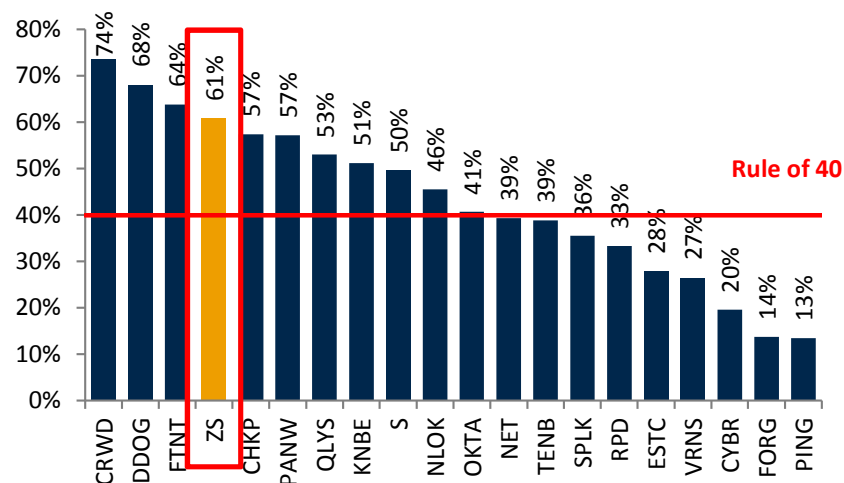
Operating Margin Framework:

Sales Growth >30% =
<300 bps margin expansionSales Growth <30% =
300+ bps margin expansion

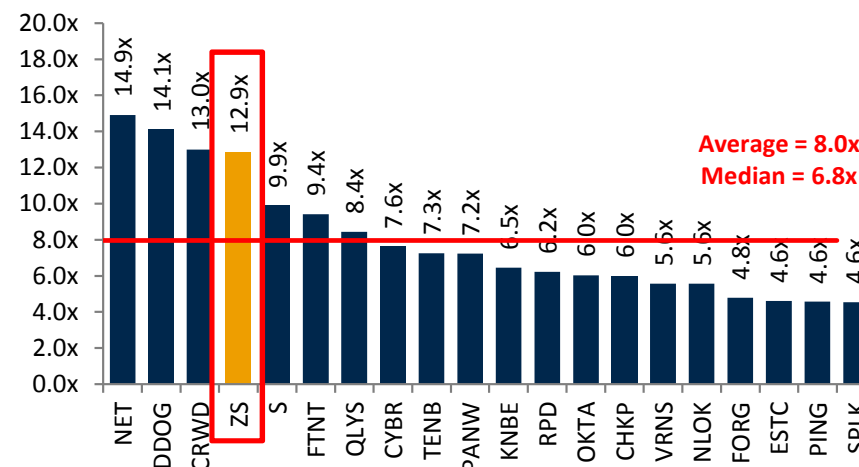
Source: Company documents, FactSet Research Systems, and Stephens estimates

Valuation

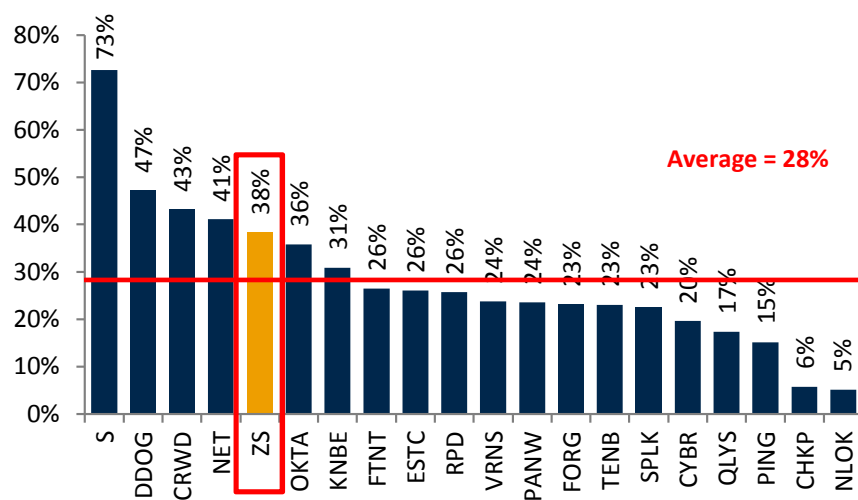
Rule of 40 (NTM Sales + FCF Margin)



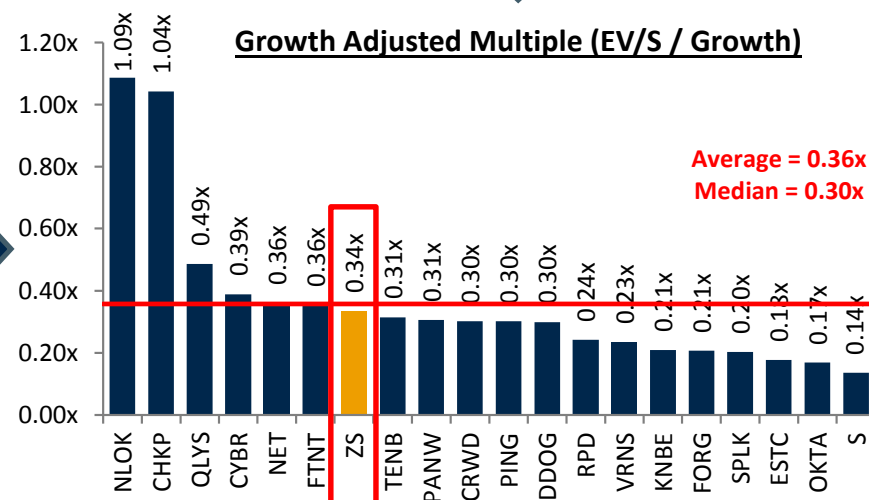
EV/NTM Sales



NTM Sales Growth



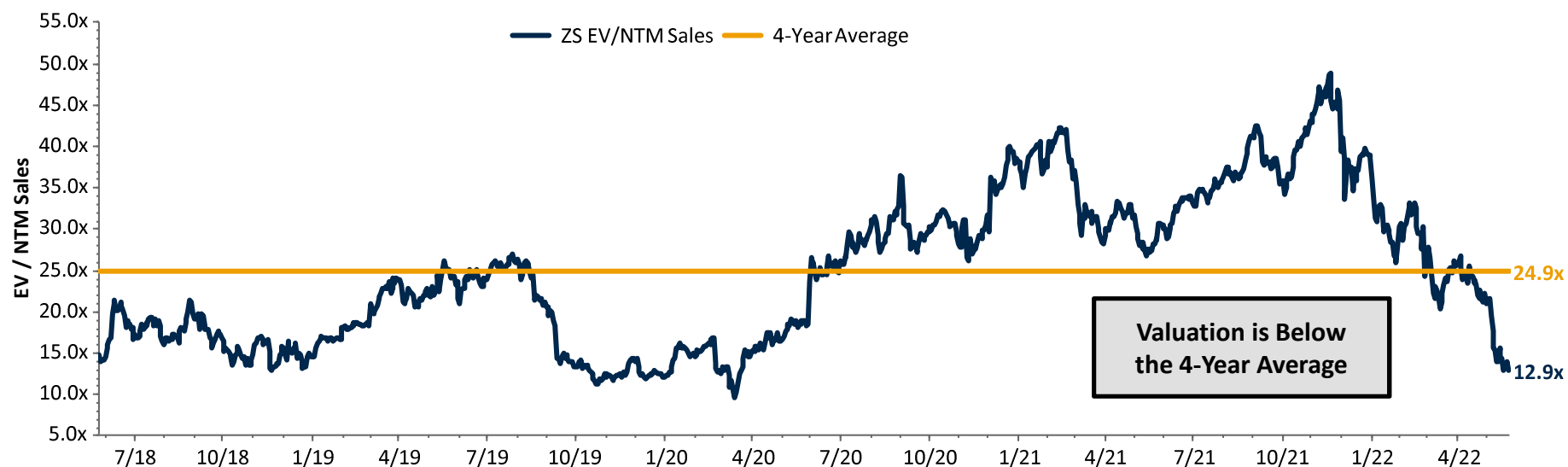
Growth Adjusted Multiple (EV/S / Growth)



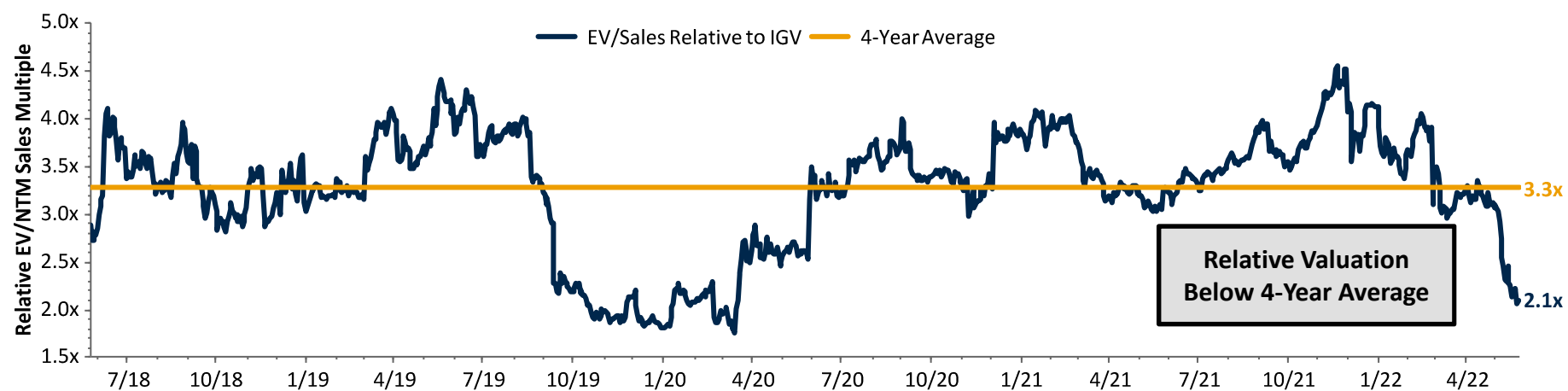
Source: FactSet Research Systems and Stephens

Valuation

ZS EV/NTM Sales



ZS EV/NTM Sales Multiple Relative to the IGTV (Software)



Source: FactSet Research Systems and Stephens

Valuation

(Dollars in millions, except per share)

Company	Ticker	Price 5/24/22	Market Cap	Enterprise Value	EV/Sales		EV/FCF		Revenue Growth			FCF Margin		Rule of 40	
					2022	2023	2022	2023	2021	2022	2023	2022	2023	2022	2023
Zscaler, Inc.	ZS	\$127.81	\$19,224	\$18,926	15.7x	11.8x	70.4x	49.6x	56%	45%	33%	22%	24%	67%	57%
High-Growth Security Software Comps															
CrowdStrike Holdings, Inc.	CRWD	\$139.87	\$33,900	\$32,678	15.6x	11.5x	51.8x	37.2x	67%	49%	36%	30%	31%	79%	67%
Cloudflare Inc Class A	NET	\$50.50	\$17,300	\$17,147	17.9x	13.2x	NM	NM	52%	46%	36%	(6%)	2%	40%	39%
Okta, Inc. Class A	OKTA	\$78.86	\$13,223	\$12,745	7.3x	5.5x	NM	NM	55%	38%	34%	4%	7%	42%	40%
SentinelOne, Inc. Class A	S	\$22.09	\$6,871	\$5,231	14.7x	9.0x	NM	NM	115%	77%	64%	(36%)	(8%)	42%	56%
Average					13.9x	9.8x	51.8x	37.2x	72%	53%	43%	(2%)	8%	51%	50%
Median					15.2x	10.2x	51.8x	37.2x	61%	48%	36%	(1%)	5%	42%	48%
High-Growth Software Comps															
Snowflake, Inc. Class A	SNOW	\$129.63	\$47,231	\$43,586	22.2x	14.2x	NM	NM	109%	69%	56%	14%	16%	83%	72%
Atlassian Corp. Plc Class A	TEAM	\$164.17	\$42,724	\$42,758	13.6x	10.6x	56.9x	47.6x	31%	29%	28%	24%	22%	53%	51%
Datadog Inc Class A	DDOG	\$85.81	\$30,170	\$29,307	18.1x	13.2x	NM	60.8x	70%	57%	37%	20%	22%	77%	59%
MongoDB, Inc. Class A	MDB	\$223.61	\$17,905	\$17,316	15.0x	11.4x	NM	NM	47%	36%	31%	0%	2%	36%	33%
Asana, Inc. Class A	ASAN	\$18.53	\$3,923	\$3,867	7.5x	5.6x	NM	NM	67%	41%	34%	(27%)	(19%)	14%	16%
ZoomInfo Technologies Inc	ZI	\$34.61	\$14,268	\$15,163	14.2x	10.8x	37.6x	27.0x	57%	43%	31%	38%	40%	80%	71%
Bill.com Holdings, Inc.	BILL	\$104.32	\$11,870	\$10,919	14.7x	10.7x	NM	NM	117%	73%	37%	(3%)	(1%)	70%	36%
HashiCorp, Inc. Class A	HCP	\$30.96	\$6,362	\$5,025	12.2x	9.4x	NM	NM	51%	33%	30%	(48%)	(44%)	(15%)	(13%)
Confluent Inc Class A	CFLT	\$17.76	\$5,870	\$4,999	8.9x	6.6x	NM	NM	64%	44%	36%	(30%)	(16%)	14%	19%
Average					14.0x	10.3x	47.2x	45.1x	68%	47%	36%	(1%)	3%	46%	38%
Median					14.2x	10.7x	47.2x	47.6x	64%	43%	34%	0%	2%	53%	36%
Average					14.0x	10.1x	48.8x	43.2x	69%	49%	38%	(1%)	4%	48%	42%
Median					14.7x	10.7x	51.8x	42.4x	64%	44%	36%	0%	2%	42%	40%

ZS trades at a premium to the high-growth security and software peer average. We believe this is warranted based on ZS' growth prospects, higher FCF margins, and competitive positioning.

Source: FactSet Research Systems and Stephens. Estimates are FactSet consensus.

Attractive Risk/Reward; 4-Year Outlook

4-Year Outlook

(Dollars in Millions)

	Bear Case	Base Case	Bull Case
CY25E Revenue	\$2,296	\$2,939	\$3,341
CAGR ('CY21 - '25)	28%	36%	40%
'26E Free Cash Flow	\$574	\$955	\$1,383
CAGR ('21 - '25)	31%	49%	63%
FCF Margin	25%	30%	35%

Valuation Analysis

EV/CY25E Sales Multiple	8.0x	12.0x	17.0x
EV/Sales / Growth	0.29x	0.33x	0.42x
EV/CY25E FCF Multiple	32.0x	37.1x	41.1x
Implied EV	\$18,370	\$35,418	\$56,797
+ Net Cash	\$681	\$681	\$681
Market Cap	\$19,051	\$36,099	\$57,478
Shares Out.	148.8	148.8	148.8
Implied Price Target ('25)	\$128.03	\$242.60	\$386.27
WACC	10.0%	10.0%	10.0%
Discount Period (Years)	2.0	2.0	2.0
One Year Price Target	\$106	\$200	\$319
% Difference	(17%)	57%	150%

- **Base Case:** Our base case assumes a 4-year sales CAGR of 36%, with ZS reaching \$2.9B in sales and FCF margins of 30% in CY25. Applying a 12.0x EV/sales multiple to our CY25E revenue and a 10% discount rate yields a 12-month price target of \$200/share. This valuation is below the historical average and peers. This target equates to ~18x CY23 EV/sales.
- **Bull Case:** Our bull case assumes a 4-year sales CAGR of 40%, with ZS reaching \$3.3B in sales and 35% FCF margins in CY25. Applying a 17.0x EV/sales multiple to our CY25 revenue and a 10% discount rate yields a 12-month price target of \$319/share. This valuation is below the historical average and above peers. This target equates to ~26x CY23 EV/sales.
- **Bear Case:** Our bear case assumes sales growth decelerates to a 28% CAGR through CY25, with ZS reaching \$2.3B in sales and 25% FCF margins in CY25. If we assume valuation compression to 8.0x CY25 EV/sales under this slower growth, this would yield a 12-month price target of \$106/share. This valuation is below the historical average and peers. This target equates to ~10x CY23 EV/sales.

Source: Company documents, FactSet Research Systems, and Stephens estimates

Management Overview

ZS has an experienced founder-led management team with a strong track record of execution and innovation



Jay Chaudhry
CEO & Chairman

- Founded Zscaler in 2007. Previously founded SecureIT (acquired by Verisign), CipherTrust (acquired by Secure Computing Corporation), AirDefense (acquired by Motorola), and CoreHarbor (acquired by AT&T).



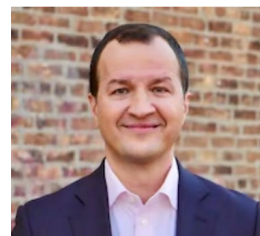
Remo E. Canessa
Chief Financial Officer

- Joined ZS in 2017. Previously held the position of CFO at Illumio, Infoblox, NetScreen Technologies, Bell Microproducts, and Infoseek.



Amit Sinha, Ph.D.
President

- Joined ZS in 2013. Previously held positions of CTO at AirDefense and Motorola.



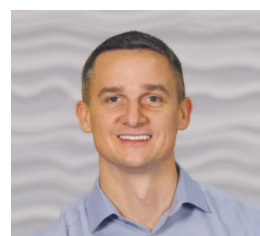
Dali Rajic
Chief Operating Officer

- Joined ZS in 2019. Previously held positions of VP Sales at Verint, Area Director at BMC Software, and CRO & CCO at App Dynamic



Patrick Foxhoven
Chief Information Officer

- Joined CRWD in 2010. Previously held positions of CIO & Co-Founder at CentraComm Communications



Chris Kozup
Chief Marketing Officer

- Joined ZS in 2020. Previously held positions of Program Director at META Group, Director at Cisco, VP Marketing & CMO at Aruba, and Senior VP Marketing at Nutanix

Source: Company documents and Stephens

ZS Catalysts & Risks

Catalysts

- **Cybersecurity Demand.** Cybersecurity demand/spending is on the rise as companies are focused on 1) improving/modernizing their IT security systems and 2) responding to an evolving threat landscape and the increasing volume and sophistication of cyberattacks. This creates a favorable demand backdrop for ZS' products.
- **Rising Importance of Secure Web Gateway (SWG) & Cloud Security.** SWG and cloud security are becoming increasingly important due to the growing number of cloud workloads/data and a dissolving network perimeter driven by digital transformation and the rise in remote work.
- **Zero Trust Adoption.** Increasing adoption of Zero Trust security architectures is a tailwind for SWG security as it is foundational to a Zero Trust security framework.
- **Increasing Cyberattacks.** Future cyberattacks could spur additional spending on ZS' security solutions.
- **New Product Introductions.** The introduction of new solutions could accelerate growth with new and existing customers.
- **Quarterly Earnings & Guidance.** Greater than anticipated upside to expectations/guidance for revenue, billings, RPO/CRPO, customer adds, DBNR, operating margins and FCF could serve as a catalyst.
- **Long-Term Targets.** We believe any increase to / or outperformance of long-term targets could be a catalyst.

Risks

- **Competition.** ZS faces increasing competition from larger well-established software vendors, existing network security vendors and new entrants. Competitive pressure from these players could negatively impact revenue growth.
- **Elevated Valuation.** ZS trades at a valuation premium to many other security software peers due to its high growth rate. Shares could be disproportionately impacted by a rotation out of growth stocks.
- **Data Breach.** Any breach of ZS' platform could negatively impact customer perception of the company's solutions.
- **Platform Expansion and Upsell.** ZS continues to expand its security platform with a growing number of new/emerging products (vs. its core SWG/ZIA product) that make up a significant portion of revenue and growth. Failure to upsell new solutions to customers would negatively impact growth.
- **Deceleration in Growth.** We believe a deceleration in the growth rate of revenue, billings, new logos, and/or DBNR beyond expectations would negatively impact the stock.
- **Profitability.** If ZS is unable to meet or exceed expectations for FCF and profitability, the stock could react negatively.
- **Demand Slowdown.** A broad slowdown in security spending/demand could negatively impact growth.
- **Management Turnover.** We believe the leadership of ZS' current CEO and founder is an important aspect of the story. In addition, any turnover in other positions on the management team could create disruption.

Source: Company documents and Stephens

APPENDIX

Product Portfolio

Secure Internet and SaaS Access - Zscaler Internet Access (ZIA)

Zscaler Internet Access, or ZIA, was designed to provide users, servers, operational technology, or OT, and IoT devices secure access to externally managed applications, including SaaS applications and internet destinations regardless of device, location or network. ZIA provides in-line content inspection and firewall access controls across all ports and protocols to protect organizations and users from external threats as well as protecting an organization's data while at rest and preventing data from leaking out to unauthorized sites. Policies follow the user to provide identical protection on any device, regardless of location; any policy changes are enforced for users worldwide. The cloud security platform provides full in-line content inspection to assess and correlate the risk of the content to protect against sophisticated attacks, including ransomware and phishing. The cloud platform applies machine learning across Zscaler's well over 160 billion daily transactions to identify and block unknown threats quickly.

- **Cyberthreat Protection** – threat prevention functionality enables protection against threats using a range of approaches and techniques. The threat prevention capabilities provide multiple layers of protection to prevent sophisticated ransomware, phishing, and zero-day cyberattacks. Provides functionality that traditionally has been offered by disparate, stand-alone products. Core cloud platform threat prevention services include:
 - **Advanced Threat Protection:** delivers real-time protection from malicious internet content like browser exploits, scripts, zero-pixel iFrames, malware and botnet callbacks. Over 200,000 unique security updates are performed every day to the Zscaler cloud to keep users protected. Once new threat to a user is detected, it is blocked it for all users. Dubbed the “cloud security effect.”
 - **Sandbox:** enables enterprises to block zero-day exploits and advanced persistent threats, or APTs, by analyzing unknown files for malicious behavior, and it can scale to every user regardless of location. The cloud sandbox was designed and built to be multi-tenant and allows customers to determine which traffic should be sent for detonation. As an integrated cloud security platform, customers can set policies by users and destinations to prevent patient-zero scenarios by holding, detonating and analyzing suspicious files in the cloud sandbox before they are sent to the user.
 - **Browser Isolation:** creates an isolated browsing session that enables users to access any webpage on the internet without downloading any of the web content served by the webpage onto a local device or the corporate network. With cloud browser isolation, users are not directly accessing active web content; instead, only a safe rendering of pixels is delivered to the user. Malicious code that may be hidden in the web content is kept at bay.

Source: Company documents and Stephens

Product Portfolio

- **Data Protection-** enables enterprises to prevent unauthorized sharing or exfiltration of confidential information for users, devices, and servers, reducing customers' business and compliance risk. Core cloud platform data protection services include:
 - **Data Loss Prevention (DLP):** enables enterprises to use predefined or custom dictionaries using efficient pattern-matching algorithms to easily scale to all users and traffic, including compressed or encrypted traffic, to prevent, monitor or block unauthorized or sensitive data exfiltration. The exact data match (EDM) and Index Document Match (IDM), functionalities augment the accuracy and efficacy the company's data loss prevention solution by enabling the customers to populate a custom database scaling to billions of unique fields, as well as unstructured documents. The DLP policies can be enforced for inline data in motion and out-of-band for data at rest.
 - **Cloud Access Security Brokerage (CASB):** enable enterprises to discover and granularly control user access to known and unknown cloud applications. By doing Secure Sockets Layer, or SSL, inspection at scale, it provides malware protection, data loss prevention and CASB functions that can be performed both in-line and out-of-band, for specific sanctioned and unsanctioned applications. Business policies can be defined with granular access control for specified cloud applications, such as the ability to upload or download files or post comments on videos based on different user or group identity.
 - **File Type Controls:** allows policies to be defined that control which file types are allowed to be downloaded and uploaded based on application, user, location and destination.
 - **Browser Isolation:** With cloud browser isolation, users are not directly accessing active web content; instead, only a safe rendering of pixels is delivered to the user. This approach prevents sensitive data from being downloaded to unauthorized devices in bring your own device environments or on shared public computers.
- **Secure Local Internet Breakouts** – traffic destined for the cloud no longer needs to be routed over a private Multiprotocol Label Switching (MPLS), network to the data center. Traffic can now be routed locally over the internet and directly to the cloud, which provides for a faster experience and a significant reduction in MPLS network costs. The core cloud platform services for local internet breakouts include:
 - **Firewall:** designed to protect users by inspecting internet traffic on all ports and protocols, and it offers user level policies, application identification with deep packet inspection and intrusion prevention.
 - **Bandwidth Control:** ensure that business critical applications are prioritized over non-business critical applications, improving productivity and user experience. By enforcing quality of service in the cloud, the platform enables the optimization of "last-mile" utilization of a customer's network, providing significant value.
 - **DNS:** Domain Name System (DNS) filtering solution provides a local DNS resolver and enforces acceptable use policies.

Source: Company documents and Stephens

Product Portfolio

Secure Private Application Access - Zscaler Private Access (ZPA)

Zscaler Private Access, or ZPA, was designed to provide secure access to internally managed applications, either hosted internally in data centers or hosted in private or public clouds.

ZPA was designed around four key tenets that fundamentally change the way users access internal apps:

1. Connect users to apps without bringing users on the network;
2. Never expose apps to the internet;
3. Segment access to apps without relying on the traditional approach of network segmentation; and
4. Provide remote access over the internet without VPNs.

ZPA enforces a global policy engine that manages access to internally managed apps regardless of location. If access is granted to a user, ZPA connects the user's device only to the authorized app without exposing the identity or location of the app. Hence apps are not exposed to the internet, further limiting the external attack surface. This results in reduced cost and complexity, while offering better security and an improved user experience.

Experience Management - Zscaler Digital Experience (ZDX)

Zscaler Digital Experience, or ZDX, is designed to measure end-to-end user experience across key business applications, providing an easy to understand digital experience score for each user, application and location within an enterprise. As users have become mobile and applications have moved to the cloud, traditional network performance monitoring tools have become increasingly irrelevant. Enterprises can no longer collect performance metrics or indicators along the traditional network path as they could when they owned the network and the applications ran in their own data centers. When a user's experience is suffering or an event is negatively impacting user experience, ZDX allows an organization to isolate where in the network path an issue is occurring and whether it is caused by a user's device, the WiFi connection, the local internet connection, a service provider in the path or the destination application itself. With ZDX, enterprises can quickly determine if an issue is associated with a single user, application or location or indicates a broader issue potentially impacting other users, applications or locations all via a simple visual workflow without a need for additional hardware or software.

Product Portfolio

Public Cloud Security - Zscaler Cloud Protection (ZCP)

Zscaler Cloud Protection, or ZCP, minimizes the risk of moving to the cloud while reducing operational complexity. The core elements of ZCP address the key security and operations challenges that must be overcome in order to secure deployment of public cloud platforms such as Azure, AWS and GCP.

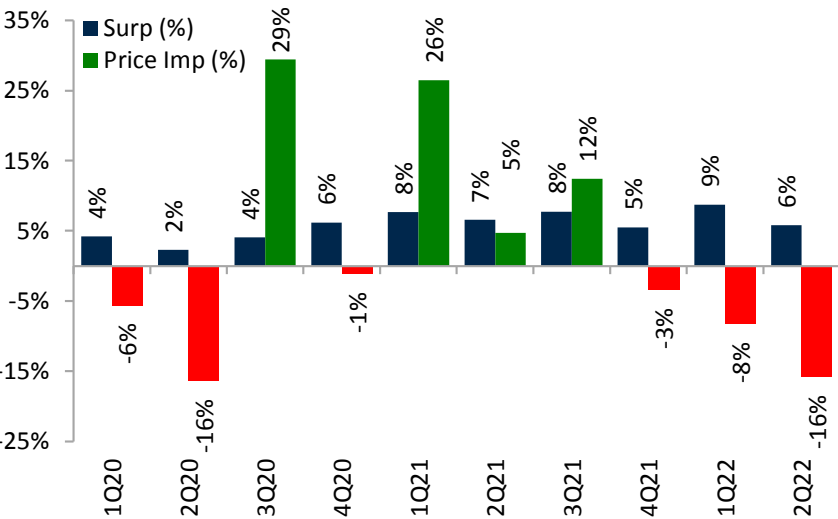
- **Workload Posture:** automatically identifies and remediates cloud service, application, and identity misconfigurations by deploying three distinct functionalities Cloud Security Posture Management, or CSPM, Cloud Infrastructure Entitlement Management, or CIEM, and DLP. Provides visibility into risk posture, enforces set standards via remediation guidance and auto-remediation, enables governance of security policies and compliance frameworks via exceptions and private benchmark compliance dashboards. In addition, reporting is available for multiple regulatory schemes, including CIS, CSA, NIST, ISO, FFIEC, RBI, PCI, HIPAA, GDPR, SOC 2, UK NCSC and GxP Life sciences.
 - **CSPM:** automatically identifies and remediates application misconfigurations in SaaS, IaaS, and PaaS to reduce risk and ensure compliance with industry and organizational benchmarks.
 - **CIEM:** detects and remediates excessive or unused cloud permissions and enforces least privileged access without disrupting productivity.
 - **DLP:** leverages the same DLP technology offered with ZIA to identify and protect sensitive or exposed data in public cloud storage services, such as AWS S3.
- **Workload Communication:** extends Zscaler's Zero Trust Exchange to public cloud workloads using a cloud-native zero trust access service that provides fast and secure app-to-internet (via ZIA) and app-to-app (via ZPA) connectivity across multi- and hybrid cloud environments. Connecting the quickly growing number of workloads, servers, and OT/IoT devices to the internet across different networks is difficult and opens up new attack vectors for cybercriminals. Using legacy technologies such as VPNs, transit gateways, transit hubs, and firewalls to solve this problem is complex, costly, and does not adapt to the dynamic nature of modern cloud workloads. With integrated, automated connectivity and security, Workload Communications provides a faster, smarter, simpler, lower cost, and more secure alternative to legacy network solutions.
- **Workload Segmentation:** secures application-to-application communications inside public clouds and data centers to stop lateral threat movement, preventing application compromise and reducing the risk of data breaches. Workload Segmentation utilizes an innovative approach that makes it significantly simpler to deploy and operate than traditional segmentation solutions. Workload Segmentation improves the security of east-west communication by verifying the identity of the communicating application software, services and processes to achieve a zero trust environment. This reduces the attack surface, resulting in lower risk of application compromise and data breaches.

Source: Company documents and Stephens

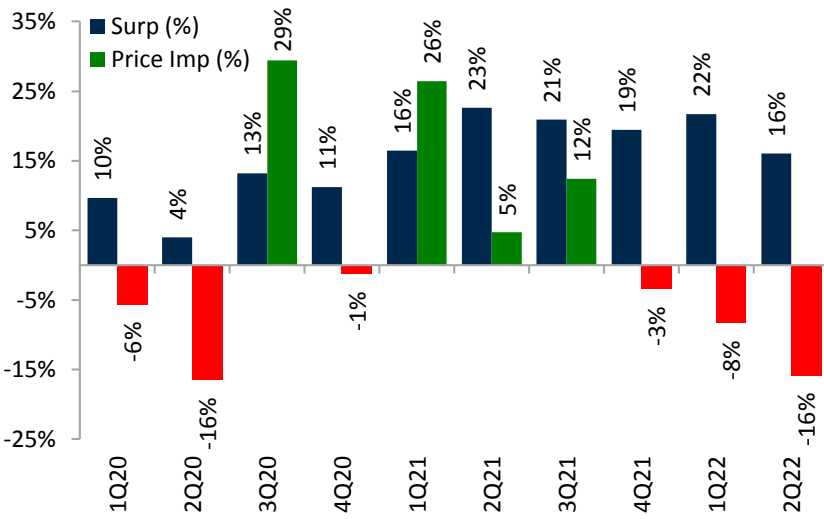
Beat & Raise

(Dollars in millions)

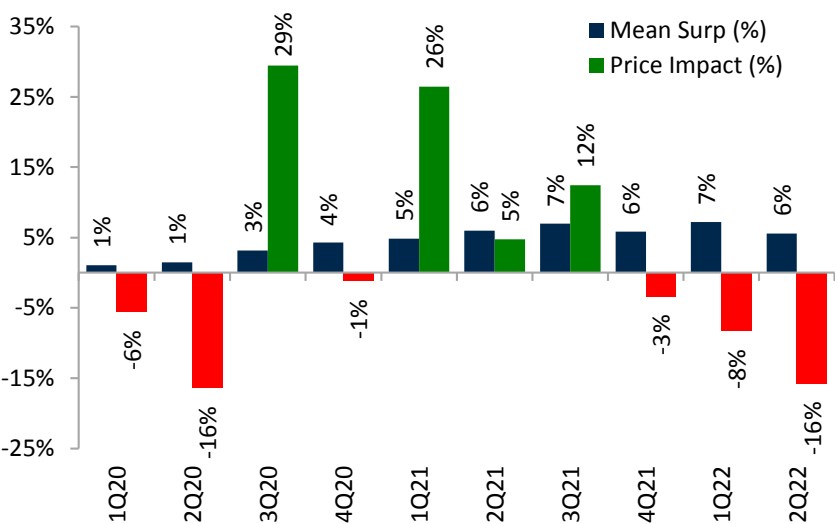
Quarterly Revenue Beat (Actual vs. Street)



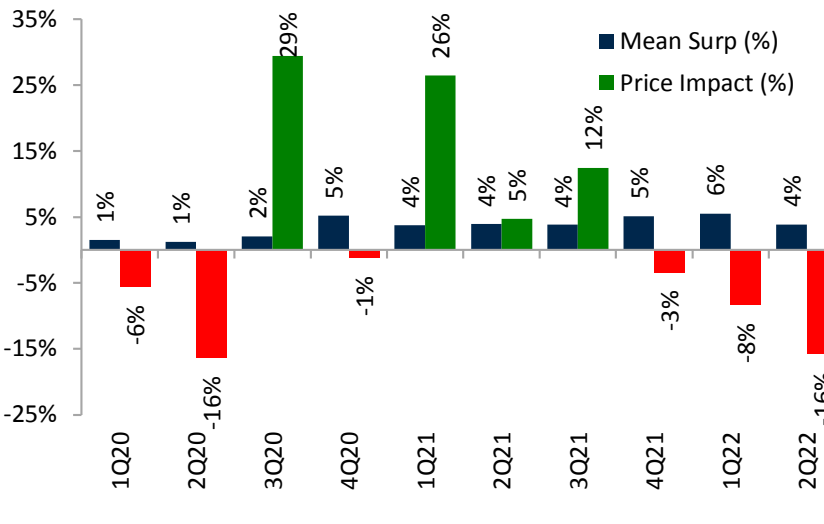
Quarterly Billings Beat (Actual vs. Street)



Quarterly Revenue Raise (Guidance vs. Street)



Annual Revenue Raise (Guidance vs. Street)

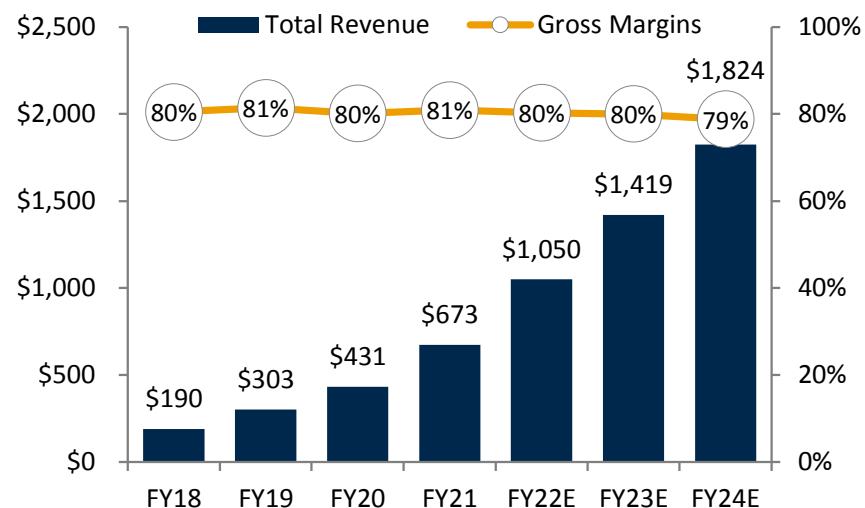


Source: Company documents, FactSet Research Systems, and Stephens

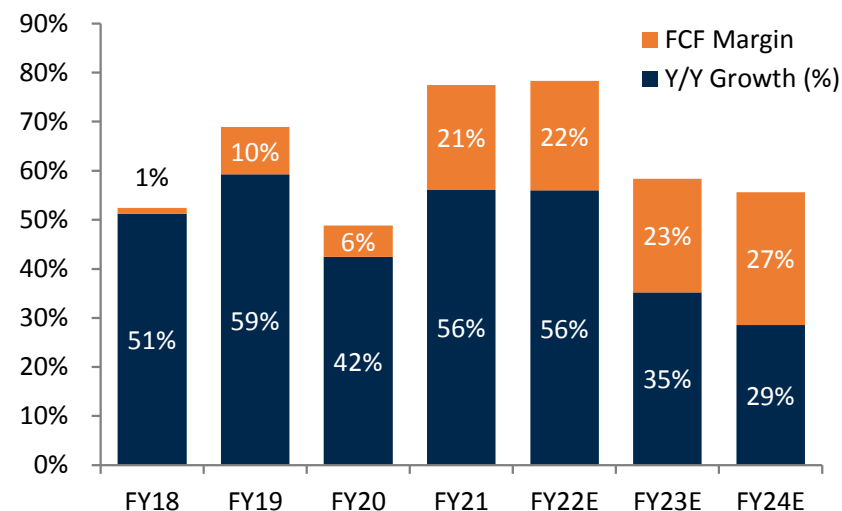
Financial Overview

(Dollars in millions)

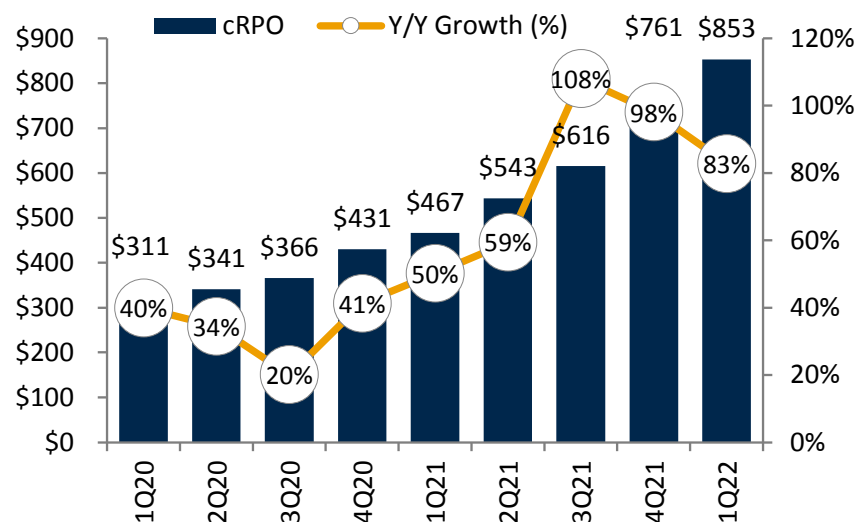
Revenue and Gross Margin



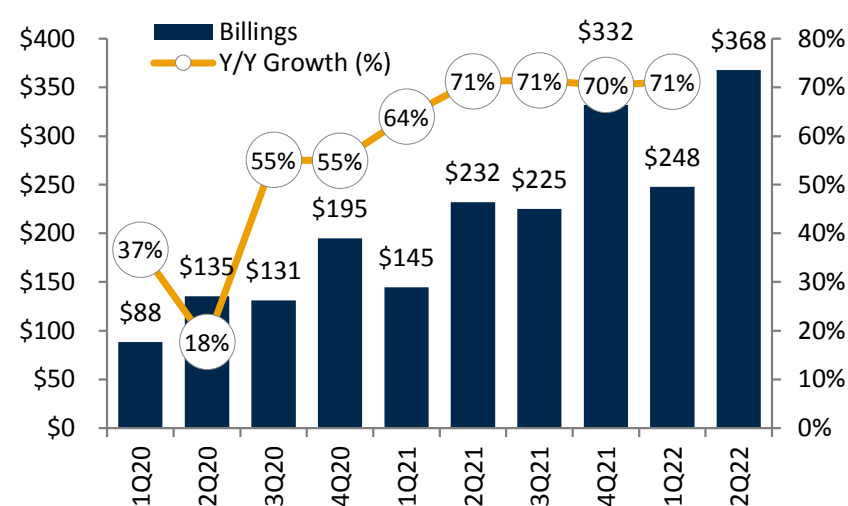
Rule of 40



cRPO & Y/Y Growth



Billings & Y/Y Growth

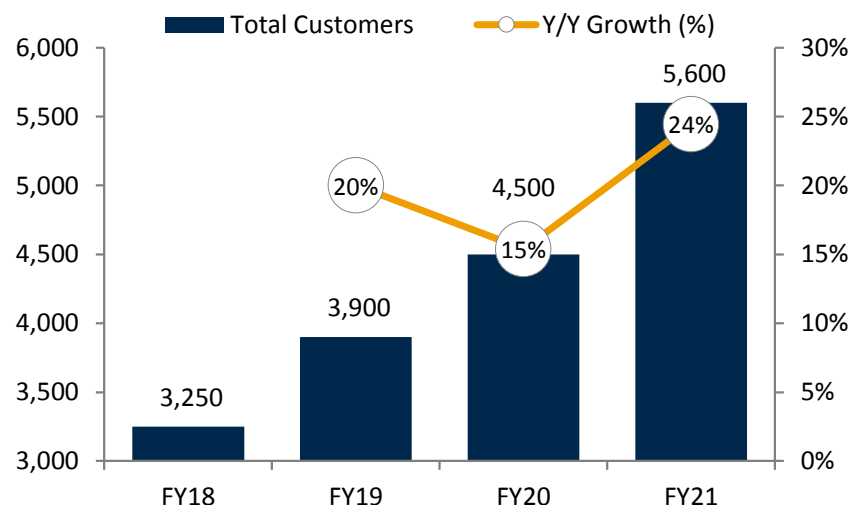


Source: Company documents, FactSet Research Systems, and Stephens estimates

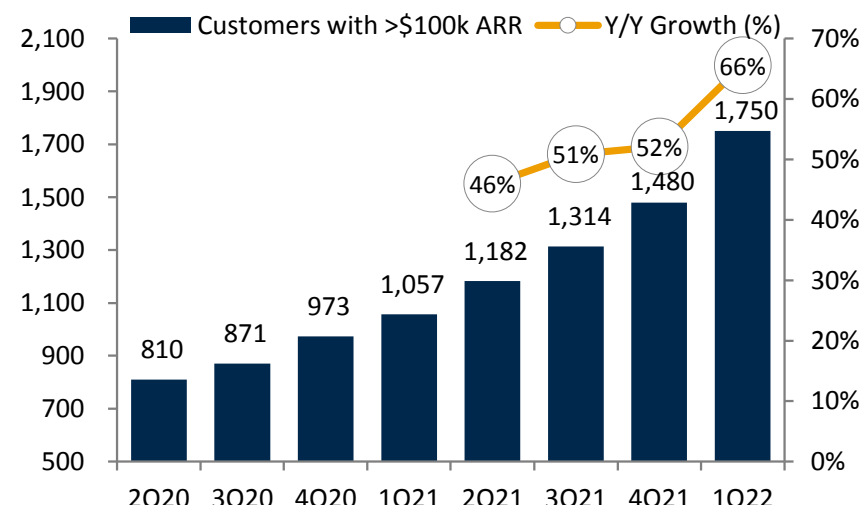
Financial Overview

(Dollars in millions)

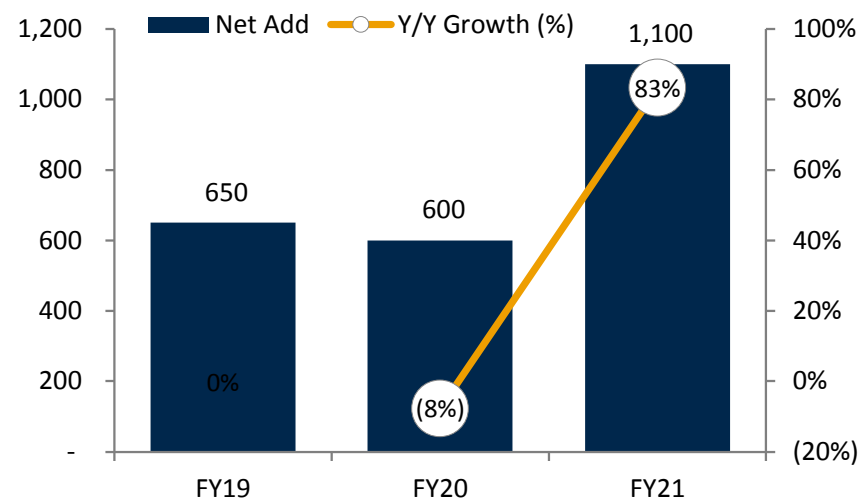
Total Customers & Y/Y Growth



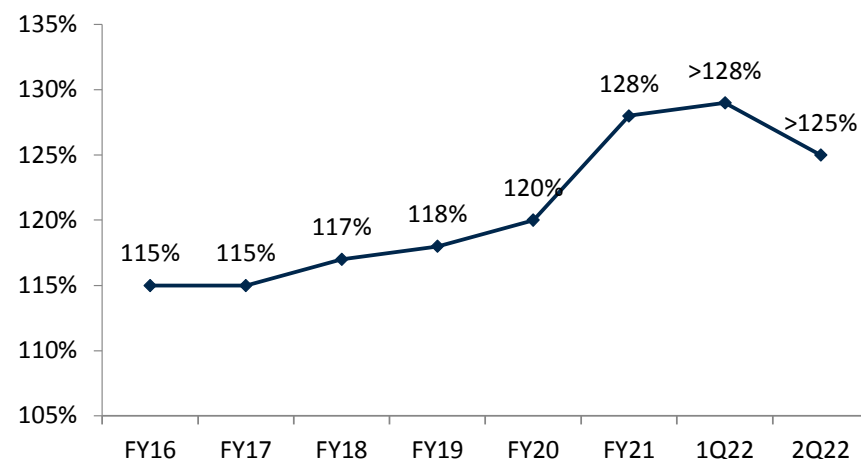
Customers >\$100K ARR & Y/Y Growth



Net Customer Adds



Dollar-Based Net Retention Rate



Source: Company documents, FactSet Research Systems, and Stephens estimates

ZS Historical & Projected Income Statement

(Dollars in millions, except per share)

	FYE 2021	For the Quarter Ended				FYE 2022E	For the Quarter Ended				FYE 2023E	For the Quarter Ended				FYE 2024E
		1Q22	2Q22	3Q22E	4Q22E		1Q23E	2Q23E	3Q23E	4Q23E		1Q24E	2Q24E	3Q24E	4Q24E	
Total Revenue	\$ 673.1	\$ 230.5	\$ 255.6	\$ 272.0	\$ 291.9	\$ 1,050.0	\$ 318.1	\$ 344.0	\$ 365.3	\$ 392.0	\$ 1,419.4	\$ 413.5	\$ 442.0	\$ 466.9	\$ 501.7	\$ 1,824.2
Year-over-Year Change	56.1%	61.7%	62.7%	54.2%	48.1%	56.0%	38.0%	34.6%	34.3%	34.3%	35.2%	30.0%	28.5%	27.8%	28.0%	28.5%
Sequential Change	0.0%	17.0%	10.9%	6.4%	7.3%	0.0%	9.0%	8.1%	6.2%	7.3%	0.0%	5.5%	6.9%	5.6%	7.5%	0.0%
Non-GAAP Cost of Revenue	128.6	44.8	50.0	56.4	56.1	207.4	63.6	68.8	73.1	78.4	283.9	91.0	92.8	95.7	107.9	387.4
Non-GAAP Gross Profit	\$ 544.5	\$ 185.7	\$ 205.5	\$ 215.6	\$ 235.8	\$ 842.6	\$ 254.5	\$ 275.2	\$ 292.3	\$ 313.6	\$ 1,135.5	\$ 322.6	\$ 349.2	\$ 371.2	\$ 393.9	\$ 1,436.8
Gross Margin	80.9%	80.6%	80.4%	79.3%	80.8%	80.3%	80.0%	80.0%	80.0%	80.0%	80.0%	78.0%	79.0%	79.5%	78.5%	78.8%
Research & Development Expense	101.4	36.6	39.1	43.5	44.4	163.7	48.4	53.7	57.0	62.7	221.7	62.9	69.8	71.9	74.8	279.4
Sales & Marketing Expense	314.8	110.2	127.2	134.4	140.8	512.6	152.7	161.7	169.9	172.5	656.7	173.7	190.1	200.8	205.7	770.2
General & Administrative Expense	50.3	15.0	16.8	17.7	19.0	68.5	20.4	22.4	24.1	29.8	96.6	29.8	30.9	34.1	35.6	130.4
Non-GAAP Operating Expenses	466.6	161.8	183.2	195.6	204.2	744.7	221.4	237.7	251.0	265.0	975.1	266.3	290.9	306.7	316.1	1,180.0
Non-GAAP Operating Income	\$ 78.0	\$ 23.9	\$ 22.3	\$ 20.0	\$ 31.6	\$ 97.9	\$ 33.1	\$ 37.5	\$ 41.3	\$ 48.6	\$ 160.5	\$ 56.2	\$ 58.3	\$ 64.4	\$ 77.8	\$ 256.8
Operating Margin	11.6%	10.4%	8.7%	7.4%	10.8%	9.3%	10.4%	10.9%	11.3%	12.4%	11.3%	13.6%	13.2%	13.8%	15.5%	14.1%
Depreciation & Amortization	29.7	9.0	10.0	10.6	11.4	41.0	12.4	13.4	14.3	15.3	55.5	16.2	17.3	18.3	19.6	71.3
Adjusted EBITDA	\$ 107.6	\$ 33.0	\$ 32.3	\$ 30.6	\$ 43.0	\$ 138.9	\$ 45.5	\$ 50.9	\$ 55.6	\$ 63.9	\$ 215.9	\$ 72.4	\$ 75.6	\$ 82.7	\$ 97.4	\$ 328.1
EBITDA Margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest and Other	2.6	(0.5)	(0.6)	0.4	(0.1)	(0.8)	(0.6)	0.4	0.4	0.4	0.5	(7.5)	(7.5)	(7.5)	(7.5)	(30.1)
Non-GAAP Pre-Tax Income	80.5	23.5	21.7	20.4	31.5	97.1	32.5	37.9	41.7	49.0	161.0	48.7	50.8	56.9	70.3	226.7
Income Taxes	4.9	2.5	2.2	4.0	4.0	12.6	4.0	4.0	4.0	4.0	16.1	4.0	4.0	4.1	4.1	16.2
Adj. Net Income	\$ 75.7	\$ 21.0	\$ 19.2	\$ 16.9	\$ 29.0	\$ 86.1	\$ 29.5	\$ 34.5	\$ 37.9	\$ 44.6	\$ 146.5	\$ 46.3	\$ 48.3	\$ 54.1	\$ 66.7	\$ 215.4
Basic Shares Outstanding	135.7	139.3	140.5	141.0	141.5	140.6	142.0	142.5	143.0	143.5	142.8	144.0	144.5	145.0	145.5	144.8
Diluted Shares Outstanding	144.6	147.5	148.8	150.0	153.5	150.0	152.0	154.0	155.0	157.0	154.5	156.5	158.5	159.5	161.5	159.0
Non-GAAP EPS*	\$ 0.52	\$ 0.14	\$ 0.13	\$ 0.11	\$ 0.19	\$ 0.57	\$ 0.19	\$ 0.22	\$ 0.24	\$ 0.28	\$ 0.95	\$ 0.30	\$ 0.30	\$ 0.34	\$ 0.41	\$ 1.35
GAAP EPS	\$ (1.93)	\$ (0.65)	\$ (0.71)	\$ (0.79)	\$ (0.73)	\$ (2.89)	\$ (0.82)	\$ (0.85)	\$ (0.88)	\$ (0.91)	\$ (3.46)	\$ (0.95)	\$ (1.01)	\$ (1.04)	\$ (1.04)	\$ (4.04)
Year-over-Year Change:																
Gross Profit	57.6%	60.6%	60.9%	51.2%	48.7%	54.7%	37.0%	33.9%	35.6%	33.0%	34.8%	26.8%	26.9%	27.0%	25.6%	26.5%
EBITDA	92.5%	28.0%	46.8%	(1.1%)	49.0%	29.1%	38.1%	57.6%	81.4%	48.6%	55.4%	59.1%	48.5%	48.8%	52.3%	51.9%
Operating Income	104.3%	21.8%	51.1%	(12.7%)	53.4%	25.6%	38.1%	67.8%	106.5%	53.8%	63.9%	70.0%	55.6%	56.1%	60.0%	60.0%
EPS	77.3%	2.0%	32.8%	(23.4%)	35.9%	9.8%	36.6%	73.7%	116.6%	50.3%	65.2%	52.2%	36.1%	38.6%	45.5%	42.9%

*Excludes unusual items, stock-based compensation, amortization of intangibles.

Brian Colley (214) 258-2771

Source: Company documents, FactSet Research Systems, and Stephens estimates

ZS Historical & Projected Cash Flow Statement

(Dollars in millions, except per share)

	FYE 2021	For the Quarter Ended				FYE 2022E	1Q23E	2Q23E	3Q23E	4Q23E	FYE 2023E	1Q24E	2Q24E	3Q24E	4Q24E	FYE 2024E
		1Q22	2Q22	3Q22E	4Q22E											
<i>Cash Flow from Operating:</i>																
Net Income / (Loss)	\$ (262.0)	\$ (90.8)	\$ (100.4)	\$ (110.7)	\$ (103.8)	\$ (405.7)	\$ (116.0)	\$ (121.3)	\$ (126.4)	\$ (130.2)	\$ (493.9)	\$ (136.4)	\$ (146.1)	\$ (150.5)	\$ (151.7)	\$ (584.7)
Stock-based Compensation	278.6	96.1	104.0	110.7	116.7	427.6	129.6	140.1	148.8	159.6	578.1	168.4	180.0	190.1	204.3	743.0
Depreciation & Amortization	29.7	9.0	10.0	10.6	11.4	41.0	12.4	13.4	14.3	15.3	55.5	16.2	17.3	18.3	19.6	71.3
(Increase) / Decrease in Assets	(148.3)	88.9	(92.9)	3.0	(43.0)	(60.7)	30.0	(68.0)	(5.0)	(58.0)	(101.0)	17.0	(119.0)	(7.0)	(50.0)	(159.0)
Increase / (Decrease) in Liabilities	292.1	(1.9)	128.9	58.6	116.0	301.3	41.0	145.5	75.0	136.0	397.5	86.0	197.0	97.0	160.0	540.0
Increase / (Decrease) in Other	12.1	(8.0)	(1.3)	-	-	7.6	-	-	-	-	0.0	-	-	-	-	-
Cash Flow From Operations	\$ 202.0	\$ 93.3	\$ 48.3	\$ 72.2	\$ 97.4	\$ 311.2	\$ 97.0	\$ 109.8	\$ 106.6	\$ 122.8	\$ 436.2	\$ 151.2	\$ 129.2	\$ 147.9	\$ 182.3	\$ 610.6
% of Total Revenue	30.0%	40.5%	18.9%	26.6%	33.4%	29.6%	30.5%	31.9%	29.2%	31.3%	30.7%	36.6%	29.2%	31.7%	36.3%	33.5%
<i>Cash Flow from Investing:</i>																
Capital Expenditures	\$ (48.2)	\$ (6.5)	\$ (14.0)	\$ (18.0)	\$ (20.0)	\$ (58.4)	\$ (27.0)	\$ (27.0)	\$ (27.0)	\$ (27.0)	\$ (108.0)	\$ (35.0)	\$ (26.0)	\$ (30.0)	\$ (25.0)	\$ (116.0)
Capitalized Internal-Use Software	(10.1)	(3.5)	(4.8)	(5.0)	(5.0)	(18.3)	(5.0)	(5.0)	(5.0)	(5.0)	(20.0)	(5.0)	(5.0)	(5.0)	(5.0)	(20.0)
Acquisition	(3.1)	-	(0.4)	-	-	(0.4)	-	-	-	-	-	-	-	-	-	-
Other	(48.3)	9.8	(4.7)	-	-	5.2	-	-	-	-	-	-	-	-	-	-
Cash Flow from Investing	\$ (109.7)	\$ (0.1)	\$ (23.9)	\$ (23.0)	\$ (25.0)	\$ (71.9)	\$ (32.0)	\$ (32.0)	\$ (32.0)	\$ (32.0)	\$ (128.0)	\$ (40.0)	\$ (31.0)	\$ (35.0)	\$ (30.0)	\$ (136.0)
Free Cash Flow	\$ 143.7	\$ 83.4	\$ 29.4	\$ 49.2	\$ 72.4	\$ 234.4	\$ 65.0	\$ 77.8	\$ 74.6	\$ 90.8	\$ 328.2	\$ 111.2	\$ 98.2	\$ 112.9	\$ 152.3	\$ 494.6
FCF Margin	21.4%	36.2%	11.5%	18.1%	24.8%	22.3%	20.4%	22.6%	20.4%	23.2%	23.1%	26.9%	22.2%	24.2%	30.3%	27.1%
FCF Per Share	1.1	59.8%	21.0%	34.9%	51.2%	1.7	45.8%	54.6%	52.2%	63.2%	2.3	77.2%	67.9%	77.8%	104.6%	3.4
YoY Growth																
<i>Cash Flow from Financing:</i>																
Dividend	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Equity	27.5	8.2	147.3	-	-	1.6	-	-	-	-	-	-	-	-	-	-
Change in Debt	51.9	4.1	16.8	-	-	27.2	-	-	-	-	-	-	-	-	-	-
Other	(37.8)	(9.7)	(150.3)	-	-	(12.4)	-	-	-	-	-	-	-	-	-	-
Cash Flow from Financing	\$ 41.7	\$ 2.6	\$ 13.7	\$ -	\$ -	\$ 16.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effect of FX on Cash & Cash Equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Cash	134.0	95.8	38.1	49.2	72.4	255.5	65.0	77.8	74.6	90.8	308.2	111.2	98.2	112.9	152.3	474.6
Beginning Cash	141.9	275.9	371.7	409.8	459.1	275.9	531.4	596.5	674.2	748.9	531.4	839.7	950.9	1,049.1	1,162.0	839.7
Ending Cash	\$ 275.9	\$ 371.7	\$ 409.8	\$ 459.1	\$ 531.4	\$ 531.4	\$ 596.5	\$ 674.2	\$ 748.9	\$ 839.7	\$ 839.7	\$ 950.9	\$ 1,049.1	\$ 1,162.0	\$ 1,314.2	\$ 1,314.2

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Source: Company documents, FactSet Research Systems, and Stephens estimates

ZS Historical & Projected Balance Sheet

(Dollars in millions)

	FYE 2021	As of the Quarter Ended				FYE 2022E	As of the Quarter Ended				FYE 2023E	As of the Quarter Ended				FYE 2024E
		1Q22	2Q22	3Q22E	4Q22E		1Q23E	2Q23E	3Q23E	4Q23E		1Q24E	2Q24E	3Q24E	4Q24E	
Assets:																
Cash and Cash Equivalents	\$ 275.9	371.7	409.8	459.1	531.4	\$ 531.4	596.5	674.2	748.9	839.7	\$ 839.7	950.9	1,049.1	1,162.0	1,314.2	\$ 1,314.2
Restricted Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivables	257.1	172.0	269.4	269.4	294.4	294.4	284.4	307.4	312.4	312.4	312.4	322.4	342.4	347.4	347.4	347.4
Deferred Contract acquisition costs	57.4	62.1	69.0	66.0	68.0	68.0	68.0	77.0	77.0	77.0	77.0	77.0	87.0	87.0	102.0	102.0
Prepaid Expenses and Other Current Assets	31.3	36.7	29.5	29.5	26.5	26.5	26.5	32.5	32.5	32.5	32.5	22.5	27.5	22.5	27.5	27.5
Marketable Securities	1,226.7	1,212.9	1,211.4	1,211.4	1,211.4	1,211.4	1,191.4	1,211.4	1,211.4	1,246.4	1,246.4	1,246.4	1,321.4	1,326.4	1,341.4	1,341.4
Total Current Assets	1,848.3	1,855.4	1,989.2	2,035.4	2,131.8	2,131.8	2,166.8	2,302.6	2,382.2	2,508.0	2,508.0	2,619.2	2,827.4	2,945.3	3,132.6	3,132.6
Property and Equipment, Net	108.6	113.0	121.2	135.9	152.1	152.1	174.5	196.1	217.1	237.3	237.3	264.8	282.5	303.4	318.3	318.3
Marketable Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Contract Acquisition Costs, noncurrent	149.7	154.0	165.5	165.5	180.5	180.5	180.5	186.5	186.5	201.5	201.5	186.5	191.5	193.5	203.5	203.5
Intangible Assets, Net	32.1	29.9	29.3	26.9	24.3	24.3	21.5	18.4	15.2	11.7	11.7	8.0	4.0	(0.1)	(4.6)	(4.6)
Goodwill	59.0	59.0	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8	59.8
Operating Lease Right-of-Use Assets	44.3	44.2	42.8	42.8	44.8	44.8	44.8	46.8	46.8	51.8	51.8	50.8	52.8	52.8	56.8	56.8
Other Assets	15.7	15.6	14.2	14.2	16.2	16.2	16.2	18.2	18.2	21.2	21.2	20.2	22.2	22.2	23.2	23.2
Total Assets	\$ 2,257.6	\$ 2,271.1	\$ 2,422.0	\$ 2,480.6	\$ 2,609.6	\$ 2,609.6	\$ 2,664.2	\$ 2,828.5	\$ 2,925.9	\$ 3,091.3	\$ 3,091.3	\$ 3,209.4	\$ 3,440.3	\$ 3,576.9	\$ 3,789.6	\$ 3,789.6
Liabilities & Stockholders' Equity:																
Convertible Senior Notes, Net Current	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Tax Payable	93.6	72.7	83.9	84.9	78.9	78.9	78.9	75.9	75.9	72.9	72.9	79.9	78.9	77.9	74.9	74.9
Operating Lease	19.8	20.5	19.7	23.2	18.2	18.2	18.2	15.7	15.7	13.7	13.7	20.7	20.7	20.7	18.7	18.7
Accrued Expenses and Other Current Liabilities	22.9	22.9	31.1	33.1	28.1	28.1	34.1	32.1	32.1	30.1	30.1	36.1	36.1	36.1	34.1	34.1
Accounts Payables	12.5	15.0	13.5	15.5	11.5	11.5	17.5	17.5	17.5	17.5	17.5	22.5	22.5	22.5	21.5	21.5
Deferred Revenue, Current	571.3	584.3	687.9	731.4	858.2	858.2	878.1	1,018.4	1,086.3	1,217.5	1,217.5	1,267.3	1,448.4	1,538.9	1,692.8	1,692.8
Total Current Liabilities	720.2	715.3	836.0	888.1	994.8	994.8	1,026.7	1,159.5	1,227.4	1,351.7	1,351.7	1,426.5	1,606.5	1,696.0	1,841.9	1,841.9
Convertible Senior Notes, Net	913.5	927.0	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7	940.7
Operating Lease Liabilities, noncurrent	31.2	30.5	29.3	31.3	27.3	27.3	33.3	31.3	31.3	29.3	29.3	34.3	32.3	30.3	28.3	28.3
Long-term Deferred Revenue	59.3	63.5	72.0	76.6	89.8	89.8	91.9	106.6	113.7	127.5	127.5	132.7	151.6	161.1	177.2	177.2
Other Long Term Liabilities	4.5	4.6	4.6	4.6	4.6	4.6	5.6	5.6	5.6	5.6	5.6	6.6	6.6	6.6	6.6	6.6
Total Liabilities	1,728.7	1,740.9	1,882.7	1,941.2	2,057.2	2,057.2	2,098.2	2,243.7	2,318.7	2,454.7	2,454.7	2,540.7	2,737.7	2,834.7	2,994.7	2,994.7
Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional Paid-In Capital	1,131.0	1,225.2	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3	1,341.3
Retained Earnings / (Loss)	(601.6)	(692.4)	(792.8)	(792.8)	(779.8)	(779.8)	(766.2)	(747.4)	(725.0)	(695.6)	(695.6)	(663.5)	(629.6)	(590.0)	(537.3)	(537.3)
Accumulated Other Comprehensive Loss	(0.7)	(2.8)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)	(9.3)
Treasury Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stockholders' Equity	528.9	530.2	539.4	539.4	552.4	552.4	566.0	584.8	607.2	636.6	636.6	668.7	702.6	742.2	794.9	794.9
Total Liab. & Stockholders' Equity	\$ 2,257.6	\$ 2,271.1	\$ 2,422.0	\$ 2,480.6	\$ 2,609.6	\$ 2,609.6	\$ 2,664.2	\$ 2,828.5	\$ 2,925.9	\$ 3,091.3	\$ 3,091.3	\$ 3,209.4	\$ 3,440.3	\$ 3,576.9	\$ 3,789.6	\$ 3,789.6
Leverage Metrics:																
Total Debt	\$ 913.5	\$ 927.0	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7	\$ 940.7
Net Debt	637.6	555.3	530.9	481.6	409.2	409.2	344.2	266.4	191.8	101.0	101.0	(10.2)	(108.4)	(221.3)	(373.5)	(373.5)
Total Capitalization	1,442.4	1,457.2	1,480.1	1,480.1	1,493.1	1,493.1	1,506.7	1,525.5	1,547.9	1,577.3	1,577.3	1,609.4	1,643.3	1,682.9	1,735.6	1,735.6
Total Debt / Total Capitalization	63.3%	63.6%	63.6%	63.6%	63.0%	63.0%	62.4%	61.7%	60.8%	59.6%	59.6%	58.5%	57.2%	55.9%	54.2%	54.2%
Net Debt / Total Capitalization	44.2%	38.1%	35.9%	32.5%	27.4%	27.4%	22.8%	17.5%	12.4%	6.4%	6.4%	(0.6%)	(6.6%)	(13.1%)	(21.5%)	(21.5%)

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Source: Company documents, FactSet Research Systems, and Stephens estimates

Appendix: Companies Mentioned

Public Companies Mentioned

Company Name	Ticker	Price
Akamai Technologies Inc	AKAM	\$98.48
Alphabet Inc.	GOOG	\$2,214.91
Amazon.com Inc	AMZN	\$2,146.38
Appgate Inc.	APGT	\$9.25
Asana Inc.	ASAN	\$22.66
AT&T Inc.	T	\$20.21
Atlassian Corporation Plc.	TEAM	\$174.75
Beijing Infosec Technologies Co Ltd.	MSI	\$210.26
Bill.com Holdings Inc	BILL	\$114.42
Box Inc.	BOX	\$27.37
Broadcom (Symantec)	AVGO	\$546.21
Check Point Software Technologies Ltd.	CHKP	\$120.61
Cisco Systems Inc.	CSCO	\$41.72
Cloudflare Inc.	NET	\$58.00
Confluent Inc.	CFLT	\$18.50
CrowdStrike Holdings Inc.	CRWD	\$142.64
Cyberark Software Ltd.	CYBR	\$128.37
Datadog Inc.	DDOG	\$96.53
Elastic NV	ESTC	\$59.87
ForgeRock Inc.	FORG	\$17.25
Forrester Research Inc.	FORR	\$48.86
Fortinet Inc.	FTNT	\$275.16
Gartner Inc	IT	\$248.65
HashiCorp Inc.	HCP	\$35.58
Juniper Networks Inc	JNPR	\$28.80
Knowbe4 Inc.	KNBE	\$15.08
Mandiant Inc.	MNDT	\$21.71
Meta Platforms Inc	FB	\$191.29
Microsoft Corporation	MSFT	\$253.14
Mongodb Inc.	MDB	\$245.33
Motorola Solutions Inc.	MSI	\$210.26
NortonLifeLock Inc.	NLOK	\$23.76
Nutanix Inc.	NTNX	\$21.12
Okta Inc.	OKTA	\$83.03
Palo Alto Networks Inc.	PANW	\$436.37
Ping Identity Holding Corp	PING	\$18.38
QI-ANXIN Technology Group Inc.	SHA: 688561	\$49.32
Qualys Inc.	QLYS	\$117.74
Rapid7 Inc.	RPD	\$69.61
Sailpoint technologies Holdings Inc.	SAIL	\$62.06
SalesForce, Inc.	CRM	\$155.60
Sangfor Technologies Inc.	SHE: 300454	\$90.83
SentinelOne Inc.	S	\$23.49
ServiceNow Inc.	NOW	\$426.76
Snowflake Inc.	SNOW	\$146.82
Splunk Inc.	SPLK	\$96.88
Tenable Holdings Inc.	TENB	\$45.61
Tencent Holdings Ltd	TCEHY	\$43.56
Twitter	TWTR	\$37.29
Varonis Systems Inc.	VRNS	\$32.27
Verint Systems	VRNT	\$50.38
Verisign Inc	VRSN	\$163.45
VMware	VMW	\$94.95
Workday	WDAY	\$164.52
ZoomInfo Technologies Inc	ZI	\$40.10

Private Companies Mentioned

Private Companies Mentioned

AppDynamics

Aruba Networks

Barracuda Networks

Bell Microproducts Inc.

BMC Software Inc.

British Broadcasting Corporation

CentraComm Communication

CipherTrust

ContentKeeper Technologies

Evernote Corporation

Forcepoint (Bitglass)

iboss

Illumio

Infoblox

Lookout

McAfee Corp.

Menlo Security Inc.

META Group Inc.

NetScreen Technologies

Netskope

Perimeter 81 Ltd

Proofpoint

Secure Computing Corporation

The Cable News Network

Versa Networks

Wandera Inc.

Source: FactSet Research Systems

APPENDIX A

ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Zscaler, Inc. as of the date of this report and may act as principal in these transactions.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Zscaler, Inc. in the next three months.



Valuation Methodology for Zscaler, Inc.

We derive our target price based on a NTM EV/Sales multiple.

Risks to Achievement of Target Price for Zscaler, Inc.

Competition. ZS faces increasing competition from larger well-established software vendors, existing network security vendors and new entrants. Competitive pressure from these players could negatively impact revenue growth.

Elevated Valuation. ZS trades at a valuation premium to many other security software peers due to its high growth rate. Shares could be disproportionately impacted by a rotation out of growth stocks.

Data Breach. Any breach of ZS' platform could negatively impact customer perception of the company's solutions.

Platform Expansion and Upsell. ZS continues to expand its security platform with a growing number of new/emerging products (vs. its core SWG/ZIA product) that make up a significant portion of revenue and growth. Failure to upsell new solutions to customers would negatively impact growth.

Deceleration in Growth. We believe a deceleration in the growth rate of revenue, billings, new logos, and/or DBNR beyond expectations would negatively impact the stock.

Profitability. If ZS is unable to meet or exceed expectations for FCF and profitability, the stock could react negatively.

Demand Slowdown. A broad slowdown in security spending/demand could negatively impact growth.

Management Turnover. We believe the leadership of ZS' current CEO and founder is an important aspect of the story. In addition, any turnover in other positions on the management team could create disruption.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is

expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	252	61.02	63	25.00
HOLD [EW]	161	38.98	33	20.50
SELL [UW]	0	0.00	0	0.00

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