

## Zuora Reports Second Quarter Fiscal 2022 Results

*Subscription revenue grew 23% year-over-year; total revenue grew 15% year-over-year*

**Redwood City, Calif.** – August 25, 2021 – Zuora, Inc. (NYSE: ZUO), the leading cloud-based subscription management platform provider, today announced financial results for its fiscal second quarter ended July 31, 2021.

“I’m very pleased with our Q2 results. We once again delivered a strong quarter exceeding our guidance for operating metrics including total revenue, subscription revenue and non-GAAP loss from operations. The improvement in our dollar-based retention rate is a clear indicator that our multi-product, land-and-expand strategy is working. We feel well-positioned and positive about the future based on the overall momentum and execution we have seen this quarter,” said Tien Tzuo, founder and CEO of Zuora.

### Second Quarter Fiscal 2022 Financial Results:

- **Revenue:** Total revenue was \$86.5 million, an increase of 15% year-over-year. Subscription revenue was \$71.5 million, an increase of 23% year-over-year.
- **GAAP Loss from Operations:** GAAP loss from operations was \$23.0 million, compared to a loss of \$21.5 million in the second quarter of fiscal 2021.
- **Non-GAAP Loss from Operations:** Non-GAAP loss from operations was \$3.9 million, compared to a non-GAAP loss from operations of \$0.6 million in the second quarter of fiscal 2021.
- **GAAP Net Loss:** GAAP net loss was \$23.7 million, or 27% of revenue, compared to a net loss of \$20.1 million, or 27% of revenue, in the second quarter of fiscal 2021. GAAP net loss per share was \$0.19 based on 123.1 million weighted-average shares outstanding, compared to a net loss per share of \$0.17 based on 116.8 million weighted-average shares outstanding in the second quarter of fiscal 2021.
- **Non-GAAP Net Loss:** Non-GAAP net loss was \$4.6 million, compared to a non-GAAP net income of \$0.8 million in the second quarter of fiscal 2021. Non-GAAP net loss per share was \$0.04 based on 123.1 million weighted-average shares outstanding, compared to a non-GAAP net income per share of \$0.01 based on 116.8 million weighted-average shares outstanding in the second quarter of fiscal 2021.
- **Cash Flow:** Net cash used in operating activities was \$2.6 million, compared to net cash provided by operating activities of \$3.8 million in the second quarter of fiscal 2021.
- **Free Cash Flow:** Free cash flow was negative \$4.4 million compared to negative \$0.7 million in the second quarter of fiscal 2021.
- **Cash and Investments:** Cash and cash equivalents and short-term investments were \$200.9 million as of July 31, 2021.

A description of non-GAAP financial measures is contained in the section titled "Explanation of Non-GAAP Financial Measures" below and a reconciliation of GAAP and non-GAAP financial measures is contained in the tables below.

### Key Metrics and Business Highlights:

- Customers with ACV equal to or greater than \$100,000 were 694, which represents 8% year-over-year growth.
- Dollar-based retention rate was 108%, compared to 99% as of July 31, 2020.

- Customer usage of Zuora solutions grew, with \$18.0 billion in transaction volume through Zuora’s billing platform during our second quarter, an increase of 42% year-over-year.
- Notable recent go-lives included HERE Technologies, Monster Worldwide and Xerox.
- Highlighted customer GoPro’s subscription program hitting milestone moment of surpassing one million subscribers.
- New customer logos included Daihatsu, Rev.com and Thales.

### Financial Outlook:

As of August 25, 2021, we are providing guidance for the third quarter and full year fiscal 2022 based on current market conditions and expectations. We emphasize that the guidance is subject to various important cautionary factors referenced in the section entitled “Forward-Looking Statements” below, including risks and uncertainties associated with the ongoing COVID-19 pandemic.

For the third quarter and full fiscal year 2022, Zuora currently expects the following results:

	Third Quarter	Fiscal 2022
Subscription revenue	\$71.0M - \$72.0M	\$280.0M - \$282.0M
Total revenue	\$86.0M - \$87.0M	\$340.0M - \$342.0M
Non-GAAP loss from operations	(\$3.5M) - (\$2.5M)	(\$13.0M) - (\$11.0M)
Non-GAAP net loss per share <sup>1</sup>	(\$0.03) - (\$0.02)	(\$0.13) - (\$0.11)

(1) Non-GAAP net loss per share was computed assuming 125.2 million and 124.3 million weighted-average shares outstanding for the third quarter and full year fiscal 2022, respectively.

These statements are forward-looking and actual results may differ materially. Refer to the “Forward-Looking Statements” safe harbor section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Zuora has not reconciled its guidance for non-GAAP loss from operations to GAAP loss from operations or non-GAAP net loss per share to GAAP net loss per share because stock-based compensation expense cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

### Webcast and Conference Call Information:

Zuora will host a conference call for investors on August 25, 2021 at 5:00 p.m. Eastern Time to discuss the company’s financial results and business highlights. Investors are invited to listen to a live webcast of the conference call by visiting <https://investor.zuora.com>. A replay of the webcast will be available through August 24, 2022. The call can also be accessed live via phone by dialing (844) 484-8185 or, for international callers, (647) 689-5143 with conference ID 8086231. An audio replay will be available shortly after the call and can be accessed by dialing (800) 585-8367 or, for international callers, (416) 621-4642. The passcode for the replay is 8086231. The replay will be available through September 1, 2021.

## Explanation of Non-GAAP Financial Measures:

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), this press release and the accompanying tables contain non-GAAP financial measures, including non-GAAP cost of subscription revenue, non-GAAP cost of professional services revenue, non-GAAP gross profit, non-GAAP subscription gross margin, non-GAAP professional services gross margin, non-GAAP operating margin, non-GAAP total gross margin, non-GAAP research and development expense, non-GAAP sales and marketing expense, non-GAAP general and administrative expense, non-GAAP loss from operations, non-GAAP net (loss) income, non-GAAP net (loss) income per share, and free cash flow. The presentation of these financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with GAAP.

We use non-GAAP financial measures in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our Board of Directors concerning our financial performance. We believe these non-GAAP measures provide investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our operating results. We also believe these non-GAAP measures are useful in evaluating our operating performance compared to that of other companies in our industry, as they generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance.

We exclude the following items from one or more of our non-GAAP financial measures:

- *Stock-based compensation expense.* We exclude stock-based compensation expense, which is a non-cash expense, because we believe that excluding this item provides meaningful supplemental information regarding operational performance. In particular, stock-based compensation expense is not comparable across companies given it is calculated using a variety of valuation methodologies and subjective assumptions.
- *Amortization of acquired intangible assets.* We exclude amortization of acquired intangible assets, which is a non-cash expense, because we do not believe it has a direct correlation to the operation of our business.
- *Internal-use software.* We exclude non-cash charges for impairments of internal-use software from certain of our non-GAAP financial measures. Impairment charges can vary significantly in terms of amount and timing and we do not consider these charges indicative of our current or past operating performance. Moreover, we believe that excluding the effects of these charges allows investors to make more meaningful comparisons between our operating results and those of other companies. Beginning in the second quarter of fiscal year 2022, we no longer exclude non-cash adjustments for capitalization and amortization of internal-use software from our non-GAAP financial measures. We believe that this change more closely aligns our reported financial measures with current industry practice.
- *Charitable donations.* We exclude expenses associated with charitable donations of our common stock from certain of our non-GAAP financial measures. We believe that excluding these non-cash expenses allows investors to make more meaningful comparisons between our operating results and those of other companies.
- *Certain litigation.* We exclude non-recurring charges and benefits, net of currently expected insurance recoveries, including litigation expenses and settlements, related to litigation matters that are outside of the ordinary course of our business. We believe these charges and benefits do not have a direct correlation to the operations of our business and may vary in size depending on the timing and results of such litigation and related settlements. We began excluding these non-recurring charges and benefits from our non-GAAP financial measures in the second quarter of fiscal 2021 as litigation expenses significantly increased, specifically relating to our ongoing securities class actions and derivative litigation.

Additionally, Zuora's management believes that the free cash flow non-GAAP measure is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures, net of insurance recoveries, as these net expenditures are considered to be a necessary component of ongoing operations. Insurance recoveries include amounts paid to us for property and equipment that were damaged in January 2020 at our corporate headquarters.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. The non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from these non-GAAP financial measures.

### **Operating Metrics:**

*Annual Contract Value (ACV).* We define ACV as the subscription revenue we would contractually expect to recognize from a customer over the next twelve months, assuming no increases or reductions in their subscriptions.

*Dollar-based Retention Rate.* We calculate our dollar-based retention rate as of a period end by starting with the sum of the ACV from all customers as of twelve months prior to such period end, or prior period ACV. We then calculate the sum of the ACV from these same customers as of the current period end, or current period ACV. Current period ACV includes any upsells and also reflects contraction or attrition over the trailing twelve months but excludes revenue from new customers added in the current period. We then divide the current period ACV by the prior period ACV to arrive at our dollar-based retention rate.

### **Forward-Looking Statements:**

This press release contains "forward-looking statements" that involve a number of risks and uncertainties, including but not limited to, statements regarding our GAAP and non-GAAP guidance for the third fiscal quarter and full fiscal 2022 and financial outlook and market positioning. Words such as "believes," "may," "will," "estimates," "potential," "continues," "anticipates," "intends," "expects," "could," "would," "projects," "plans," "targets," and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on management's expectations as of the date of this filing and are subject to a number of risks, uncertainties and assumptions, many of which involve factors or circumstances that are beyond our control. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in our Form 10-Q filed with the Securities and Exchange Commission on June 4, 2021 as well as other documents that may be filed by us from time to time with the Securities and Exchange Commission. In particular, the following factors, among others, could cause results to differ materially from those expressed or implied by such forward-looking statements: the impact to the economy, our customers and our business due to the ongoing COVID-19 pandemic; we may be unable to attract new customers and expand sales to existing customers; we may not be able to manage our future growth effectively; the shift by companies to subscription business models may develop slower than we expect; we have a history of net losses and may not achieve or sustain profitability; we face intense competition in our markets and may not be able to compete effectively; our products may fail to gain market acceptance or our product development efforts may be unsuccessful; customers may fail to successfully deploy our solution after entering into a subscription agreement with us; we may not be able to develop and release new products and services, or successful enhancements, new features and modifications to our existing products and services; the risk of loss of key employees; our sales and product initiatives may not be successful or the expected benefits of such initiatives may not be achieved in a timely manner; challenges related to growing our relationships with strategic partners such as systems integrators and their effectiveness in selling our products; our security measures may be breached or our products may be perceived as not being secure; our products may fail to gain, or lose, market acceptance; we may experience interruptions or performance problems, including a service outage, associated with our technology; we may be unable to adequately protect our intellectual property; current and future litigation including our current shareholder litigation could have a material adverse impact on our financial condition; general political or destabilizing events, including war, conflict or acts of terrorism; other business effects, including those related to industry, market, economic, political, regulatory and global health conditions, changes in foreign exchange rates; weakened global economic conditions may adversely affect our industry; and other risks and uncertainties. The forward-looking

statements included in this press release represent our views as of the date of this press release. We anticipate that subsequent events and developments will cause our views to change. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release. Additionally, these forward-looking statements, particularly our guidance, involve risk, uncertainties and assumptions, including those related to the impact of the COVID-19 pandemic on our business and global economic conditions. Uncertainties that we may face include, but are not limited to, our ability to achieve our long-term plans and key initiatives, requests for extended billing and payment terms from customers affected by the COVID-19 pandemic, the timeframes for and severity of the impact of the pandemic on our customers' purchasing and renewal decisions, and the length of our sales cycles, particularly for customers in certain industries highly affected by the pandemic.

#### About Zuora, Inc.

Zuora provides the leading cloud-based subscription management platform that functions as a system of record for subscription businesses across all industries. Powering the Subscription Economy®, the Zuora platform was architected specifically for dynamic, recurring subscription business models and acts as an intelligent subscription management hub that automates and orchestrates the entire subscription order-to-revenue process across billing, collections and revenue recognition. Zuora serves more than 1,000 companies around the world, including Box, Ford, Penske Media Corporation, Schneider Electric, Siemens, Xplornet and Zoom. Headquartered in Silicon Valley, Zuora also operates offices around the world in the U.S., EMEA and APAC. To learn more about the Zuora platform, please visit [www.zuora.com](http://www.zuora.com).

#### **Investor Relations Contact:**

Luana Wolk  
investorrelations@zuora.com  
650-419-1377

#### **Media Relations Contact:**

Margaret Pack  
press@zuora.com  
312-826-6529

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SOURCE: Zuora Financial

**ZUORA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2021	2020	2021	2020
<b>Revenue:</b>				
Subscription	\$ 71,498	\$ 58,312	\$ 136,640	\$ 115,208
Professional services	14,989	16,677	30,176	33,679
Total revenue	<u>86,487</u>	<u>74,989</u>	<u>166,816</u>	<u>148,887</u>
<b>Cost of revenue:</b>				
Subscription	17,268	14,401	32,911	28,016
Professional services	18,724	18,674	35,802	37,356
Total cost of revenue	<u>35,992</u>	<u>33,075</u>	<u>68,713</u>	<u>65,372</u>
Gross profit	<u>50,495</u>	<u>41,914</u>	<u>98,103</u>	<u>83,515</u>
<b>Operating expenses:</b>				
Research and development	20,860	19,427	39,827	36,970
Sales and marketing	36,261	28,608	68,126	57,104
General and administrative	16,376	15,383	30,561	28,648
Total operating expenses	<u>73,497</u>	<u>63,418</u>	<u>138,514</u>	<u>122,722</u>
Loss from operations	<u>(23,002)</u>	<u>(21,504)</u>	<u>(40,411)</u>	<u>(39,207)</u>
Interest and other (expense) income, net	(453)	1,936	(332)	2,314
Loss before income taxes	<u>(23,455)</u>	<u>(19,568)</u>	<u>(40,743)</u>	<u>(36,893)</u>
Income tax provision	238	554	611	717
Net loss	<u>(23,693)</u>	<u>(20,122)</u>	<u>(41,354)</u>	<u>(37,610)</u>
<b>Comprehensive loss:</b>				
Foreign currency translation adjustment	(174)	338	(259)	(89)
Unrealized (loss) gain on available-for-sale securities	—	(74)	(34)	83
Comprehensive loss	<u>\$ (23,867)</u>	<u>\$ (19,858)</u>	<u>\$ (41,647)</u>	<u>\$ (37,616)</u>
Net loss per share, basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.17)</u>	<u>\$ (0.34)</u>	<u>\$ (0.32)</u>
Weighted-average shares outstanding used in calculating net loss per share, basic and diluted	<u>123,134</u>	<u>116,838</u>	<u>122,259</u>	<u>115,998</u>

**ZUORA, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)  
(unaudited)

	July 31, 2021	January 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 104,589	\$ 94,110
Short-term investments	96,316	92,484
Accounts receivable, net	56,239	78,860
Deferred commissions, current portion	13,085	12,712
Prepaid expenses and other current assets	18,842	15,574
Total current assets	289,071	293,740
Property and equipment, net	31,195	33,369
Operating lease right-of-use assets	46,248	47,085
Purchased intangibles, net	4,560	3,928
Deferred commissions, net of current portion	21,505	21,905
Goodwill	17,632	17,632
Other assets	3,414	3,848
Total assets	<u>\$ 413,625</u>	<u>\$ 421,507</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 3,720	\$ 2,249
Accrued expenses and other current liabilities	14,749	14,550
Accrued employee liabilities	27,382	29,470
Debt, current portion	3,882	4,397
Deferred revenue, current portion	118,920	127,701
Operating lease liabilities, current portion	10,883	9,630
Total current liabilities	179,536	187,997
Debt, net of current portion	—	1,666
Deferred revenue, net of current portion	1,107	1,529
Operating lease liabilities, net of current portion	50,794	53,590
Deferred tax liabilities	1,928	1,929
Other long-term liabilities	2,918	2,883
Total liabilities	236,283	249,594
Stockholders' equity:		
Class A common stock	12	11
Class B common stock	1	1
Additional paid-in capital	682,202	635,127
Accumulated other comprehensive income	503	796
Accumulated deficit	(505,376)	(464,022)
Total stockholders' equity	177,342	171,913
Total liabilities and stockholders' equity	<u>\$ 413,625</u>	<u>\$ 421,507</u>

**ZUORA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six Months Ended July 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net loss	\$ (41,354)	\$ (37,610)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and accretion	8,496	7,147
Stock-based compensation	31,866	29,160
Provision for credit losses	1,368	1,744
Donation of common stock to charitable foundation	1,000	1,000
Amortization of deferred commissions	7,859	5,455
Reduction in carrying amount of right-of-use assets	4,760	4,229
Other	426	181
Changes in operating assets and liabilities:		
Accounts receivable	21,253	18,704
Prepaid expenses and other assets	(3,216)	716
Deferred commissions	(8,193)	(5,571)
Accounts payable	1,513	(1,887)
Accrued expenses and other liabilities	51	(1,073)
Accrued employee liabilities	(2,088)	2,068
Deferred revenue	(9,203)	(12,747)
Operating lease liabilities	(6,910)	(4,725)
Net cash provided by operating activities	<u>7,628</u>	<u>6,791</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,697)	(9,950)
Insurance proceeds for damaged property and equipment	344	250
Purchase of intangible assets	(1,349)	—
Purchases of short-term investments	(53,650)	(24,376)
Sales of short-term investments	—	2,511
Maturities of short-term investments	49,492	79,205
Net cash (used in) provided by investing activities	<u>(8,860)</u>	<u>47,640</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock upon exercise of stock options, net of repurchases of unvested common stock	10,187	7,989
Proceeds from issuance of common stock under employee stock purchase plan	4,005	4,214
Principal payments on long-term debt	(2,222)	(2,220)
Net cash provided by financing activities	<u>11,970</u>	<u>9,983</u>
Effect of exchange rates on cash and cash equivalents	(259)	(89)
Net increase in cash and cash equivalents	10,479	64,325
Cash and cash equivalents, beginning of period	94,110	54,275
Cash and cash equivalents, end of period	<u>\$ 104,589</u>	<u>\$ 118,600</u>



**ZUORA, INC.**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES**  
(in thousands, except percentages and per share data)  
(unaudited)

Three Months Ended July 31, 2021<sup>1</sup>

	GAAP	Stock-based Compensation	Amortization of Acquired Intangibles	Charitable Contribution	Certain Litigation	Non-GAAP
<b>Cost of revenue:</b>						
Cost of subscription revenue	\$ 17,268	\$ (1,534)	\$ (519)	\$ —	\$ —	\$ 15,215
Cost of professional services	18,724	(2,664)	—	—	—	16,060
Gross profit	50,495	4,198	519	—	—	55,212
<b>Operating expenses:</b>						
Research and development	20,860	(5,243)	—	—	—	15,617
Sales and marketing	36,261	(5,615)	—	—	—	30,646
General and administrative	16,376	(3,013)	—	(1,000)	526	12,889
Loss from operations	(23,002)	18,069	519	1,000	(526)	(3,940)
Net loss	\$ (23,693)	\$ 18,069	\$ 519	\$ 1,000	\$ (526)	\$ (4,631)
Net loss per share, basic and diluted <sup>2</sup>	\$ (0.19)					\$ (0.04)
Gross margin	58 %					64 %
Subscription gross margin	76 %					79 %
Professional services gross margin	(25)%					(7)%
Operating margin	(27)%					(5)%

Three Months Ended July 31, 2020<sup>1</sup>

	GAAP	Stock-based Compensation	Amortization of Acquired Intangibles	Charitable Contribution	Certain Litigation	Non-GAAP
<b>Cost of revenue:</b>						
Cost of subscription revenue	\$ 14,401	\$ (1,465)	\$ (423)	\$ —	\$ —	\$ 12,513
Cost of professional services	18,674	(3,132)	—	—	—	15,542
Gross profit	41,914	4,597	423	—	—	46,934
<b>Operating expenses:</b>						
Research and development	19,427	(5,945)	—	—	—	13,482
Sales and marketing	28,608	(4,848)	—	—	—	23,760
General and administrative	15,383	(2,886)	—	(1,000)	(1,235)	10,262
Loss from operations	(21,504)	18,276	423	1,000	1,235	(570)
Net (loss) income	\$ (20,122)	\$ 18,276	\$ 423	\$ 1,000	\$ 1,235	\$ 812
Net (loss) income per share, basic and diluted <sup>2</sup>	\$ (0.17)					\$ 0.01
Gross margin	56 %					63 %
Subscription gross margin	75 %					79 %
Professional services gross margin	(12)%					7 %
Operating margin	(29)%					(1)%

(1) Beginning with the second quarter ended July 31, 2021, we no longer exclude non-cash adjustments for capitalization and amortization of internal-use software from our non-GAAP financial measures. Our non-GAAP financial measures for the three months ended July 31, 2020 were recast to conform to the updated methodology for comparison purposes. For the three months ended July 31, 2021 and 2020, we did not have any non-cash charges for impairments of internal-use software.

(2) GAAP and Non-GAAP net (loss) income per share are calculated based upon 123,134 and 116,838 basic and diluted weighted-average shares of common stock for the three months ended July 31, 2021 and 2020, respectively.

**ZUORA, INC.**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES (CONTINUED)**  
(in thousands, except percentages and per share data)  
(unaudited)

Six Months Ended July 31, 2021<sup>1</sup>

	GAAP	Stock-based Compensation	Amortization of Acquired Intangibles	Charitable Contribution	Certain Litigation	Non-GAAP
Cost of revenue:						
Cost of subscription revenue	\$ 32,911	\$ (2,577)	\$ (942)	\$ —	\$ —	\$ 29,392
Cost of professional services	35,802	(4,665)	—	—	—	31,137
Gross profit	98,103	7,242	942	—	—	106,287
Operating expenses:						
Research and development	39,827	(9,772)	—	—	—	30,055
Sales and marketing	68,126	(9,695)	—	—	—	58,431
General and administrative	30,561	(5,157)	—	(1,000)	(283)	24,121
Loss from operations	(40,411)	31,866	942	1,000	283	(6,320)
Net loss	\$ (41,354)	\$ 31,866	\$ 942	\$ 1,000	\$ 283	\$ (7,263)
Net loss per share, basic and diluted <sup>2</sup>	\$ (0.34)					\$ (0.06)
Gross margin	59 %					64 %
Subscription gross margin	76 %					78 %
Professional services gross margin	(19)%					(3)%
Operating margin	(24)%					(4)%

Six Months Ended July 31, 2020<sup>1</sup>

	GAAP	Stock-based Compensation	Amortization of Acquired Intangibles	Charitable Contribution	Certain Litigation	Non-GAAP
Cost of revenue:						
Cost of subscription revenue	\$ 28,016	\$ (2,317)	\$ (846)	\$ —	\$ —	\$ 24,853
Cost of professional services	37,356	(4,782)	—	—	—	32,574
Gross profit	83,515	7,099	846	—	—	91,460
Operating expenses:						
Research and development	36,970	(9,487)	—	—	—	27,483
Sales and marketing	57,104	(7,853)	—	—	—	49,251
General and administrative	28,648	(4,721)	—	(1,000)	(1,235)	21,692
Loss from operations	(39,207)	29,160	846	1,000	1,235	(6,966)
Net loss	\$ (37,610)	\$ 29,160	\$ 846	\$ 1,000	\$ 1,235	\$ (5,369)
Net loss per share, basic and diluted <sup>2</sup>	\$ (0.32)					\$ (0.05)
Gross margin	56 %					61 %
Subscription gross margin	76 %					78 %
Professional services gross margin	(11)%					3 %
Operating margin	(26)%					(5)%

(1) Beginning with the second quarter ended July 31, 2021, we no longer exclude non-cash adjustments for capitalization and amortization of internal-use software from our non-GAAP financial measures. Our non-GAAP financial measures for the six months ended July 31, 2020 were recast to conform to the updated methodology for comparison purposes. For the six months ended July 31, 2021 and 2020, we did not have any non-cash charges for impairments of internal-use software.

(2) GAAP and Non-GAAP net loss per share are calculated based upon 122,259 and 115,998 basic and diluted weighted-average shares of common stock for the six months ended July 31, 2021 and 2020, respectively.

**ZUORA, INC.**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES (CONTINUED)**  
(in thousands)  
(unaudited)

**Free Cash Flow**

	<b>Three Months Ended July 31,</b>	
	<b>2021</b>	<b>2020</b>
Net cash (used in) provided by operating activities	\$ (2,623)	\$ 3,840
Less:		
Purchases of property and equipment, net of insurance recoveries	(1,732)	(4,580)
Free cash flow	<u>\$ (4,355)</u>	<u>\$ (740)</u>