

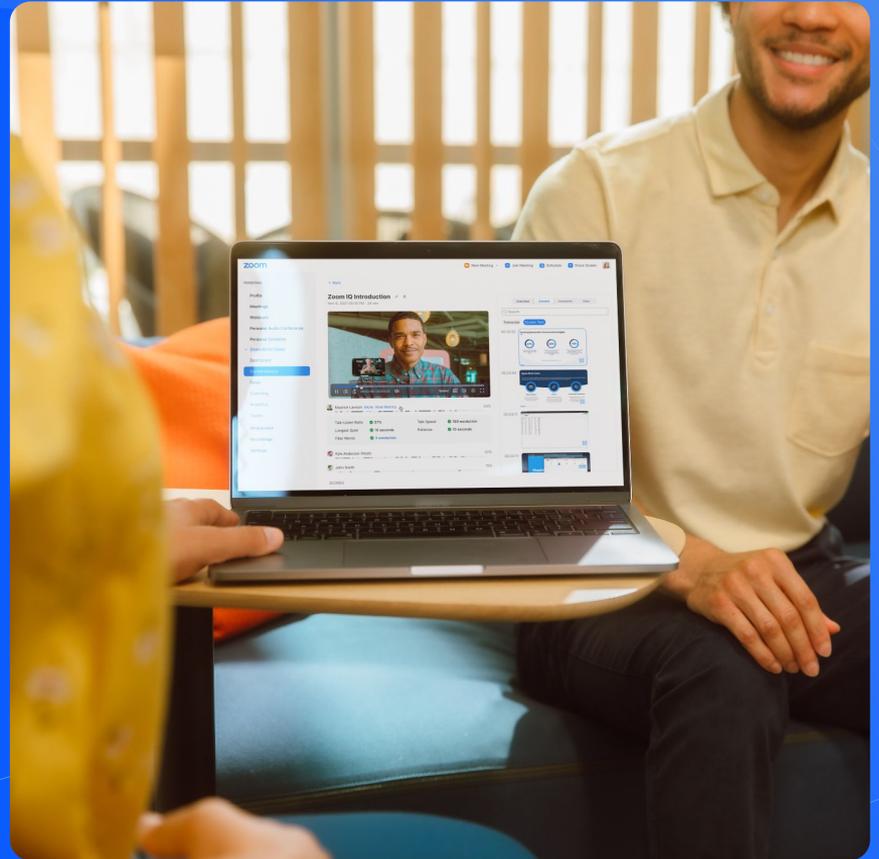
Zoom Video Communications



Q1 FY24 Earnings

May 22, 2023

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Use of non-GAAP financial measures



In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the following non-GAAP metrics: Revenue in Constant Currency, non-GAAP gross profit, non-GAAP gross margin, non-GAAP R&D expense, non-GAAP S&M expense, non-GAAP G&A expense, non-GAAP operating margin, non-GAAP operating income, non-GAAP EPS, Free Cash Flow and Free Cash Flow margin. Non-GAAP metrics have limitations as analytical tools and you should not consider them in isolation or as a substitute for or superior to the most directly comparable financial measures prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of non-GAAP metrics versus their nearest GAAP equivalents. Other companies, including companies in our industry, may calculate non-GAAP metrics differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP metrics as tools for comparison. We urge you to review the reconciliation of Zoom's non-GAAP metrics to the most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business. See the Appendix for reconciliation between each non-GAAP metric and the most comparable GAAP measure.

Safe Harbor Statement



This presentation and the accompanying oral presentation contain express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding Zoom’s financial outlook for the second quarter and full fiscal year 2024; Zoom’s expectations regarding financial and business trends, as well as impacts from macroeconomic developments; Zoom’s market position, opportunities, growth strategy and business aspirations; and product initiatives and the expected benefits of such initiatives. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “potential,” “target,” “explore,” “continue,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. By their nature, these statements are subject to numerous uncertainties and risks, including factors beyond our control, that could cause actual results, performance or achievement to differ materially and adversely from those anticipated or implied in the statements, including: declines in new customers and hosts, renewals or upgrades, difficulties in evaluating our prospects and future results of operations given our limited operating history, competition from other providers of communications platforms, other macroeconomic conditions, including inflation, and the impact of COVID-19 on the overall economic environment, any or all of which will have an impact on demand for remote work solutions for businesses as well as overall distributed, face-to-face interactions and collaboration using Zoom, delays or outages in services from our co-located data centers, failures in internet infrastructure or interference with broadband access, which could cause current or potential users to believe that our systems are unreliable, market volatility, and global security concerns and their potential impact on regional and global economies and supply chains.

Additional risks and uncertainties that could cause actual outcomes and results to differ materially from those contemplated by the forward-looking statements are included under the caption “Risk Factors” and elsewhere in our most recent filings with the Securities and Exchange Commission (the “SEC”), including our annual report on Form 10-K for the fiscal quarter ended January 31, 2023. Forward-looking statements speak only as of the date the statements are made and are based on information available to Zoom at the time those statements are made and/or management’s good faith belief as of that time with respect to future events. Zoom assumes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, except as required by law.

Zoom acquires Workvivo to enhance the employee experience offering

zoom

+



workvivo

Broadens our platform with Workvivo's modern, feature-rich employee experience solution

Extends our all-in-one collaboration capabilities into the heart of companies' digital ecosystems and across hybrid, distributed workforces

Delivers greater customer value by increasing employee engagement and driving culture through connection



Expansion of ZoomIQ and partnership with Anthropic are core to our AI strategy

Zoom IQ¹

Enhanced Productivity

Increase focus by simplifying communications and prioritization through insights and automation



Keep up with your day through summaries



Reduce time creating and sharing content



Manage shifting priorities effectively

Improved Connections

Have better alignment and outcomes for better human connections



Get more done while meeting with your team



Find project context and shared work faster



Automatically find the best times & ways to collaborate

High-Quality CX

Agent insights and assist to improve performance and strengthen customer interactions



Balance agent workloads



Improve performance



Reduce agent churn

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AI

Zoom announces investment in Anthropic to support **building customer-centric AI products** with a foundation of trust and security

Anthropic's AI model to **bolster Zoom's federated approach** by integrating with Zoom's platform starting with Zoom Contact Center

Customer wins highlight the power of the platform



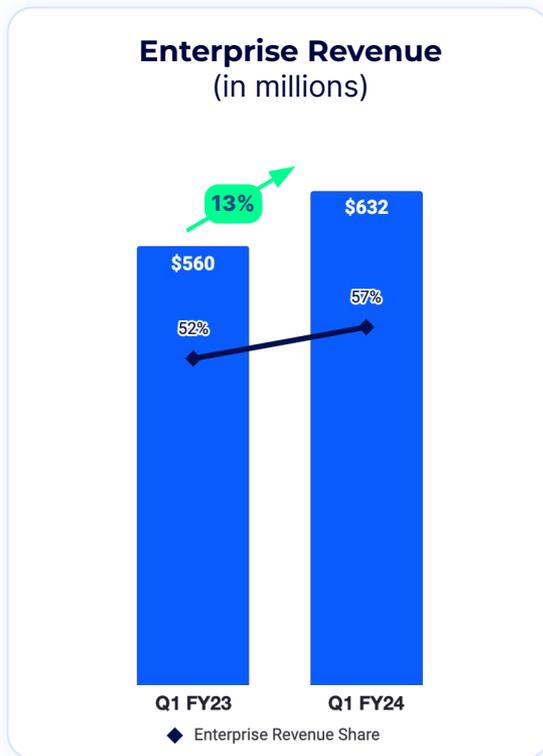
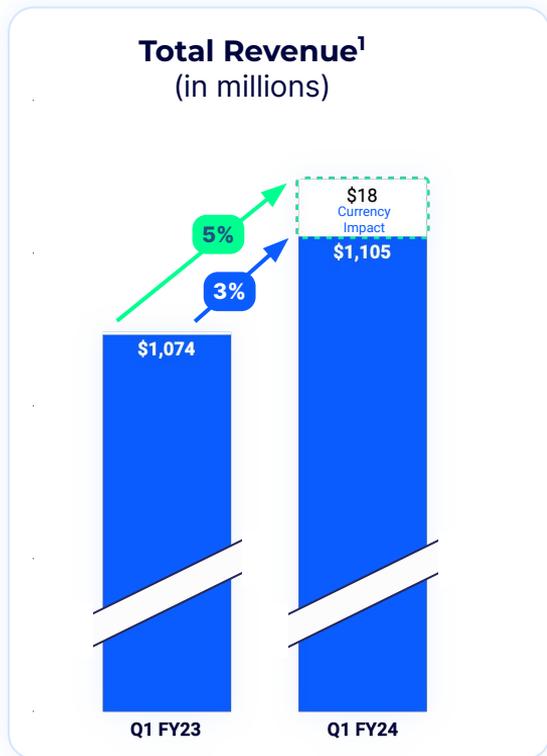
Q1 Milestones

Non-GAAP
GM¹ of **80.5%**
exceeds LT
target

Online business
stabilizing

Zoom Phone
reaches
10% of
revenue

Continued top-line growth with positive trends in Enterprise and Online



Growth in new and existing Enterprise customers

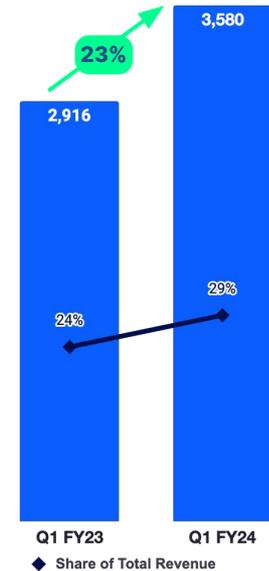
of Enterprise Customers¹



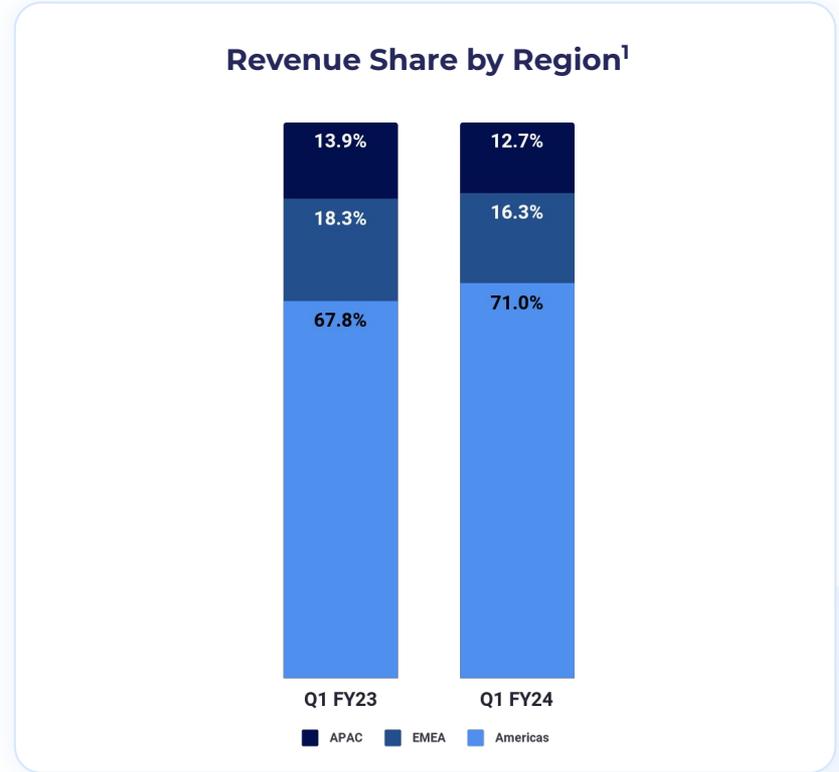
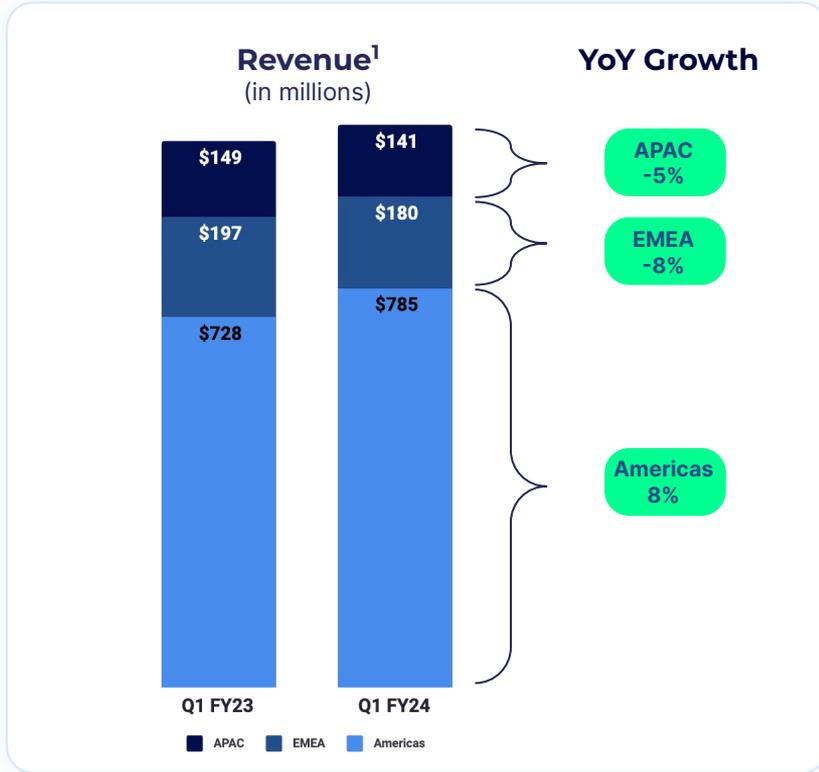
112%

TTM Net Dollar Expansion
Rate for Enterprise
Customers² in Q1 FY24

of Customers Contributing
>\$100k in TTM Revenue



Growth in Americas, macro headwinds in ROW



Q1 FY24 expenses and margins

		GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue		\$1,105 million	3%	\$1,105 million	3%
As a % of Revenue	Gross Profit	76.1%	+50 bps	80.5%	+190 bps
	R&D Expense	18.9%	+549 bps	9.6%	+171 bps
	S&M Expense	38.2%	+444 bps	25.2%	+28 bps
	G&A Expense	18.1%	+711 bps	7.6%	(108 bps)
	Operating Profit	0.9%	(1,654 bps)	38.2%	+99 bps
Effective Tax Rate		64.3%	+4,338 bps	22.1%	+254 bps
EPS - Diluted		\$0.05	(86%)	\$1.16	13%

Growing future revenue under contract



Strong cash flow and position in Q1



Operating Cash Flow
OCF Margin

\$418M
37.9%

Free Cash Flow
FCF Margin²

\$397M
35.9%

Q2 and Fiscal Year 2024 outlook

		Q2 FY24	FY24
Outlook¹	Revenue	\$1,110 - \$1,115 million	\$4,465 - \$4,485 million
	Total Revenue (Constant Currency)	\$1,120 - \$1,125 million	\$4,495 - \$4,515 million
	Non-GAAP Operating Income	\$405 - \$410 million	\$1,630 - \$1,650 million
	Weighted Average Share Count	307 million	308 million
	Non-GAAP EPS	\$1.04 - \$1.06	\$4.25 - \$4.31

Annual ESG Report Published!

Proud to announce our
[2nd Annual ESG Report!](#)

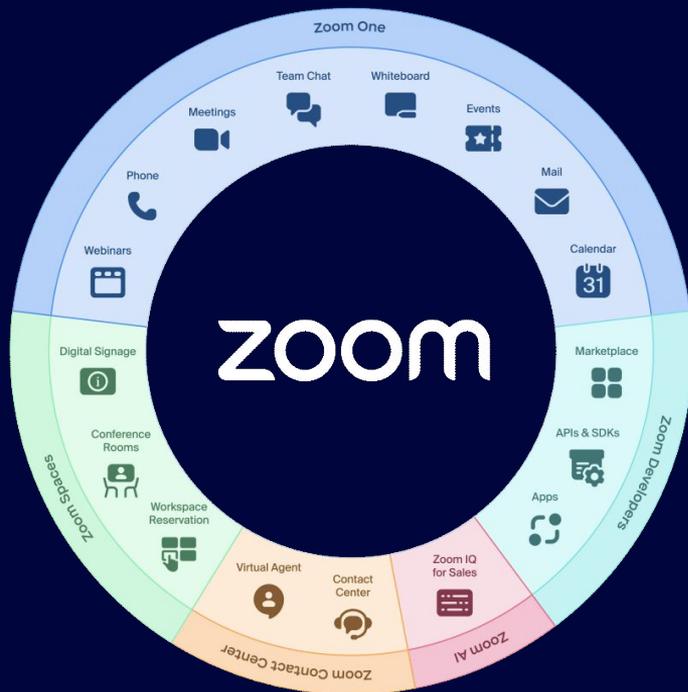
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Environmental, Social and Governance Report

FISCAL YEAR 2023



One platform delivering limitless human connection



Strategic Focuses

1. Drive impact with Zoom IQ & Federated Approach to AI
2. Empower modern Collaboration
3. Expand solutions to new departments and industries



Thank you

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Appendix

GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q1 FY23	Q1 FY24
Gross Profit		
Total Revenue	\$1,073,800	\$1,105,364
GAAP Gross Profit	\$811,979	\$841,417
(+) Stock-based compensation expense and related payroll taxes	\$31,598	\$40,120
(+) Acquisition-related expense	\$791	\$1,557
(+) Restructuring expenses	-	\$7,095
Non-GAAP Gross Profit	\$844,368	\$890,189
GAAP Gross Margin	75.6%	76.1%
Non-GAAP Gross Margin	78.6%	80.5%
R&D Expenses		
GAAP R&D	\$144,291	\$209,271
(-) Stock-based compensation expense and related payroll taxes	\$(56,294)	\$(79,311)
(-) Acquisition-related expense	\$(3,095)	\$(4,386)
(-) Restructuring expenses	-	\$(19,302)
Non-GAAP R&D	\$84,902	\$106,272
S&M Expenses		
GAAP S&M	\$362,783	\$422,504
(-) Stock-based compensation expense and related payroll taxes	\$(95,647)	\$(109,392)
(-) Acquisition-related expenses	-	\$(1,184)
(-) Restructuring expenses	-	\$(33,841)
Non-GAAP S&M	\$267,136	\$278,087
G&A Expenses		
GAAP G&A	\$117,840	\$199,900
(-) Stock-based compensation expense and related payroll taxes	\$(29,323)	\$(49,225)
(-) Litigation settlements, net	\$4,226	\$(52,500)
(-) Acquisition-related expense	\$(48)	\$(1,724)
(-) Restructuring expenses	-	\$(12,942)
Non-GAAP G&A	\$92,695	\$83,509

GAAP to Non-GAAP Reconciliation



(\$ in Thousands except EPS)

	Q1 FY23	Q1 FY24
Operating Profit		
Total Revenue	\$1,073,800	\$1,105,364
GAAP Operating Profit	\$187,065	\$9,742
(+) Stock-based compensation expense and related payroll taxes	\$212,862	\$278,048
(+) Litigation settlements, net	\$(4,226)	\$52,500
(+) Acquisition-related expense	\$3,934	\$8,851
(+) Restructuring expenses	-	\$73,180
Non-GAAP Operating Profit	\$399,635	\$422,321
GAAP Operating Margin	17.4%	0.9%
Non-GAAP Operating Margin	37.2%	38.2%
Net Income		
GAAP net income attributable to common stockholders	\$113,640	\$15,444
(+) Stock-based compensation expense and related payroll taxes	\$212,862	\$278,048
(+) Litigation settlements, net	\$(4,226)	\$52,500
(+) Acquisition-related expenses	\$3,934	\$8,851
(+) Restructuring expenses	-	\$73,180
(+) Undistributed earnings attributable to participating securities	\$18	-
(+) Losses (gains) on strategic investments	\$36,404	\$(2,275)
(-) Tax effects on non-GAAP adjustments	\$(46,846)	\$(72,497)
Non-GAAP net income	\$315,786	\$353,251
Earnings Per Share		
GAAP net income per share –diluted	\$0.37	\$0.05
Non-GAAP net income per share –diluted	\$1.03	\$1.16
Weighted Average Shares		
GAAP and Non-GAAP weighted-average –diluted	306,614,220	304,115,913

GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q1 FY23	Q1 FY24
Free Cash Flow		
Cash Flow from Operations	\$526,151	\$418,487
(-) Purchases of PPE	\$(25,038)	\$(21,826)
Free Cash Flow	\$501,113	\$396,661
Operating Cash Flow Margin	49.0%	37.9%
Free Cash Flow Margin	46.7%	35.9%
Net Cash Used in Investing Activities	\$(42,334)	\$(480,786)
Net Cash (Used in) Provided by Financing Activities	\$(133,243)	\$7,019

(\$ in Thousands)

	Q1 FY24	Y/Y growth
Revenue in Constant Currency		
GAAP revenue	\$1,105,364	3%
(+) Constant currency impact	\$18,440	--
Revenue in constant currency (non-GAAP)	\$1,123,804	5%

Historic Metrics



(\$ in millions)

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24
Revenue	\$1,021.5	\$1,050.8	\$1,071.4	\$1,073.8	\$1,099.5	\$1,101.9	\$1,117.8	\$1,105.4
<i>Y/Y growth</i>	54%	35%	21%	12%	8%	5%	4%	3%
GAAP Operating Income	\$294.6	\$290.9	\$251.8	\$187.1	\$121.7	\$66.5	\$(129.9)	\$9.7
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$130.1	\$120.4	\$168.5	\$212.6	\$272.0	\$314.4	\$534.7	\$412.6
Non-GAAP Operating Income	\$424.7	\$411.3	\$420.3	\$399.6	\$393.7	\$380.9	\$404.8	\$422.3
Operating Cash Flow	\$468.0	\$394.6	\$209.4	\$526.2	\$257.2	\$295.3	\$211.6	\$418.5
Capital Expenditures	\$(13.0)	\$(19.8)	\$(20.8)	\$(25.0)	\$(27.8)	\$(22.7)	\$(28.3)	\$(21.8)
Free Cash Flow	\$455.0	\$374.8	\$188.6	\$501.1	\$229.4	\$272.6	\$183.3	\$396.7
Deferred Revenue	\$1,178.0	\$1,186.1	\$1,179.9	\$1,331.0	\$1,401.1	\$1,354.2	\$1,308.4	\$1,366.1
Unbilled Accounts Receivable	\$35.4	\$48.6	\$59.7	\$68.6	\$70.6	\$82.4	\$91.6	\$107.1
RPO	\$2,346.3	\$2,456.5	\$2,647.6	\$2,990.0	\$3,213.0	\$3,245.9	\$3,434.5	\$3,482.2
<i>Y/Y growth</i>	66%	51%	51%	44%	37%	32%	30%	16%
Customers >\$100K TTM Revenue	2,278	2,507	2,725	2,916	3,116	3,286	3,471	3,580
<i>Y/Y growth</i>	131%	94%	66%	46%	37%	31%	27%	23%
Revenue % from Customers >\$100K TTM Revenue	20%	22%	23%	24%	26%	27%	28%	29%
Enterprise Customers¹	173,000	183,700	191,000	198,900	204,100	209,300	213,000	215,900
<i>Y/Y growth</i>	73%	50%	35%	24%	18%	14%	12%	9%
Revenue % from Enterprise Customers	46%	49%	50%	52%	54%	56%	57%	57%
TTM Net \$ Expansion Rate for Enterprise Customers	147%	139%	130%	123%	120%	117%	115%	112%
Online Average Monthly Churn	4.3%	3.7%	3.8%	3.6%	3.6%	3.1%	3.4%	3.1%

Endnotes

Expansion of ZoomIQ and partnership with Anthropic are core to our AI strategy

1. Not all features listed here are currently generally available.

Q1 Milestones

1. See appendix for a reconciliation of non-GAAP to GAAP financial measures.

Continued top-line growth with positive trends in Enterprise and Online

1. Not drawn to scale.
2. Zoom calculates online average monthly churn by starting with the Online customer MRR as of the beginning of the applicable quarter ("Entry MRR"). Zoom defines Entry MRR as the recurring revenue run-rate of subscription agreements from all Online customers except for subscriptions that Zoom recorded as churn in a previous quarter based on the customers' earlier indication to us of their intention to cancel that subscription. Zoom then determines the MRR related to customers who canceled or downgraded their subscription or notified us of that intention during the applicable quarter ("Applicable Quarter MRR Churn") and divides the Applicable Quarter MRR Churn by the applicable quarter Entry MRR to arrive at the MRR churn rate for Online Customers for the applicable quarter. Zoom then divides that amount by three to calculate the online average monthly churn.

Growth in new and existing Enterprise customers

1. The number of customers is rounded down to the nearest hundred. Zoom defines Enterprise customers as distinct business units who have been engaged by either Zoom's direct sales team, channel partners or independent software vendor partners. All other customers are referred to as Online Customers.
2. Zoom calculates net dollar expansion rate as of a period end by starting with the annual recurring revenue ("ARR") from Enterprise customers as of 12 months prior ("Prior Period ARR"). Zoom defines ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. Zoom calculates ARR by taking the monthly recurring revenue ("MRR") and multiplying it by 12. MRR is defined as the recurring revenue run-rate of subscription agreements from all Enterprise customers for the last month of the period, including revenue from monthly subscribers who have not provided any indication that they intend to cancel their subscriptions. Zoom then calculates the ARR from these Enterprise customers as of the current period end ("Current Period ARR"), which includes any upsells, contraction, and attrition. Zoom divides the Current Period ARR by the Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12 months calculation, Zoom takes an average of the net dollar expansion rate over the trailing 12 months.

Growth in Americas, macro headwinds in ROW

1. Subtotals revenue have been rounded.

Q1 FY24 expenses and margins

1. See appendix for a reconciliation of non-GAAP to GAAP financial measures.

Growing future revenue under contract

1. Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. Subtotals have been rounded.
2. Current RPO refers to the portion of total RPO which we expect to recognize as revenue over the following 12 months period.

Strong cash flow and position in Q1

1. Cash balance refers to cash, cash equivalents and marketable securities, excluding restricted cash at the end of the period.
2. See appendix for a reconciliation of non-GAAP to GAAP financial measures. Zoom defines free cash flow as net cash provided by operating activities less purchases of property and equipment.

Q2 and Fiscal Year 2024 outlook

1. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty of expenses that may be incurred in the future, although it is important to note that these factors could be material to Zoom's results computed in accordance with GAAP.

Historic Metrics

1. Enterprise Customers are rounded down to the nearest hundred.