



Zoom Video Communications Reports Second Quarter Results for Fiscal Year 2020

September 5, 2019

- **Second quarter total revenue of \$145.8 million, up 96% year-over-year**
- **Customers contributing more than \$100,000 in TTM revenue up 104% year-over-year**

SAN JOSE, Calif., Sept. 05, 2019 (GLOBE NEWSWIRE) -- September 5, 2019 – Zoom Video Communications, Inc. (NASDAQ: ZM), a provider of video-first unified communications, today announced financial results for the quarter ended July 31, 2019.

“Zoom delivers happiness to our customers by providing a frictionless unified communications platform capable of transforming how teams communicate and collaborate. Our technology enables businesses to make decisions faster, strengthens engagement, and increases productivity. I am proud that we continue to build trust and create value for customers as evidenced by our strong combination of total revenue growth of 96% with increased profitability and free cash flow in Q2,” stated Eric S. Yuan, founder and chief executive officer of Zoom.

Second Quarter Fiscal 2020 Financial Highlights:

- **Revenue:** Total revenue for the quarter was \$145.8 million, up 96% year-over-year.
- **Income from Operations and Operating Margin:** GAAP income from operations for the quarter was \$2.3 million, compared to \$3.4 million in the second quarter of fiscal 2019. After adjusting for stock-based compensation expense and related payroll taxes, non-GAAP income from operations for the second quarter was \$20.7 million, up from \$4.5 million in the second quarter of fiscal 2019. For the second quarter, GAAP operating margin was 1.6% and non-GAAP operating margin was 14.2%.
- **Net Income and Net Income Per Share:** GAAP net income attributable to common stockholders for the quarter was \$5.5 million, or \$0.02 per share, compared to GAAP net income attributable to common stockholders of \$0.5 million, or \$0.00 per share in the second quarter of fiscal 2019.

Non-GAAP net income for the quarter was \$24.0 million, after adjusting for stock-based compensation expense and related payroll taxes and undistributed earnings attributable to participating securities, and non-GAAP net income per share was \$0.08. In the second quarter of fiscal 2019, non-GAAP net income was \$4.9 million, or \$0.02 per share. The non-GAAP weighted average share count has been adjusted to reflect the shares of Class A common stock issued in connection with the Initial Public Offering (IPO), including the concurrent private placement, that are outstanding as of the end of the period as if they were outstanding as of the beginning of the period for comparability.

- **Cash:** Total cash, cash equivalents, and marketable securities as of July 31, 2019 was \$755.3 million.
- **Cash Flow:** Net cash provided by operating activities was \$31.2 million for the quarter, compared to \$14.4 million in the second quarter of fiscal 2019. Free cash flow was \$17.1 million, compared to \$8.2 million in the second quarter of fiscal 2019.

Customer Metrics: Drivers of total revenue include acquiring new customers and expanding across existing customers. At the end of the second quarter of fiscal 2020, Zoom had:

- Approximately 66,300 customers with more than 10 employees, up approximately 78% from the same quarter last year.
- 466 customers contributing more than \$100,000 in trailing 12 months revenue, up approximately 104% from the same quarter last year.
- A trailing 12-month net dollar expansion rate in customers with more than 10 employees above 130% for the 5th consecutive quarter.

Financial Outlook: Zoom is providing the following guidance for its third quarter fiscal 2020 and its full year fiscal 2020.

- **Third Quarter Fiscal 2020:** Total revenue is expected to be between \$155.0 million and \$156.0 million and non-GAAP income from operations is expected to be between \$6.0 million and \$7.0 million. Q3 non-GAAP EPS is expected to be approximately \$0.03 with approximately 294 million non-GAAP weighted average shares outstanding.
- **Full Year Fiscal 2020:** Total revenue is expected to be between \$587 million and \$590 million and non-GAAP income from

operations is expected to be between \$42 million and \$45 million. Full year non-GAAP EPS is expected to be approximately \$0.18 to \$0.19 with approximately 293 million non-GAAP weighted average shares outstanding.

Additional information on Zoom's reported results, including a reconciliation of the non-GAAP results to their most comparable GAAP measures, are included in the financial tables below. 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.

A supplemental financial presentation and other information can be accessed through Zoom's investor relations website at investors.zoom.us.

Zoom Video Earnings Call

Zoom will host a Zoom Video Webinar for investors on September 5, 2019 at 2:30p.m. Pacific Time / 5:30 p.m. Eastern Time to discuss the company's financial results and business highlights. Investors are invited to join the Zoom Video Webinar by visiting: <https://investors.zoom.us/>

About Zoom

Zoom Video Communications, Inc. (NASDAQ: ZM) brings teams together to get more done in a frictionless video environment. Our easy, reliable, and innovative video-first unified communications platform provides video meetings, voice, webinars, and chat across desktops, phones, mobile devices, and conference room systems. Zoom helps enterprises create elevated experiences with leading business app integrations and developer tools to create customized workflows. Founded in 2011, Zoom is headquartered in San Jose, California with offices around the world. Visit zoom.com.

Forward-Looking Statements

This press release contains express and implied "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. However, not all forward-looking statements contain these identifying words. These statements may relate to our market size and growth strategy, our estimated and projected costs, margins, revenue, expenditures and growth rates, our future results of operations or financial condition, our plans and objectives for future operations, growth, initiatives, or strategies. 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. These assumptions, uncertainties and risks include that, among others, our business would be harmed by any decline in new customers and hosts, renewals or upgrades, our limited operating history makes it difficult to evaluate our prospects and future results of operations, we operate in competitive markets, we may not be able to sustain our revenue growth rate in the future, our business would be harmed by any significant interruptions, delays or outages in services from our co-located data centers, and failures in internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable. 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 quarterly report on Form 10-Q for the quarter ended April 30, 2019. 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.

Non-GAAP Financial Measures

Zoom has provided in this press release financial information that has not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). Zoom uses these non-GAAP financial measures internally in analyzing its financial results and believes that use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing Zoom's financial results with other companies in its industry, many of which present similar non-GAAP financial measures.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with Zoom's condensed consolidated financial statements prepared in accordance with GAAP. A reconciliation of Zoom's historical non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation.

Non-GAAP Income From Operations. Zoom defines non-GAAP income from operations as income from operations excluding stock-based compensation expense and related payroll taxes. Zoom excludes stock-based compensation expense because it is non-cash in nature and excluding this expense provides meaningful supplemental information regarding Zoom's operational performance and allows investors the ability to make more meaningful comparisons between Zoom's operating results and those of other companies. Zoom excludes the amount of employer payroll taxes related to employee stock plans, which is a cash expense, because we believe that excluding this item provides meaningful supplemental information regarding operational performance. In particular, this expense is dependent on the price of our common stock and other factors that are beyond our control and do not correlate to the operation of the business.

Non-GAAP Net Income and Non-GAAP Net Income Per Share, Basic and Diluted. Zoom defines non-GAAP net income and non-GAAP net income per share, basic and diluted, as GAAP net income attributable to common stockholders and GAAP net income per share attributable to common stockholders, basic and diluted, respectively, adjusted to exclude stock-based compensation expense and related payroll taxes, and undistributed earnings attributable to participating securities. Zoom excludes undistributed earnings attributable to participating securities because they are considered by management to be outside of Zoom's core operating results, and excluding them provides investors and management with greater visibility to the underlying performance of Zoom's business operations, facilitates comparison of its results with other periods and may also facilitate comparison with the results of other companies in the industry.

In order to calculate non-GAAP net income per share, basic and diluted, Zoom uses a non-GAAP weighted-average share count. Zoom defines non-GAAP weighted-average shares used to compute non-GAAP net income per share, basic and diluted, as GAAP weighted average shares used to compute net income per share attributable to common stockholders, basic and diluted, adjusted to reflect the common stock issued in connection with the IPO, including the concurrent private placement, that are outstanding as of the end of the period as if they were outstanding as of the beginning of

the period for comparability.

Free Cash Flow. Zoom defines free cash flow as GAAP net cash provided by operating activities less purchases of property and equipment. Zoom considers free cash flow to be a liquidity measure that provides useful information to management and investors regarding net cash provided by operating activities and cash used for investments in property and equipment required to maintain and grow the business.

Customer Metrics

Zoom defines a customer as a separate and distinct buying entity, which can be a single paid host or an organization of any size (including a distinct unit of an organization) that has multiple paid hosts.

Zoom calculates net dollar expansion rate as of a period end by starting with the annual recurring revenue (ARR) from all customers with more than 10 employees 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. We then calculate the ARR from these 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.

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Zoom Video Communications, Inc.

Condensed Consolidated Balance Sheets (Unaudited, in thousands)

	As of July 31, 2019	January 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 213,886	\$ 63,624
Marketable securities	541,380	112,777
Accounts receivable, net	95,682	63,613
Deferred contract acquisition costs, current	35,502	26,453
Prepaid expenses and other current assets	29,609	10,252
Total current assets	916,059	276,719
Deferred contract acquisition costs, non-current	37,688	29,063
Property and equipment, net	51,987	37,275
Operating lease right-of-use assets	51,126	—
Other assets, non-current	13,063	11,508
Total assets	\$ 1,069,923	\$ 354,565
Liabilities, convertible preferred stock, and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 819	\$ 4,963
Accrued expenses and other current liabilities	64,586	32,256
Deferred revenue, current	163,591	115,122
Total current liabilities	228,996	152,341
Deferred revenue, non-current	17,816	10,651
Operating lease liabilities, non-current	48,104	—
Other liabilities, non-current	31,211	39,460
Total liabilities	326,127	202,452
Convertible preferred stock	—	159,552
Stockholders' equity (deficit):		
Preferred stock	—	—
Common stock	272	89
Additional paid-in capital	760,990	17,760

Accumulated other comprehensive loss	(68)	(135)
Accumulated deficit	(17,398)	(25,153)
Total stockholders' equity (deficit)	743,796	(7,439)
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	\$ 1,069,923	\$ 354,565

Note: The amount of unbilled accounts receivable included within accounts receivable, net on the condensed consolidated balance sheets was \$8.5 million and \$7.2 million as of July 31, 2019 and January 31, 2019, respectively.

Zoom Video Communications, Inc.

Condensed Consolidated Statements of Operations

(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2019	2018	2019	2018
Revenue	\$ 145,826	\$ 74,526	\$ 267,814	\$ 134,596
Cost of revenue	27,900	12,973	52,004	24,633
Gross profit	117,926	61,553	215,810	109,963
Operating expenses:				
Research and development	15,054	7,049	28,837	13,313
Sales and marketing	79,652	41,054	143,693	77,315
General and administrative	20,955	10,028	39,458	17,597
Total operating expenses	115,661	58,131	211,988	108,225
Income from operations	2,265	3,422	3,822	1,738
Interest income, net	2,864	463	3,522	899
Other income, net	1,628	81	1,943	86
Net income before provision for income taxes	6,757	3,966	9,287	2,723
Provision for income taxes	(1,216)	(141)	(1,532)	(238)
Net income	5,541	3,825	7,755	2,485
Undistributed earnings attributable to participating securities	(20)	(3,329)	(2,794)	(2,485)
Net income attributable to common stockholders	\$ 5,521	\$ 496	\$ 4,961	\$ —
Net income per share attributable to common stockholders:				
Basic	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.00
Diluted	\$ 0.02	\$ 0.00	\$ 0.02	\$ 0.00
Weighted-average shares used in computing net income per share attributable to common stockholders:				
Basic	271,813,141	83,330,741	192,130,510	81,999,734
Diluted	292,185,665	108,454,323	215,774,619	107,584,379

Zoom Video Communications, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2019	2018	2019	2018
Cash flows from operating activities:				
Net income	\$ 5,541	\$ 3,825	\$ 7,755	\$ 2,485
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation expense	18,075	1,126	24,737	1,975
Amortization of deferred contract acquisition costs	8,607	4,730	16,026	8,647
Depreciation and amortization	3,850	1,451	7,174	2,618
Amortization of operating lease right-of-use assets	1,583	—	3,116	—
Provision for accounts receivable allowances	1,865	637	2,693	1,056
Other	(771)	27	(514)	38
Changes in operating assets and liabilities:				

Accounts receivable	(19,258)	(9,241)	(35,361)	(22,600)
Prepaid expenses and other assets	(14,980)	(2,252)	(23,597)	(4,132)
Deferred contract acquisition costs	(19,266)	(13,647)	(33,700)	(22,768)
Accounts payable	(7,156)	(992)	(2,783)	(206)
Accrued expenses and other liabilities	22,700	10,879	34,923	14,561
Deferred revenue	32,677	17,808	56,234	35,436
Operating lease liabilities, net	(2,295)	—	(3,295)	—
Net cash provided by operating activities	31,172	14,351	53,408	17,110
Cash flows from investing activities:				
Purchases of marketable securities	(455,175)	(14,776)	(478,487)	(30,276)
Maturities of marketable securities	22,050	11,935	50,940	23,755
Purchases of property and equipment	(14,040)	(6,177)	(20,937)	(10,027)
Net cash used in investing activities	(447,165)	(9,018)	(448,484)	(16,548)
Cash flows from financing activities:				
Proceeds from initial public offering and private placement, net of underwriting discounts and commissions and other offering costs	(524)	—	542,947	—
Proceeds from exercise of stock options, net of repurchases	410	388	2,191	576
Principal payments on capital lease obligations	—	(39)	—	(92)
Net cash (used in) provided by financing activities	(114)	349	545,138	484
Net (decrease) increase in cash, cash equivalents, and restricted cash	(416,107)	5,682	150,062	1,046
Cash, cash equivalents, and restricted cash – beginning of period	632,137	32,185	65,968	36,821
Cash, cash equivalents, and restricted cash – end of period	\$ 216,030	\$ 37,867	\$ 216,030	\$ 37,867

Zoom Video Communications, Inc.

Reconciliation of GAAP to Non-GAAP Measures

(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended		Six Months Ended	
	July 31, 2019	2018	July 31, 2019	2018
GAAP income from operations	\$ 2,265	\$ 3,422	\$ 3,822	\$ 1,738
Add:				
Stock-based compensation expense and related payroll taxes	18,469	1,126	25,131	1,975
Non-GAAP income from operations	\$ 20,734	\$ 4,548	\$ 28,953	\$ 3,713
GAAP net income attributable to common stockholders	\$ 5,521	\$ 496	\$ 4,961	\$ —
Add:				
Stock-based compensation expense and related payroll taxes	18,469	1,126	25,131	1,975
Undistributed earnings attributable to participating securities	20	3,329	2,794	2,485
Non-GAAP net income	\$ 24,010	\$ 4,951	\$ 32,886	\$ 4,460
GAAP net income per share - basic and diluted:				
GAAP net income per share - basic	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.00
GAAP net income per share - diluted	\$ 0.02	\$ 0.00	\$ 0.02	\$ 0.00
Non-GAAP net income per share - basic	\$ 0.09	\$ 0.02	\$ 0.12	\$ 0.02
Non-GAAP net income per share - diluted	\$ 0.08	\$ 0.02	\$ 0.11	\$ 0.02
GAAP weighted-average shares used to compute net income per share - basic	271,813,141	83,330,741	192,130,510	81,999,734
Add:				
Non-GAAP unweighted adjustment for common stock issued in connection with IPO	—	152,665,804	75,590,307	152,665,804
Non-GAAP weighted-average shares used to compute net income per share - basic	271,813,141	235,996,545	267,720,817	234,665,538
GAAP weighted-average shares used to compute net income per share - diluted	292,185,665	108,454,323	215,774,619	107,584,379
Add:				

Non-GAAP unweighted adjustment for common stock issued in connection with IPO	—	152,665,804	75,590,307	152,665,804
Non-GAAP weighted-average shares used to compute net income per share - diluted	292,185,665	261,120,127	291,364,926	260,250,183
Net cash provided by operating activities	\$ 31,172	\$ 14,351	\$ 53,408	\$ 17,110
Less:				
Purchases of property and equipment	(14,040)	(6,177)	(20,937)	(10,027)
Free cash flow (non-GAAP)	\$ 17,132	\$ 8,174	\$ 32,471	\$ 7,083
Net cash used in investing activities	\$ (447,165)	\$ (9,018)	\$ (448,484)	\$ (16,548)
Net cash (used in) provided by financing activities	\$ (114)	\$ 349	\$ 545,138	\$ 484



Source: Zoom Video Communications, Inc.