

zoom

Video Communications

Q3 FY20 Earnings | December 5, 2019

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: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP operating income, non-GAAP EPS and non-GAAP Free Cash Flow. 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 and liquidity, 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.

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This presentation and the accompanying oral presentation also contain estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we compete are necessarily subject to a high degree of uncertainty and risk.

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Strong Q3 Performance

85%

Yr/Yr

Revenue Growth

\$54.7M

Free Cash Flow

97%

Yr/Yr

Growth in customers with
>\$100k TTM Revenue

Zoom Delivers Happiness to New and Existing Customers



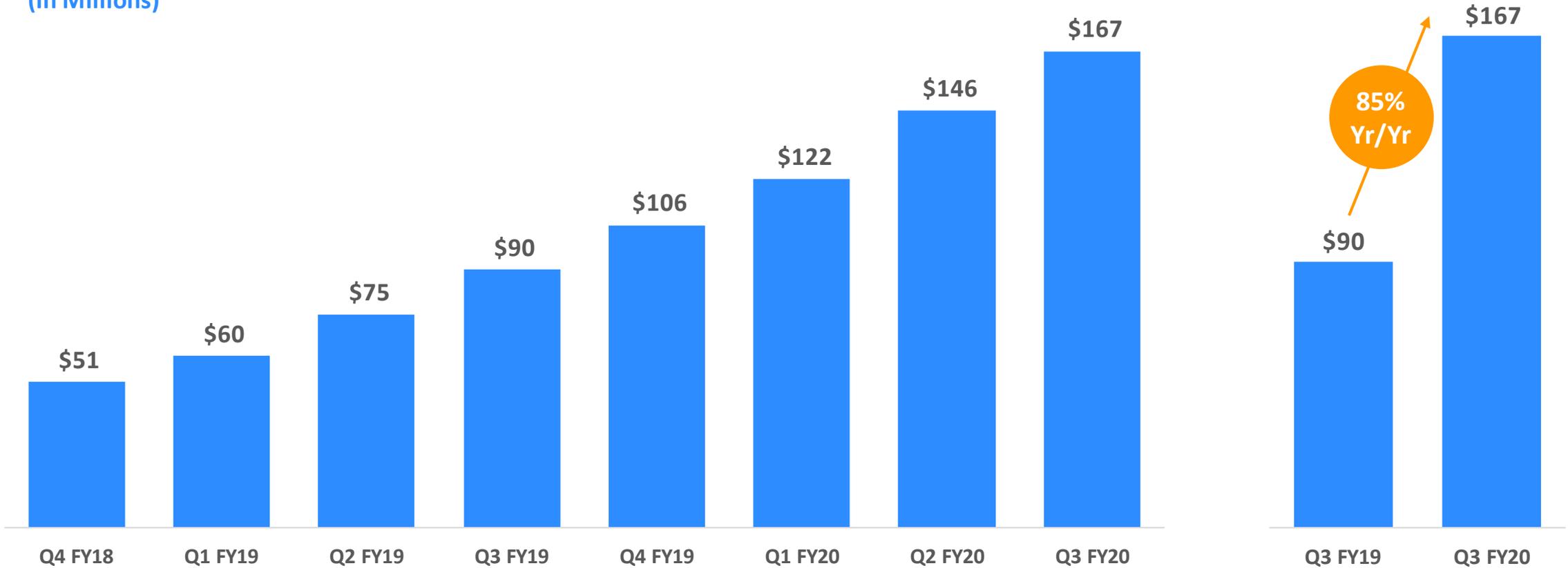
Business and Technology Highlights

- ✓ Gartner named Zoom a Leader for the fourth consecutive time in their 2019 Magic Quadrant for Meeting Solutions
- ✓ Record registrations at Zoomtopia and key technology announcements



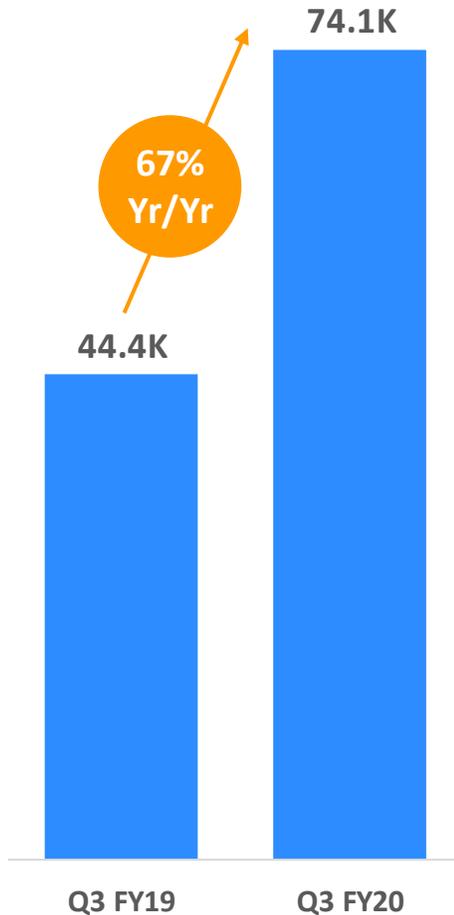
Rapid Revenue Growth

Revenue
(in Millions)

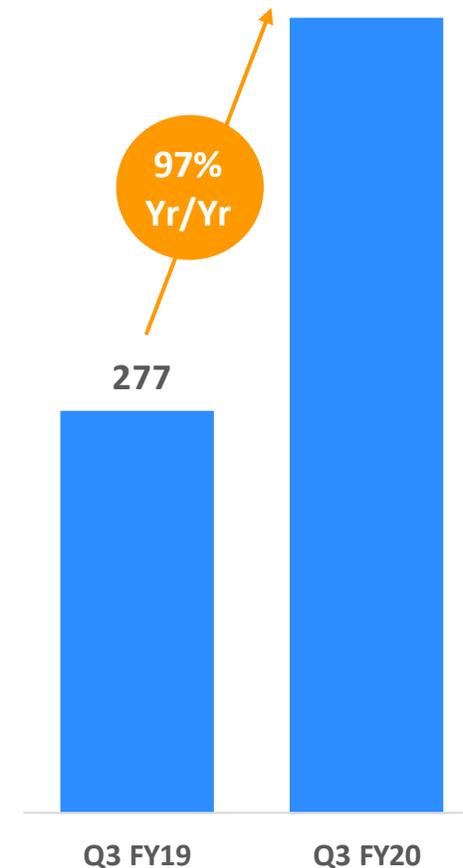


Rapidly Growing Customer Base & Enterprise Traction

Customers with Greater Than 10 Employees¹



Growth in Customers with >\$100K in Trailing 12-month Revenue



Strong Q3 Net Dollar Expansion Rate

TTM Net Dollar
Expansion Rate¹
>130%
In Q3 FY20

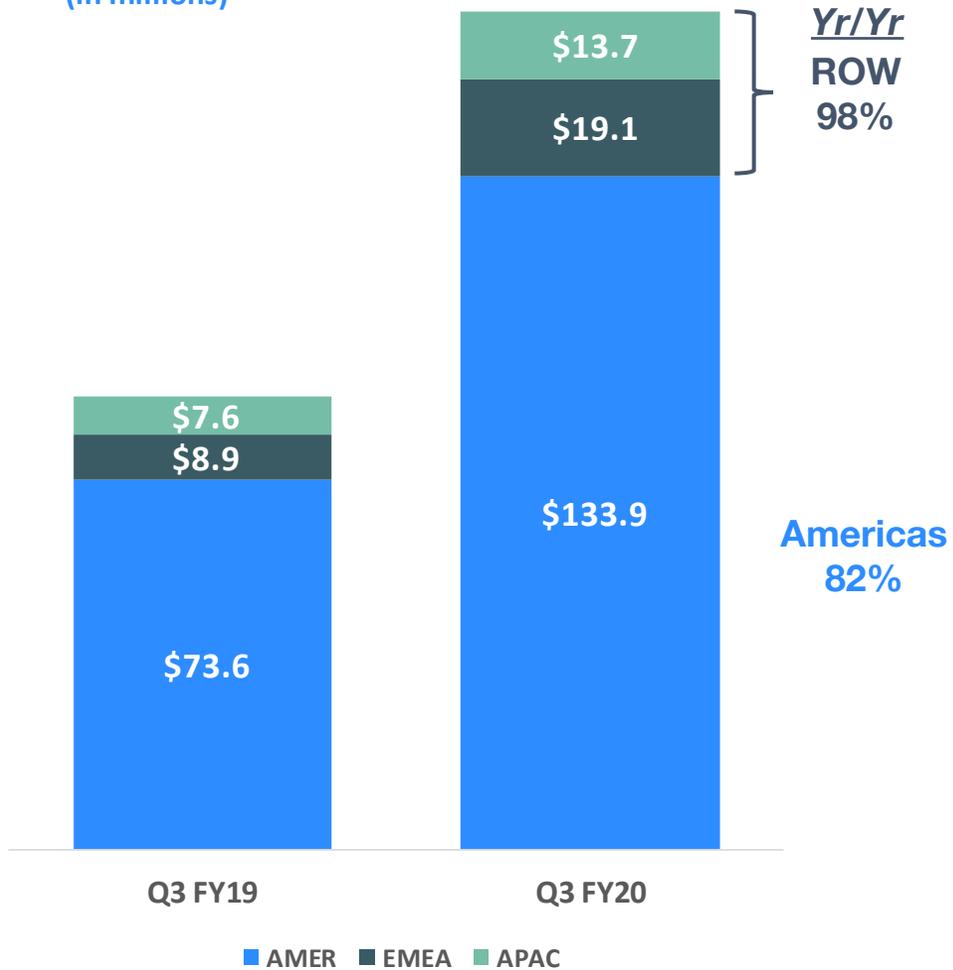
- Demonstrated Ability to Land and Expand
- Reflects Trust and Loyalty with Existing Customers
- Q3 Net Promoter Score (NPS) 70+

Quinnipiac
UNIVERSITY

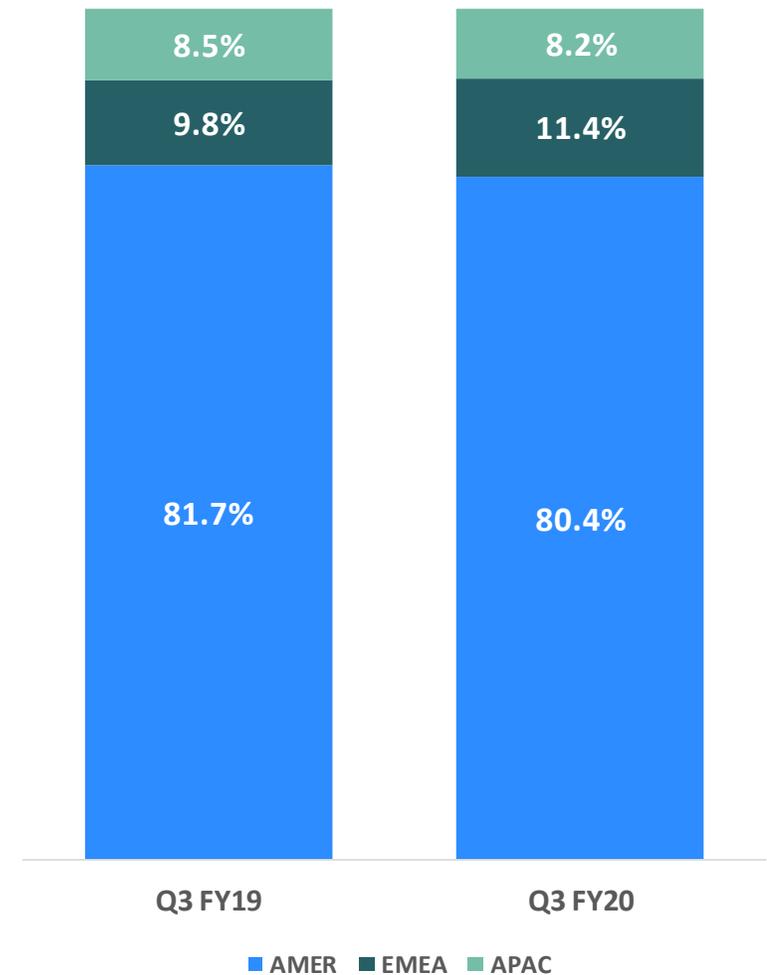
¹We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with greater than 10 employees as of the 12 months prior to such period end (Prior Period ARR). We then calculate the ARR from these customers as of the current period end (Current Period ARR). The calculation of Current Period ARR includes any upsells, contraction and attrition. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12-months calculation, we take an average of this calculation over the trailing 12 months.

Growing International Presence

Revenue¹
(in millions)



Revenue Share by Region

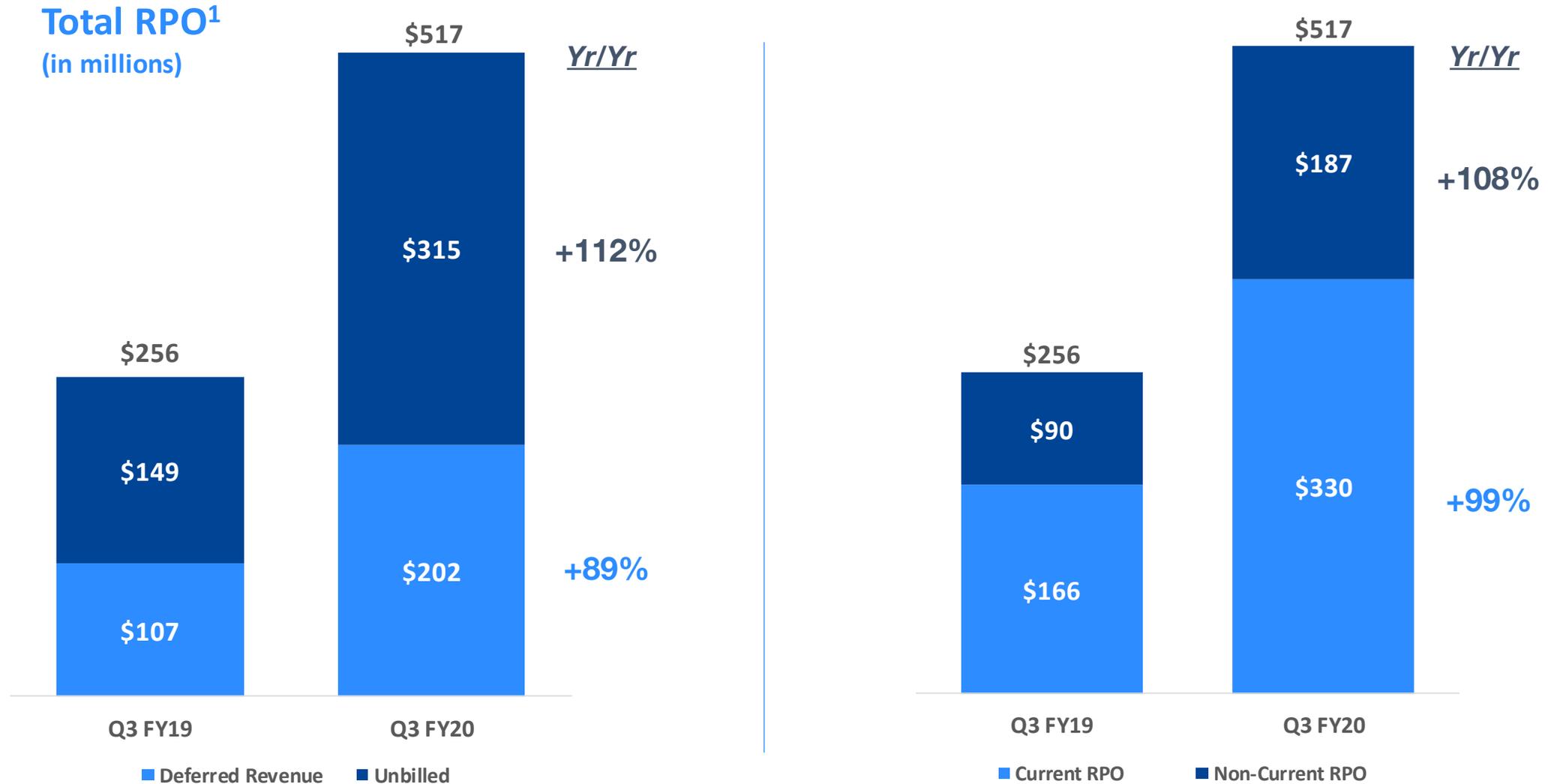


Q3 Expenses and Margins

	GAAP Results	Yr/Yr	Non-GAAP Results ¹	Yr/Yr
Revenue	\$167 million	85%	\$167 million	85%
Gross Margin	81.5%	+17bps	82.9%	125bps
Research & Development	10.5%	+68bps	8.4%	(108bps)
Sales & Marketing	57.7%	(166bps)	49.5%	(856bps)
General & Administrative	14.3%	+98bps	12.3%	(11bps)
Operating Margin	(1.0%)	+17bps	12.8%	+1,100bps

As a % of Revenue

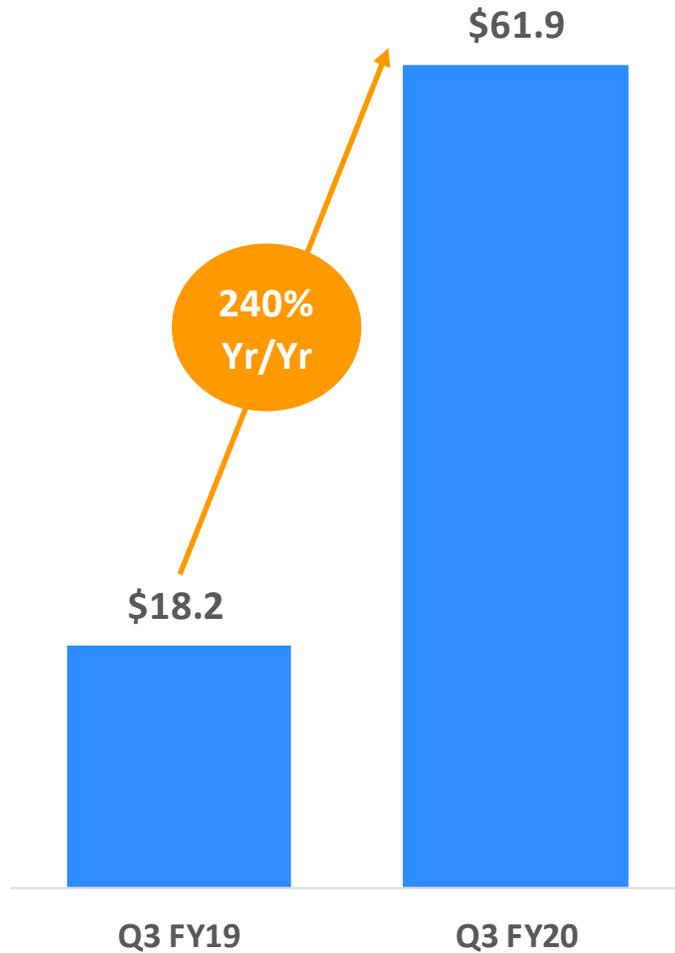
Growing Future Revenue Under Contract



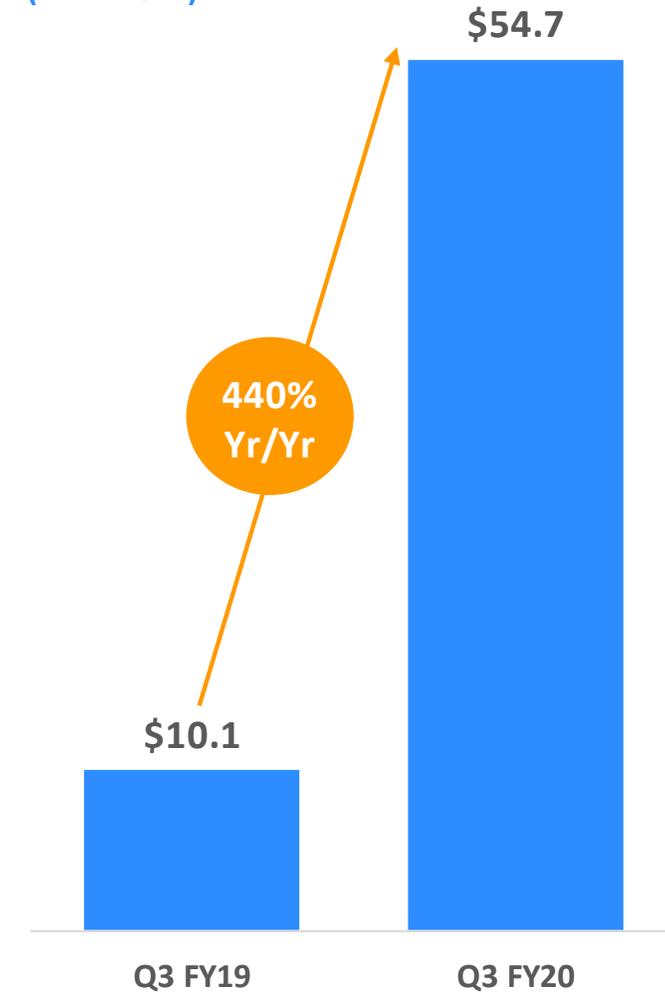
¹ Remaining performance Obligations (RPO) which consists of both billed consideration and unbilled consideration that we expect to recognize as revenue. We expect to recognize approximately 64% or \$330 million dollars of the total RPO as revenue over the next 12 months compared to 65% or \$166 million dollars in Q3 last year. Subtotals have been rounded.

Rapid Cash Flow Growth

Operating Cash Flow
(in millions)



Free Cash Flow¹
(in millions)



Q4 FY20 and Full Year Outlook

	Q4FY20	FY20	
Non-GAAP Outlook ¹	Revenue	\$175 - \$176 million	\$609 - \$610 million
	Non-GAAP Operating Income	\$17 - \$18 million	\$67 - \$68 million
	Weighted Average Share Count	296 million	293 million
	Non-GAAP EPS	\$0.07	\$0.27

Questions

Thank You

Appendix

GAAP to Non-GAAP Reconciliation

Gross Profit

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
Total Revenue	\$90,121	\$166,593	\$224,717	\$434,407
GAAP Gross Profit	\$73,278	\$135,748	\$183,241	\$351,558
(+) Stock-based compensation expense and related payroll taxes	\$317	\$2,374	\$542	\$5,126
Non-GAAP Gross Profit	\$73,595	\$138,122	\$183,783	\$356,684
Non-GAAP Gross Margin	82%	83%	82%	82%

R&D Expenses

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
GAAP R&D	\$8,893	\$17,573	\$22,206	\$46,410
(-) Stock-based compensation expense and related payroll taxes	(\$383)	(\$3,642)	(\$705)	(\$7,316)
Non-GAAP R&D	\$8,510	\$13,931	\$21,501	\$39,094

S&M Expenses

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
GAAP S&M	\$53,454	\$96,048	\$130,769	\$239,741
(-) Stock-based compensation expense and related payroll taxes	(\$1,154)	(\$13,636)	(\$2,042)	(\$27,076)
Non-GAAP S&M	\$52,300	\$82,412	\$128,727	\$212,665

G&A Expenses

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
GAAP G&A	\$11,994	\$23,806	\$29,591	\$63,264
(-) Stock-based compensation expense and related payroll taxes	(\$798)	(\$3,296)	(\$1,338)	(\$8,561)
Non-GAAP G&A	\$11,196	\$20,510	\$28,253	\$54,703

GAAP to Non-GAAP Reconciliation

Operating Margin

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
Total Revenue	\$90,121	\$166,593	\$224,717	\$434,407
GAAP Operating Profit	(\$1,063)	(\$1,679)	\$675	\$2,143
(+) Stock-based compensation expense and related payroll taxes	\$2,652	\$22,948	\$4,627	\$48,079
Non-GAAP Operating Profit	\$1,589	\$21,269	\$5,302	\$50,222
Non-GAAP Operating Margin	2%	13%	2%	12%

Free Cash Flow

(\$ in thousands)	QTD - Q3FY19	QTD - Q3FY20	YTD - Q3FY19	YTD - Q3FY20
Cash Flow from Operations	18,231	61,930	\$35,341	\$115,338
(-) Purchases of PPE	(\$8,094)	(\$7,195)	(\$18,121)	(\$28,132)
Free Cash Flow	\$10,137	\$54,735	\$17,220	\$87,206

Metrics Summary

Metric	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20
Revenue	\$60.1	\$74.5	\$90.1	\$105.8	\$122.0	\$145.8	\$166.6
<i>y/y</i>	125%	126%	120%	108%	103%	96%	85%
GAAP Operating Income	\$(1.7)	\$3.4	\$(1.1)	\$5.5	\$1.6	\$2.3	\$(1.7)
Stock Based Compensation & Related Payroll Taxes	\$0.8	\$1.1	\$2.7	\$4.3	\$6.7	\$18.5	\$22.9
Non-GAAP Operating Income	\$(0.8)	\$4.5	\$1.6	\$9.8	\$8.2	\$20.7	\$21.3
Operating Cash Flow	\$2.8	\$14.4	\$18.2	\$16.0	\$22.2	\$31.2	\$61.9
Capital Expenditures (Property, Equipment & Intangibles)	\$(3.9)	\$(6.2)	\$(8.1)	\$(12.3)	\$(6.9)	\$(14.0)	\$(7.2)
Free Cash Flow	\$(1.1)	\$8.2	\$10.1	\$3.7	\$15.3	\$17.1	\$54.7
RPO	\$166.1	\$210.5	\$256.0	\$311.7	\$376.5	\$457.6	\$517.0
<i>y/y</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	127%	117%	102%
TTM Net \$ Expansion Rate	N/A	138%	139%	140%	130%+	130%+	130%+
Customers >10 Employees	31.5k	37.2k	44.4k	50.8k	58.5k	66.3k	74.1k
<i>y/y</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	97%	86%	78%	67%
Customers >\$100K TTM Revenue	184	228	277	344	405	466	546
<i>y/y</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	141%	120%	104%	97%