

Zoom Video Communications

Q4 FY21 Earnings
March 1, 2021



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 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, 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 have been prepared by Zoom Video Communications, Inc. (“Zoom”) for informational purposes only and not for any other purpose. Nothing contained in this presentation is, or should be construed as, a recommendation, promise or representation by the presenter or Zoom or any officer, director, employee, agent or advisor of Zoom. This presentation does not purport to be all-inclusive or to contain all of the information you may desire. Information provided in this presentation and the accompanying oral presentation speak only as of the date hereof.

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 our financial outlook for the first quarter of fiscal year 2022 and full fiscal year 2022, estimated or projected costs, margins, expenditures, and investments, Zoom’s future results of operations and trends regarding the same, Zoom’s growth strategy and business aspirations for its video-first unified communications platform, its product strategy, its market position and opportunity, and the continued impact of the COVID-19 pandemic on its business and operations. 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, continued uncertainty regarding the extent and duration of the impact of COVID-19 and the responses of government and private industry thereto, including the potential effect on our user growth rate once the impact of the COVID-19 pandemic tapers, particularly as a vaccine becomes widely available, and users return to work or school or are otherwise no longer subject to shelter-in-place mandates, as well as 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, and failures in internet infrastructure or interference with broadband access, which could cause current or potential users to believe that our systems are unreliable.

Safe Harbor Statement (continued)

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 Zoom’s quarterly report on Form 10-Q for the quarter ended October 31, 2020 and filed as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on January 13, 2021. 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.

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.

Strong Zoom Phone Wins



USC University of
Southern California



®

EQUINIX

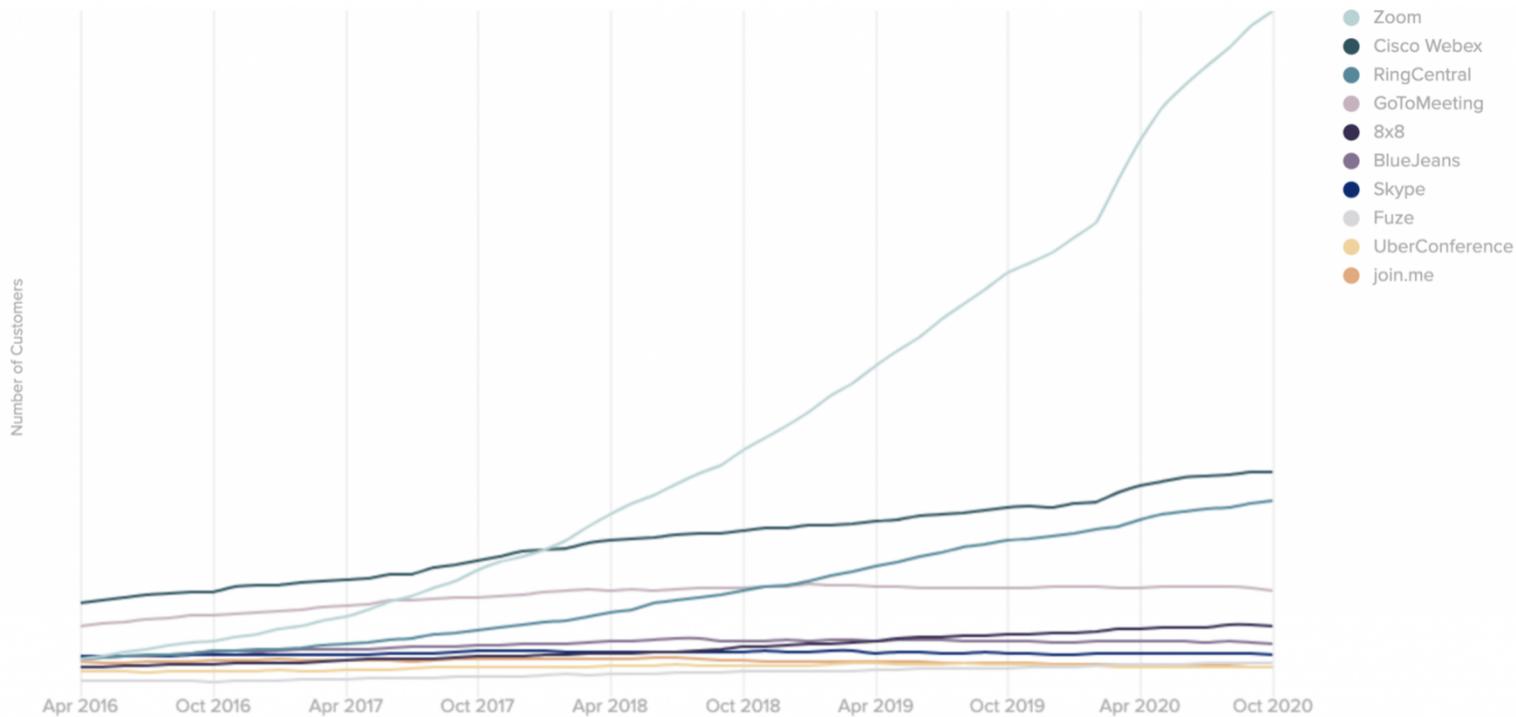


UNIVERSAL

UNIVERSAL MUSIC GROUP

Third Party Recognition for 2020 Achievements

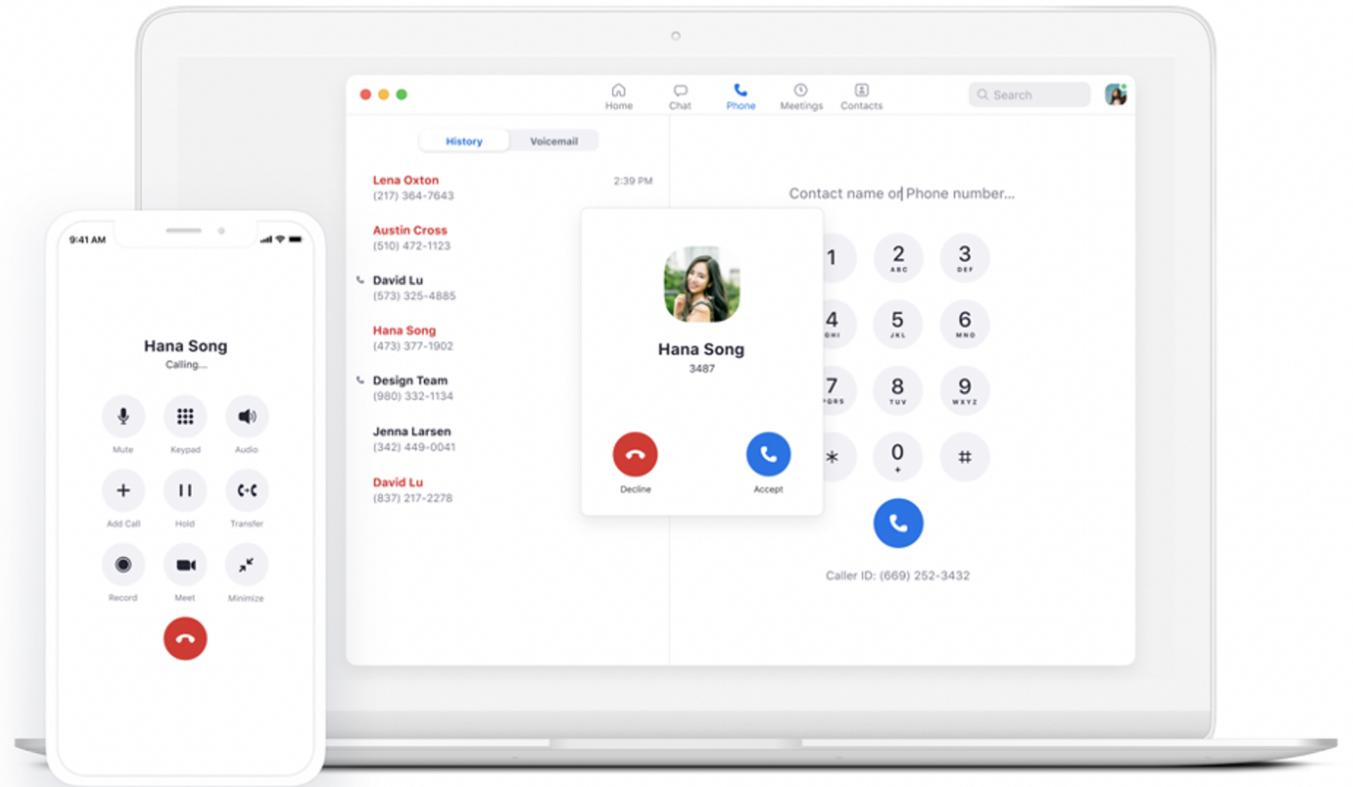
Okta's *Businesses at Work Report 2020*: Most Popular Video Conferencing Apps



F R O S T & S U L L I V A N

Massive Opportunity in Telephony

\$23B+
Total Addressable
Market by 2024*

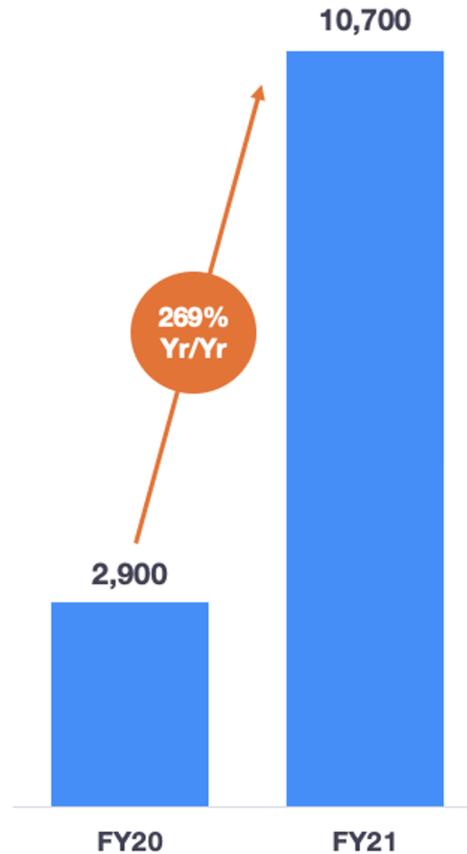


*IDC Report: Worldwide Unified Communications and Collaboration Forecast, 2020–2024

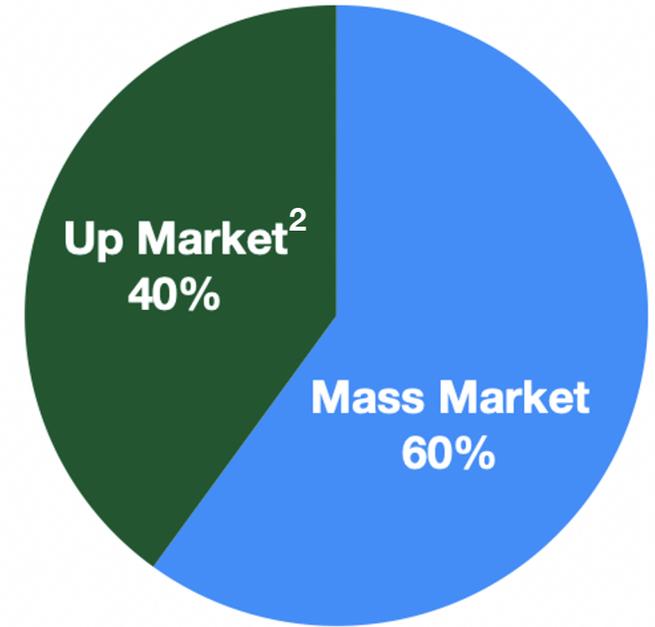
Zoom Phone Comes of Age



Growth in # of Zoom Phone customers¹ with >10 employees



FY21 Zoom Phone Revenue Breakdown



Strong FY21 Performance



Revenue Growth



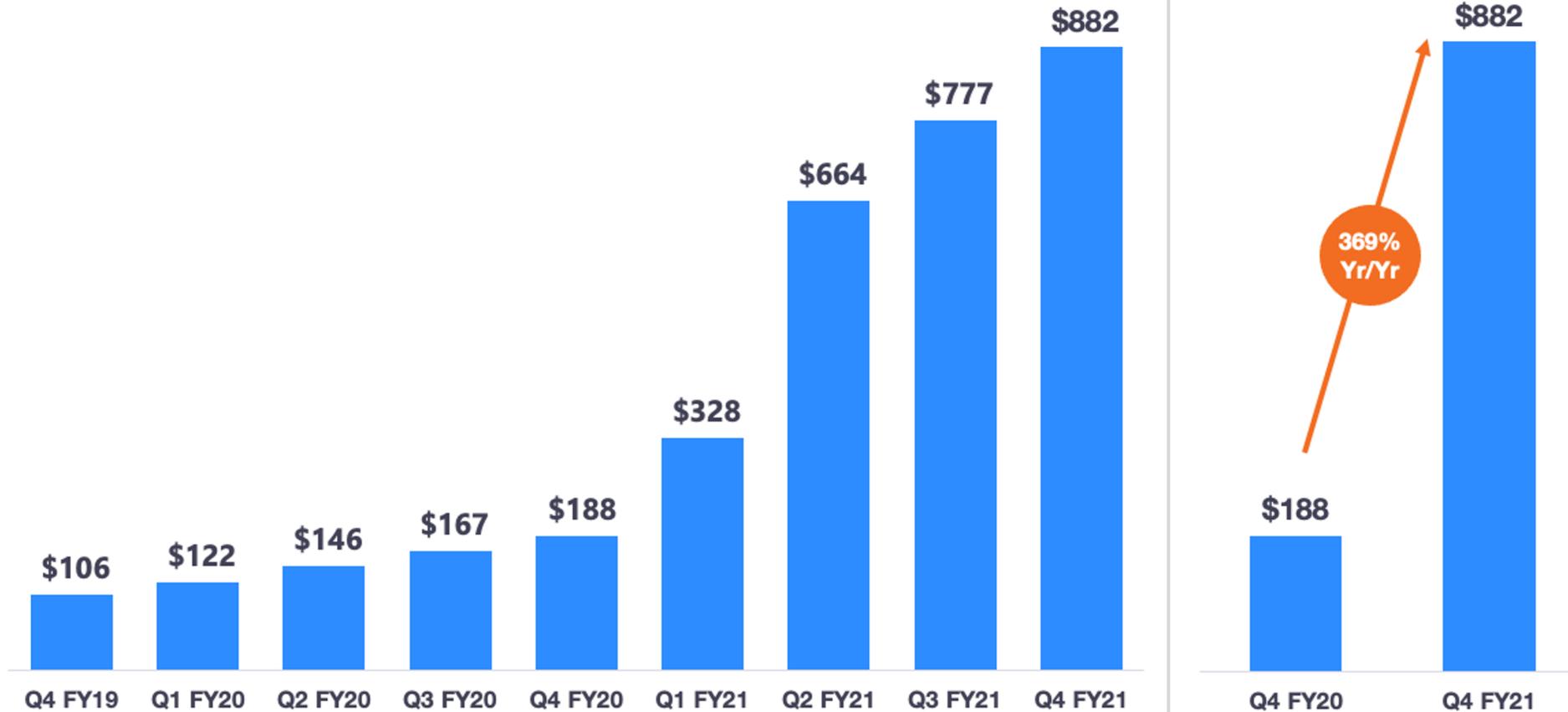
Non-GAAP Operating
Margin¹



Free Cash Flow¹

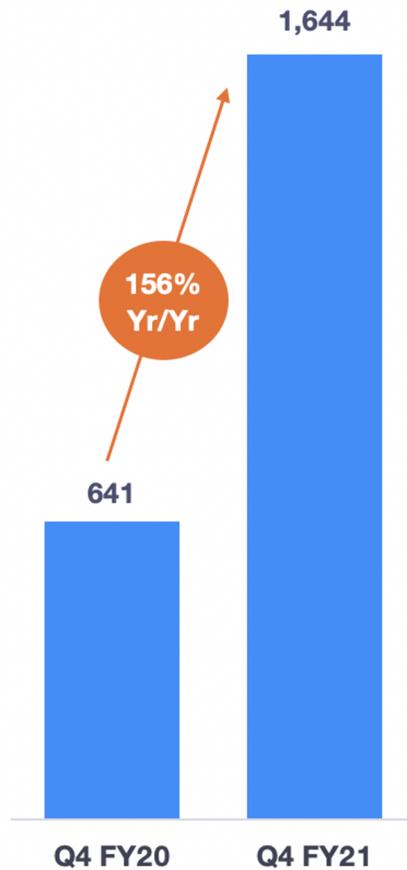
Rapid Revenue Growth in Q4

(in Millions)



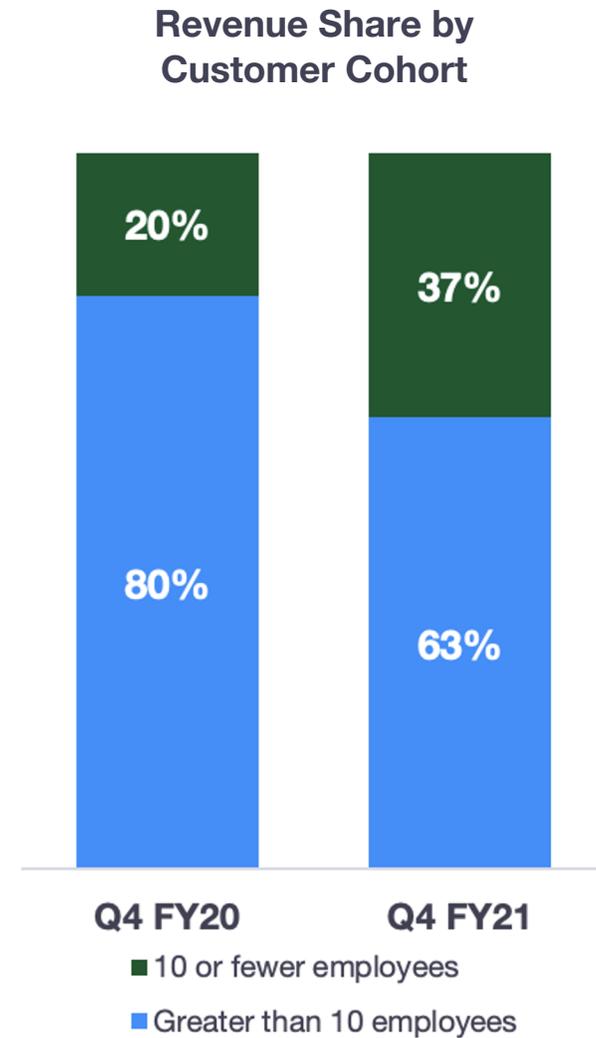
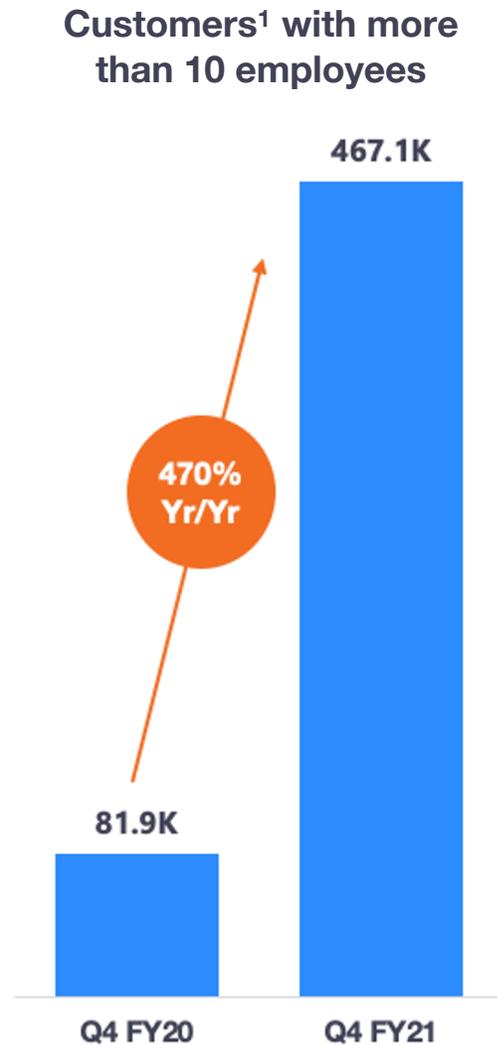
Enterprise Traction

Customers generating >\$100K in trailing 12 months revenue

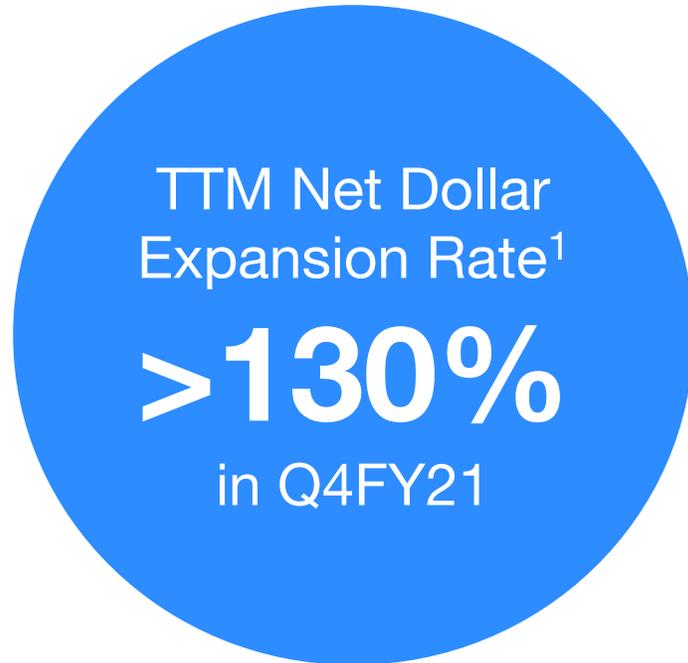


355
Record number
of quarterly net
adds for the
segment

Rapidly Growing Customer Base

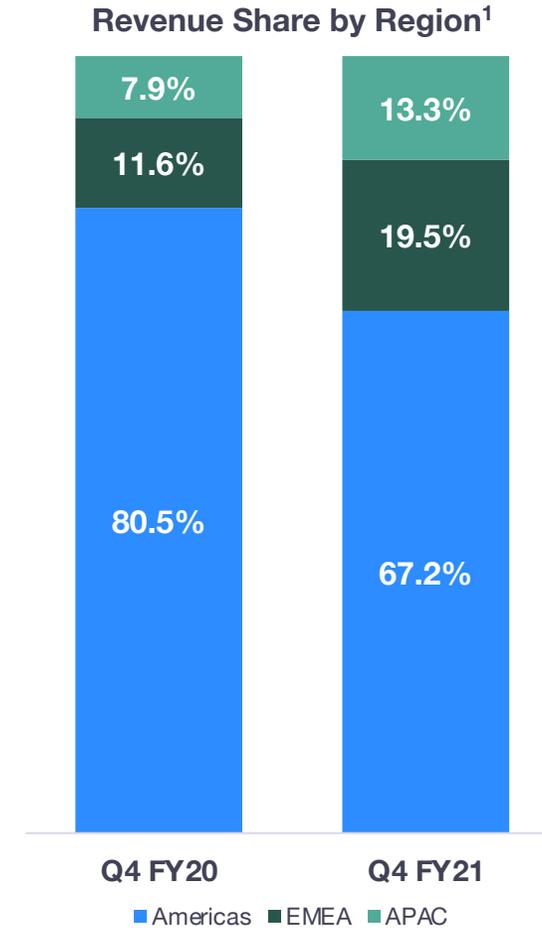
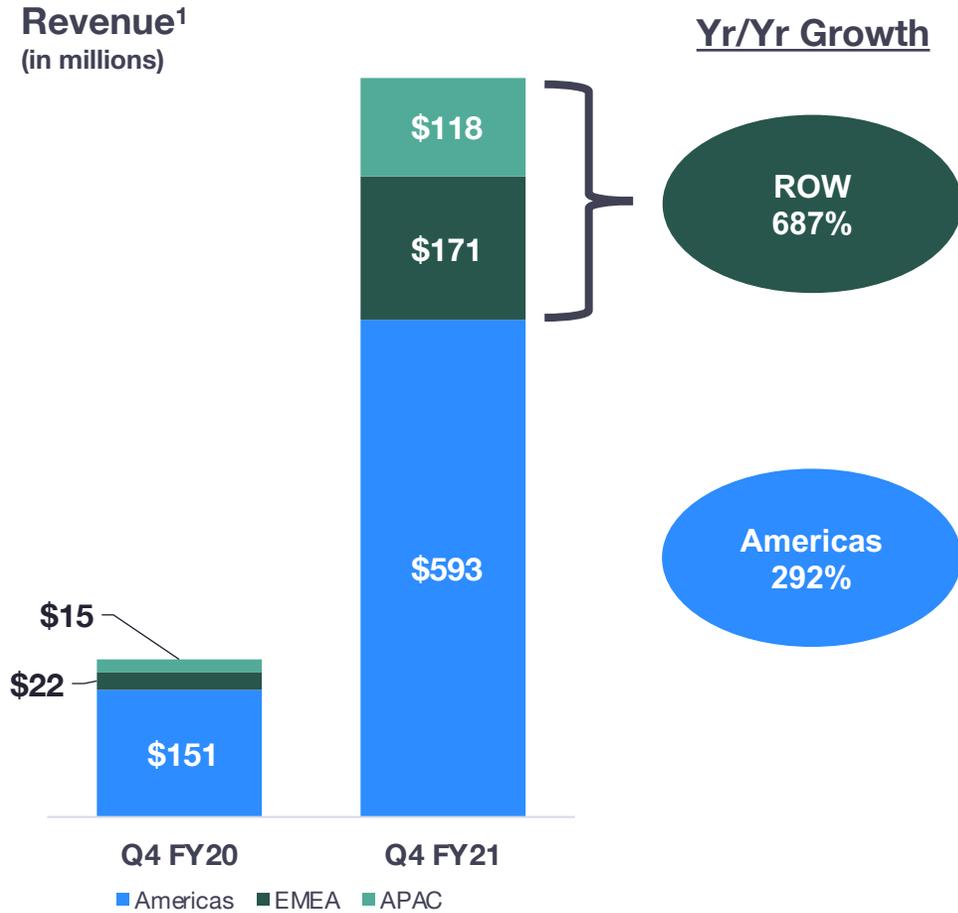


Strong Net Dollar Expansion Rate



- 11th consecutive quarter above 130%
- Demonstrated ability to land and expand
- Reflects trust and loyalty with existing customers

Growing International Presence

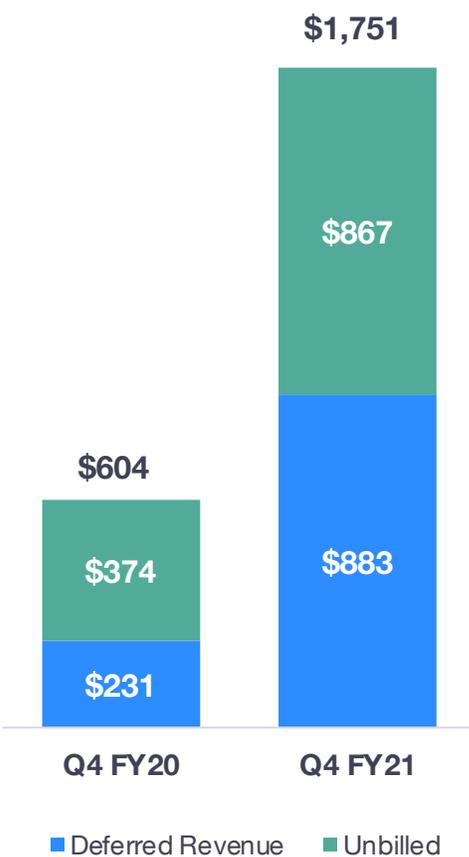


Q4 FY21 Expenses and Margins

	Q4 FY21			
	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$882 million	369%	\$882 million	369%
Gross Margin	69.7%	(1,300 bps)	71.3%	(1,295 bps)
Research & Development Margin	5.9%	(504 bps)	3.5%	(511 bps)
Sales & Marketing Margin	24.3%	(2,935 bps)	18.1%	(2,658 bps)
General & Administrative Margin	10.5%	(202 bps)	8.8%	(174 bps)
Operating Margin	29.0%	+2,342 bps	40.9%	+2,047 bps

Growing Future Revenue under Contract

Total RPO¹
(in millions)

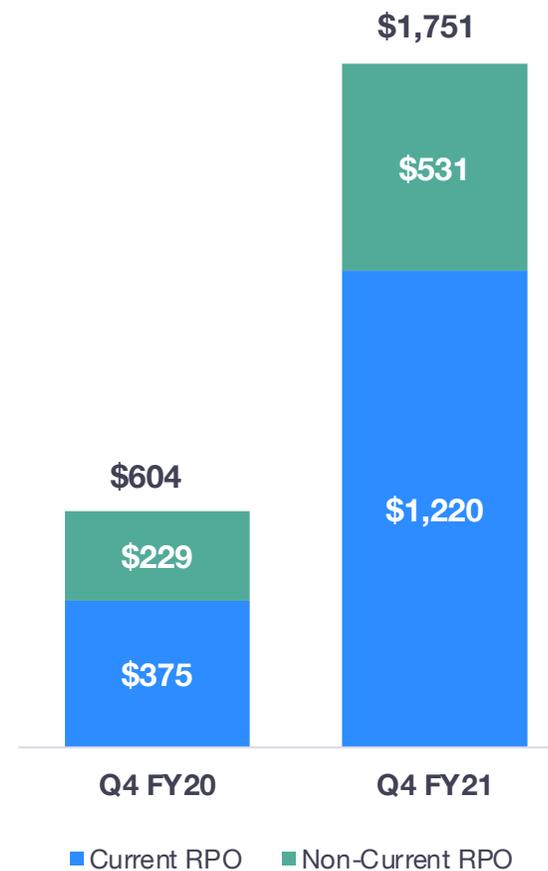


Yr/Yr Growth

132%

283%

Yr/Yr Growth

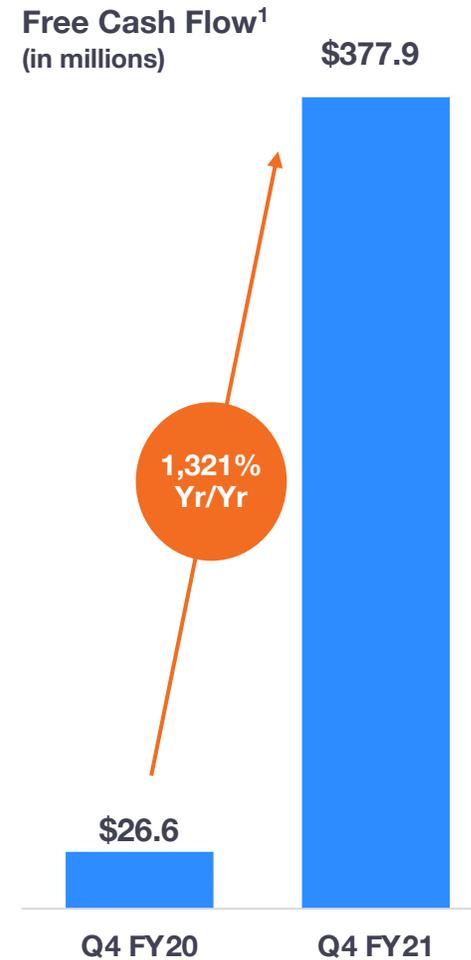
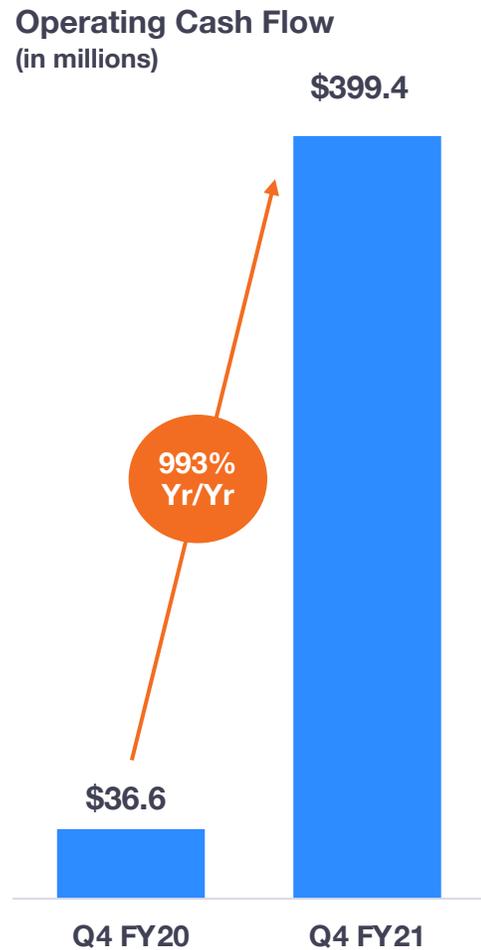


132%

225%

¹ Remaining Performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue, which grew 190% year over year. We expect to recognize approximately 70% or \$1.2 billion dollars of the total RPO as revenue over the next 12 months compared to 62% or \$375 million dollars in Q4 last year. Subtotals have been rounded.

Rapid Cash Flow Growth



Q1 and Full Fiscal Year 2022 Outlook

	Q1 FY22	FY22
Revenue	\$900 - \$905 million	\$3,760 - \$3,780 million
Non-GAAP Operating Income	\$295 - \$300 million	\$1,125 - \$1,145 million
Non-GAAP Weighted Average Share Count	307 million	311 million
Non-GAAP EPS	\$0.95 - \$0.97	\$3.59 - \$3.65

Note: 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.

\$1 Million Supporting Education Innovation

Our Six Grant Partners:



Questions

Thank you

Appendix

GAAP to Non-GAAP Reconciliation

(\$ in thousands)	Q4FY20	Q4FY21	FY20	FY21
Gross Profit				
Total Revenue	\$188,251	\$882,485	\$622,658	\$2,651,368
GAAP Gross Profit	\$155,704	\$615,201	\$507,262	\$1,829,379
(+) Stock-based compensation expense and related payroll taxes	\$2,874	\$13,162	\$8,000	\$36,223
(+) Acquisition-related expenses	-	\$698	-	\$1,020
Non-GAAP Gross Profit	\$158,578	\$629,061	\$515,262	\$1,866,622
Non-GAAP Gross Margin	84.2%	71.3%	82.8%	70.4%
R&D Expenses				
GAAP R&D	\$20,669	\$52,375	\$67,079	\$164,080
(-) Stock-based compensation expense and related payroll taxes	\$4,427	\$19,083	\$11,743	\$50,843
(-) Acquisition-related expenses	-	\$2,240	-	\$7,514
Non-GAAP R&D	\$16,242	\$31,052	\$55,336	\$105,723
S&M Expenses				
GAAP S&M	\$100,905	\$214,018	\$340,646	\$684,904
(-) Stock-based compensation expense and related payroll taxes	\$16,888	\$54,700	\$43,964	\$158,219
Non-GAAP S&M	\$84,017	\$159,318	\$296,682	\$526,685
G&A Expenses				
GAAP G&A	\$23,577	\$92,691	\$86,841	\$320,547
(-) Stock-based compensation expense, and related payroll taxes	\$3,703	\$14,908	\$12,264	\$45,547
(-) Charitable donation of common stock	-	-	-	\$23,312
(-) Acquisition-related expenses	-	-	-	\$744
Non-GAAP G&A	\$19,874	\$77,783	\$74,577	\$250,944

GAAP to Non-GAAP Reconciliation

(\$ in thousands)	Q4FY20	Q4FY21	FY20	FY21
Operating Margin				
Total revenue	\$188,251	\$882,485	\$622,658	\$2,651,368
GAAP operating profit	\$10,553	\$256,117	\$12,696	\$659,848
(+) Stock-based compensation expense and related payroll taxes	\$27,892	\$101,853	\$75,971	\$290,832
(+) Charitable donation of common stock	-	-	-	\$23,312
(+) Acquisition-related expenses	-	\$2,938	-	\$9,278
Non-GAAP operating profit	\$38,445	\$360,908	\$88,667	\$983,270
Non-GAAP operating margin	20.4%	40.9%	14.2%	37.1%
Net Income				
GAAP net income attributable to common stockholders	\$15,313	\$260,393	\$21,750	\$671,527
(+) Stock-based compensation expense and related payroll taxes	\$27,892	\$101,853	\$75,971	\$290,832
(+) Charitable donation of common stock	-	-	-	\$23,312
(+) Acquisition-related expenses	-	\$2,938	-	\$9,278
(+) Undistributed earnings attributable to participating securities	\$26	\$217	\$3,555	\$789
Non-GAAP net income	\$43,231	\$365,401	\$101,276	\$995,738
Earnings Per Share				
GAAP net income per share – diluted	\$0.05	\$0.87	\$0.09	\$2.25
Non-GAAP net income per share – diluted	\$0.15	\$1.22	\$0.35	\$3.34
Weighted Average Shares				
GAAP weighted-average – diluted	293M	301M	254M	298M
Non-GAAP weighted-average – diluted ¹	293M	301M	292M	298M

GAAP to Non-GAAP Reconciliation

(\$ in thousands)	Q4FY20	Q4FY21	FY20	FY21
Free Cash Flow				
Cash flow from operations	\$36,554	\$399,396	\$151,892	\$1,471,177
(-) Purchases of PPE	\$9,952	\$21,455	\$38,084	\$79,972
Free cash flow	\$26,602	\$377,941	\$113,808	\$1,391,205

Historic Metrics

Metric (\$ in millions)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Revenue	\$122.0	\$145.8	\$166.6	\$188.3	\$328.2	\$663.5	\$777.2	\$882.5
y/y	103%	96%	85%	78%	169%	355%	367%	369%
GAAP Operating Income (Loss)	\$1.6	\$2.3	\$(1.7)	\$10.6	\$23.4	\$188.1	\$192.2	\$256.1
Stock-based compensation expense, related payroll taxes, charitable donation of common stock & acquisition-related expenses	\$6.7	\$18.5	\$22.9	\$27.9	\$31.2	\$88.9	\$98.5	\$104.8
Non-GAAP Operating Income	\$8.2	\$20.7	\$21.3	\$38.4	\$54.6	\$277.0	\$290.8	\$360.9
Operating Cash Flow	\$22.2	\$31.2	\$61.9	\$36.6	\$259.0	\$401.3	\$411.5	\$399.4
Capital Expenditures (Property & Equipment)	\$(6.9)	\$(14.0)	\$(7.2)	\$(10.0)	\$(7.3)	\$(28.0)	\$(23.3)	\$(21.5)
Free Cash Flow	\$15.3	\$17.1	\$54.7	\$26.6	\$251.7	\$373.4	\$388.2	\$377.9
RPO	\$376.5	\$457.6	\$517.0	\$604.1	\$1067.9	\$1415.8	\$1631.2	\$1750.9
y/y	127%	117%	102%	94%	184%	209%	215%	190%
TTM Net \$ Expansion Rate	130%+	130%+	130%+	130%+	130%+	130%+	130%+	130%+
Customers >10 Employees	58.5k	66.3k	74.1k	81.9k	265.4k	370.2k	433.7k	467.1k
y/y	86%	78%	67%	61%	354%	458%	485%	470%
Customers >\$100K TTM Revenue	405	466	546	641	769	988	1,289	1,644
y/y	120%	104%	97%	86%	90%	112%	136%	156%