

Zoom Video Communications

Q1 FY22 Earnings
June 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 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



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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 second quarter of fiscal year 2022 and full fiscal year 2022, Zoom’s growth strategy and business aspirations to lead the evolution to hybrid work. 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.

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 year ended January 31, 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.

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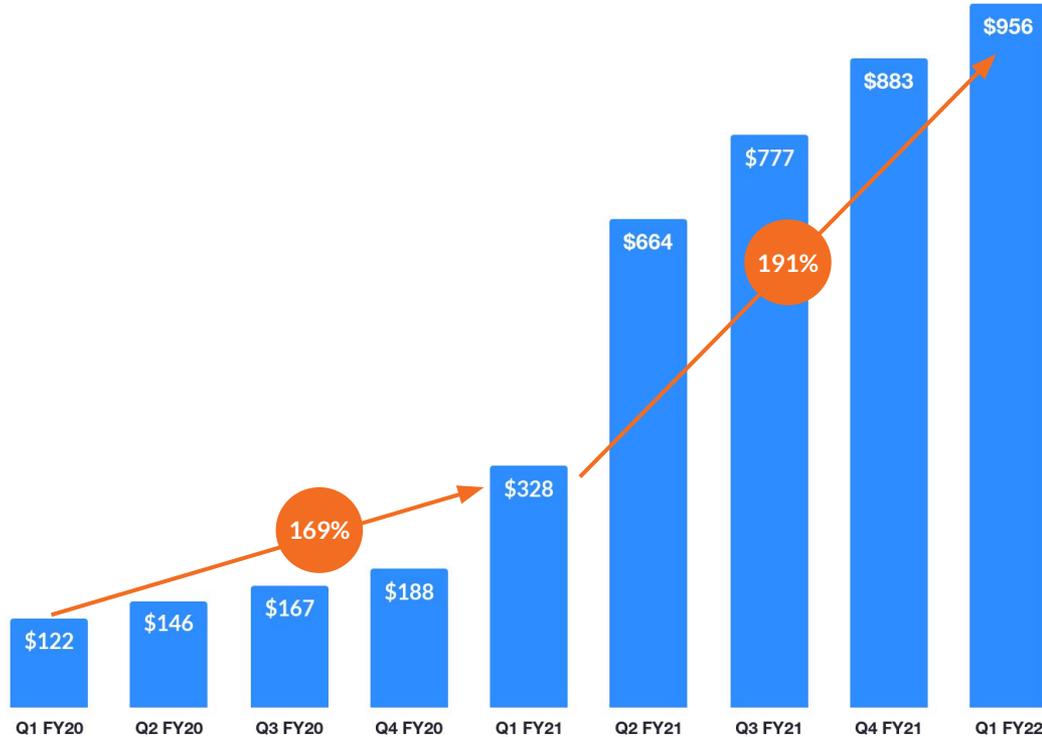


FAST COMPANY

**The 10 most innovative workplace
companies of 2021**

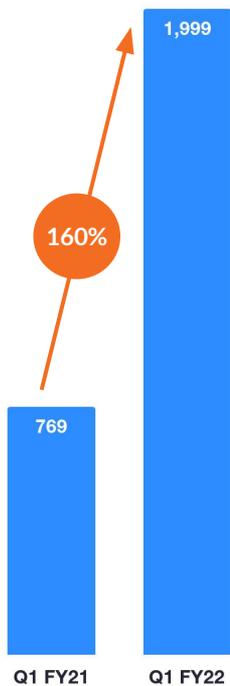
Strong revenue growth in Q1

(in millions)

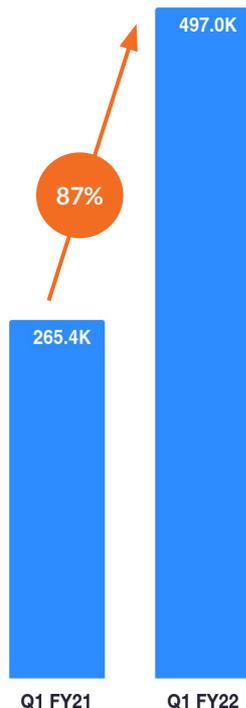


Customer base growing rapidly

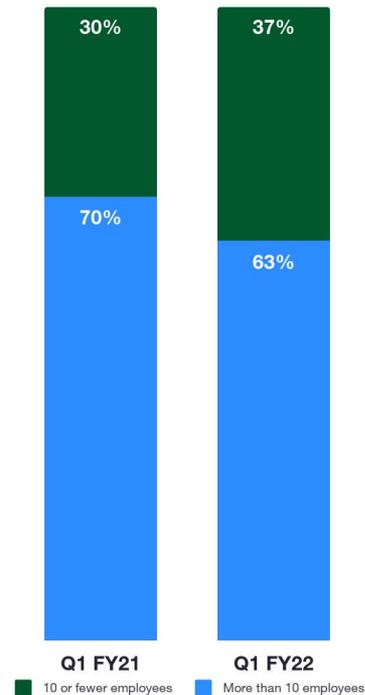
Customers generating >\$100K in trailing 12-month revenue



Customers¹ with more than 10 employees



Revenue Share by Customer Cohort



Strong Net Dollar Expansion Rate

TTM Net Dollar
Expansion Rate¹

>130%

in Q1FY22

- 12th consecutive quarter above 130%
- Demonstrated ability to land and expand
- Reflects trust and loyalty with existing customers

¹We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with more 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)

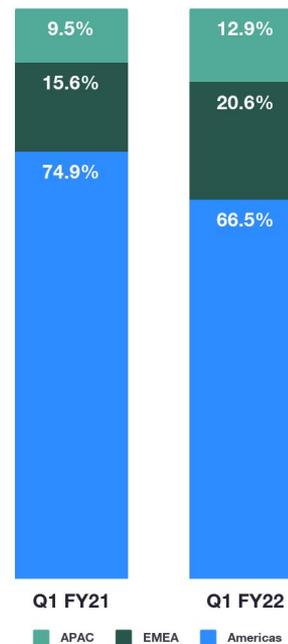


Yr/Yr Growth

ROW
288%

Americas
159%

Revenue Share by
Region¹



Q1 FY22 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$956 million	191%	\$956 million	191%
Gross Margin	72.3%	+389 bps	73.9%	+446 bps
R & D Margin	6.8%	(123 bps)	4.3%	(207 bps)
S & M Margin	25.7%	(1,135 bps)	20.0%	(1,158 bps)
G & A Margin	16.1%	(8 bps)	7.7%	(716 bps)
Operating Margin	23.7%	+1,654 bps	41.9%	+2,528 bps

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

Growing future revenue under contract

Total RPO¹
(in millions)



Yr/Yr Growth

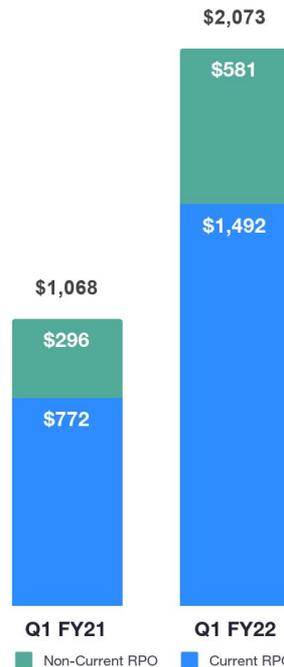
Unbilled
90%

Deferred Revenue
98%

Yr/Yr Growth

Non-Current
96%

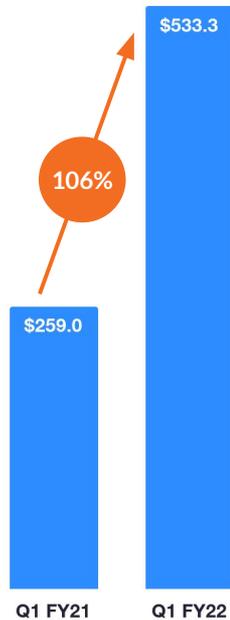
Current
93%



¹ Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue, which grew 94% year over year. We expect to recognize approximately 72% or \$1.5 billion dollars of the total RPO as revenue over the next 12 months compared to 72% or \$772 million dollars in Q1 last year. Subtotals have been rounded.

Rapid cash flow growth

Operating Cash Flow
(in millions)



Free Cash Flow¹
(in millions)



¹ See appendix for a reconciliation of non-GAAP to GAAP financial measures. We define FCF as GAAP net cash provided by operating activities less purchases of property and equipment. We ended Q1'22 with approximately \$4.7 billion dollars in cash, cash equivalents and marketable securities, excluding restricted cash.

Q2 and Fiscal Year 2022 outlook

	Q2 FY22	FY22
Outlook ¹		
Revenue	\$985 - \$990 million	\$3,975 - \$3,990 million
Non-GAAP Operating Income	\$355 - \$360 million	\$1,425 - \$1,440 million
Weighted Average Share Count	311 million	311 million
Non-GAAP EPS	\$1.14 - \$1.15	\$4.56 - \$4.61

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.

Progressing in our ESG journey

Released first annual [Social Impact Report](#) and launched [ESG Website](#)



Product

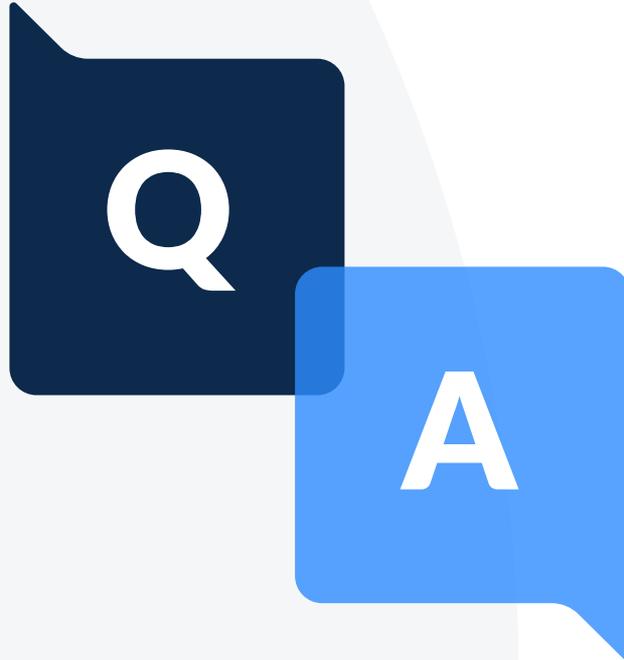
- **125,000** K-12, primary, and secondary school domains in 25 countries received Zoom's education service for free
- **95 billion** minutes of free meeting access provided to K-12, primary, and secondary schools
- **9,000** licenses donated for free to 58 nonprofit organizations
- **55 million** metric tons of carbon emissions avoided in CY20, based on our estimates, through enabling work-from-home and reducing business travel



Philanthropy

- **\$6,055,000** in grant funding from Zoom to 80 nonprofit organizations
- **\$683,000** in grant funding from Zoom Employees to 575 nonprofit organizations

Note: unless otherwise noted, figures above represent Zoom's aggregate efforts in FY21 and FY22 year-to-date and are rounded



Thank You



zoom

Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q1 FY21	Q1 FY22
Gross Profit		
Total Revenue	\$328,167	\$956,237
GAAP Gross Profit	\$224,460	\$691,243
(+) Stock-based compensation expense and related payroll taxes	\$3,382	\$14,644
(+) Acquisition-related expense	-	\$692
Non-GAAP Gross Profit	\$227,842	\$706,579
Non-GAAP Gross Margin	69.4%	73.9%
R&D Expenses		
GAAP R&D	\$26,389	\$65,175
(-) Stock-based compensation expense and related payroll taxes	\$(5,403)	\$(21,186)
(-) Acquisition-related expense	-	\$(2,592)
Non-GAAP R&D	\$20,986	\$41,397
S&M Expenses		
GAAP S&M	\$121,556	\$245,667
(-) Stock-based compensation expense and related payroll taxes	\$(18,025)	\$(54,750)
Non-GAAP S&M	\$103,531	\$190,917
G&A Expenses		
GAAP G&A	\$53,130	\$154,089
(-) Stock-based compensation expense and related payroll taxes	\$(3,436)	\$(13,795)
(-) Litigation settlements, net	-	\$(66,916)
(-) Charitable donation of common stock	\$(1,000)	-
Non-GAAP G&A	\$48,694	\$73,378

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q1 FY21	Q1 FY22
Operating Profit		
Total Revenue	\$328,167	\$956,237
GAAP Operating Profit	\$23,385	\$226,312
(+) Stock-based compensation expense and related payroll taxes	\$30,246	\$104,375
(+) Litigation settlements, net	-	\$66,916
(+) Charitable donation of common stock	\$1,000	-
(+) Acquisition-related expense	-	\$3,284
Non-GAAP Operating Profit	\$54,631	\$400,887
Non-GAAP Operating Margin	16.6%	41.9%
Net Income		
GAAP net income attributable to common stockholders	\$27,036	\$227,383
(+) Stock-based compensation expense and related payroll taxes	\$30,246	\$104,375
(+) Litigation settlements, net	-	\$66,916
(+) Charitable donation of common stock	\$1,000	-
(+) Acquisition-related expenses	-	\$3,284
(+) Undistributed earnings attributable to participating securities	\$39	\$148
Non-GAAP net income	\$58,321	\$402,106
Earnings Per Share		
GAAP net income per share -diluted	\$0.09	\$0.74
Non-GAAP net income per share -diluted	\$0.20	\$1.32
Weighted Average Shares		
GAAP and Non-GAAP weighted-average -diluted	295,184,958	305,412,419

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q1 FY21	Q1 FY22
Free Cash Flow		
Cash Flow from Operations	\$258,965	\$533,302
(-) Purchases of PPE	\$(7,272)	\$(79,074)
Free Cash Flow	\$251,693	\$454,228
Net Cash Used in Investing Activities	\$(63,034)	\$(1,219,978)
Net Cash Provided by (Used in) Financing Activities	\$228,126	\$(6,279)

Historic Metrics

(\$ in millions)

	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
Revenue	\$145.8	\$166.6	\$188.3	\$328.2	\$663.5	\$777.2	\$882.5	\$956.2
<i>Y/Y growth</i>	96%	85%	78%	169%	355%	367%	369%	191%
GAAP Operating Income	\$2.3	\$(1.7)	\$10.6	\$23.4	\$188.1	\$192.2	\$256.1	\$226.3
Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and litigation settlements, net	\$18.5	\$22.9	\$27.9	\$31.2	\$88.9	\$98.5	\$104.8	\$174.6
Non-GAAP Operating Income	\$20.7	\$21.3	\$38.4	\$54.6	\$277.0	\$290.8	\$360.9	\$400.9
Operating Cash Flow	\$31.2	\$61.9	\$36.6	\$259.0	\$401.3	\$411.5	\$399.4	\$533.3
Capital Expenditures	\$(14.0)	\$(7.2)	\$(10.0)	\$(7.3)	\$(28.0)	\$(23.3)	\$(21.5)	\$(79.1)
Free Cash Flow	\$17.1	\$54.7	\$26.6	\$251.7	\$373.4	\$388.2	\$377.9	\$454.2
RPO	\$457.6	\$517.0	\$604.1	\$1,067.9	\$1,415.8	\$1,631.2	\$1,750.9	\$2,073.4
<i>Y/Y growth</i>	117%	102%	94%	184%	209%	215%	190%	94%
TTM Net \$ Expansion Rate	>130%	>130%	>130%	>130%	>130%	>130%	>130%	>130%
Customers >10 Employees	66,300	74,100	81,900	265,400	370,200	433,700	467,100	497,000
<i>Y/Y growth</i>	78%	67%	61%	354%	458%	485%	470%	87%
Customers >\$100K TTM Revenue	466	546	641	769	988	1,289	1,644	1,999
<i>Y/Y growth</i>	104%	97%	86%	90%	112%	136%	156%	160%