

# Zoom Video Communications

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Q2 FY21 Earnings  
August 31, 2020



# 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.

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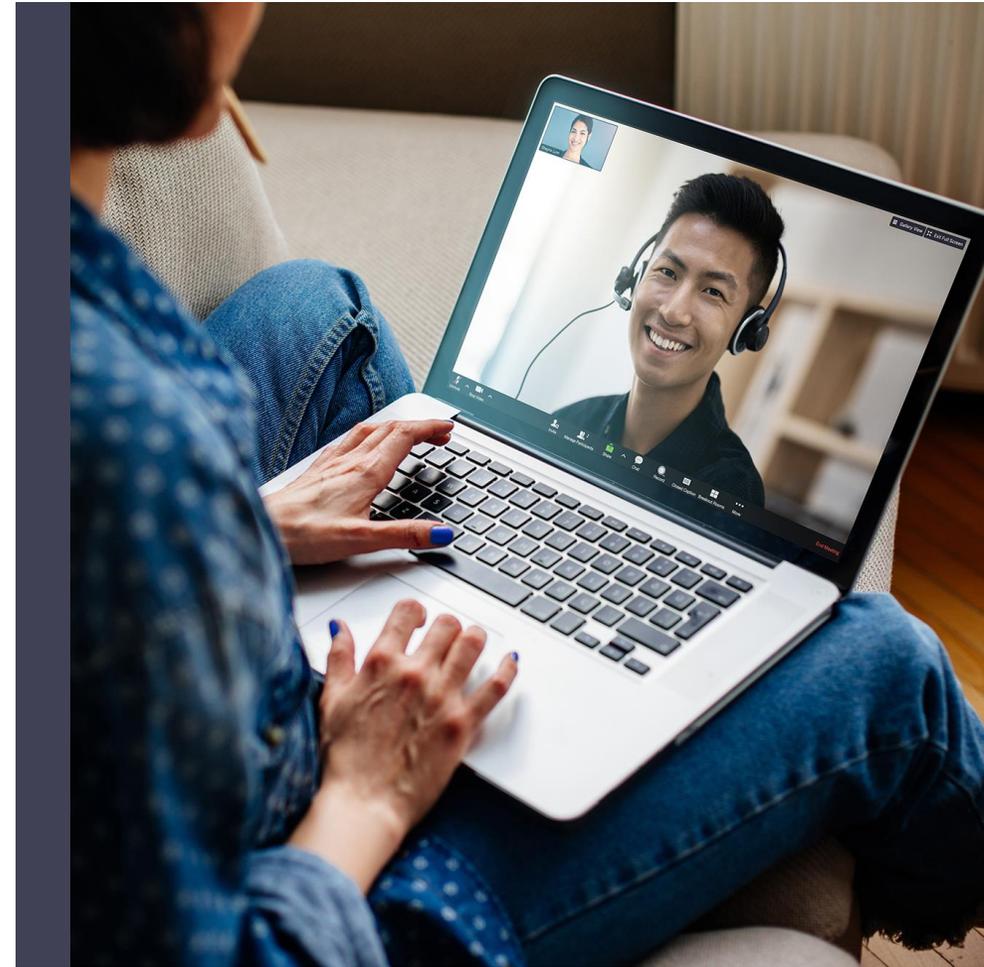
This presentation and the accompanying oral presentation include express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “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 reputation in the market, our estimated and projected costs, margins, revenue, expenditures, investments, growth rates, and guidance for the third fiscal quarter 2021 and full fiscal year 2021 as well as trends regarding the same, our future results of operations or financial condition, our plans and objectives for future operations, growth, initiatives, or strategies and the impact to our business from the COVID-19 pandemic. 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 do not expect to sustain our revenue growth rate in the future, there is continued uncertainty regarding the extent and duration of the COVID-19 and the responses of government and private industry thereto, 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 business as well as overall distributed face-to-face interactions and collaboration using Zoom, 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 fiscal quarter ended April 30, 2020. 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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# Strong Q2 FY21 Performance



Revenue Growth



Growth in Customers with  
> 10 employees



Participants in virtual  
Zoom Academy

# Business and Technology Highlights

- Completion of 90-day plan on security and privacy
- Launch of Zoom Hardware as a Service with subscription options for phone and meeting room hardware to help customers minimize friction around hardware procurement
- Launch of Zoom for Home to support remote work use cases
- Zoom Phone approved for FedRAMP and is generally available in more than 40 countries and territories

# New and Existing Zoom Customers

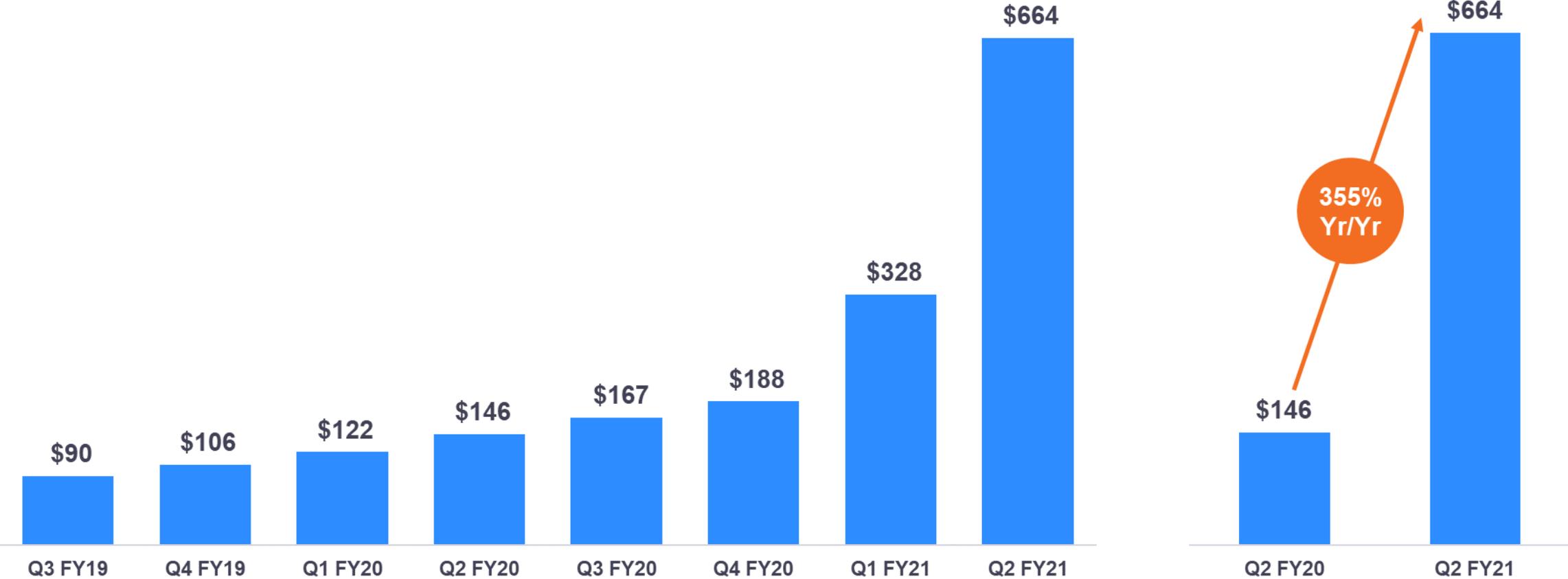
**ExxonMobil**

**ACTIVISION  
BLIZZARD**

**servicenow®**

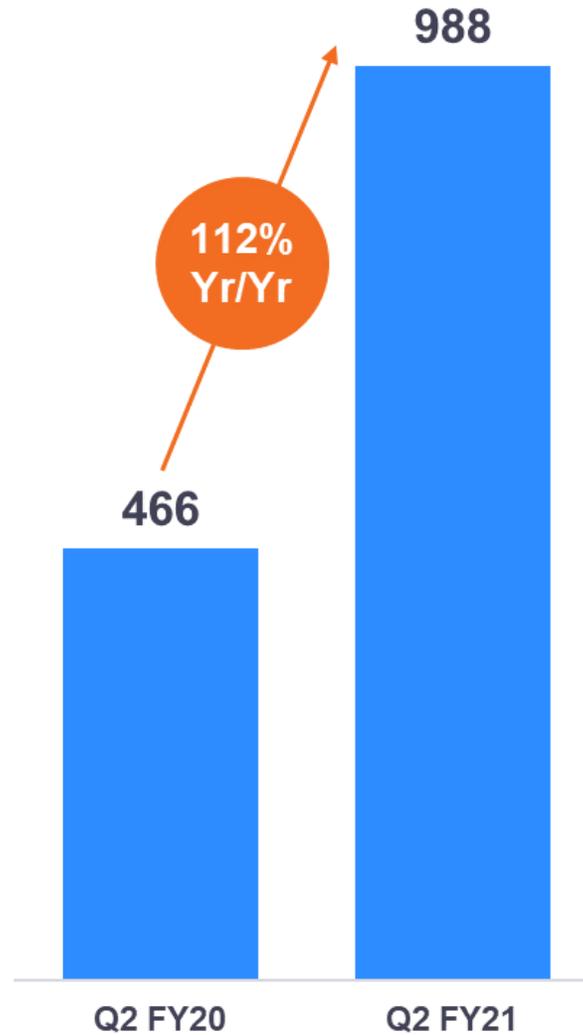
# Rapid Revenue Growth

(in Millions)



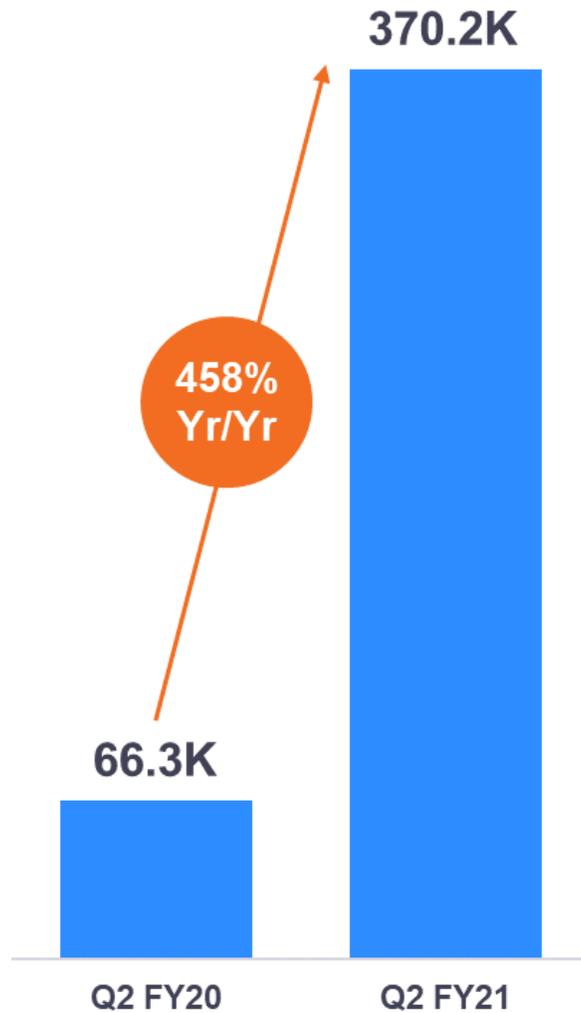
# Enterprise Traction

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



# Rapidly Growing Customer Base

Customers<sup>1</sup> with more than 10 employees

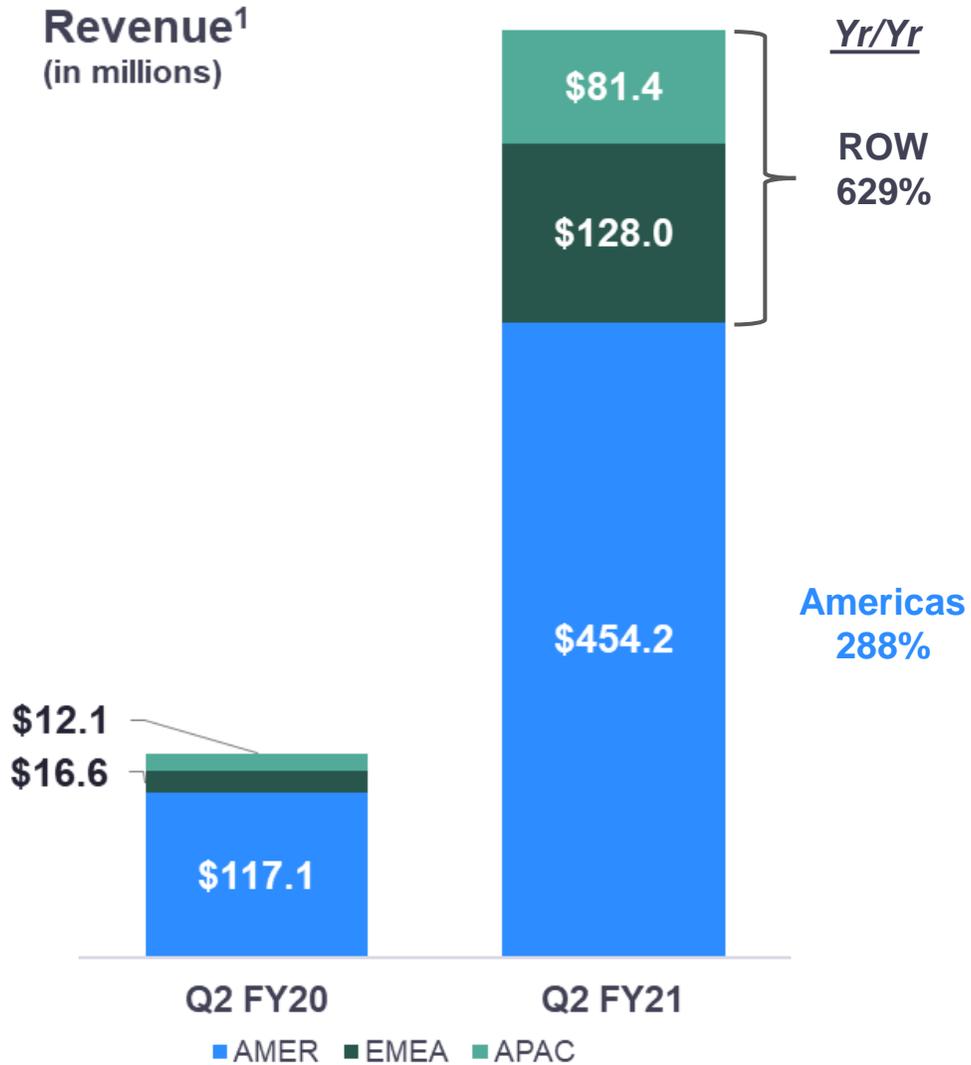


# Strong Q2 Net Dollar Expansion Rate

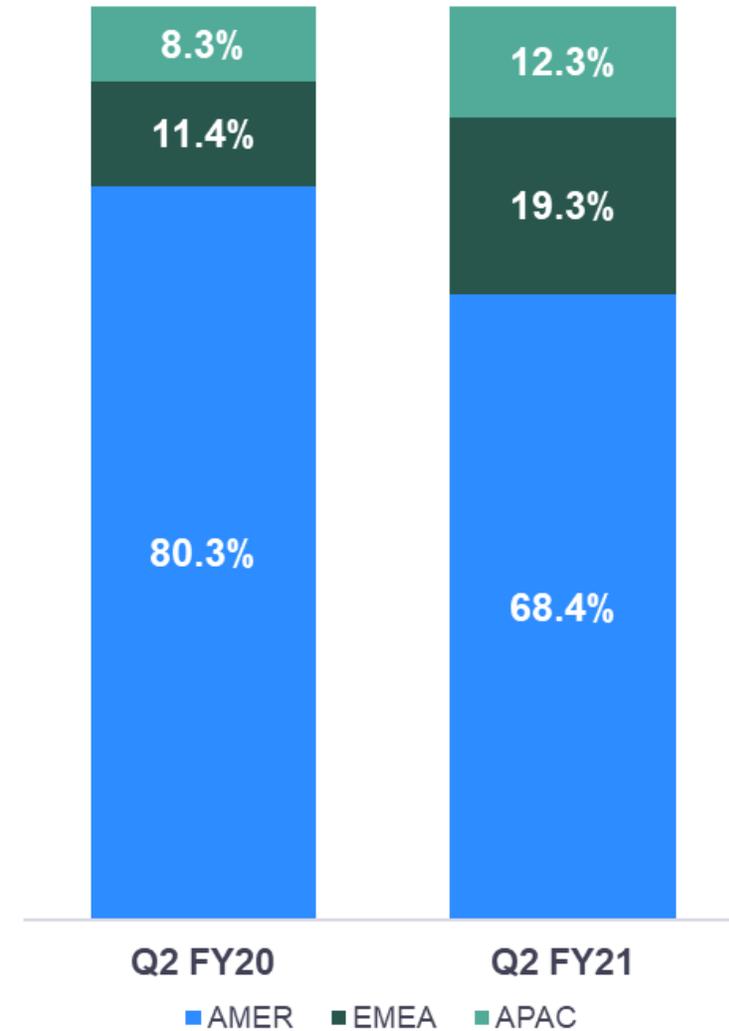


- 9<sup>th</sup> consecutive quarter above 130%
- Demonstrated ability to Land and Expand
- Reflects trust and loyalty with existing customers

# Growing International Presence



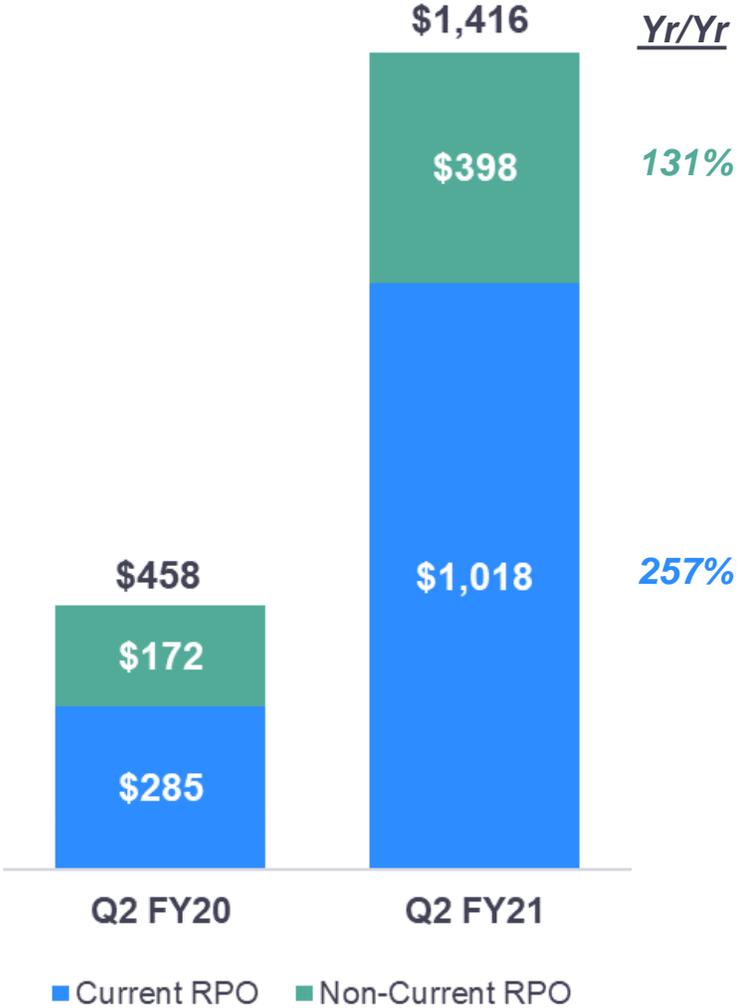
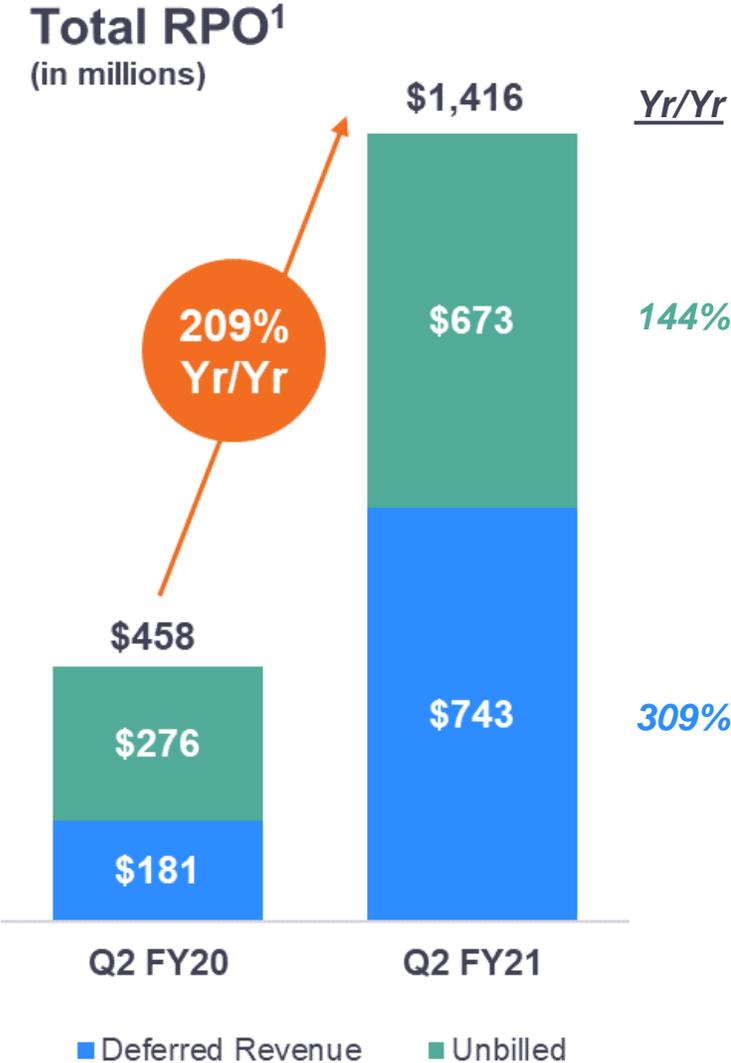
## Revenue Share by Region



# Q2 FY21 Expenses and Margins

		Q2 FY21			
		GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr
As a % of Revenue	Revenue	\$664 million	355%	\$664 million	355%
	Gross Margin	71.0%	(985bps)	72.3%	(993bps)
	Research & Development	6.4%	(388bps)	4.3%	(430bps)
	Sales & Marketing	24.0%	(3,063bps)	18.5%	(2,871bps)
	General & Administrative	12.2%	(213bps)	7.7%	(444bps)
	Operating Margin	28.3%	+2,680bps	41.7%	+2,752bps

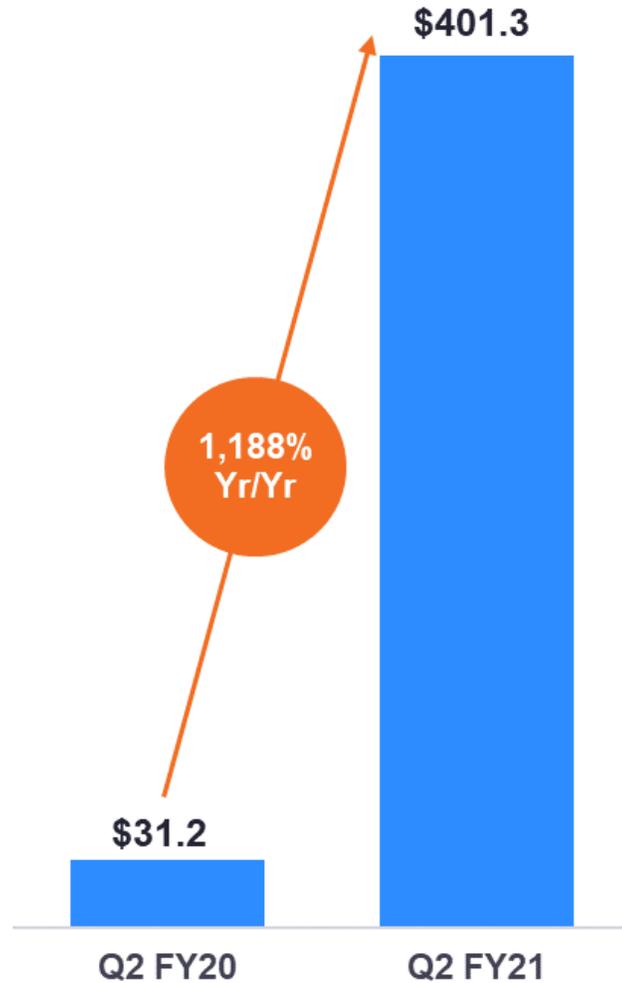
# Growing Future Revenue under Contract



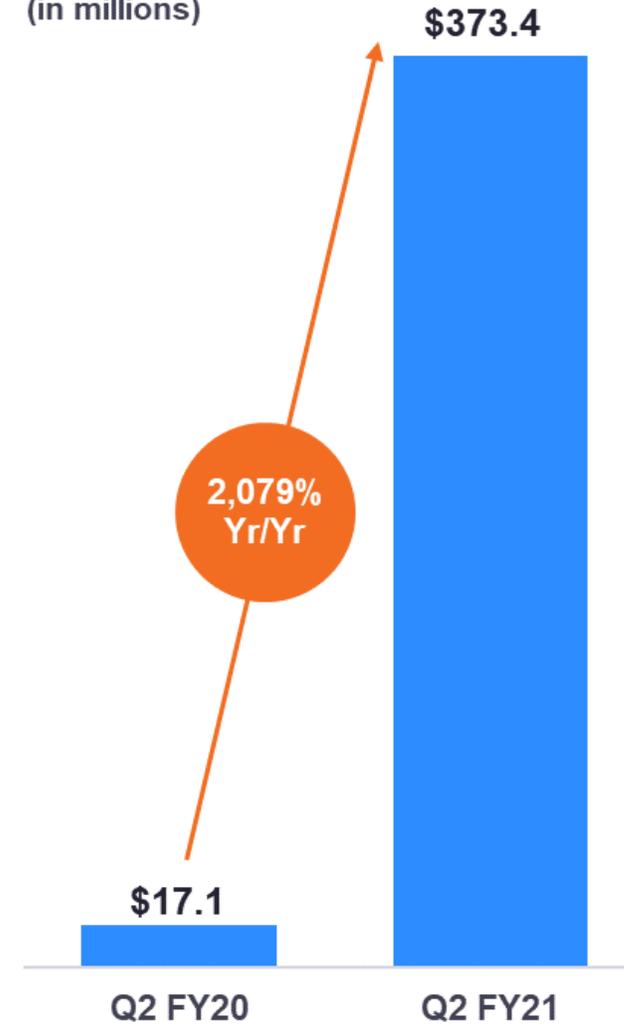
<sup>1</sup> Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue, which grew 209% year-over-year. We expect to recognize approximately 72% or \$1 billion dollars of the total RPO as revenue over the next 12 months compared to 62% or \$285 million dollars in Q2 last year. Subtotals have been rounded.

# Rapid Cash Flow Growth

Operating Cash Flow  
(in millions)



Free Cash Flow<sup>1</sup>  
(in millions)



# Q3 FY21 and Full Year Outlook

	Q3 FY21	FY21
Revenue	\$685 - \$690 million	\$2,370 - \$2,390 million
Non-GAAP Operating Income	\$225 - \$230 million	\$730 - \$750 million
Weighted Average Share Count	300 million	300 million
Non-GAAP EPS	\$0.73 - \$0.74	\$2.40 - \$2.47

Outlook<sup>1</sup>

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# Zoom User Conference

Oct. 14-15, 2020 | A Virtual Experience



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# Questions

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**Thank you**

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# Appendix

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# GAAP to Non-GAAP Reconciliation

## Gross Profit

(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Total Revenue	\$145,826	\$663,520	\$267,814	\$991,687
GAAP Gross Profit	\$117,926	\$471,249	\$215,810	\$695,709
(+) Stock-based compensation expense and related payroll taxes	\$1,922	\$8,059	\$2,752	\$11,441
(+) Acquisition-related expenses	-	\$154	-	\$154
Non-GAAP Gross Profit	\$119,848	\$479,462	\$218,562	\$707,304
Non-GAAP Gross Margin	82.2%	72.3%	81.6%	71.3%

## R&D Expenses

GAAP R&D	\$15,054	\$42,734	\$28,837	\$69,123
(-) Stock-based compensation expense and related payroll taxes	\$2,510	\$10,166	\$3,674	\$15,569
(-) Acquisition-related expenses	-	\$4,006	-	\$4,006
Non-GAAP R&D	\$12,544	\$28,562	\$25,163	\$49,548

## S&M Expenses

GAAP S&M	\$79,652	\$159,173	\$143,693	\$280,729
(-) Stock-based compensation expense and related payroll taxes	\$10,813	\$36,429	\$13,440	\$54,454
Non-GAAP S&M	\$68,839	\$122,744	\$130,253	\$226,275

## G&A Expenses

GAAP G&A	\$20,955	\$81,238	\$39,458	\$134,368
(-) Stock-based compensation expense, and related payroll taxes	\$3,224	\$6,948	\$5,265	\$10,384
(-) Charitable donation of common stock	-	\$22,312	-	\$23,312
(-) Acquisition-related expenses	-	\$782	-	\$782
Non-GAAP G&A	\$17,731	\$51,196	\$34,193	\$99,890

# GAAP to Non-GAAP Reconciliation

## Operating Margin

(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Total revenue	\$145,826	\$663,520	\$267,814	\$991,687
GAAP operating profit	\$2,265	\$188,104	\$3,822	\$211,489
(+) Stock-based compensation expense and related payroll taxes	\$18,469	\$61,602	\$25,131	\$91,848
(+) Charitable donation of common stock	-	\$22,312	-	\$23,312
(+) Acquisition-related expenses	-	\$4,942	-	\$4,942
Non-GAAP operating profit	\$20,734	\$276,960	\$28,953	\$331,591
Non-GAAP operating margin	14.2%	41.7%	10.8%	33.4%

## Net Income

GAAP net income attributable to common stockholders	\$5,521	\$185,742	\$4,961	\$212,759
(+) Stock-based compensation expense and related payroll taxes	\$18,469	\$61,602	\$25,131	\$91,848
(+) Charitable donation of common stock	-	\$22,312	-	\$23,312
(+) Acquisition-related expenses	-	\$4,942	-	\$4,942
(+) Undistributed earnings attributable to participating securities	\$20	\$247	\$2,794	\$305
Non-GAAP net income	\$24,010	\$274,845	\$32,886	\$333,166

## Earnings Per Share

GAAP net income per share – diluted	\$0.02	\$0.63	\$0.02	\$0.72
Non-GAAP net income per share – diluted	\$0.08	\$0.92	\$0.11	\$1.12

## Weighted Average Shares

GAAP weighted-average – diluted	292M	297M	216M	296M
Non-GAAP weighted-average - diluted	292M	297M	291M	296M

# GAAP to Non-GAAP Reconciliation

## Free Cash Flow

(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Cash flow from operations	\$31,172	\$401,346	\$53,408	\$660,311
(-) Purchases of PPE	\$14,040	\$27,981	\$20,937	\$35,253
Free cash flow	\$17,132	\$373,365	\$32,471	\$625,058

# Historic Metrics

Metric (\$ in millions)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Revenue	\$90.1	\$105.8	\$122.0	\$145.8	\$166.6	\$188.3	\$328.2	\$663.5
y/y	120%	108%	103%	96%	85%	78%	169%	355%
GAAP Operating Income	\$(1.1)	\$5.5	\$1.6	\$2.3	\$(1.7)	\$10.6	\$23.4	\$188.1
Stock-based compensation expense, related payroll taxes, charitable donation of common stock & acquisition-related expenses	\$2.7	\$4.3	\$6.7	\$18.5	\$22.9	\$27.9	\$31.2	\$88.9
Non-GAAP Operating Income	\$1.6	\$9.8	\$8.2	\$20.7	\$21.3	\$38.4	\$54.6	\$277.0
Operating Cash Flow	\$18.2	\$16.0	\$22.2	\$31.2	\$61.9	\$36.6	\$259.0	\$401.3
Capital Expenditures (Property & Equipment)	\$(8.1)	\$(10.3)	\$(6.9)	\$(14.0)	\$(7.2)	\$(10.0)	\$(7.3)	\$(28.0)
Free Cash Flow	\$10.1	\$5.7	\$15.3	\$17.1	\$54.7	\$26.6	\$251.7	\$373.4
RPO	\$256.0	\$311.7	\$376.5	\$457.6	\$517.0	\$604.1	\$1067.9	\$1415.8
y/y	n/a	n/a	127%	117%	102%	94%	184%	209%
TTM Net \$ Expansion Rate	139%	140%	130%+	130%+	130%+	130%+	130%+	130%+
Customers >10 Employees	44.4k	50.8k	58.5k	66.3k	74.1k	81.9k	265.4k	370.2k
y/y	n/a	97%	86%	78%	67%	61%	354%	458%
Customers >\$100K TTM Revenue	277	344	405	466	546	641	769	988
y/y	n/a	141%	120%	104%	97%	86%	90%	112%