

# Zoom Video Communications

Q1 FY23 Earnings  
May 23, 2022



# 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 R&D expense, non-GAAP S&M expense, non-GAAP G&A expense, non-GAAP operating margin, non-GAAP operating income, non-GAAP EPS, Free Cash Flow, adjusted Free Cash Flow and adjusted Free Cash Flow margin. 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 contain express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding Zoom's financial outlook for the second quarter and full fiscal year 2023; Zoom's expectations regarding financial and business trends; Zoom's market position, opportunities, growth strategy and business aspirations; and product initiatives and the expected benefits of such initiatives. 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, our ability to realize the anticipated benefits related to our acquisition of Solvvy, 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 as the impact of the COVID-19 pandemic tapers, particularly as vaccines become widely available and distributed, and users return to work or school or are otherwise no longer subject to limitations on in-person meetings, 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, failures in internet infrastructure or interference with broadband access, which could cause current or potential users to believe that our systems are unreliable, market volatility, and global security concerns and their potential impact on regional and global economies and supply chains.

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, 2022. 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.

# Zoom acquires Solvvy to bolster contact center offering

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**zoom** | Contact Center

+

 Solvvy

- Accelerates our expansion in Conversational AI, a \$18.4B projected market by 2026<sup>1</sup>
- Broadens Zoom Contact Center offering with Solvvy's automated, integrated and easy-to-deploy service center
- Aligns culturally with our focus on delivering customer happiness

<sup>1</sup>Markets and Markets: *Conversational AI Market - Global Forecast to 2026*, October 2021

# Launch of Zoom Whiteboard & Zoom IQ for Sales



**zoom** New Meeting Join Meeting Schedule Share Screen

SALES CENTER

- Dashboard
- Conversations**
- Deals
- Coaching
- Analytics
- Administration and Settings

[Back](#)

### Happy ABC Intro

Nov 8, 2021 05:16 PM - 34 min

Overview Audio Transcript Clips

**Happy ABC**

Deal 15 Zoom Phone

Close Date Dec 31, 2020

Stage at Time of Conversation 2. Intro

Deal Size \$ 1,248.9M USD

HOST CONVERSATION METRICS

<b>87</b> Engagement	<b>74</b> Sentiment
Team Talk Time	57% <span>🟢</span>
Longest Monologue	10 seconds <span>🟡</span>
Filler Words	3 words/min <span>🟡</span>
Talk Speed	10 words/min <span>🟡</span>
Patience	10 <span>🟢</span>
Time on Slides	24 min <span>🟢</span>
Engaging Questions	7 <span>🟢</span>
Next Steps	2 <span>🟢</span>
Risks	1 <span>🟢</span>
Competitors Mentioned	4
Features Mentioned	2

SCORES

**7.3** /10 **Blueprint of a productive discovery**  
Description of this score template can be two lines long  
Description of this score template can be two lines long... [View Detail](#)

# Strong Wins show enduring case for Zoom Phone and early potential of Zoom Contact Center

**Humana**®

**AVIS**®

  
**Lumio**™  
by SMART

**TEAM**Health®



**FranklinCovey**

# Zoom creates value for customers in numerous ways

A study<sup>1</sup> commissioned by Zoom and conducted by Forrester Consulting, found that the composite model organization using Zoom could lead to:

Up to  
**52**  
minutes

**Added productivity per  
employee per week**

**70%**

**Improvement in sales  
teams' time-to-value  
of sales**

**75%**

**Reduction in internal IT  
support troubleshooting  
time**

<sup>1</sup> The Total Economic Impact™ Of Zoom's Unified Communications Platform, a commissioned study conducted by Forrester Consulting, February 2022

# Continued top-line expansion

(in millions)

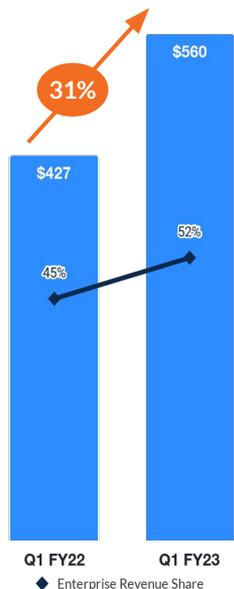


## Q1 Highlights

- Strong growth in revenue from Enterprise
- Enterprise renewal rates improved YoY
- Hit 3M Zoom Phone Seats during first quarter
- Offset by macro/geopolitical headwinds, Online volatility, FX impact

# Strong growth in Enterprise, with incremental spend

## Enterprise Revenue (in millions)



## Enterprise Customers<sup>1</sup>



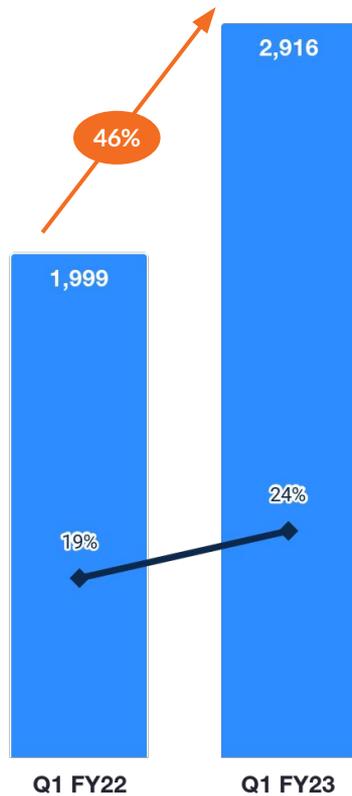
TTM Net Dollar  
Expansion Rate  
for Enterprise  
Customers<sup>2</sup>

**123%**  
in Q1 FY23

<sup>1</sup>The number of customers is rounded down to the nearest hundred. Enterprise Customers refers to customers who have been engaged by Zoom's direct sales team, channel partners, or independent software vendor (ISV) partners. All other customers are referred to as Online Customers.

<sup>2</sup>We calculate net dollar expansion rate as of a period end by starting with the annual recurring revenue (ARR) from Enterprise customers as of 12 months prior (Prior Period ARR). We define ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. We calculate ARR by taking the monthly recurring revenue (MRR) and multiplying it by 12. MRR is defined as the recurring revenue run-rate of subscription agreements from all Enterprise customers for the last month of the period, including revenue from monthly subscribers who have not provided any indication that they intend to cancel their subscriptions. We then calculate the ARR from these Enterprise customers as of the current period end (Current Period ARR), which includes any upsells, contraction, and attrition. We divide the Current Period ARR by the Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12 months calculation, we take an average of the net dollar expansion rate over the trailing 12 months.

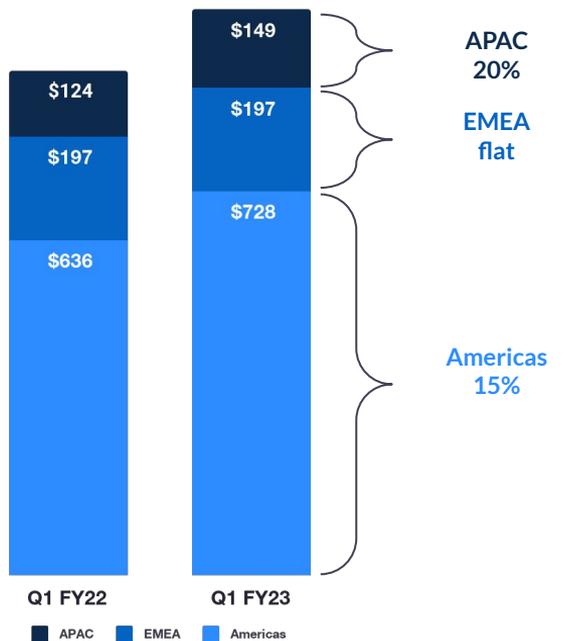
# Growing base of customers contributing >\$100k in trailing 12-months revenue



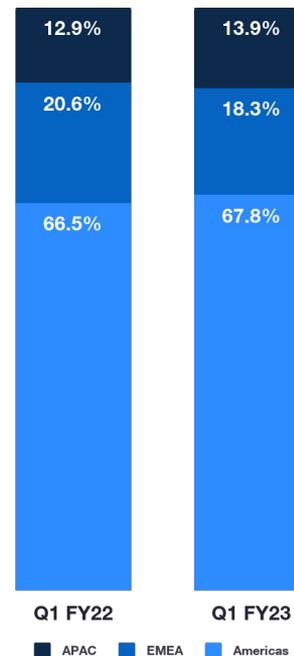
◆ Revenue share

# Continued growth in Americas & APAC, headwinds in EMEA

Revenue<sup>1</sup>  
(in millions)



Revenue Share by Region<sup>2</sup>



<sup>1,2</sup>Subtotals revenue have been rounded.

# Q1 FY23 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr
Revenue	\$1,074 million	12%	\$1,074 million	12%
Gross Margin	75.6%	+333 bps	78.6%	+474 bps
R&D Expense	13.4%	+662 bps	7.9%	+358 bps
S&M Expense	33.8%	+809 bps	24.9%	+491 bps
G&A Expense	11.0%	(514 bps)	8.6%	+96 bps
Operating Margin	17.4%	(625 bps)	37.2%	(471 bps)
EPS - Diluted	\$0.37	(50%)	\$1.03	(22%)

<sup>1</sup> See appendix for a reconciliation of non-GAAP to GAAP financial measures.

# Strong renewals and migration to longer term plans

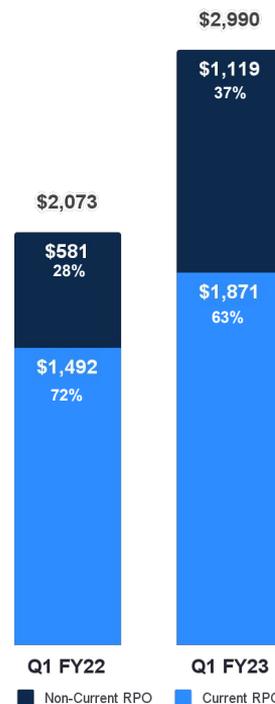
Total RPO<sup>1</sup>  
(in millions)



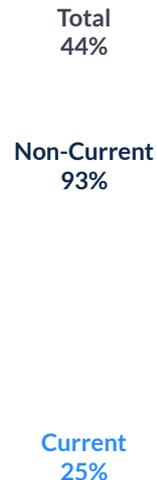
Yr/Yr Growth



Current<sup>2</sup> & Non-Current RPO



Yr/Yr Growth



<sup>1</sup>Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. Subtotals have been rounded.

<sup>2</sup>Current RPO refers to the portion of total RPO which we expect to recognize as revenue over the following 12 months period.

# Strong collections and cash position in Q1

Cash Position<sup>1</sup>  
(in billions)



Operating Cash  
Flow & Margin

**\$526M**  
49.0%

Adj. Free Cash  
Flow & Margin<sup>2</sup>

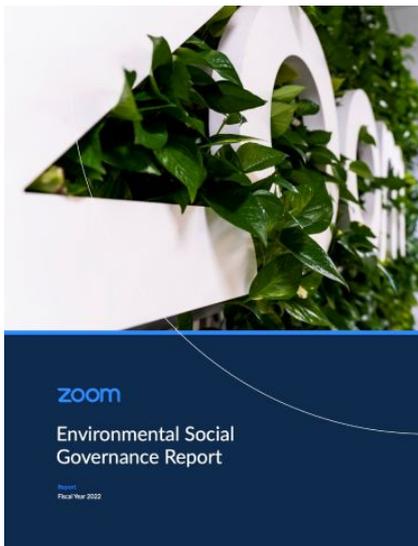
**\$501M**  
46.7%

# Q2 and Fiscal Year 2023 outlook

	Q2 FY23	FY23
Outlook <sup>1</sup>		
Revenue	\$1,115 - \$1,120 million	\$4,530 - \$4,550 million
Non-GAAP Operating Income	\$360 - \$365 million	\$1,480 - \$1,500 million
Weighted Average Share Count	308 million	309 million
Non-GAAP EPS	\$0.90 - \$0.92	\$3.70 - \$3.77

<sup>1</sup> 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.

# Setting goals & recognizing progress with our first ESG Report



[Read](#) to find out how Zoom is:



## People

- Developing leaders at Zoom
- Leading the Future of Work
- Building and empowering a diverse workforce (read more in our [DEI Report](#))



## Environment

- Creating products that help customers mitigate emissions
- Measuring GHG emissions and setting goals to reach 100% renewable energy in our operations by 2030 (scope 1 & 2)



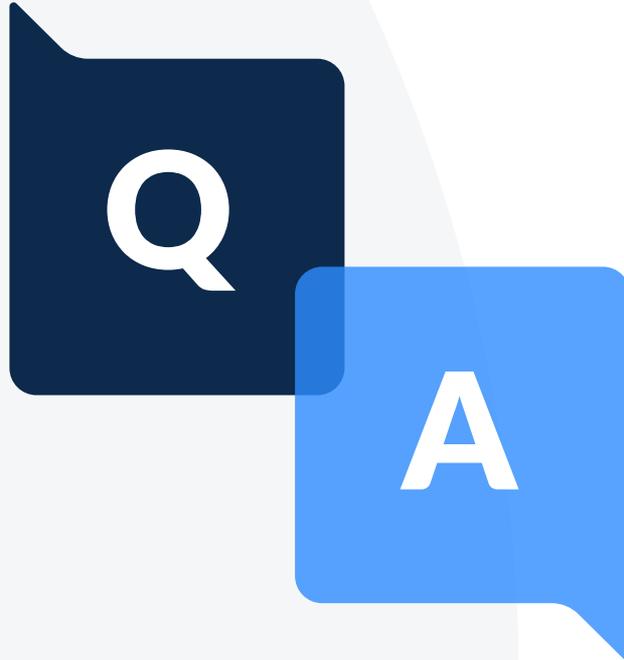
## Community

- Funding and providing in-kind support to global nonprofits and charities (read more in our [Social Impact Report](#))
- Creating inclusive products and supporting a more equitable world



## Trust

- Building a world-class security team and rolling out features to support privacy and security
- Standing behind values of freedom of expression and transparency



**Thank You**



**zoom**

# Appendix

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)	Q1 FY22	Q1 FY23
<b>Gross Profit</b>		
Total Revenue	\$956,237	\$1,073,800
GAAP Gross Profit	\$691,243	\$811,979
(+) Stock-based compensation expense and related payroll taxes	\$14,644	\$31,598
(+) Acquisition-related expense	\$692	\$791
Non-GAAP Gross Profit	\$706,579	\$844,368
GAAP Gross Margin	72.3%	75.6%
Non-GAAP Gross Margin	73.9%	78.6%
<b>R&amp;D Expenses</b>		
GAAP R&D	\$65,175	\$144,291
(-) Stock-based compensation expense and related payroll taxes	\$(21,186)	\$(56,294)
(-) Acquisition-related expense	\$(2,592)	\$(3,095)
Non-GAAP R&D	\$41,397	\$84,902
<b>S&amp;M Expenses</b>		
GAAP S&M	\$245,667	\$362,783
(-) Stock-based compensation expense and related payroll taxes	\$(54,750)	\$(95,647)
Non-GAAP S&M	\$190,917	\$267,136
<b>G&amp;A Expenses</b>		
GAAP G&A	\$154,089	\$117,840
(-) Stock-based compensation expense and related payroll taxes	\$(13,795)	\$(29,323)
(-) Litigation settlements, net	\$(66,916)	\$4,226
(-) Acquisition-related expense	-	\$(48)
Non-GAAP G&A	\$73,378	\$92,695

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q1 FY22	Q1 FY23
<b>Operating Profit</b>		
Total Revenue	\$956,237	\$1,073,800
GAAP Operating Profit	\$226,312	\$187,065
(+) Stock-based compensation expense and related payroll taxes	\$104,375	\$212,862
(+) Litigation settlements, net	\$66,916	\$(4,226)
(+) Acquisition-related expense	\$3,284	\$3,934
Non-GAAP Operating Profit	\$400,887	\$399,635
GAAP Operating Margin	23.7%	17.4%
Non-GAAP Operating Margin	41.9%	37.2%
<b>Net Income</b>		
GAAP net income attributable to common stockholders	\$227,383	\$113,640
(+) Stock-based compensation expense and related payroll taxes	\$104,375	\$212,862
(+) Litigation settlements, net	\$66,916	\$(4,226)
(+) Acquisition-related expenses	\$3,284	\$3,934
(+) Undistributed earnings attributable to participating securities	\$148	\$18
(+) Losses on strategic investments	-	\$36,404
(-) Tax effects on non-GAAP adjustments	-	\$(46,846)
Non-GAAP net income	\$402,106	\$315,786
<b>Earnings Per Share</b>		
GAAP net income per share -diluted	\$0.74	\$0.37
Non-GAAP net income per share -diluted	\$1.32	\$1.03
<b>Weighted Average Shares</b>		
GAAP and Non-GAAP weighted-average -diluted	305,412,419	306,614,220

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)	Q1 FY22	Q1 FY23
<b>Free Cash Flow</b>		
Cash Flow from Operations	\$533,302	\$526,151
(-) Purchases of PPE	\$(79,074)	\$(25,038)
Adj. Free Cash Flow (non-GAAP)	\$454,228	\$501,113
Operating Cash Flow Margin	55.8%	49.0%
Adj. Free Cash Flow (non-GAAP) Margin	47.5%	46.7%
Net Cash Used in Investing Activities	\$(1,219,978)	\$(42,334)
Net Cash Used in Financing Activities	\$(6,279)	\$(133,243)

# Historic Metrics

(\$ in millions)

	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
<b>Revenue</b>	\$663.5	\$777.2	\$882.5	\$956.2	\$1,021.5	\$1,050.8	\$1,071.4	\$1,073.8
<i>Y/Y growth</i>	355%	367%	369%	191%	54%	35%	21%	12%
<b>GAAP Operating Income</b>	\$188.1	\$192.2	\$256.1	\$226.3	\$294.6	\$290.9	\$251.8	\$187.1
<b>Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and litigation settlements, net</b>	\$88.9	\$98.5	\$104.8	\$174.6	\$130.1	\$120.4	\$168.5	\$212.6
<b>Non-GAAP Operating Income</b>	\$277.0	\$290.8	\$360.9	\$400.9	\$424.7	\$411.3	\$420.3	\$399.6
<b>Operating Cash Flow</b>	\$401.3	\$411.5	\$399.4	\$533.3	\$468.0	\$394.6	\$209.4	\$526.2
<b>Capital Expenditures</b>	\$(28.0)	\$(23.3)	\$(21.5)	\$(79.1)	\$(13.0)	\$(19.8)	\$(20.8)	\$(25.0)
<b>Free Cash Flow<sup>1</sup></b>	\$373.4	\$388.2	\$377.9	\$454.2	\$455.0	\$374.8	\$273.6	\$501.1
<b>RPO</b>	\$1,415.8	\$1,631.2	\$1,750.9	\$2,073.4	\$2,346.3	\$2,456.5	\$2,647.6	\$2,990.0
<i>Y/Y growth</i>	209%	215%	190%	94%	66%	51%	51%	44%
<b>Customers &gt;\$100K TTM Revenue</b>	988	1,289	1,644	1,999	2,278	2,507	2,725	2,916
<i>Y/Y growth</i>	112%	136%	156%	160%	131%	94%	66%	46%
<b>New Metrics</b>								
<b>Enterprise Customers<sup>2</sup></b>	99,800	122,200	141,100	160,300	173,000	183,700	191,000	198,900
<i>Y/Y growth</i>				109%	73%	50%	35%	24%
<b>Revenue % from Enterprise Customers</b>	42%	44%	44%	45%	46%	49%	50%	52%
<b>TTM Net \$ Expansion Rate for Enterprise Customers</b>	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	130%	123%
<b>Previous Metrics</b>								
<b>Customers &gt;10 Employees<sup>2</sup></b>	370,200	433,700	467,100	497,000	504,900	512,100	509,800	502,400
<b>Revenue % from Customers &gt;10 Employees</b>	64%	62%	63%	63%	64%	66%	67%	68%
<b>TTM Net \$ Expansion Rate for Customers &gt;10 employees</b>	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	129%	119%

<sup>1</sup> Q4 FY22 adjusted Free Cash Flow is adjusted to add back an \$85 million legal settlement.

<sup>2</sup> Enterprise Customers and Customers >10 Employees are rounded down to the nearest hundred.