

# Zoom Video Communications



**Q4 FY23 Earnings**

February 27, 2023



# 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: Revenue in Constant Currency, 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 and 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 first quarter and full fiscal year 2024; Zoom’s expectations regarding financial and business trends, as well as impacts from macroeconomic developments; 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, 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 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 and other macroeconomic conditions, including inflation, 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 quarterly report on Form 10-Q for the fiscal quarter ended October 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.

# FY23 was a year of prolific innovation



FEBRUARY



Contact Center

APRIL



Zoom IQ for Sales

APRIL



Whiteboard

JUNE



Zoom One

NOVEMBER



Mail & Calendar

JANUARY



Virtual Agent

# Zoom's FY24 Strategic Focuses



## Redefine Teamwork

Collaboration and productivity



## Empower Smarter Experiences & Workflows

Artificial intelligence



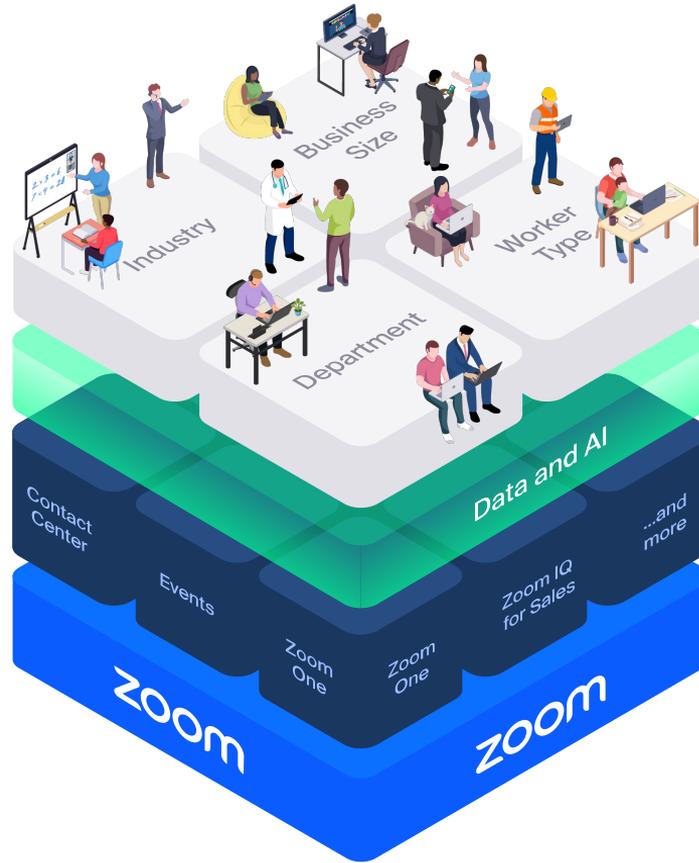
## Add Value Beyond IT

Departmental and industry use cases

# Seamless connection via our collaboration platform



Building an **easier**, more **intelligent**, and **dynamic** collaboration platform that **unites people** to unlock their potential

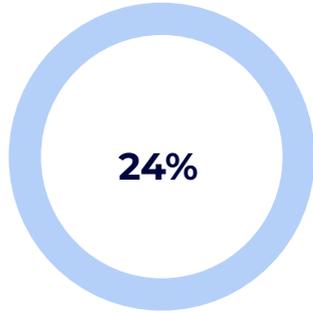


- ..... Employees and Customers
- ..... Audiences
- ..... Artificial Intelligence
- ..... Departmental and Industry Solutions
- ..... Platform

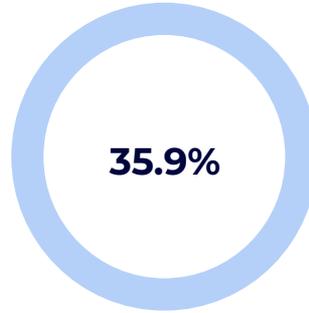
# Customer wins highlight the power of the platform



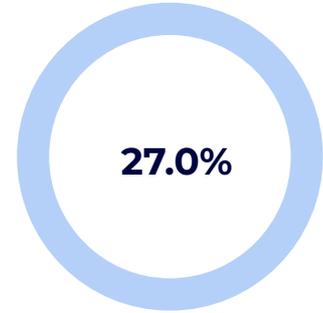
# Strong FY23 Performance



**Enterprise Revenue growth**



**Non-GAAP operating margin<sup>1</sup>**

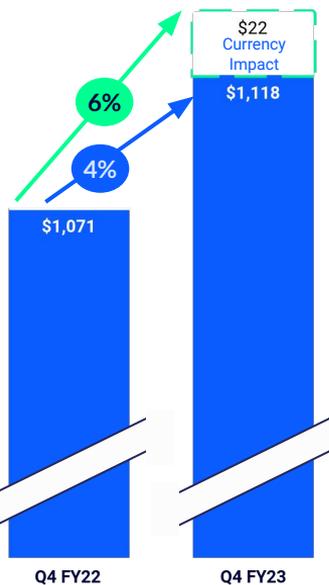


**Free cash flow margin<sup>1</sup>**

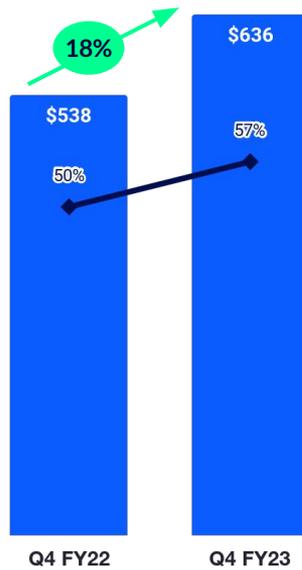
# Continued top-line expansion in Q4 with positive trends in Enterprise and Online



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

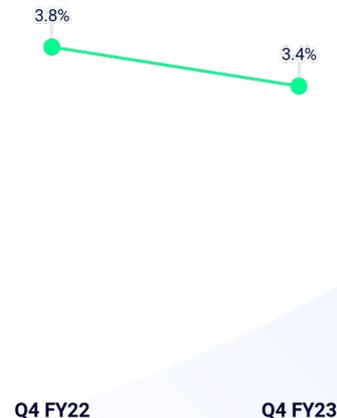


### Enterprise Revenue (in millions)



◆ Enterprise Revenue Share

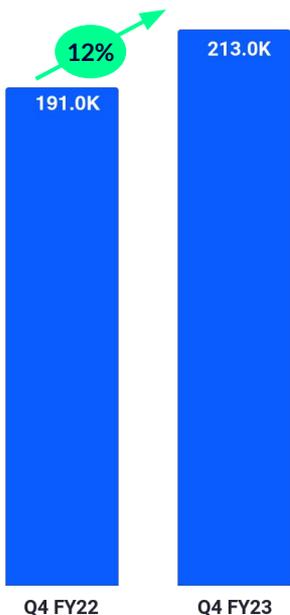
### Online Average Monthly Churn<sup>2</sup>



# Strong growth with new and existing Enterprise customers



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

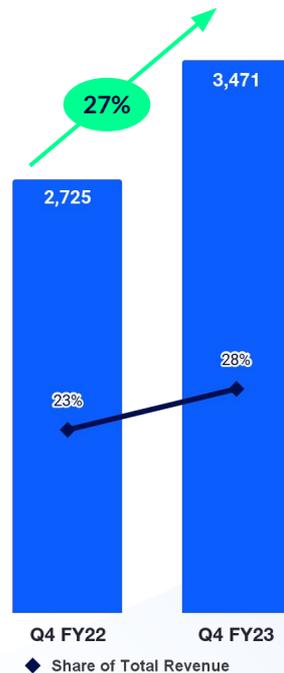


TTM Net Dollar Expansion Rate for Enterprise Customers<sup>2</sup>

# 115%

in Q4 FY23

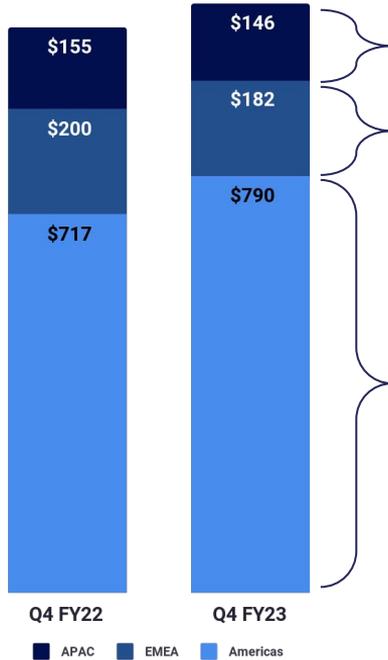
### # of Customers Contributing >\$100k in TTM Revenue



# Double-Digit Americas growth, macro headwinds in ROW



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



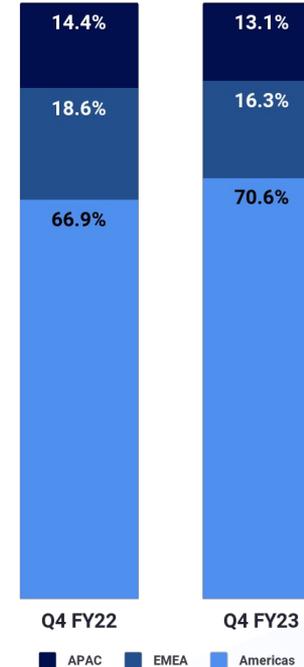
YoY Growth

APAC  
-5%

EMEA  
-9%

Americas  
10%

Revenue Share by  
Region<sup>1</sup>



# Q4 FY23 expenses and margins



		GAAP <sup>1</sup>		Non-GAAP <sup>2</sup>	
		Results	Yr/Yr	Results	Yr/Yr
	<b>Revenue</b>	\$1,118 million	4%	\$1,118 million	4%
<b>As a % of Revenue</b>	<b>Gross Profit</b>	73.7%	(231 bps)	79.8%	+152 bps
	<b>R&amp;D Expense</b>	23.4%	+1,245 bps	9.2%	+247 bps
	<b>S&amp;M Expense</b>	45.2%	+1,486 bps	26.9%	+350 bps
	<b>G&amp;A Expense</b>	16.7%	+550 bps	7.5%	(135 bps)
	<b>Operating Profit</b>	(11.6%)	(3,512 bps)	36.2%	(301 bps)
	<b>Effective Tax Rate</b>	(163.1%)	+9,104 bps	19.4%	+1,361 bps
	<b>EPS - Diluted</b>	(\$0.36)	n/a	\$1.22	(5%)

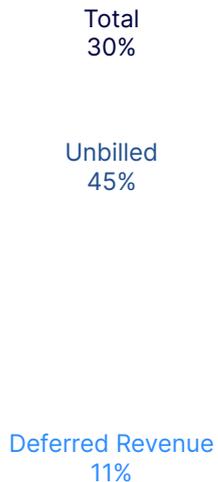
# Growing future revenue under contract



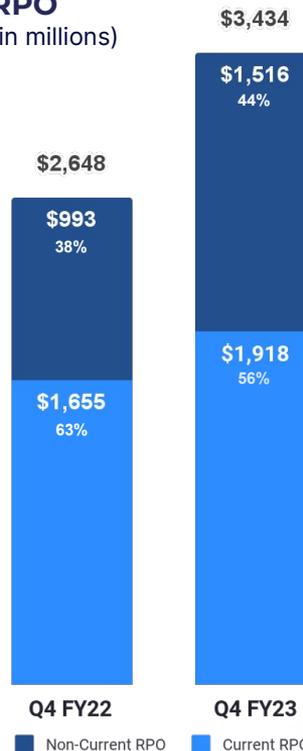
**Total RPO<sup>1</sup>**  
(in millions)



**YoY Growth**



**Current<sup>2</sup> & Non-Current RPO**  
(in millions)



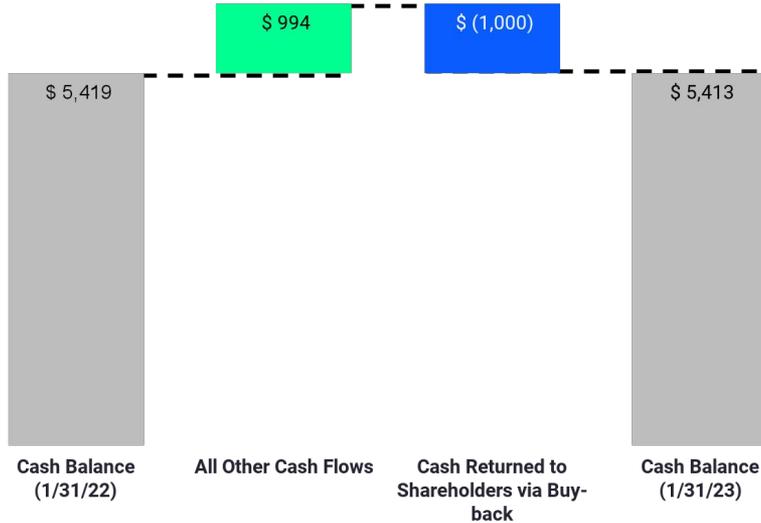
**YoY Growth**



# Strong cash flow and position in Q4



## FY23 Cash Balance Bridge<sup>1</sup> (in millions)



**Operating Cash Flow**  
*OCF Margin*

**\$212M**  
18.9%

**Free Cash Flow**  
*FCF Margin<sup>2</sup>*

**\$183M**  
16.4%

# Q1 and Fiscal Year 2024 outlook



		Q1 FY24	FY24
Outlook <sup>1</sup>	Revenue	\$1,080 - \$1,085 million	\$4,435 - \$4,455 million
	Total Revenue (Constant Currency)	\$1,097 - \$1,102 million	\$4,458 - \$4,478 million
	Non-GAAP Operating Income	\$374 - \$379 million	\$1,606 - \$1,626 million
	Weighted Average Share Count	304 million	309 million
	Non-GAAP EPS	\$0.96 - \$0.98	\$4.11 - \$4.18

A woman with short grey hair and glasses, wearing a coral-colored blouse, and a man with dark hair and glasses, wearing a dark suit, are sitting at a wooden table in an office. They are looking at a laptop in front of them. The Zoom logo is overlaid in large white letters on the laptop screen. The background shows office cubicles and a modern office environment.

zoom

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One Platform to Connect



Thank you

zoom

# Appendix

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q4 FY22	Q4 FY23	FY22	FY23
<b>Gross Profit</b>				
Total Revenue	\$1,071,376	\$1,117,803	\$4,099,864	\$4,392,960
GAAP Gross Profit	\$814,029	\$823,449	\$3,045,310	\$3,292,509
(+) Stock-based compensation expense and related payroll taxes	\$23,890	\$65,308	\$73,863	\$177,330
(+) Acquisition-related expense	\$698	\$3,189	\$2,786	\$10,208
Non-GAAP Gross Profit	\$838,617	\$891,946	\$3,121,959	\$3,480,047
GAAP Gross Margin	76.0%	73.7%	74.3%	74.9%
Non-GAAP Gross Margin	78.3%	79.8%	76.1%	79.2%
<b>R&amp;D Expenses</b>				
GAAP R&D	\$116,996	\$261,258	\$362,990	\$774,059
(-) Stock-based compensation expense and related payroll taxes	\$(41,667)	\$(153,697)	\$(115,101)	\$(363,999)
(-) Acquisition-related expense	\$(3,069)	\$(4,538)	\$(12,508)	\$(16,512)
Non-GAAP R&D	\$72,260	\$103,023	\$235,381	\$393,548
<b>S&amp;M Expenses</b>				
GAAP S&M	\$325,415	\$505,586	\$1,135,959	\$1,696,590
(-) Stock-based compensation expense and related payroll taxes	\$(74,217)	\$(204,352)	\$(245,433)	\$(540,082)
(-) Acquisition-related expense	-	\$(1,014)	-	\$(2,848)
Non-GAAP S&M	\$251,198	\$300,220	\$890,526	\$1,153,660
<b>G&amp;A Expenses</b>				
GAAP G&A	\$119,799	\$186,492	\$482,770	\$576,431
(-) Stock-based compensation expense and related payroll taxes	\$(24,737)	\$(97,594)	\$(69,939)	\$(220,252)
(-) Litigation settlements, net	-	-	\$(66,916)	\$4,226
(-) Acquisition-related expense	\$(193)	\$(5,027)	\$(6,983)	\$(6,650)
Non-GAAP G&A	\$94,869	\$83,871	\$338,932	\$353,755

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands except EPS)

	Q4 FY22	Q4 FY23	FY22	FY23
<b>Operating Profit</b>				
Total Revenue	\$1,071,376	\$1,117,803	\$4,099,864	\$4,392,960
GAAP Operating Profit	\$251,819	\$(129,887)	\$1,063,591	\$245,429
(+) Stock-based compensation expense and related payroll taxes	\$164,511	\$520,951	\$504,336	\$1,301,663
(+) Litigation settlements, net	-	-	\$66,916	\$(4,226)
(+) Acquisition-related expenses	\$3,960	\$13,768	\$22,277	\$36,218
Non-GAAP Operating Profit	\$420,290	\$404,832	\$1,657,120	\$1,579,084
GAAP Operating Margin	23.5%	(11.6%)	25.9%	5.6%
Non-GAAP Operating Margin	39.2%	36.2%	40.4%	35.9%
<b>Net Income</b>				
GAAP net income attributable to common stockholders	\$490,525	\$(104,050)	\$1,375,057	\$103,704
(+) Stock-based compensation expense and related payroll taxes	\$164,511	\$520,951	\$504,336	\$1,301,663
(+) Litigation settlements, net	-	-	\$66,916	\$(4,226)
(+) Losses (gains) on strategic investments	\$110,736	\$(40,443)	\$(43,761)	\$37,571
(+) Acquisition-related expenses	\$3,960	\$13,768	\$22,277	\$36,218
(-) Income tax benefit from discrete activities	\$(376,266)	-	\$(376,266)	-
(+) Undistributed earnings attributable to participating securities	\$116	-	\$582	\$7
(-) Tax effects on non-GAAP adjustments	-	\$(23,672)	-	\$(145,926)
Non-GAAP net income	\$393,582	\$366,554	\$1,549,141	\$1,329,011
<b>Earnings Per Share</b>				
GAAP net income per share –diluted	\$1.60	(\$0.36)	\$4.50	\$0.34
Non-GAAP net income per share –diluted	\$1.29	\$1.22	\$5.07	\$4.37
<b>Weighted Average Shares</b>				
GAAP weighted-average –diluted	306,010,113	292,983,772	305,826,505	304,231,350
Non-GAAP weighted-average –diluted	306,010,113	301,143,279	305,826,505	304,231,350

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands)	Q4 FY22	Q4 FY23	FY22	FY23
<b>Free Cash Flow</b>				
Cash Flow from Operations	\$209,396	\$211,588	\$1,605,266	\$1,290,262
(-) Purchases of PPE	\$(20,774)	\$(28,258)	\$(132,590)	\$(103,826)
Free Cash Flow	\$188,622	\$183,330	\$1,472,676	\$1,186,436
Operating Cash Flow Margin	19.5%	18.9%	39.2%	29.4%
Free Cash Flow Margin	17.6%	16.4%	35.9%	27.0%
Net Cash Used in Investing Activities	\$(491,999)	\$(257,709)	\$(2,859,097)	\$(318,322)
Net Cash Provided by (Used in) Financing Activities	\$13,183	\$11,745	\$34,068	\$(936,942)

(\$ in Thousands)	Q4 FY23	Y/Y growth	FY23	Y/Y growth
<b>Revenue in Constant Currency</b>				
GAAP revenue	\$1,117,803	4%	\$4,392,960	7%
(+) Constant currency impact	\$22,398	2%	\$69,075	2%
Revenue in constant currency (non-GAAP)	\$1,140,201	6%	\$4,462,035	9%

# Historic Metrics



(\$ in millions)

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23
<b>Revenue</b>	\$956.2	\$1,021.5	\$1,050.8	\$1,071.4	\$1,073.8	\$1,099.5	\$1,101.9	\$1,117.8
<i>Y/Y growth</i>	191%	54%	35%	21%	12%	8%	5%	4%
<b>GAAP Operating Income</b>	\$226.3	\$294.6	\$290.9	\$251.8	\$187.1	\$121.7	\$66.5	\$(129.9)
Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and net litigation settlements	\$174.6	\$130.1	\$120.4	\$168.5	\$212.6	\$272.0	\$314.4	\$534.7
<b>Non-GAAP Operating Income</b>	\$400.9	\$424.7	\$411.3	\$420.3	\$399.6	\$393.7	\$380.9	\$404.8
<b>Operating Cash Flow</b>	\$533.3	\$468.0	\$394.6	\$209.4	\$526.2	\$257.2	\$295.3	\$211.6
Capital Expenditures	\$(79.1)	\$(13.0)	\$(19.8)	\$(20.8)	\$(25.0)	\$(27.8)	\$(22.7)	\$(28.3)
<b>Free Cash Flow</b>	\$454.2	\$455.0	\$374.8	\$188.6	\$501.1	\$229.4	\$272.6	\$183.3
<b>RPO</b>	\$2,073.4	\$2,346.3	\$2,456.5	\$2,647.6	\$2,990.0	\$3,213.0	\$3,245.9	\$3,434.5
<i>Y/Y growth</i>	94%	66%	51%	51%	44%	37%	32%	30%
<b>Customers &gt;\$100K TTM Revenue</b>	1,999	2,278	2,507	2,725	2,916	3,116	3,286	3,471
<i>Y/Y growth</i>	160%	131%	94%	66%	46%	37%	31%	27%
<b>Revenue % from Customers &gt;\$100K TTM Revenue</b>	19%	20%	22%	23%	24%	26%	27%	28%
<b>Enterprise Customers<sup>1</sup></b>	160,300	173,000	183,700	191,000	198,900	204,100	209,300	213,000
<i>Y/Y growth</i>	109%	73%	50%	35%	24%	18%	14%	12%
<b>Revenue % from Enterprise Customers</b>	45%	46%	49%	50%	52%	54%	56%	57%
<b>TTM Net \$ Expansion Rate for Enterprise Customers</b>	153%	147%	139%	130%	123%	120%	117%	115%
<b>Online Average Monthly Churn</b>	3.7%	4.3%	3.7%	3.8%	3.6%	3.6%	3.1%	3.4%
<b>Previous Metrics</b>								
<b>Customers &gt;10 Employees<sup>1</sup></b>	497,000	504,900	512,100	509,800	502,400	492,500	488,000	478,500
<b>Revenue % from Customers &gt;10 Employees</b>	63%	64%	66%	67%	68%	69%	70%	70%
<b>TTM Net \$ Expansion Rate for Customers &gt;10 employees</b>	> 130%	> 130%	> 130%	129%	119%	115%	112%	109%

# Endnotes



## Slide 8

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

## Slide 9

1. Not drawn to scale.
2. Zoom calculates online average monthly churn by starting with the Online customer MRR as of the beginning of the applicable quarter ("Entry MRR"). Entry MRR is defined as the recurring revenue run-rate of subscription agreements from all Online customers, including revenue from monthly subscribers that have not provided any indication that they intend to cancel their subscriptions. Zoom then determines the MRR related to customers who canceled or downgraded their subscription during the applicable quarter ("Applicable Quarter MRR Churn"). Zoom divides the Applicable Quarter MRR Churn by the applicable quarter Entry MRR to arrive at the MRR Churn rate for Online Customers for the applicable quarter. Zoom then divides that amount by three to calculate the online average monthly churn.

## Slide 10

1. 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.
2. 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.

## Slide 11

1. Subtotals revenue have been rounded.

## Slide 12

1. The GAAP results include an unrecognized stock-based compensation cost related to the sunset of our supplemental grant program of \$207.7 million, which both carries no dilutive impact nor tax benefit.
2. See appendix for a reconciliation of non-GAAP to GAAP financial measures.

## Slide 13

1. Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. Subtotals have been rounded.
2. Current RPO refers to the portion of total RPO which we expect to recognize as revenue over the following 12 months period.

## Slide 14

1. Cash balance refers to cash, cash equivalents and marketable securities, excluding restricted cash at the end of the period.
2. See appendix for a reconciliation of non-GAAP to GAAP financial measures. Zoom defines free cash flow as net cash provided by operating activities less purchases of property and equipment.

## Slide 15

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.

## Slide 23

1. Enterprise Customers and Customers >10 Employees are rounded down to the nearest hundred.