

Zoom Video Communications

Q4 FY22 Earnings
February 28, 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 margin, non-GAAP operating expenses, 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 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 Zoom’s financial outlook for the first quarter and full fiscal year 2023; Zoom’s expectations regarding financial and business trends; Zoom’s market position, opportunities, growth strategy and business aspirations; product initiatives and the expected benefits of such initiatives; and Zoom’s stock repurchase program. 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 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 quarterly report on Form 10-Q for the fiscal quarter ended October 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.

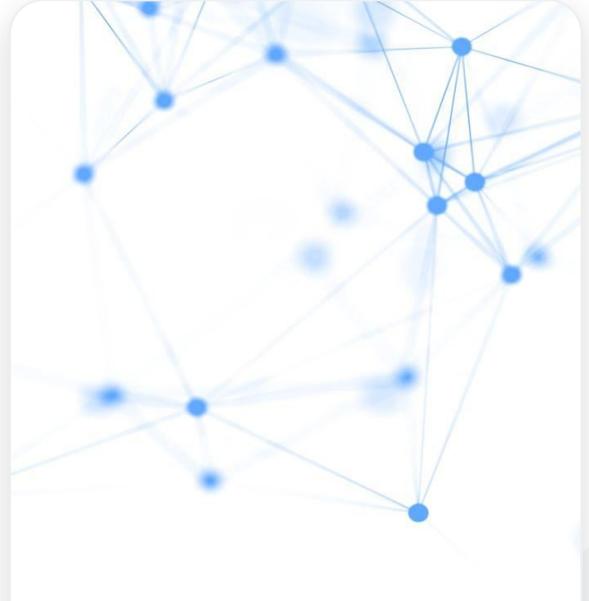
Zoom's Strategic Pillars



**Unified
Communications**



Hybrid Work

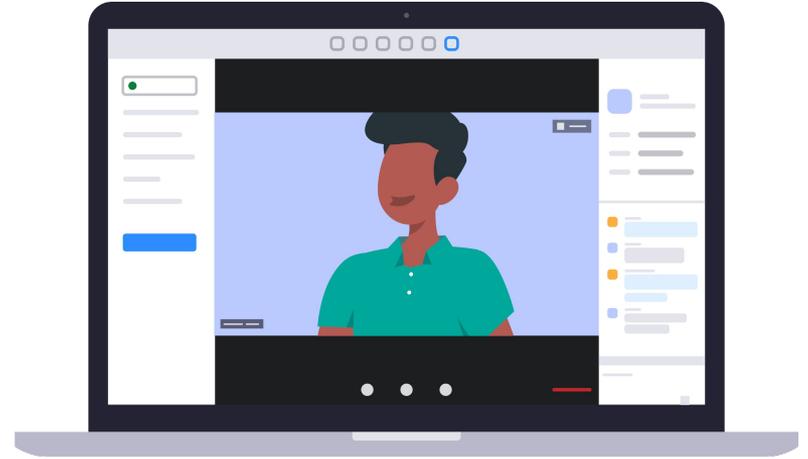


Business Workflows

Zoom Introduces Contact Center

~\$18B

Total addressable
market by 2024
according to
Gartner^{®1}



zoom | Contact Center

¹Gartner[®]: Forecast Analysis: Contact Center, Worldwide, by Daniel O'Connell, Megan Fernandez, 19 January 2021

Thank you, Medtronic, Intuit, ASU, and LIXIL!

Medtronic

intuit[®]

ASU[®]
Arizona State
University

LIXIL

Strong FY22 Performance

55%
Yr/Yr

Revenue Growth

40.4%

**Non-GAAP
Operating Margin¹**

38.0%

**Adjusted Free Cash Flow
Margin²**

^{1,2} See appendix for a reconciliation of non-GAAP to GAAP financial measures.

Strong revenue growth

(in millions)

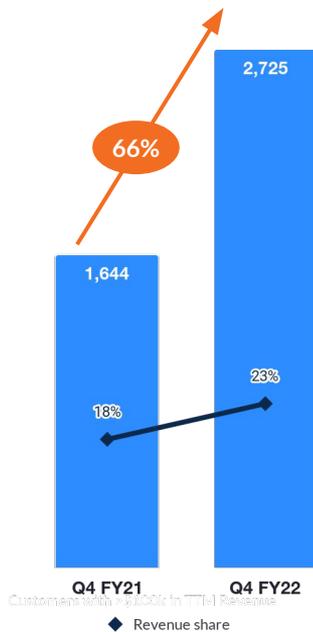


Zoom Phone Highlights

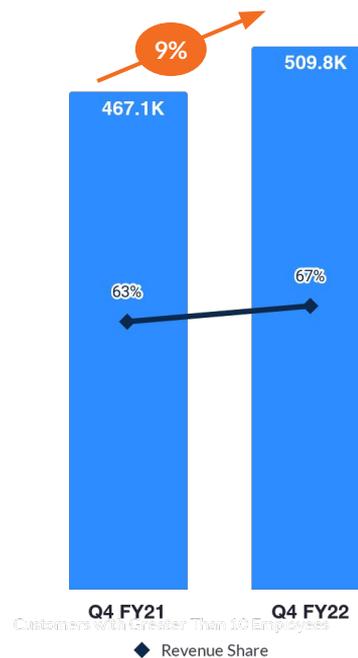
- Achieved milestone quarter, closing over 550k seats
- Number of \$100k+ ARR customers grew by 149% YoY to 498
- Reached 40 customers with 10k+ paid seats in Q4, up 122% YoY
- Closed a global bank for 27k Zoom Phone licenses

Expanding customer base

Customers contributing >\$100k in trailing 12-months revenue



Customers¹ with more than 10 employees



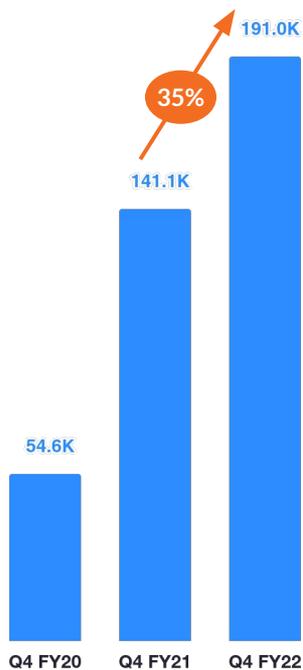
¹The number of customers is rounded down to the nearest hundred.

Introducing new metrics for our larger scale

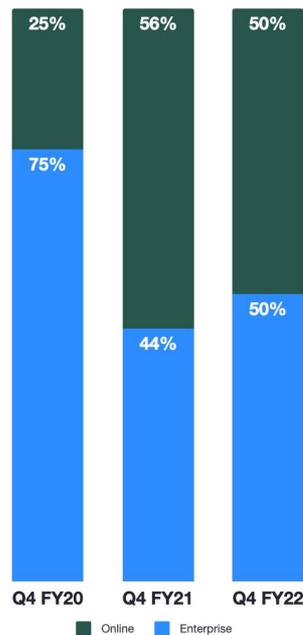
	Enterprise (Direct, Channel & ISV)	Online
Definition	Customers who have been engaged by Zoom's direct sales team, channel partners or independent software vendor (ISV) partners	Customers self-serviced through our online channel
General Characteristics	<ul style="list-style-type: none">• Highly retentive• Extensive upsell opportunities in both seats and additional products	<ul style="list-style-type: none">• Highly efficient customer acquisition• Churn stabilizes as longevity increases

Strong growth in Enterprise

Enterprise Customers¹



Revenue Share by Customer Category



TTM Net Dollar
Expansion Rate
for Enterprise
Customers²

130%
in Q4 FY22

¹The 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.

²We calculate net dollar expansion rate as of a period end by starting with the ARR from Enterprise 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)

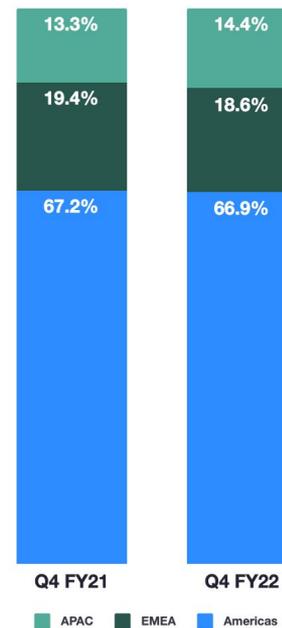


Yr/Yr Growth

ROW
23%

Americas
21%

Revenue Share by
Region²



^{1,2}Subtotals revenue have been rounded.

Q4 FY22 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$1,071 million	21%	\$1,071 million	21%
Gross Margin	76.0%	+627 bps	78.3%	+699 bps
R&D Expense	10.9%	+499 bps	6.7%	+323 bps
S&M Expense	30.4%	+612 bps	23.4%	+539 bps
G&A Expense	11.2%	+68 bps	8.9%	+4 bps
Operating Margin	23.5%	(552 bps)	39.2%	(167 bps)
EPS - Diluted	\$1.60	84%	\$1.29	6%

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



Yr/Yr Growth



¹Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. We expect to recognize approximately 63% or \$1.7 billion of the total RPO as revenue over the next 12 months compared to 70% or \$1.2 billion in Q4 FY21. Subtotals have been rounded.

Strong cash flow and position in Q4

Cash Position¹
(in billions)



\$209M
in Operating
Cash Flow

\$274M
in Adjusted
Free Cash
Flow²

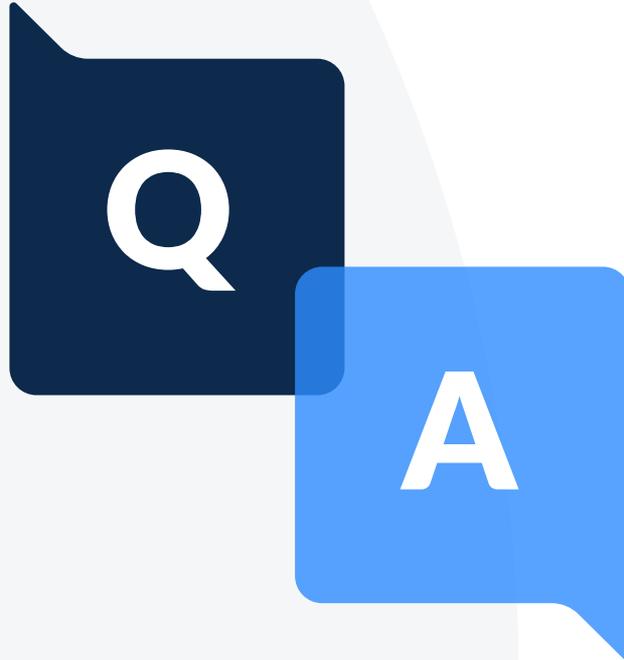
¹ Cash, cash equivalents and marketable securities, excluding restricted cash at the end of the period.

² See appendix for a reconciliation of non-GAAP to GAAP financial measures. Zoom defines free cash flow as GAAP net cash provided by operating activities less purchases of property and equipment. We define adjusted FCF as free cash flow plus litigation settlement payments, net.

Q1 and Fiscal Year 2023 outlook

		Q1 FY23	FY23
Outlook ¹	Revenue	\$1,070 - \$1,075 million	\$4,530 - \$4,550 million
	Non-GAAP Operating Income	\$345 - \$350 million	\$1,430 - \$1,450 million
	Weighted Average Share Count	309 million	312 million
	Non-GAAP EPS	\$0.86 - \$0.88	\$3.45 - \$3.51

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.



Thank You



zoom

Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q4 FY21	Q4 FY22	FY21	FY22
Gross Profit				
Total Revenue	\$882,485	\$1,071,376	\$2,651,368	\$4,099,864
GAAP Gross Profit	\$615,201	\$814,029	\$1,829,379	\$3,045,310
(+) Stock-based compensation expense and related payroll taxes	\$13,162	\$23,890	\$36,223	\$73,863
(+) Acquisition-related expense	\$698	\$698	\$1,020	\$2,786
Non-GAAP Gross Profit	\$629,061	\$838,617	\$1,866,622	\$3,121,959
GAAP Gross Margin	69.7%	76.0%	69.0%	74.3%
Non-GAAP Gross Margin	71.3%	78.3%	70.4%	76.1%
R&D Expenses				
GAAP R&D	\$52,375	\$116,996	\$164,080	\$362,990
(-) Stock-based compensation expense and related payroll taxes	\$(19,083)	\$(41,667)	\$(50,843)	\$(115,101)
(-) Acquisition-related expense	\$(2,240)	\$(3,069)	\$(7,514)	\$(12,508)
Non-GAAP R&D	\$31,052	\$72,260	\$105,723	\$235,381
S&M Expenses				
GAAP S&M	\$214,018	\$325,415	\$684,904	\$1,135,959
(-) Stock-based compensation expense and related payroll taxes	\$(54,700)	\$(74,217)	\$(158,219)	\$(245,433)
Non-GAAP S&M	\$159,318	\$251,198	\$526,685	\$890,526
G&A Expenses				
GAAP G&A	\$92,691	\$119,799	\$320,547	\$482,770
(-) Stock-based compensation expense and related payroll taxes	\$(14,908)	\$(24,737)	\$(45,547)	\$(69,939)
(-) Litigation settlements, net	-	-	-	\$(66,916)
(-) Charitable donation of common stock	-	-	\$(23,312)	-
(-) Acquisition-related expense	-	\$(193)	\$(744)	\$(6,983)
Non-GAAP G&A	\$77,783	\$94,869	\$250,944	\$338,932

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q4 FY21	Q4 FY22	FY21	FY22
Operating Profit				
Total Revenue	\$882,485	\$1,071,376	\$2,651,368	\$4,099,864
GAAP Operating Profit	\$256,117	\$251,819	\$659,848	\$1,063,591
(+) Stock-based compensation expense and related payroll taxes	\$101,853	\$164,511	\$290,832	\$504,336
(+) Litigation settlements, net	-	-	-	\$66,916
(+) Acquisition-related expenses	\$2,938	\$3,960	\$9,278	\$22,277
(+) Charitable donation of common stock	-	-	\$23,312	-
Non-GAAP Operating Profit	\$360,908	\$420,290	\$983,270	\$1,657,120
GAAP Operating Margin	29.0%	23.5%	24.9%	25.9%
Non-GAAP Operating Margin	40.9%	39.2%	37.1%	40.4%
Net Income				
GAAP net income attributable to common stockholders	\$260,393	\$490,525	\$671,527	\$1,375,057
(+) Stock-based compensation expense and related payroll taxes	\$101,853	\$164,511	\$290,832	\$504,336
(+) Litigation settlements, net	-	-	-	\$66,916
(-) (Losses) Gains on strategic investments	-	\$110,736	-	\$(43,761)
(+) Acquisition-related expenses	\$2,938	\$3,960	\$9,278	\$22,277
(+) Charitable donation of common stock	-	-	\$23,312	-
(-) Income tax effects of discrete activities	-	\$(376,266)	-	\$(376,266)
(+) Undistributed earnings attributable to participating securities	\$217	\$116	\$789	\$582
Non-GAAP net income	\$365,401	\$393,582	\$995,738	\$1,549,141
Earnings Per Share				
GAAP net income per share – diluted	\$0.87	\$1.60	\$2.25	\$4.50
Non-GAAP net income per share – diluted	\$1.22	\$1.29	\$3.34	\$5.07
Weighted Average Shares				
GAAP and Non-GAAP weighted-average – diluted	300,613,251	306,010,113	298,127,669	305,826,505

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q4 FY21	Q4 FY22	FY21	FY22
Free Cash Flow				
Cash Flow from Operations	\$399,396	\$209,396	\$1,471,177	\$1,605,266
(-) Purchases of PPE	\$(21,455)	\$(20,774)	\$(79,972)	\$(132,590)
Free Cash Flow (non-GAAP)	\$377,941	\$188,622	\$1,391,205	\$1,472,676
(+) Litigation settlements, net	-	\$85,000	-	\$85,000
Adjusted Free Cash Flow (non-GAAP)	\$377,941	\$273,622	\$1,391,205	\$1,557,676
Operating Cash Flow Margin	45.3%	19.5%	55.5%	39.2%
Adjusted Free Cash Flow (non-GAAP) Margin	42.8%	25.5%	52.5%	38.0%
Net Cash Used in Investing Activities	\$(889,043)	\$(491,999)	\$(1,562,420)	\$(2,859,097)
Net Cash Provided by Financing Activities	\$1,754,035	\$13,183	\$2,050,277	\$34,068

Historic Metrics

(\$ in millions)

	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Revenue	\$328.2	\$663.5	\$777.2	\$882.5	\$956.2	\$1,021.5	\$1,050.8	\$1,071.4
<i>Y/Y growth</i>	169%	355%	367%	369%	191%	54%	35%	21%
GAAP Operating Income	\$23.4	\$188.1	\$192.2	\$256.1	\$226.3	\$294.6	\$290.9	\$251.8
Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and net litigation settlements	\$31.2	\$88.9	\$98.5	\$104.8	\$174.6	\$130.1	\$120.4	\$168.5
Non-GAAP Operating Income	\$54.6	\$277.0	\$290.8	\$360.9	\$400.9	\$424.7	\$411.3	\$420.3
Operating Cash Flow	\$259.0	\$401.3	\$411.5	\$399.4	\$533.3	\$468.0	\$394.6	\$209.4
Capital Expenditures	\$(7.3)	\$(28.0)	\$(23.3)	\$(21.5)	\$(79.1)	\$(13.0)	\$(19.8)	\$(20.8)
Free Cash Flow¹	\$251.7	\$373.4	\$388.2	\$377.9	\$454.2	\$455.0	\$374.8	\$273.6
RPO	\$1,067.9	\$1,415.8	\$1,631.2	\$1,750.9	\$2,073.4	\$2,346.3	\$2,456.5	\$2,647.6
<i>Y/Y growth</i>	184%	209%	215%	190%	94%	66%	51%	51%
Customers >\$100K TTM Revenue	769	988	1,289	1,644	1,999	2,278	2,507	2,725
<i>Y/Y growth</i>	90%	112%	136%	156%	160%	131%	94%	66%
New Metrics								
Enterprise Customers	76,700	99,800	122,200	141,100	160,300	173,000	183,700	191,000
<i>Y/Y growth</i>					109%	73%	50%	35%
Revenue % from Enterprise Customers	60%	42%	44%	44%	45%	46%	49%	50%
TTM Net \$ Expansion Rate for Enterprise Customers	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	130%
Previous Metrics								
Customers >10 Employees	265,400	370,200	433,700	467,100	497,000	504,900	512,100	509,800
<i>Y/Y growth</i>	354%	458%	485%	470%	87%	36%	18%	9%
Revenue % from Customers >10 Employees	70%	64%	62%	63%	63%	64%	66%	67%
TTM Net \$ Expansion Rate for Customers >10 employees	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	129%

¹ Q4 FY22 Free Cash Flow is an adjusted figure, which adds back an \$85 million legal settlement.