



Fellow Shareholders,

As I take this time to reflect on the prior year and our tremendous journey from being a Silicon Valley startup with a vision to transform how people collaborate into a global brand servicing a majority of the Fortune 500, I am both incredibly proud of what we have accomplished and confident about what we will do next. Make no mistake, we are navigating a challenging macroeconomic and geopolitical environment. At the same time, we are also embarking upon a generational platform shift with the advent of generative AI and large language models. Amid this relentless change, we are working hard to solidify our position as an indispensable all-weather partner for businesses of all sizes, offering one platform delivering limitless human connection.

Our Accomplishments

FY23 was truly a pivotal period in our journey. We built a strong foundation for what is yet to come on the product and innovation side, elevated financial discipline and reinforced our strong culture.

Evolving into a Platform

In FY23, we accelerated our evolution into a unified collaboration platform, as evidenced by Zoom Phone's stellar performance with seats surpassing 5.5 million by year-end. Other companies have taken more than twenty years to do what we did in four. We are running the same playbook for Zoom Contact Center, which we launched in early FY23 and thereafter greatly expanded its features, functionality and integrations. In Q4, we landed a 2,000 seat phase-one contact center deal, demonstrating significant progress towards becoming a full-fledged contact center solution. We also launched Zoom IQ for Sales in early FY23 as a departmental AI-powered add-on to the Zoom client to bolster sales teams' productivity and efficiency. Both Zoom Contact Center and IQ for Sales are compelling all-weather offerings that have shown early promise even as – or perhaps especially as – customers look to cut costs.

In marketing our full platform to new and existing customers, we began to place greater emphasis on Zoom Team Chat, our longstanding but lesser-known persistent chat product that helps teams track projects, instantly and asynchronously collaborate, and avoid the “toggle tax” of switching apps. We also built new chat capabilities that further streamline daily communications, leverage AI for smart message composition and integrate with popular tools.

These incremental innovations coalesce around our broader platform strategy. In mid-FY23, we further executed upon that strategy by launching Zoom One, our all-in-one communication and collaboration bundle, and rolling out revamped corporate branding that answered the question ‘is Zoom more than a meetings company?’ with a resounding, unequivocal ‘yes!’ The success of our Zoom One bundle and fresh platform image contributed to the 27% year-over-year growth in customers contributing more than \$100,000 in trailing 12 months revenue and the 115% trailing 12-month net dollar expansion rate for Enterprise customers in Q4 FY23.

Elevating Financial Discipline

As alluded to earlier, FY23 was not without its challenges. We experienced headwinds in terms of currency impact, Online contraction and a difficult macro environment in both the U.S. and international markets. Gone are the days of near-zero interest rates and the consequential ‘grow first and ask questions later’ behavior. Although we have been profitable and free cash flow positive on an annual basis since our IPO, we felt there was more to do in light of this new paradigm. In FY23, we took a fine comb to expenses such as travel, consulting, and other services in order to strengthen our cost structure. We also continued to optimize Zoom client usage across the public cloud and our co-located data centers, which further expanded our gross margins. Despite the macroeconomic headwinds, we generated an operating cash flow of approximately \$1.29 billion in FY23, reinforcing our fortress balance sheet of \$5.4 billion while returning approximately \$1 billion dollars to shareholders through repurchasing 11 million shares.

As we rounded out FY23, we took a deep look across the company, product by product, department by department, region by region, and examined the potential of each in driving revenue, operating income, and free cash flow. Our findings led us to increase our pricing for Online monthly subscribers in early FY24 to better reflect the value we had added to the platform and encourage users to move to annual plans. In addition, we realigned the incentives of our sales team to prioritize profitable growth over growth at all costs. Our examination also led us in February 2023 to undertake the very tough but necessary exercise of reducing our team by 15%, as well as cut salaries and eliminate FY23 cash bonuses for the executive leadership team. This painful exercise allowed us to look inward and reset in order to weather the economic climate with greater focus and agility, deliver for our customers and achieve Zoom's long-term vision.

Relentlessly Focusing on our Culture and Values

In times like these, our culture and values are more important than ever. At Zoom, we believe in the power of

human connection as the foundation for innovation and positive impact. I'm incredibly proud that Zoom was named third in the 2022 Purpose Power Index of purpose-driven companies in the U.S., illustrating that our core value of Care isn't just felt internally, it's expressed in our platform, actions, and commitment to social responsibility.

We are proud to provide a platform that allows people to collaborate virtually at a minimal environmental cost. In early FY23, we released our inaugural ESG and Sustainability Report, which included our ESG initiatives and policies, diversity metrics, and an index providing standardized reporting of ESG issues according to the Sustainability Accounting Standards Board framework. Already in FY24, we have refreshed the report, included data for additional years in our greenhouse gas emissions inventory, and renewed our commitment to achieving 100% renewable energy for our direct operations (Scope 1 and Scope 2) by 2030.

Our Strategic Focuses

In FY24 and beyond, we are dedicated to reigniting growth of our platform, while maintaining world class profitability and cash flow. The following strategic focuses reflect our customer-centric and innovation-obsessed mindset, and frame our future growth opportunities.

Empower Human Connection

We are committed to redefining teamwork through offering new immersive experiences that improve employee engagement and modern collaboration tools for ideation across locations, modalities, and all within the Zoom client's 'single pane of glass'. We built and launched more than 1,500 features and enhancements in FY23 and brought new products such as Zoom IQ for Sales, Contact Center, Whiteboard, Email and Calendar to market, advancing the way people collaborate and opening the doors for creativity and connection.

Already in FY24, we have introduced a new workforce engagement management solution to our Contact Center product, allowing customers to predict agent workloads, estimate their schedules, and staff appropriately. We are excited to introduce Huddles, Intelligent Director, and Zoom Scheduler to make teamwork more meaningful, ensure hybrid meetings are more equitable and engaging, and increase productivity.

Leverage AI to Drive Impact

The advent of generative AI and large language models has arrived and we want to empower our customers to

work smarter with these transformational tools. AI is nothing new for us. Two of our largest acquisitions were AI companies and AI has long supported our virtual background, noise suppression, gesture recognition, and transcription and translation technologies. At the end of FY23, we launched Zoom Virtual Agent, an intelligent conversational AI and chatbot solution for the Contact Center. After deploying ZVA on our own support site, we found it could handle 93% of inbound inquiries and save us over 400,000 agent hours a month.

Generative AI will open up endless possibilities, and we are well-positioned to capitalize on this generational shift and become an AI-enabled collaboration platform. We are adapting a federated AI strategy that combines our proprietary AI models, models from leading AI companies like OpenAI, and select customer models. By embedding this flexible, scalable AI approach into more workflows, we hope to provide our customers with richer, more actionable insights that empower them to work smarter and serve their customers better.

Expand Solutions to New Departments and Industries

Though we have traditionally partnered with large enterprises through the IT department, we see an opportunity to develop tailored-made solutions to meet specific departments' and industries' nuanced digital transformation needs. We constantly solicit feedback not only from CIOs, but also heads of sales, customer experience leads and many other leaders across various industries. Zoom IQ for Sales was purpose-built in this collaborative fashion and has already added tremendous value to many sales teams. You can expect us to rerun this playbook by rolling out additional industry-specific and department-specific applications developed both by us and our third party partners.

We are just Getting Started

In today's turbulent and transformational business landscape, we remain laser focused on delivering for our customers. Despite the global challenges, I'm super optimistic about the future, and confident that Zoom has the agility, innovation edge and evolved culture to succeed – and help our customers succeed – in this dynamic environment.

Looking Forward,



Eric S. Yuan
Zoom Founder, CEO, and Stockholder

About Zoom

Zoom is an all-in-one intelligent collaboration platform that makes connecting easier, more immersive, and more dynamic for businesses and individuals. Zoom technology puts people at the center, enabling meaningful connections, facilitating modern collaboration, and driving human innovation through solutions like team chat, phone, meetings, omnichannel cloud contact center, smart recordings, whiteboard, and more, in one offering. Founded in 2011, Zoom is publicly traded (NASDAQ:ZM) and headquartered in San Jose, California. Get more info at zoom.com.

Forward-Looking Statements

This stockholder letter contains express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding Zoom’s growth strategy and business aspirations for its video-first unified communications platform, and its market position. 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. 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 year ended January 31, 2023. 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.