

Zoom Video Communications

Q2 FY22 Earnings
August 30, 2021



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 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.

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 our financial outlook for the third quarter and full fiscal year 2022, Zoom’s expectations regarding financial and business trends, Zoom’s growth strategy and business aspirations to drive evolution on multiple fronts as organizations and people reimagine work, communications and collaboration, and Zoom being well-positioned to be successful as a platform. 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 once the impact of the COVID-19 pandemic tapers, particularly as a vaccine becomes widely available, and users return to work or school or are otherwise no longer subject to shelter-in-place mandates, 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, and failures in internet infrastructure or interference with broadband access, which 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, 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.

Great wins with industry leaders

NEC

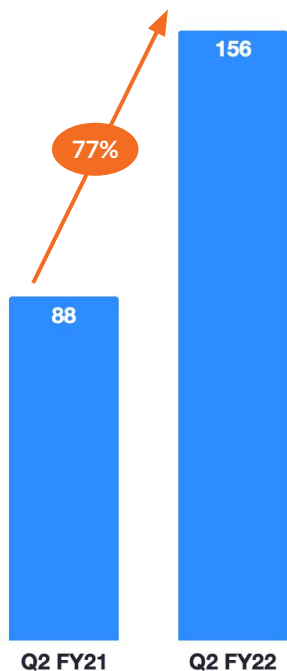
 SEAGATE

ExxonMobil

Telkomsel
by Telkom Indonesia 

Continued strong enterprise traction

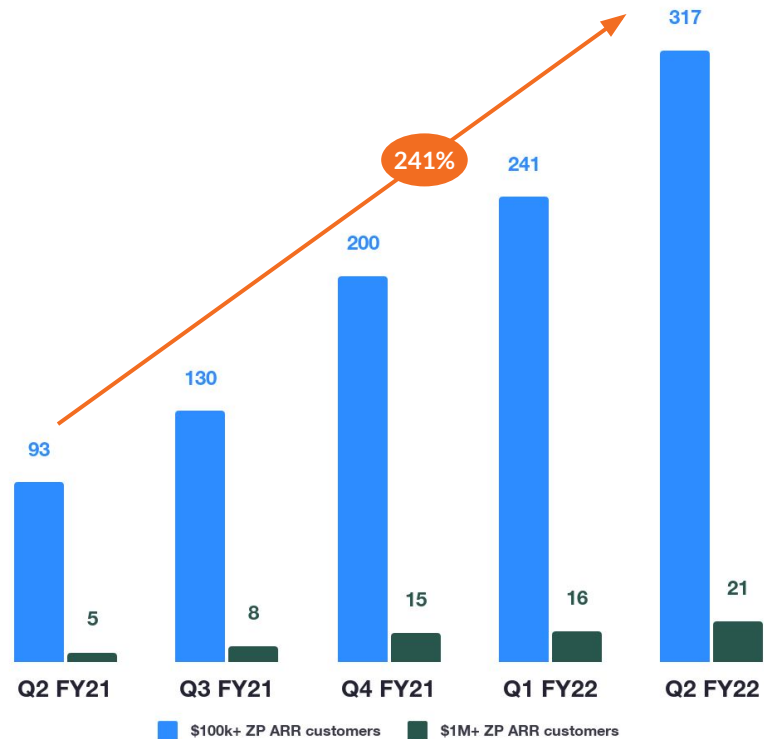
\$1M+ ARR¹ customer accounts



¹ARR stands for Annual Recurring Revenue

- Many strong customer adds and upsells
- Increased traction in APAC with channel and large customer wins
- Strong performance in Zoom Phone and Zoom Rooms

Zoom Phone acceleration

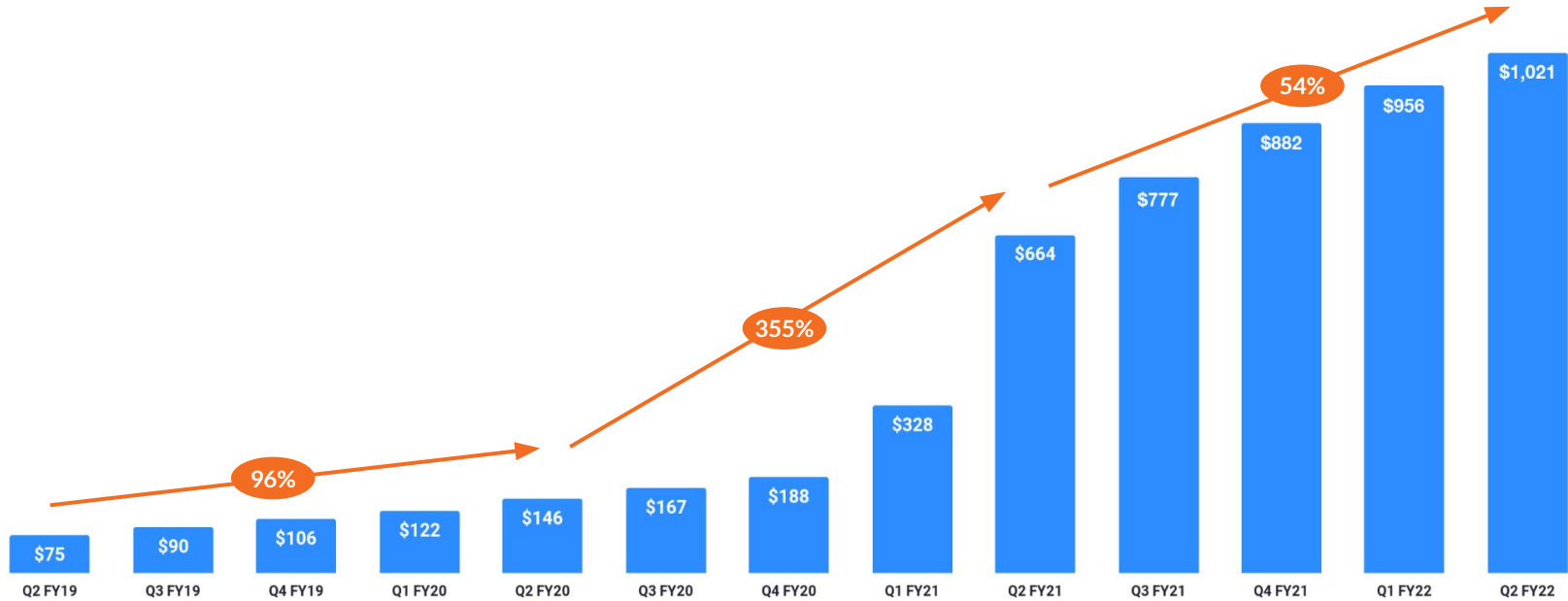


- Number of \$100k+ ARR customers grew by 241% YoY (32% QoQ) to 317, which includes 21 \$1M+ customers¹
- Will reach 2 million seats in August
- 26 customers with 10k+ paid seats as of end of Q2 FY22 (added 8 in H1 FY22)

¹\$100k+ and \$1M+ ZP ARR customers refer to the total number of customer accounts where Zoom Phone-related ARR meets or exceeds \$100,000 and \$1 million, respectively. The \$1M+ ARR customers in the graph are a subset of the \$100k+ ARR customers.

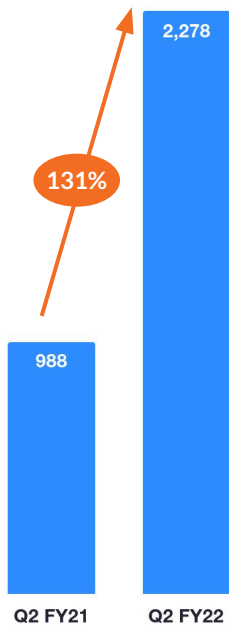
Strong revenue growth in Q2

(in millions)

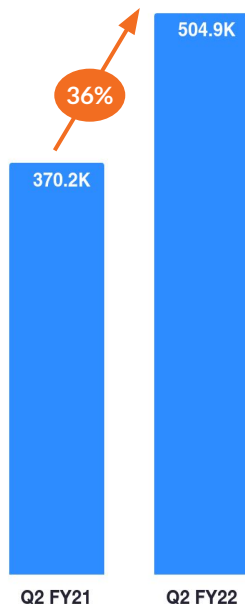


Expanding customer base

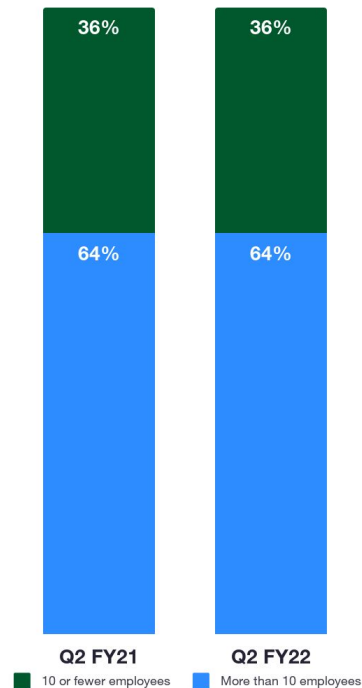
Customers generating >\$100k in trailing 12-month revenue



Customers¹ with more than 10 employees



Revenue Share by customer cohort



Strong Net Dollar Expansion Rate

TTM Net Dollar
Expansion Rate¹

>130%

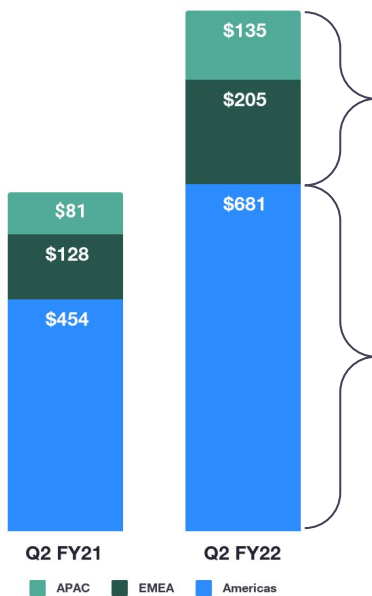
in Q2 FY22

- 13th consecutive quarter above 130%
- Demonstrated ability to land and expand
- Reflects trust and loyalty with existing customers

¹We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with more than 10 employees 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)

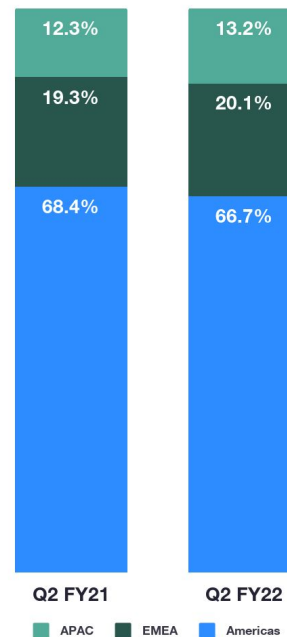


Yr/Yr Growth

ROW
62%

Americas
50%

Revenue Share by
Region¹



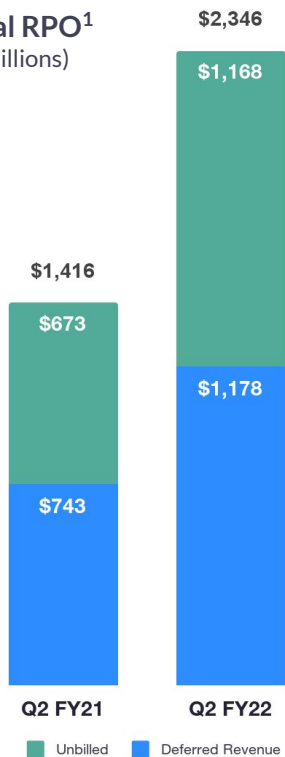
Q2 FY22 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$1,021 million	54%	\$1,021 million	54%
Gross Margin	74.4%	+340 bps	76.2%	+396 bps
R & D Margin	8.1%	+162 bps	5.3%	+99 bps
S & M Margin	26.5%	+256 bps	20.7%	+216 bps
G & A Margin	11.0%	(126 bps)	8.7%	+97 bps
Operating Margin	28.8%	+49 bps	41.6%	(17 bps)

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

Total
66%

Unbilled
74%

Deferred Revenue
59%

Yr/Yr Growth

Total
66%

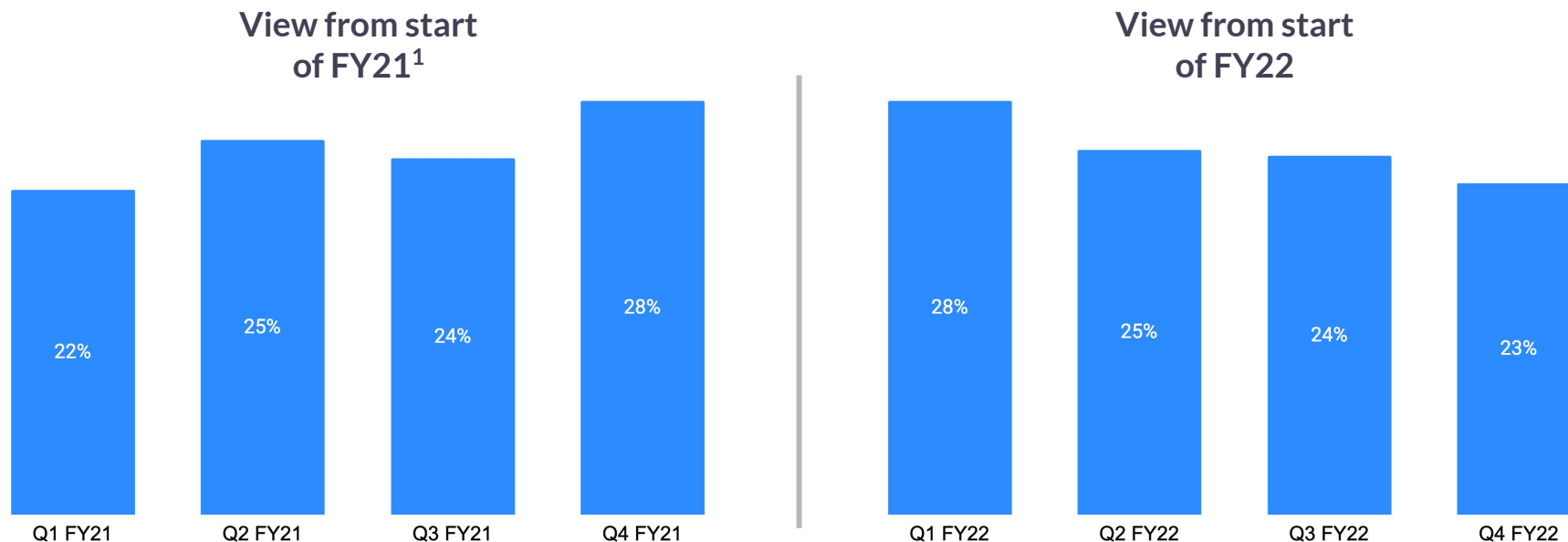
Non-Current
85%

Current
58%



¹ Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. We expect to recognize approximately 69% or \$1.6 billion dollars of the total RPO as revenue over the next 12 months compared to 72% or \$1.0 billion dollars in Q2 last year. Subtotals have been rounded.

Renewal seasonality for annual+ business shifted to Q1



Front-weighted renewals seasonality² will persist for the foreseeable future due to the scale of Zoom's base and our practice of upselling coterminously with the initial contract

¹Percentages are rounded and may not add up to 100%.

²Renewal seasonality for a given quarter is calculated by dividing the total ARR up for renewal in the quarter from existing contracts with a term of 12 months or more by the total ARR up for renewal in the fiscal year from existing contracts with a term of 12 months or more.

Rapid cash flow growth

~\$5.1B

in cash, cash
equivalents and
marketable securities,
excluding restricted
cash

Operating Cash Flow
(in millions)



Free Cash Flow¹
(in millions)



¹ See appendix for a reconciliation of non-GAAP to GAAP financial measures. We define FCF as GAAP net cash provided by operating activities less purchases of property and equipment.

Q3 and Fiscal Year 2022 outlook

	Q3 FY22	FY22
Outlook ¹		
Revenue	\$1,015 - \$1,020 million	\$4,005 - \$4,015 million
Non-GAAP Operating Income	\$340 - \$345 million	\$1,500 - \$1,510 million
Weighted Average Share Count	309 million	308 million
Non-GAAP EPS	\$1.07 - \$1.08	\$4.75 - \$4.79

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.



A Virtual Experience

SEPT 13-14, 2021 | Sponsors of Happiness

Financial Analyst Briefing Track
SEPT 13, 2pm-4pm ET (11am-1pm PT)

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Thank You



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Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q2 FY21	Q2 FY22	H1 FY21	H1 FY22
Gross Profit				
Total Revenue	\$663,520	\$1,021,495	\$991,687	\$1,977,732
GAAP Gross Profit	\$471,249	\$760,239	\$695,709	\$1,451,482
(+) Stock-based compensation expense and related payroll taxes	\$8,059	\$17,557	\$11,441	\$32,201
(+) Acquisition-related expense	\$154	\$754	\$154	\$1,446
Non-GAAP Gross Profit	\$479,462	\$778,550	\$707,304	\$1,485,129
Non-GAAP Gross Margin	72.3%	76.2%	71.3%	75.1%
R&D Expenses				
GAAP R&D	\$42,734	\$82,311	\$69,123	\$147,486
(-) Stock-based compensation expense and related payroll taxes	\$(10,166)	\$(24,067)	\$(15,569)	\$(45,253)
(-) Acquisition-related expense	\$(4,006)	\$(4,155)	\$(4,006)	\$(6,747)
Non-GAAP R&D	\$28,562	\$54,089	\$49,548	\$95,486
S&M Expenses				
GAAP S&M	\$159,173	\$271,179	\$280,729	\$516,846
(-) Stock-based compensation expense and related payroll taxes	\$(36,429)	\$(60,146)	\$(54,454)	\$(114,896)
Non-GAAP S&M	\$122,744	\$211,033	\$226,275	\$401,950
G&A Expenses				
GAAP G&A	\$81,238	\$112,146	\$134,368	\$266,235
(-) Stock-based compensation expense and related payroll taxes	\$(6,948)	\$(14,972)	\$(10,384)	\$(28,767)
(-) Litigation settlements, net	-	-	-	\$(66,916)
(-) Charitable donation of common stock	\$(22,312)	-	\$(23,312)	-
(-) Acquisition-related expense	\$(782)	\$(8,411)	\$(782)	\$(8,411)
Non-GAAP G&A	\$51,196	\$88,763	\$99,890	\$162,141

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q2 FY21	Q2 FY22	H1 FY21	H1 FY22
Operating Profit				
Total Revenue	\$663,520	\$1,021,495	\$991,687	\$1,977,732
GAAP Operating Profit	\$188,104	\$294,603	\$211,489	\$520,915
(+) Stock-based compensation expense and related payroll taxes	\$61,602	\$116,742	\$91,848	\$221,117
(+) Litigation settlements, net	-	-	-	\$66,916
(+) Charitable donation of common stock	\$22,312	-	\$23,312	-
(+) Acquisition-related expense	\$4,942	\$13,320	\$4,942	\$16,604
Non-GAAP Operating Profit	\$276,960	\$424,665	\$331,591	\$825,552
Non-GAAP Operating Margin	41.7%	41.6%	33.4%	41.7%
Net Income				
GAAP net income attributable to common stockholders	\$185,742	\$316,930	\$212,759	\$544,306
(+) Stock-based compensation expense and related payroll taxes	\$61,602	\$116,742	\$91,848	\$221,117
(+) Litigation settlements, net	-	-	-	\$66,916
(+) Charitable donation of common stock	\$22,312	-	\$23,312	-
(+) Acquisition-related expenses	\$4,942	\$13,320	\$4,942	\$16,604
(+) Undistributed earnings attributable to participating securities	\$247	\$154	\$305	\$309
(-) Gains on strategic investments	-	\$(32,076)	-	\$(32,076)
Non-GAAP net income	\$274,845	\$415,070	\$333,166	\$817,176
Earnings Per Share				
GAAP net income per share - diluted	\$0.63	\$1.04	\$0.72	\$1.78
Non-GAAP net income per share - diluted	\$0.92	\$1.36	\$1.12	\$2.67
Weighted Average Shares				
GAAP and Non-GAAP weighted-average - diluted	297,162,309	305,861,051	296,408,229	305,652,628

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)	Q2 FY21	Q2 FY22	H1 FY21	H1 FY22
Free Cash Flow				
Cash Flow from Operations	\$401,346	\$468,012	\$660,311	\$1,001,314
(-) Purchases of PPE	\$(27,981)	\$(12,975)	\$(35,253)	\$(92,049)
Free Cash Flow	\$373,365	\$455,037	\$625,058	\$909,265
Net Cash Used in Investing Activities	\$(172,527)	\$(144,204)	\$(235,561)	\$(1,364,182)
Net Cash Provided by Financing Activities	\$44,516	\$71,383	\$272,642	\$65,104

Historic Metrics

(\$ in millions)

	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22
Revenue	\$166.6	\$188.3	\$328.2	\$663.5	\$777.2	\$882.5	\$956.2	\$1,021.5
<i>Y/Y growth</i>	85%	78%	169%	355%	367%	369%	191%	54%
GAAP Operating Income	\$(1.7)	\$10.6	\$23.4	\$188.1	\$192.2	\$256.1	\$226.3	\$294.6
Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and litigation settlements, net	\$22.9	\$27.9	\$31.2	\$88.9	\$98.5	\$104.8	\$174.6	\$130.1
Non-GAAP Operating Income	\$21.3	\$38.4	\$54.6	\$277.0	\$290.8	\$360.9	\$400.9	\$424.7
Operating Cash Flow	\$61.9	\$36.6	\$259.0	\$401.3	\$411.5	\$399.4	\$533.3	\$468.0
Capital Expenditures	\$(7.2)	\$(10.0)	\$(7.3)	\$(28.0)	\$(23.3)	\$(21.5)	\$(79.1)	\$(13.0)
Free Cash Flow	\$54.7	\$26.6	\$251.7	\$373.4	\$388.2	\$377.9	\$454.2	\$455.0
RPO	\$517.0	\$604.1	\$1,067.9	\$1,415.8	\$1,631.2	\$1,750.9	\$2,073.4	\$2,346.3
<i>Y/Y growth</i>	102%	94%	184%	209%	215%	190%	94%	66%
TTM Net \$ Expansion Rate	>130%	>130%	>130%	>130%	>130%	>130%	>130%	>130%
Customers > 10 Employees	74,100	81,900	265,400	370,200	433,700	467,100	497,000	504,900
<i>Y/Y growth</i>	67%	61%	354%	458%	485%	470%	87%	36%
Customers >\$100K TTM Revenue	546	641	769	988	1,289	1,644	1,999	2,278
<i>Y/Y growth</i>	97%	86%	90%	112%	136%	156%	160%	131%