

Zoom Video Communications

Q2 FY25 Earnings

August 21, 2024

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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 income from operations, non-GAAP net income per share or 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 third quarter of fiscal year 2025 and full fiscal year 2025; Zoom's expectations regarding financial and business trends, as well as impacts from macroeconomic developments; Zoom's market position, stock repurchase program, 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, renewals or upgrades, or decline in demand for our platform, difficulties in evaluating our prospects and future results of operations given our limited operating history, competition from other providers of communications platforms, the effect of macroeconomic conditions on our business, including inflation and market volatility, lengthening sales cycles with large organizations, delays or outages in services from our co-located data centers, failures in internet infrastructure or interference with broadband access, compromised security measures, including ours and those of the third parties upon which we rely, 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 April 30, 2024. 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.

Reimagine teamwork with

zoom Workplace



Meetings



Team Chat



Phone



Mail & Calendar



Scheduler



Clips



Whiteboard



AI Companion



Docs



Notes



Rooms



Workspace
Reservation



Digital Signage



Visitor
Management



Workvivo

An open collaboration platform with  **zoom** AI Companion

Ecosystem



Workflows



APIs



SDKs



Apps



App Marketplace

Zoom Docs

Supercharge Zoom Workplace collaboration with AI-first docs that transform meeting content into actionable documents, wikis, and projects



AI-first

Do your best work with your AI assistant, AI Companion

At no additional cost with paid plans



Built for Zoom Meetings

Maximize meeting effectiveness and collaboration



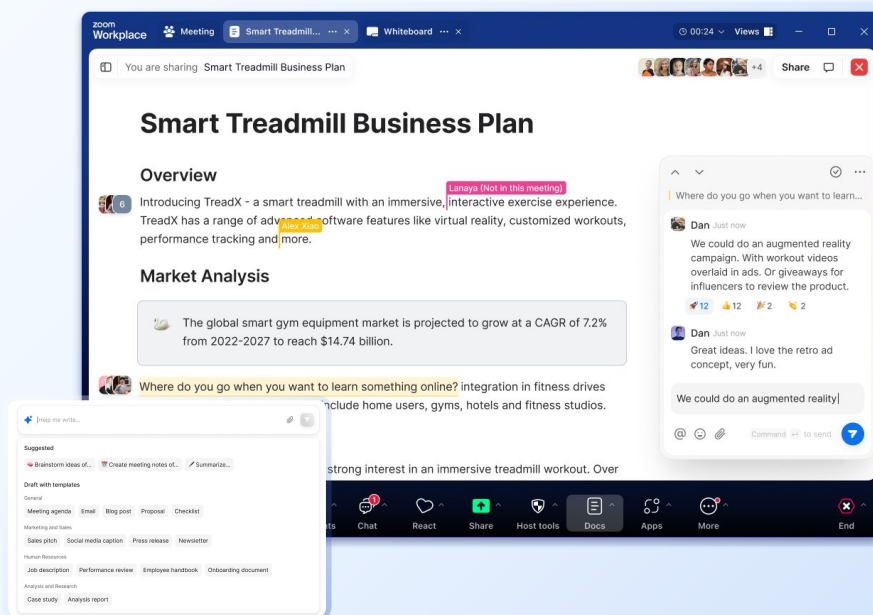
Team collaboration

Reduce silos and optimize team collaboration



All-in-one

Get your work done in one place



CX & EX Evolution

Zoom is primed to lead the way

On-Premises Contact Center

Large amount of on-premises point solutions lightly integrated. Voice-centric and disjointed experiences.

Agent Experience

Recording, Quality Management, Analytics, WFM

Customer Experience

Contact Center, Dialer, IVR, CTI

Employee Experience

PBX, Web conferencing, Meetings

Cloud Contact Center (CCaaS)

Phase driven by move to cloud, application consolidation, and adoption of multi-channel experiences

CCaaS, WEM, Multi-channel

UCaaS, Chat, Video, Meetings

AI-Powered Total Experience

AI-infused unified "Total Experience" platform to support your brand. Empowering & connecting all customers, agents, and employees

Bringing together the complete customer and employee experience

CCaaS, Video & Kiosk interactions, bridging back office SEM on phone, chat, meetings to seamlessly support customers

Our roadmap for **AI Companion**

Available now

Enhances your capabilities

with generative AI

Available soon

Simplifies your workday

through AI-driven information flow

Available later

Performs your tasks

automatically on your behalf

✓ **Trusted**

Built on a foundation of trust, security and responsible AI

✓ **Included for all**

Paid users benefit from the added capabilities of AI Companion at no additional cost*

✓ **High-performing**

Proven low latency and high accuracy results through our FEDERATED model

✓ **Open**

Work seamlessly across Zoom today and with other applications in the future

Customer traction in Q2 demonstrates our platform evolution

Zoom Workplace ⇨ Contact Center





Contact Center ⇨ Zoom Workplace



Video SDK



Workvivo

-  A major North American telco
-  A leading Southeast Asian bank
-  A famed European auto company

Q2 Milestones



Reached ~1.2 million customer accounts enabling Zoom AI Companion

Product only in market for 11 months



69 Workvivo customers with 100k+ ARR

~100% YoY growth



Surpassed 1,100 Zoom Contact center customers

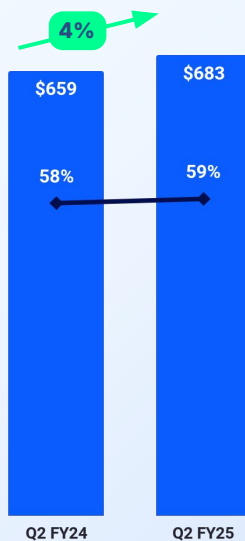
>100% YoY growth

Continued top-line expansion in Q2 with positive trends in Enterprise and Online

Total Revenue
(in millions)

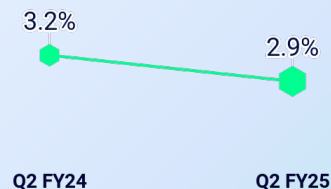


Enterprise Revenue
(in millions)



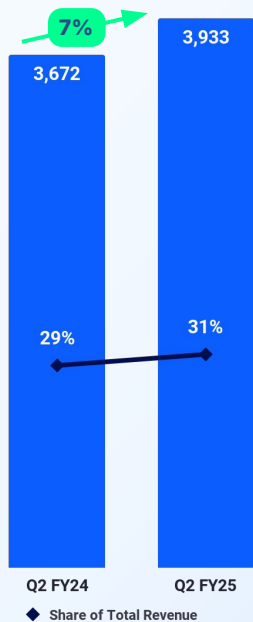
◆ Enterprise Revenue Share

Online Average Monthly Churn¹



Continued growth in the up-market

of Customers Contributing >\$100k in TTM Revenue



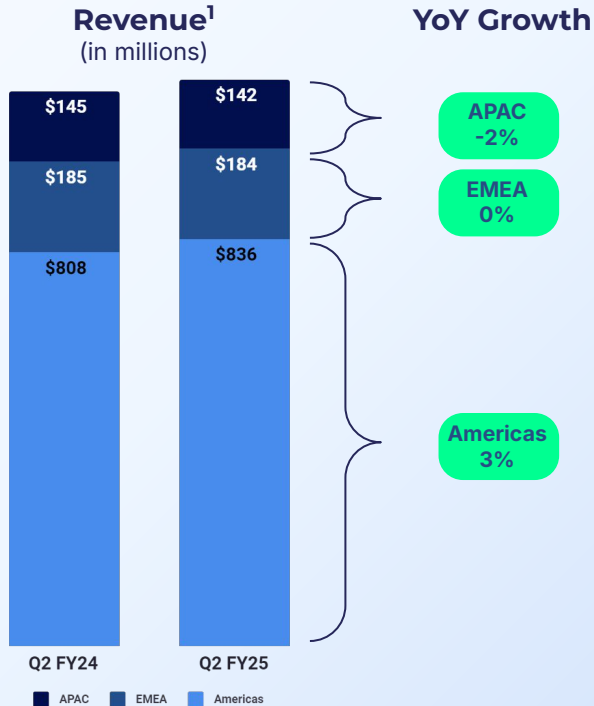
98%

TTM Net Dollar Expansion Rate for Enterprise Customers¹

191.6k

Enterprise Customers²

Continued growth in Americas, FX headwinds in APAC

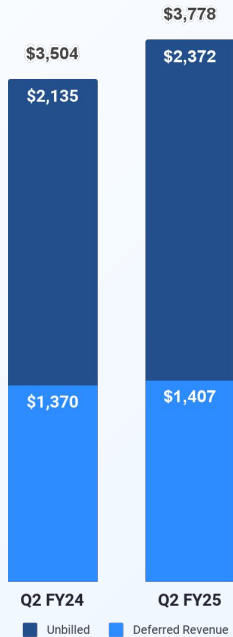


Q2 FY25 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$1,163 million	2%	\$1,163 million	2%
Gross Profit	75.5%	(111 bps)	78.6%	(178 bps)
R&D Expense	17.8%	+94 bps	10.4%	+123 bps
S&M Expense	30.9%	(193 bps)	23.3%	(90 bps)
G&A Expense	9.4%	(194 bps)	5.7%	(76 bps)
Operating Income	17.4%	+181 bps	39.2%	(136 bps)
Effective Tax Rate	25.2%	(210 bps)	19.6%	+108 bps
EPS - Diluted	\$0.70	19%	\$1.39	4%

Growing Deferred Revenue and RPO

Total RPO¹ (in millions)



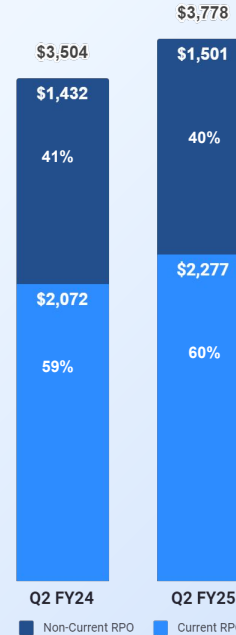
YoY Growth

Total RPO
8%

Unbilled
11%

Deferred Revenue
3%

Current² & Non-Current RPO (in millions)



YoY Growth

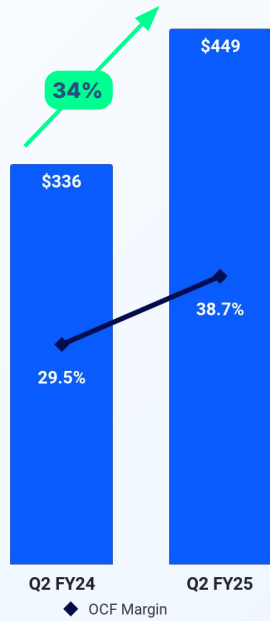
Total RPO
8%

Non-Current RPO
5%

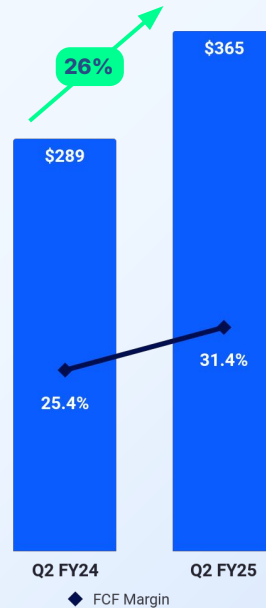
Current RPO
10%

Strong cash flow, ~\$7.5B cash balance¹, and actively repurchasing shares

Operating Cash Flow (in Millions)



Free Cash Flow² (in Millions)



Shares repurchased in Q2

~4.8
million

Q3 and Fiscal Year 2025 outlook

Outlook ¹	Q3 FY25	FY25
Revenue	\$1,160 - \$1,165 million	\$4,630 - \$4,640 million
Total Revenue (Constant Currency)	\$1,162 - \$1,167 million	\$4,641 - \$4,651 million
Non-GAAP Operating Income	\$438 - \$443 million	\$1,790 - \$1,800 million
Weighted Average Share Count	314 million	316 million
Non-GAAP EPS	\$1.29 - \$1.31	\$5.29 - \$5.32
Free Cash Flow ²	--	\$1,580 - \$1,620 million

~\$1.06 billion authorized share repurchase remaining as of 7/31/24
(not reflected in Share Count and EPS figures)



Thank you

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Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q2 FY24	Q2 FY25	H1 FY24	H1 FY25
Gross Profit				
Total Revenue	\$1,138,676	\$1,162,520	\$2,244,040	\$2,303,754
GAAP Gross Profit	\$872,117	\$877,431	\$1,713,534	\$1,745,363
(+) Stock-based compensation expense and related payroll taxes	\$40,590	\$33,940	\$80,710	\$69,299
(+) Acquisition-related expense	\$2,066	\$1,834	\$3,623	\$3,639
(+) Restructuring expenses	\$24	-	\$7,119	-
Non-GAAP Gross Profit	\$914,797	\$913,205	\$1,804,986	\$1,818,301
GAAP Gross Margin	76.6%	75.5%	76.4%	75.8%
Non-GAAP Gross Margin	80.3%	78.6%	80.4%	78.9%
R&D Expenses				
GAAP R&D	\$191,802	\$206,756	\$401,073	\$412,314
(-) Stock-based compensation expense and related payroll taxes	\$(83,266)	\$(82,737)	\$(162,577)	\$(168,158)
(-) Acquisition-related expense	\$(4,090)	\$(3,369)	\$(8,476)	\$(6,786)
(-) Restructuring expenses	\$(327)	-	\$(19,629)	-
Non-GAAP R&D	\$104,119	\$120,650	\$210,391	\$237,370
S&M Expenses				
GAAP S&M	\$373,373	\$358,770	\$795,877	\$706,778
(-) Stock-based compensation expense and related payroll taxes	\$(96,351)	\$(85,784)	\$(205,743)	\$(167,448)
(-) Acquisition-related expenses	\$(2,022)	\$(1,787)	\$(3,206)	\$(3,549)
(-) Restructuring expenses	\$911	-	\$(32,930)	-
Non-GAAP S&M	\$275,911	\$271,199	\$553,998	\$535,781
G&A Expenses				
GAAP G&A	\$129,324	\$109,535	\$329,224	\$220,879
(-) Stock-based compensation expense and related payroll taxes	\$(49,113)	\$(41,650)	\$(98,338)	\$(82,080)
(-) Litigation settlements, net	-	\$1,750	\$(52,500)	\$1,750
(-) Acquisition-related expense	\$(6,750)	\$(3,821)	\$(8,474)	\$(7,538)
(-) Restructuring expenses	\$(373)	-	\$(13,315)	-
Non-GAAP G&A	\$73,088	\$65,814	\$156,597	\$133,011

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q2 FY24	Q2 FY25	H1 FY24	H1 FY25
Operating Profit				
Total Revenue	\$1,138,676	\$1,162,520	\$2,244,040	\$2,303,754
GAAP Operating Profit	\$177,618	\$202,370	\$187,360	\$405,392
(+) Stock-based compensation expense and related payroll taxes	\$269,320	\$244,111	\$547,368	\$486,985
(+) Litigation settlements, net	-	\$(1,750)	\$52,500	\$(1,750)
(+) Acquisition-related expense	\$14,928	\$10,811	\$23,779	\$21,512
(+) Restructuring expenses	\$(187)	-	\$72,993	-
Non-GAAP Operating Profit	\$461,679	\$455,542	\$884,000	\$912,139
GAAP Operating Margin	15.6%	17.4%	8.3%	17.6%
Non-GAAP Operating Margin	40.5%	39.2%	39.4%	39.6%
Net Income				
GAAP net income attributable to common stockholders	\$181,974	\$219,015	\$197,418	\$435,323
(+) Stock-based compensation expense and related payroll taxes	\$269,320	\$244,111	\$547,368	\$486,985
(+) Litigation settlements, net	-	\$(1,750)	\$52,500	\$(1,750)
(+) Acquisition-related expenses	\$14,928	\$10,811	\$23,779	\$21,512
(+) Restructuring expenses	\$(187)	-	\$72,993	-
(+) Losses (gains) on strategic investments	\$(31,670)	\$(3,107)	\$(33,945)	\$(20,461)
(-) Tax effects on non-GAAP adjustments	\$(24,800)	\$(32,659)	\$(97,297)	\$(58,870)
Non-GAAP net income	\$409,565	\$436,421	\$762,816	\$862,739
Earnings Per Share				
GAAP net income per share –diluted	\$0.59	\$0.70	\$0.65	\$1.38
Non-GAAP net income per share –diluted	\$1.34	\$1.39	\$2.50	\$2.74
Weighted Average Shares				
GAAP and Non-GAAP weighted-average –diluted	305,932,596	314,027,192	305,054,771	314,696,351

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q2 FY24	Q2 FY25	H1 FY24	H1 FY25
Free Cash Flow				
Cash Flow from Operations	\$335,971	\$449,334	\$754,458	\$1,037,525
(-) Purchases of PPE	\$(46,600)	\$(84,234)	\$(68,426)	\$(102,742)
Free Cash Flow	\$289,371	\$365,100	\$686,032	\$934,783
Operating Cash Flow Margin	29.5%	38.7%	33.6%	45.0%
Free Cash Flow Margin	25.4%	31.4%	30.6%	40.6%
Net Cash Used in Investing Activities	\$(19,360)	\$(540,910)	\$(500,146)	\$(648,734)
Net Cash (Used in) Provided by Financing Activities	\$34,439	\$(256,265)	\$41,458	\$(398,716)

(\$ in Thousands)

	Q2 FY25	Y/Y growth	H1 FY25	Y/Y growth
Revenue in Constant Currency				
GAAP revenue	\$1,162,520	2.1%	\$2,303,753	2.7%
(+) Constant currency impact	\$3,573	0.3%	\$5,924	0.3%
Revenue in constant currency (non-GAAP)	\$1,166,093	2.4%	\$2,309,677	2.9%

Historic Metrics

(\$ in millions)

	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Revenue	\$1,101.9	\$1,117.8	\$1,105.4	\$1,138.7	\$1,136.7	\$1,146.5	\$1,141.2	\$1,162.5
<i>Y/Y growth</i>	5%	4%	3%	4%	3%	3%	3%	2%
GAAP Income (loss) from operations	\$66.5	(\$129.9)	\$9.7	\$177.6	\$169.4	\$168.5	\$203.0	\$202.4
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$314.4	\$534.7	\$412.6	\$284.1	\$277.8	\$275.2	\$253.6	\$253.2
Non-GAAP income from operations	\$380.9	\$404.8	\$422.3	\$461.7	\$447.1	\$443.7	\$456.6	\$455.5
Operating Cash Flow	\$295.3	\$211.6	\$418.5	\$336.0	\$493.2	\$351.2	\$588.2	\$449.3
Capital Expenditures	\$(22.7)	\$(28.3)	\$(21.8)	\$(46.6)	\$(40.0)	\$(18.5)	\$(18.5)	\$(84.2)
Free Cash Flow	\$272.6	\$183.3	\$396.7	\$289.4	\$453.2	\$332.7	\$569.7	\$365.1
Deferred Revenue	\$1,354.2	\$1,308.4	\$1,366.1	\$1,369.8	\$1,315.9	\$1,270.4	\$1,352.2	\$1,406.7
Unbilled Accounts Receivable	\$82.4	\$91.6	\$107.1	\$115.6	\$132.3	\$124.8	\$137.7	\$119.9
RPO	\$3,245.9	\$3,434.5	\$3,482.2	\$3,504.4	\$3,571.7	\$3,574.8	\$3,665.7	\$3,778.3
<i>Y/Y growth</i>	32%	30%	16%	9%	10%	4%	5%	8%
Customers >\$100K TTM Revenue	3,286	3,471	3,580	3,672	3,731	3,810	3,883	3,933
<i>Y/Y growth</i>	31%	27%	23%	18%	14%	10%	8%	7%
Revenue % from Customers >\$100K TTM Revenue	27%	28%	29%	29%	29%	30%	30%	31%
Pre-Transition Enterprise Customers¹	209,300	213,000	215,900	218,100	219,700	220,400	--	--
Post-Transition Enterprise Customers	--	--	--	--	--	--	191,000	191,600
Revenue % from Enterprise Customers	56%	57%	57%	58%	58%	58%	58%	59%
TTM Net \$ Expansion Rate for Enterprise Customers	117%	115%	112%	109%	105%	101%	99%	98%
Online Average Monthly Churn	3.1%	3.4%	3.1%	3.2%	3.0%	3.0%	3.2%	2.9%

Endnotes

Continued top-line expansion in Q2 with positive trends in Enterprise and Online

1. Zoom calculates online average monthly churn by starting with the Online customer MRR as of the beginning of the applicable quarter ("Entry MRR"). Zoom defines Entry MRR as the recurring revenue run-rate of subscription agreements from all Online customers except for subscriptions that Zoom recorded as churn in a previous quarter based on the customers' earlier indication to us of their intention to cancel that subscription. Zoom then determines the MRR related to customers who canceled or downgraded their subscription or notified us of that intention during the applicable quarter ("Applicable Quarter MRR Churn") and 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.

Continued growth in the up-market

1. Zoom calculates 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"). Zoom defines ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. Zoom calculates 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. Zoom then calculates the ARR from these Enterprise customers as of the current period end ("Current Period ARR"), which includes any upsells, contraction, and attrition. Zoom divides the Current Period ARR by the Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12 months calculation, Zoom takes an average of the net dollar expansion rate over the trailing 12 months.
2. The number of customers is rounded down to the nearest hundred. Zoom defines Enterprise customers as distinct business units who have been engaged by either our direct sales team, resellers, or strategic partners. All other customers that subscribe to our services directly through our website are referred to as Online customers. Enterprise Customers are rounded down to the nearest hundred.

Continued growth in Americas, FX headwinds in APAC

1. Subtotals revenue and revenue percent have been rounded.

Q2 FY25 expenses and margins

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

Growing Deferred Revenue and RPO

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.

Strong cash flow, ~\$7.5B cash balance¹, and actively repurchasing shares

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.

Q3 and Fiscal Year 2025 outlook

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.
2. Free cash flow is a non-GAAP financial metric. Zoom defines free cash flow as net cash provided by operating activities less purchases of property and equipment.

Historic Metrics

1. Enterprise Customers are rounded down to the nearest hundred. During Q1 FY25, in order to enhance customer experience and improve efficiency, we transitioned approximately 26,800 Enterprise customers with lower MRR away from working with direct sales teams, resellers, or strategic partners. These customers are now considered Online customers and no longer included in our Enterprise customer total as of April 30, 2024. The impact of this transition did not have a material impact on the percent of revenue from Enterprise and Online customers, net dollar expansion rate, or Online average monthly churn.