

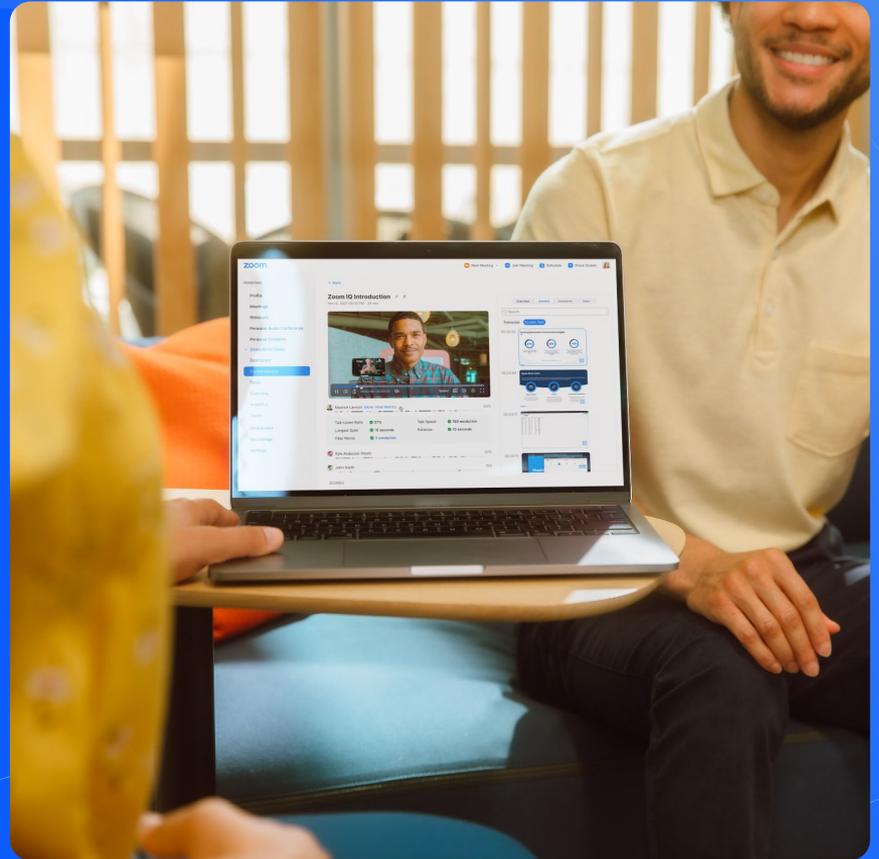
# Zoom Video Communications



Q3 FY24 Earnings

November 20, 2023

zoom



# Use of non-GAAP financial measures



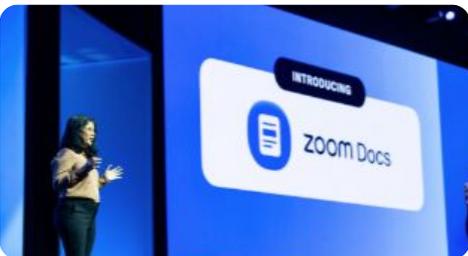
In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the following non-GAAP metrics: Revenue in Constant Currency, non-GAAP gross profit, non-GAAP gross margin, non-GAAP R&D expense, non-GAAP S&M expense, non-GAAP 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 fourth 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, including Zoom AI Companion, 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 at the current scale of our business, competition from other providers of communications platforms, 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 July 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.



# Thanks for attending Zoomtopia!

**40+ customer presentations**

**45 new product and feature update announcements:**

- AI Companion Updates
- AI Expert Assist
- Contact Center Quality Management
- Workspace Reservation wayfinding
- Zoom Clips
- Zoom Docs

# Customer wins highlight the appeal of our customer and employee experience solutions



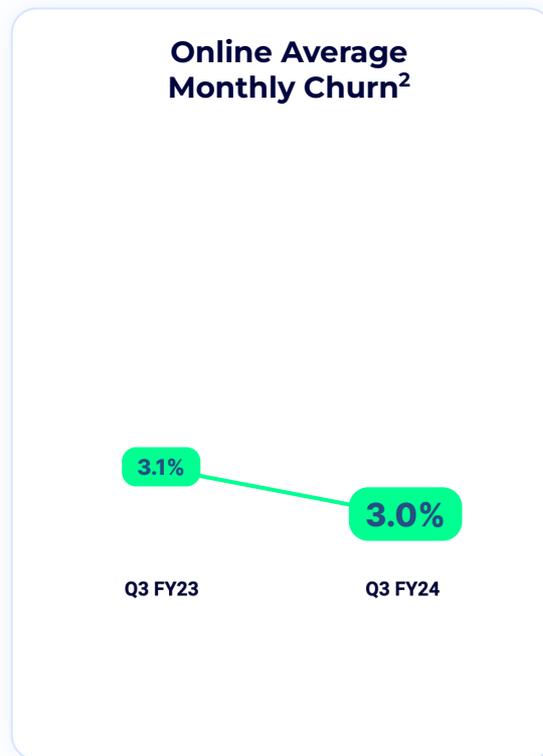
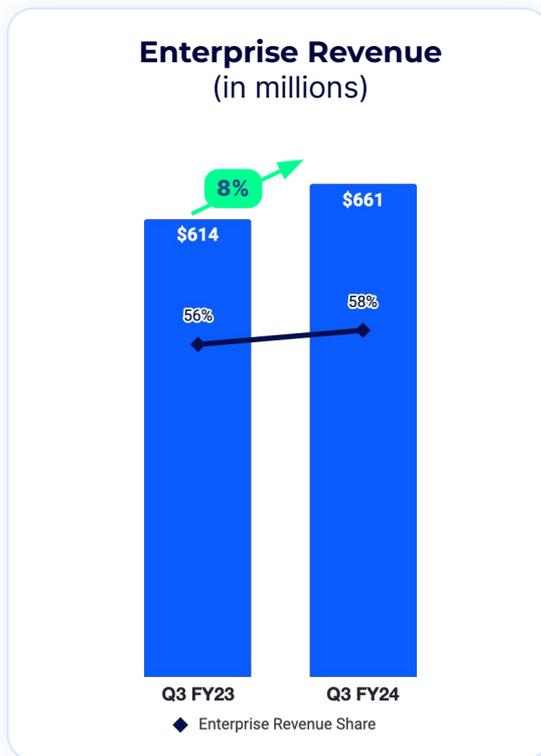
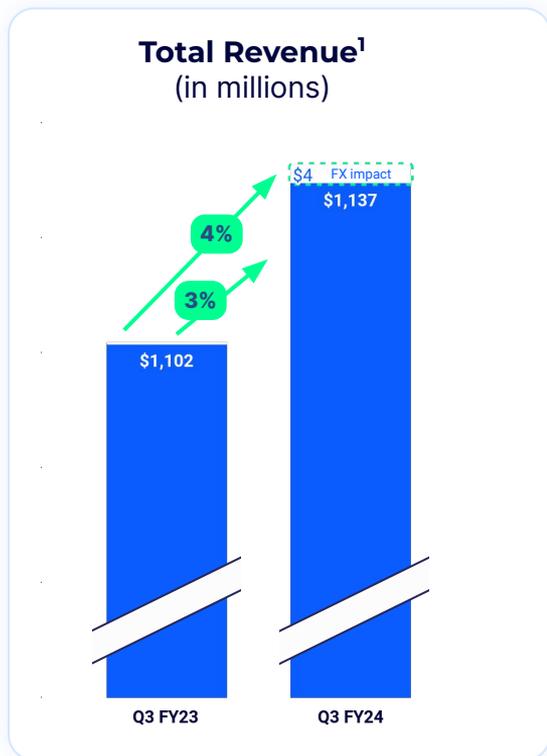
# Q3 Milestones

Reached  
**~7 million**  
paid Zoom  
Phone Seats

Reached  
**~700**  
Contact Center  
customers

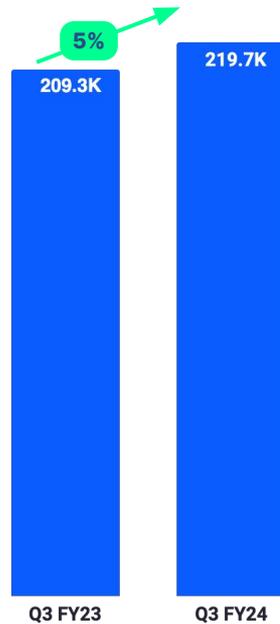
# of Zoom One  
customers w/  
Zoom Phone up  
**~330%** YoY

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



# Growth in new and existing Enterprise customers

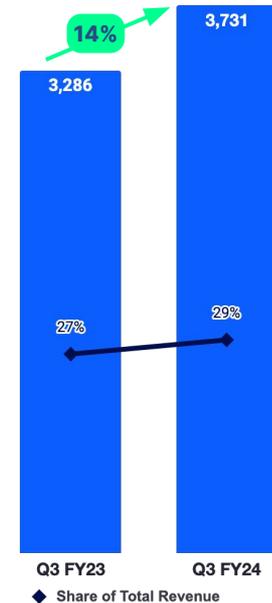
# of Enterprise Customers<sup>1</sup>



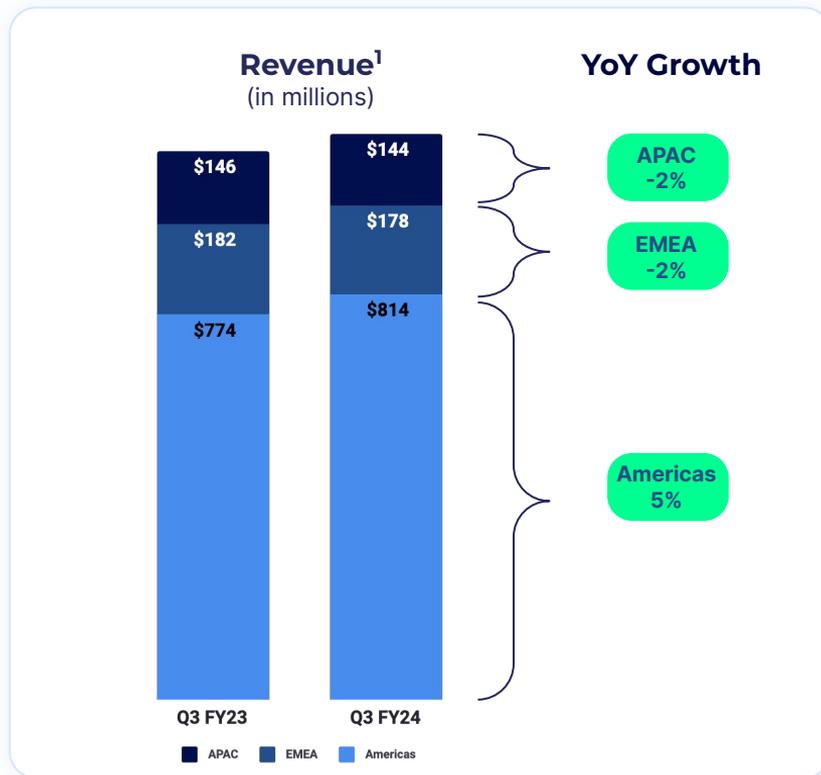
105%

TTM Net Dollar Expansion  
Rate for Enterprise  
Customers<sup>2</sup> in Q3 FY24

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



# Growth in Americas, macro headwinds in ROW



# Q3 FY24 expenses and margins

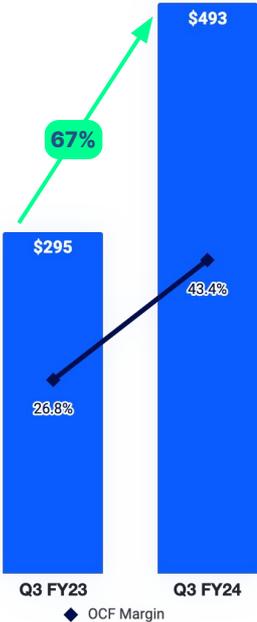
		GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr
<b>Revenue</b>		\$1,137 million	3%	\$1,137 million	3%
<b>As a % of Revenue</b>	<b>Gross Profit</b>	76.2%	+72 bps	79.7%	+22 bps
	<b>R&amp;D Expense</b>	17.3%	(47 bps)	9.3%	(49 bps)
	<b>S&amp;M Expense</b>	32.9%	(588 bps)	25.0%	(231 bps)
	<b>G&amp;A Expense</b>	11.1%	(169 bps)	6.1%	(175 bps)
	<b>Operating Profit</b>	14.9%	+887 bps	39.3%	+477 bps
<b>Effective Tax Rate</b>		24.0%	+1,233 bps	18.0%	+390 bps
<b>EPS - Diluted</b>		\$0.45	181%	\$1.29	21%

# Growing future revenue under contract

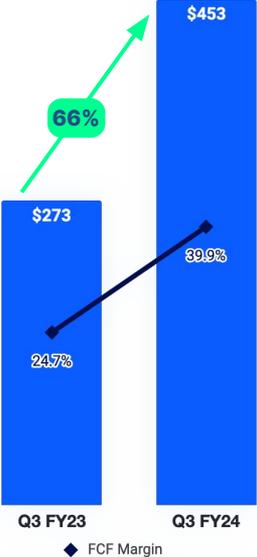


# Strong cash flow and position in Q3

### Operating Cash Flow (in Millions)



### Free Cash Flow<sup>1</sup> (in Millions)



### Cash Balance<sup>2</sup>

**\$6.5**  
*billion*

# Q4 and Fiscal Year 2024 outlook

Outlook <sup>1</sup>	Q4 FY24	FY24
Revenue	\$1,125 - \$1,130 million	\$4,506 - \$4,511 million
Total Revenue (Constant Currency)	\$1,129 - \$1,134 million	\$4,542 - \$4,547 million
Non-GAAP Operating Income	\$409 - \$414 million	\$1,740 - \$1,745 million
Weighted Average Share Count	312 million	308 million
Non-GAAP EPS	\$1.13 - \$1.15	\$4.93 - \$4.95



Thank you

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# Appendix

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q3 FY23	Q3 FY24	Q1-Q3 FY23	Q1-Q3 FY24
<b>Gross Profit</b>				
Total Revenue	\$1,101,899	\$1,136,727	\$3,275,157	\$3,380,767
GAAP Gross Profit	\$831,234	\$865,739	\$2,469,060	\$2,579,273
(+) Stock-based compensation expense and related payroll taxes	\$41,848	\$38,672	\$112,022	\$119,382
(+) Acquisition-related expense	\$3,170	\$2,062	\$7,019	\$5,685
(+) Restructuring expenses	-	-	-	\$7,119
Non-GAAP Gross Profit	\$876,252	\$906,473	\$2,588,101	\$2,711,459
GAAP Gross Margin	75.4%	76.2%	75.4%	76.3%
Non-GAAP Gross Margin	79.5%	79.7%	79.0%	80.2%
<b>R&amp;D Expenses</b>				
GAAP R&D	\$195,946	\$196,832	\$512,801	\$597,905
(-) Stock-based compensation expense and related payroll taxes	\$(83,512)	\$(87,632)	\$(210,302)	\$(250,209)
(-) Acquisition-related expense	\$(4,592)	\$(3,504)	\$(11,974)	\$(11,980)
(-) Restructuring expenses	-	-	-	\$(19,629)
Non-GAAP R&D	\$107,842	\$105,696	\$290,525	\$316,087
<b>S&amp;M Expenses</b>				
GAAP S&M	\$427,747	\$374,378	\$1,191,004	\$1,170,255
(-) Stock-based compensation expense and related payroll taxes	\$(126,100)	\$(88,637)	\$(335,730)	\$(294,380)
(-) Acquisition-related expenses	\$(1,058)	\$(1,924)	\$(1,834)	\$(5,130)
(-) Restructuring expenses	-	-	-	\$(32,930)
Non-GAAP S&M	\$300,589	\$283,817	\$853,440	\$837,815
<b>G&amp;A Expenses</b>				
GAAP G&A	\$141,033	\$125,140	\$389,939	\$454,364
(-) Stock-based compensation expense and related payroll taxes	\$(53,798)	\$(51,149)	\$(122,658)	\$(149,487)
(-) Litigation settlements, net	-	-	\$4,226	\$(52,500)
(-) Acquisition-related expense	\$(299)	\$(4,170)	\$(1,623)	\$(12,644)
(-) Restructuring expenses	-	-	-	\$(13,315)
Non-GAAP G&A	\$86,936	\$69,821	\$269,884	\$226,418

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands except EPS)

	Q3 FY23	Q3 FY24	Q1-Q3 FY23	Q1-Q3 FY24
<b>Operating Profit</b>				
Total Revenue	\$1,101,899	\$1,136,727	\$3,275,157	\$3,380,767
GAAP Operating Profit	\$66,508	\$169,389	\$375,316	\$356,749
(+) Stock-based compensation expense and related payroll taxes	\$305,258	\$266,090	\$780,712	\$813,458
(+) Litigation settlements, net	-	-	\$(4,226)	\$52,500
(+) Acquisition-related expense	\$9,119	\$11,660	\$22,450	\$35,439
(+) Restructuring expenses	-	-	-	\$72,993
Non-GAAP Operating Profit	\$380,885	\$447,139	\$1,174,252	\$1,331,139
GAAP Operating Margin	6.0%	14.9%	11.5%	10.6%
Non-GAAP Operating Margin	34.6%	39.3%	35.9%	39.4%
<b>Net Income</b>				
GAAP net income attributable to common stockholders	\$48,353	\$141,212	\$207,744	\$338,630
(+) Stock-based compensation expense and related payroll taxes	\$305,258	\$266,090	\$780,712	\$813,458
(+) Litigation settlements, net	-	-	\$(4,226)	\$52,500
(+) Acquisition-related expenses	\$9,119	\$11,660	\$22,450	\$35,439
(+) Restructuring expenses	-	-	-	\$72,993
(+) Undistributed earnings attributable to participating securities	-	-	\$17	-
(+) Losses (gains) on strategic investments	\$6,898	\$25,471	\$78,014	\$(8,474)
(-) Tax effects on non-GAAP adjustments	\$(46,442)	\$(43,197)	\$(122,254)	\$(140,494)
Non-GAAP net income	\$323,186	\$401,236	\$962,457	\$1,164,052
<b>Earnings Per Share</b>				
GAAP net income per share –diluted	\$0.16	\$0.45	\$0.68	\$1.10
Non-GAAP net income per share –diluted	\$1.07	\$1.29	\$3.15	\$3.79
<b>Weighted Average Shares</b>				
GAAP and Non-GAAP weighted-average –diluted	301,986,341	310,389,905	305,273,812	306,852,190

# GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q3 FY23	Q3 FY24	Q1-Q3 FY23	Q1-Q3 FY24
<b>Free Cash Flow</b>				
Cash Flow from Operations	\$295,314	\$493,153	\$1,078,674	\$1,247,611
(-) Purchases of PPE	\$(22,698)	\$(39,987)	\$(75,568)	\$(108,413)
Free Cash Flow	\$272,616	\$453,166	\$1,003,106	\$1,139,198
Operating Cash Flow Margin	26.8%	43.4%	32.9%	36.9%
Free Cash Flow Margin	24.7%	39.9%	30.6%	33.7%
Net Cash Used in Investing Activities	\$447,748	\$(364,260)	\$(60,613)	\$(864,406)
Net Cash (Used in) Provided by Financing Activities	\$(559,866)	\$(5,506)	\$(948,687)	\$35,952

(\$ in Thousands)

	Q3 FY24	Y/Y growth	Q1-Q3 FY24	Y/Y growth
<b>Revenue in Constant Currency</b>				
GAAP revenue	\$1,136,727	3%	\$3,380,767	3%
(+) Constant currency impact	\$3,935	--	\$32,591	--
Revenue in constant currency (non-GAAP)	\$1,140,662	4%	\$3,413,358	4%

# Historic Metrics



(\$ in millions)

	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
<b>Revenue</b>	\$1,071.4	\$1,073.8	\$1,099.5	\$1,101.9	\$1,117.8	\$1,105.4	\$1,138.7	\$1,136.7
<i>Y/Y growth</i>	21%	12%	8%	5%	4%	3%	4%	3%
<b>GAAP Operating Income</b>	\$251.8	\$187.1	\$121.7	\$66.5	(\$129.9)	\$9.7	\$177.6	\$169.4
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$168.5	\$212.6	\$272.0	\$314.4	\$534.7	\$412.6	\$284.1	\$277.8
<b>Non-GAAP Operating Income</b>	\$420.3	\$399.6	\$393.7	\$380.9	\$404.8	\$422.3	\$461.7	\$447.1
<b>Operating Cash Flow</b>	\$209.4	\$526.2	\$257.2	\$295.3	\$211.6	\$418.5	\$336.0	\$493.2
Capital Expenditures	\$(20.8)	\$(25.0)	\$(27.8)	\$(22.7)	\$(28.3)	\$(21.8)	\$(46.6)	\$(40.0)
<b>Free Cash Flow</b>	\$188.6	\$501.1	\$229.4	\$272.6	\$183.3	\$396.7	\$289.4	\$453.2
<b>Deferred Revenue</b>	\$1,179.9	\$1,331.0	\$1,401.1	\$1,354.2	\$1,308.4	\$1,366.1	\$1,369.8	\$1,315.9
Unbilled Accounts Receivable	\$59.7	\$68.6	\$70.6	\$82.4	\$91.6	\$107.1	\$115.6	\$132.3
<b>RPO</b>	\$2,647.6	\$2,990.0	\$3,213.0	\$3,245.9	\$3,434.5	\$3,482.2	\$3,504.4	\$3,571.7
<i>Y/Y growth</i>	51%	44%	37%	32%	30%	16%	9%	10%
<b>Customers &gt;\$100K TTM Revenue</b>	2,725	2,916	3,116	3,286	3,471	3,580	3,672	3,731
<i>Y/Y growth</i>	66%	46%	37%	31%	27%	23%	18%	14%
<b>Revenue % from Customers &gt;\$100K TTM Revenue</b>	23%	24%	26%	27%	28%	29%	29%	29%
<b>Enterprise Customers<sup>1</sup></b>	191,000	198,900	204,100	209,300	213,000	215,900	218,100	219,700
<i>Y/Y growth</i>	35%	24%	18%	14%	12%	9%	7%	5%
<b>Revenue % from Enterprise Customers</b>	50%	52%	54%	56%	57%	57%	58%	58%
<b>TTM Net \$ Expansion Rate for Enterprise Customers</b>	130%	123%	120%	117%	115%	112%	109%	105%
<b>Online Average Monthly Churn</b>	3.8%	3.6%	3.6%	3.1%	3.4%	3.1%	3.2%	3.0%

# Endnotes

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

1. Not drawn to scale. Currency Impact is a non-GAAP metric. See appendix for a reconciliation of non-GAAP to GAAP financial measures. Zoom defines revenue in constant currency as GAAP revenue adjusted for revenue reported in currencies other than United States dollars as if they were converted into United States dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the respective periods.
2. 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.

## Growth in new and existing Enterprise customers

1. 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.
2. 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.

## Growth in Americas, macro headwinds in ROW

1. Subtotals revenue and revenue percent have been rounded.

## Q3 FY24 expenses and margins

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

## Growing future revenue under contract

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 and position in Q3

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

## Q4 and Fiscal Year 2024 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.

## Historic Metrics

1. Enterprise Customers are rounded down to the nearest hundred.