

Zoom Video Communications

Q1 FY25 Earnings

May 20, 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 second 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, including the continued incorporation of AI across Zoom's collaboration platform, including Zoom Contact Center and Zoom Workplace, 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 annual report on Form 10-K for the fiscal year ended January 31, 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.

Awards and customer recognition



Reimagine teamwork with

zoom Workplace

Powered by  AI Companion

Streamline communications



Meetings



Team Chat



Phone



Mail &
Calendar



Scheduler

Improve productivity



Clips



Docs



Whiteboard



Notes

Increase employee engagement



Workvivo

Optimize in-person time



Rooms



Workspace
Reservation



Digital
Signage



Visitor
Management

Zoom Workplace, AI, and Business Services Innovation



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Customer traction in Q1 highlights the appeal of our AI and customer experience solutions



Q1 Milestones



Reached 90 Contact Center accounts with >\$100k ARR

Up 246% year over year



Amassed 5 Zoom Phone customers with 100k+ seats

Includes one marquee financial services win in Q1



Surpassed 700k customer accounts enabling Zoom AI Companion (as of today)

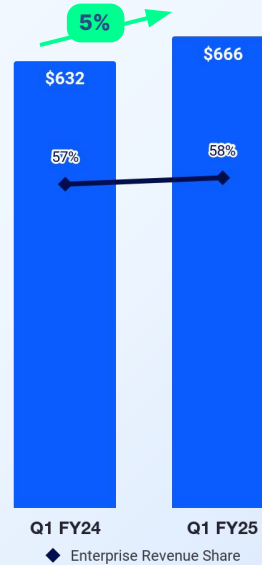
Customers range from solopreneurs up to enterprises with over 100,000 users

Continued Enterprise growth and Online stabilization

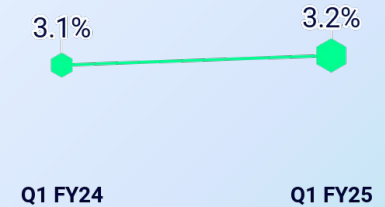
Total Revenue¹
(in millions)



Enterprise Revenue
(in millions)

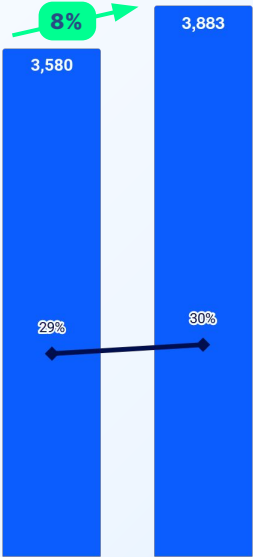


Online Average Monthly Churn²



Continued growth in number of up-market customers

of Customers Contributing >\$100k in TTM Revenue



◆ Share of Total Revenue

191.0k

Enterprise Customers¹
(adjusted for the transition of 26.8k customers to Online in Q1)

99%

TTM Net Dollar Expansion Rate for Enterprise Customers²

For endnote descriptions, see final slide

Continued growth in Americas, FX headwinds in APAC



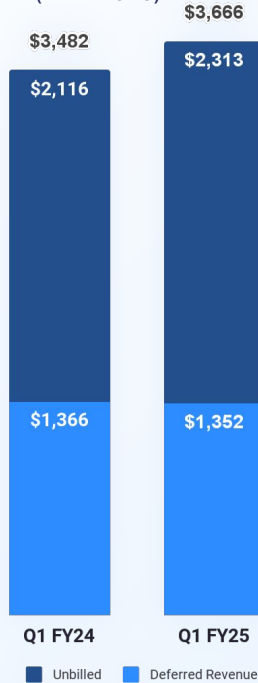
For endnote descriptions, see final slide

Q1 FY25 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
Revenue	\$1,141 million	3%	\$1,141 million	3%
Gross Profit	76.1%	(7 bps)	79.3%	(123 bps)
R&D Expense	18.0%	(92 bps)	10.2%	+61 bps
S&M Expense	30.5%	(773 bps)	23.2%	(197 bps)
G&A Expense	9.8%	(833 bps)	5.9%	(167 bps)
Operating Income	17.8%	+1,691 bps	40.0%	+180 bps
Effective Tax Rate	25.9%	(3,836 bps)	19.3%	(283 bps)
EPS - Diluted	\$0.69	1280%	\$1.35	16%

Growing future revenue under contract

Total RPO¹ (in millions)



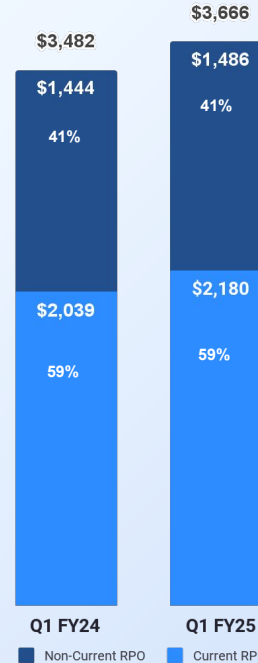
YoY Growth

Total RPO
5%

Unbilled
9%

Deferred Revenue
-1%

Current² & Non-Current RPO (in millions)



YoY Growth

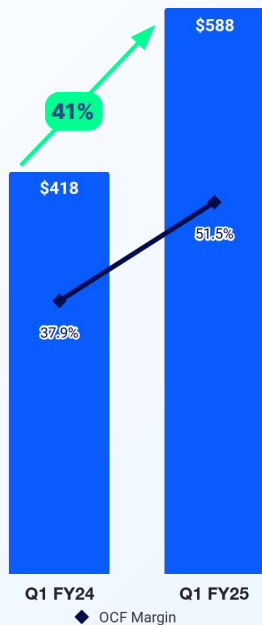
Total RPO
5%

Non-Current RPO
3%

Current RPO
7%

Strong cash flow and ~\$7.4B cash balance¹, while actively repurchasing shares

Operating Cash Flow (in Millions)



Free Cash Flow² (in Millions)



Shares repurchased in Q1

~2.4
million

Q2 and Fiscal Year 2025 outlook

Outlook ¹	Q2 FY25	FY25
Revenue	\$1,145 - \$1,150 million	\$4,610 - \$4,620 million
Total Revenue (Constant Currency)	\$1,147 - \$1,152 million	\$4,616 - \$4,626 million
Non-GAAP Operating Income	\$415 - \$420 million	\$1,740 - \$1,750 million
Weighted Average Share Count	316 million	319 million
Non-GAAP EPS	\$1.20 - \$1.21	\$4.99 - \$5.02
Free Cash Flow ²	--	\$1,440 - \$1,480 million

~\$1.35 billion authorized share repurchase remaining as of 4/30/24
(not reflected in Share Count and EPS figures)



Thank you

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Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q1 FY24	Q1 FY25
Gross Profit		
Total Revenue	\$1,105,364	\$1,141,234
GAAP Gross Profit	\$841,417	\$867,932
(+) Stock-based compensation expense and related payroll taxes	\$40,120	\$35,359
(+) Acquisition-related expense	\$1,557	\$1,805
(+) Restructuring expenses	\$7,095	-
Non-GAAP Gross Profit	\$890,189	\$905,096
GAAP Gross Margin	76.1%	76.1%
Non-GAAP Gross Margin	80.5%	79.3%
R&D Expenses		
GAAP R&D	\$209,271	\$205,558
(-) Stock-based compensation expense and related payroll taxes	\$(79,311)	\$(85,421)
(-) Acquisition-related expense	\$(4,386)	\$(3,417)
(-) Restructuring expenses	\$(19,302)	-
Non-GAAP R&D	\$106,272	\$116,720
S&M Expenses		
GAAP S&M	\$422,504	\$348,008
(-) Stock-based compensation expense and related payroll taxes	\$(109,392)	\$(81,664)
(-) Acquisition-related expenses	\$(1,184)	\$(1,762)
(-) Restructuring expenses	\$(33,841)	-
Non-GAAP S&M	\$278,087	\$264,582
G&A Expenses		
GAAP G&A	\$199,900	\$111,344
(-) Stock-based compensation expense and related payroll taxes	\$(49,225)	\$(40,430)
(-) Litigation settlements, net	\$(52,500)	-
(-) Acquisition-related expense	\$(1,724)	\$(3,717)
(-) Restructuring expenses	\$(12,942)	-
Non-GAAP G&A	\$83,509	\$67,197

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q1 FY24	Q1 FY25
Operating Profit		
Total Revenue	\$1,105,364	\$1,141,234
GAAP Operating Profit	\$9,742	\$203,022
(+) Stock-based compensation expense and related payroll taxes	\$278,048	\$242,874
(+) Litigation settlements, net	\$52,500	-
(+) Acquisition-related expense	\$8,851	\$10,701
(+) Restructuring expenses	\$73,180	-
Non-GAAP Operating Profit	\$422,321	\$456,597
GAAP Operating Margin	0.9%	17.8%
Non-GAAP Operating Margin	38.2%	40.0%
Net Income		
GAAP net income attributable to common stockholders	\$15,444	\$216,308
(+) Stock-based compensation expense and related payroll taxes	\$278,048	\$242,874
(+) Litigation settlements, net	\$52,500	-
(+) Acquisition-related expenses	\$8,851	\$10,701
(+) Restructuring expenses	\$73,180	-
(+) Losses (gains) on strategic investments	\$(2,275)	\$(17,354)
(-) Tax effects on non-GAAP adjustments	\$(72,497)	\$(26,211)
Non-GAAP net income	\$353,251	\$426,318
Earnings Per Share		
GAAP net income per share –diluted	\$0.05	\$0.69
Non-GAAP net income per share –diluted	\$1.16	\$1.35
Weighted Average Shares		
GAAP and Non-GAAP weighted-average –diluted	304,115,913	315,360,678

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)	Q1 FY24	Q1 FY25
Free Cash Flow		
Cash Flow from Operations	\$418,487	\$588,191
(-) Purchases of PPE	\$(21,826)	\$(18,508)
Free Cash Flow	\$396,661	\$569,683
Operating Cash Flow Margin	37.9%	51.5%
Free Cash Flow Margin	35.9%	49.9%
Net Cash Used in Investing Activities	\$(480,786)	\$(107,824)
Net Cash (Used in) Provided by Financing Activities	\$7,019	\$(142,451)

(\$ in Thousands)	Q1 FY25	Y/Y growth
Revenue in Constant Currency		
GAAP revenue	\$1,141,234	3.2%
(+) Constant currency impact	\$2,346	0.3%
Revenue in constant currency (non-GAAP)	\$1,143,580	3.5%

Historic Metrics

(\$ in millions)

	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Revenue	\$1,099.5	\$1,101.9	\$1,117.8	\$1,105.4	\$1,138.7	\$1,136.7	\$1,146.5	\$1,141.2
<i>Y/Y growth</i>	8%	5%	4%	3%	4%	3%	3%	3%
GAAP Income (loss) from operations	\$121.7	\$66.5	(\$129.9)	\$9.7	\$177.6	\$169.4	\$168.5	\$203.0
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$272.0	\$314.4	\$534.7	\$412.6	\$284.1	\$277.8	\$275.2	\$253.6
Non-GAAP income from operations	\$393.7	\$380.9	\$404.8	\$422.3	\$461.7	\$447.1	\$443.7	\$456.6
Operating Cash Flow	\$257.2	\$295.3	\$211.6	\$418.5	\$336.0	\$493.2	\$351.2	\$588.2
Capital Expenditures	\$(27.8)	\$(22.7)	\$(28.3)	\$(21.8)	\$(46.6)	\$(40.0)	\$(18.5)	\$(18.5)
Free Cash Flow	\$229.4	\$272.6	\$183.3	\$396.7	\$289.4	\$453.2	\$332.7	\$569.7
Deferred Revenue	\$1,401.1	\$1,354.2	\$1,308.4	\$1,366.1	\$1,369.8	\$1,315.9	\$1,270.4	\$1,352.2
Unbilled Accounts Receivable	\$70.6	\$82.4	\$91.6	\$107.1	\$115.6	\$132.3	\$124.8	\$137.7
RPO	\$3,213.0	\$3,245.9	\$3,434.5	\$3,482.2	\$3,504.4	\$3,571.7	\$3,574.8	\$3,665.7
<i>Y/Y growth</i>	37%	32%	30%	16%	9%	10%	4%	5%
Customers >\$100K TTM Revenue	3,116	3,286	3,471	3,580	3,672	3,731	3,810	3,883
<i>Y/Y growth</i>	37%	31%	27%	23%	18%	14%	10%	8%
Revenue % from Customers >\$100K TTM Revenue	26%	27%	28%	29%	29%	29%	30%	30%
Pre-Transition Enterprise Customers¹	204,100	209,300	213,000	215,900	218,100	219,700	220,400	--
Post-Transition Enterprise Customers	--	--	--	--	--	--	--	191,000
Revenue % from Enterprise Customers	54%	56%	57%	57%	58%	58%	58%	58%
TTM Net \$ Expansion Rate for Enterprise Customers	120%	117%	115%	112%	109%	105%	101%	99%
Online Average Monthly Churn	3.6%	3.1%	3.4%	3.1%	3.2%	3.0%	3.0%	3.2%

Endnotes

Continued Enterprise growth and Online stabilization

1. 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.

Continued growth in number of up-market 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.

Continued growth in Americas, FX headwinds in APAC

1. Subtotals revenue and revenue percent have been rounded.

Q1 FY25 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 ~\$7.4B cash balance¹, while 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.

Q1 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.