

# Zoom Video Communications

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Q1 FY21 Earnings  
June 2, 2020



# 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 non-GAAP 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.

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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.

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# Meeting the Increased Demand

**354%**

Growth in Customers with > 10 employees

**175K**

Number of licenses deployed for a new customer

**+200%**

Q/Q growth of minutes for the Global 2000 customers

**+300M**

Peak number of daily meeting participants

**+Two Trillion**

Annualized meeting minutes run rate

The image features the Zoom logo in blue lowercase letters on a white rounded rectangle. To its right is a blue shield containing the number '5.0' in white. The background is a solid blue color.

zoom

5.0

## Challenges and Commitment to Security and Privacy

- ✓ Enacted 90-day security plan initiative
- ✓ Acquired Keybase to add engineering expertise in encryption
- ✓ Released Zoom 5.0 with new security features and enhancements including support for AES 256-bit GCM encryption

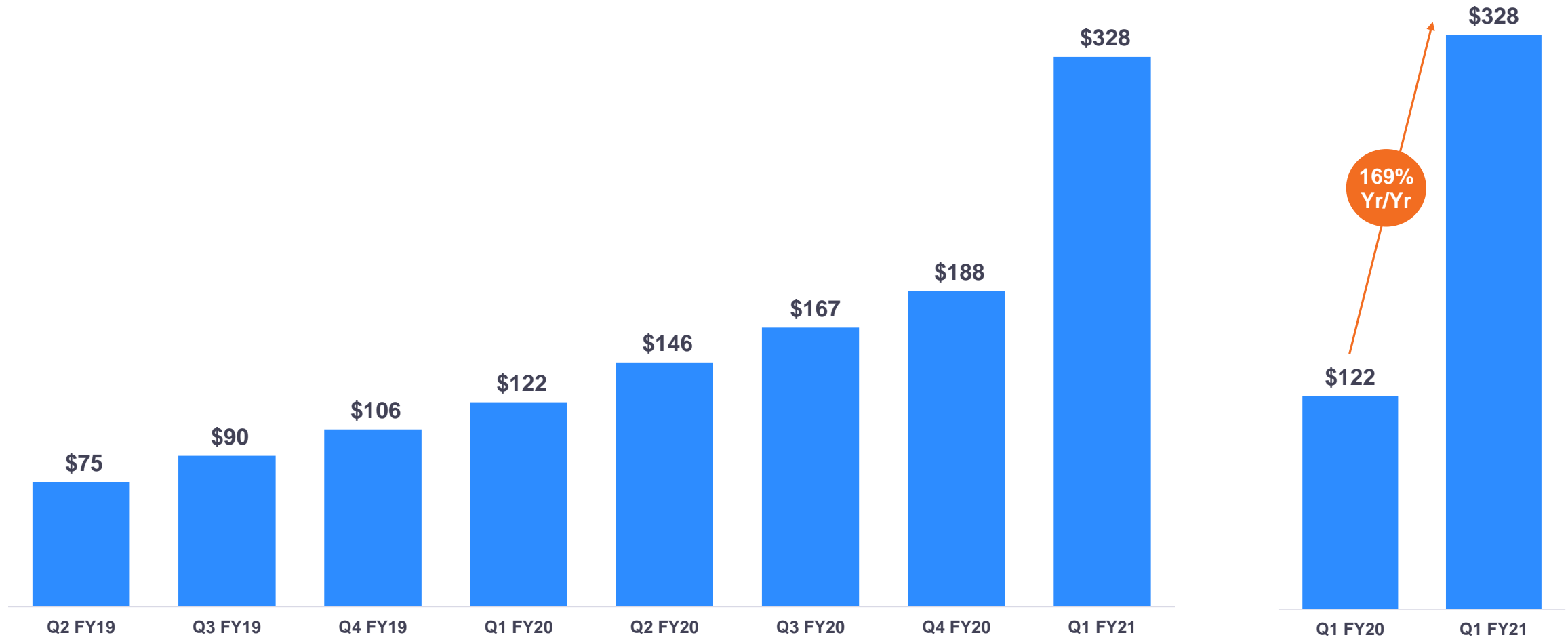
# Happy Zoom Customers

**arm**

**Baker  
McKenzie.**

# Rapid Revenue Growth

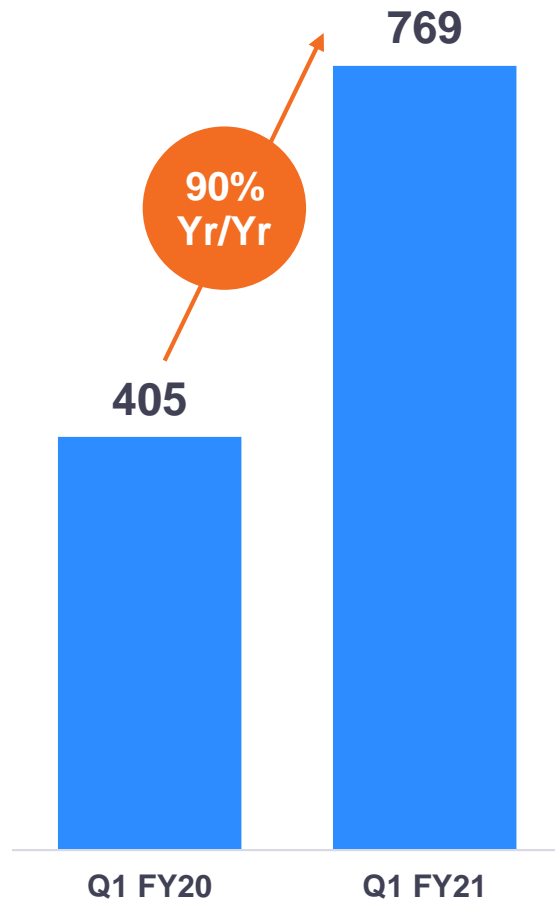
(in Millions)





# Gaining Enterprise Traction

Growth in Customers with >\$100K in Trailing 12-Month Revenue



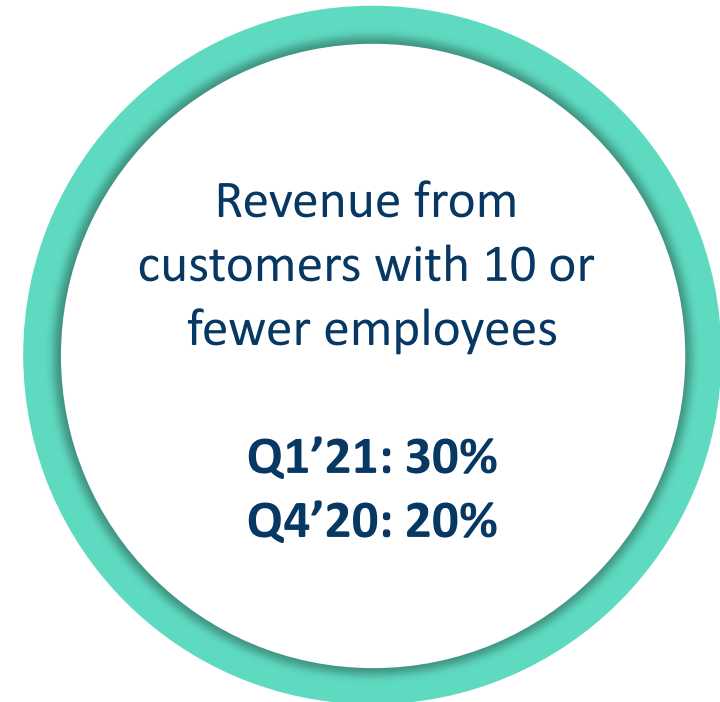
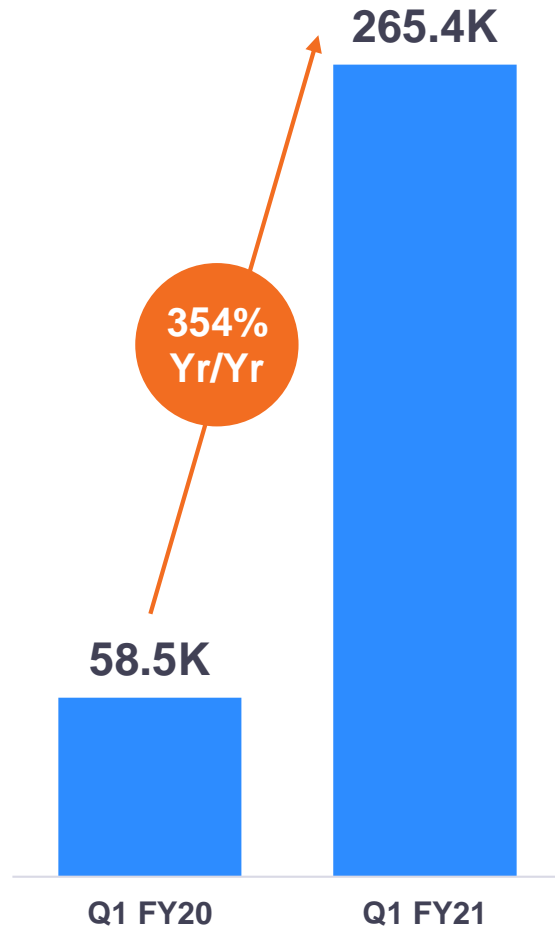
Growth in Customers<sup>1</sup> with >\$100K ARR



<sup>1</sup>The number of customers are rounded down to the nearest hundred

# Rapidly Growing Customer Base

Customers<sup>1</sup> with more than 10 Employees

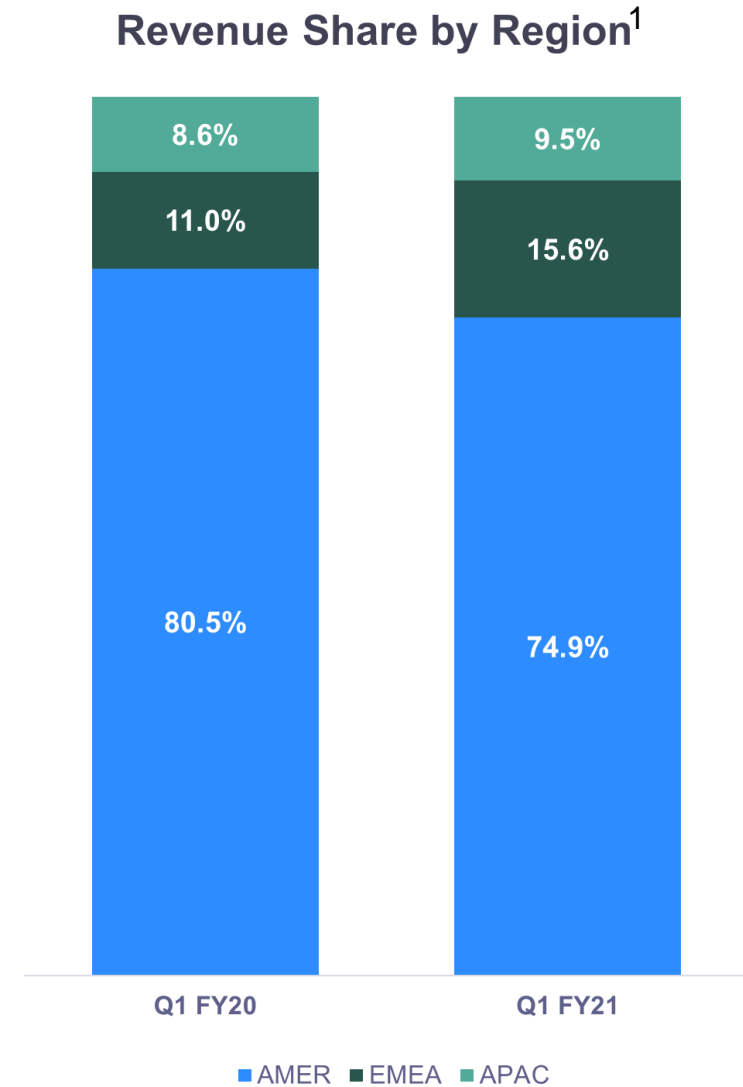
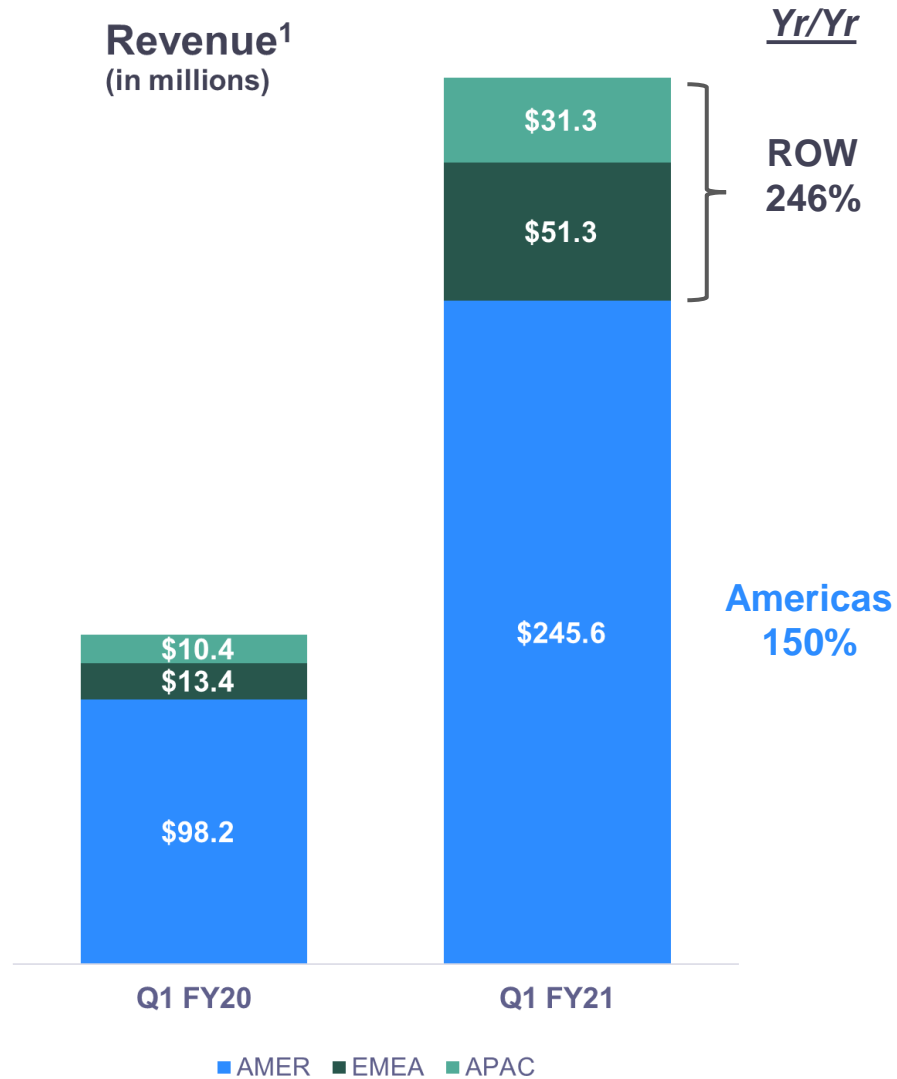


# Strong Q1 Net Dollar Expansion Rate

TTM Net Dollar  
Expansion Rate<sup>1</sup>  
**+130%**  
in Q1 FY21

- 8<sup>th</sup> consecutive quarter above 130%
- Demonstrated Ability to Land and Expand
- Reflects Trust and Loyalty with Existing Customer

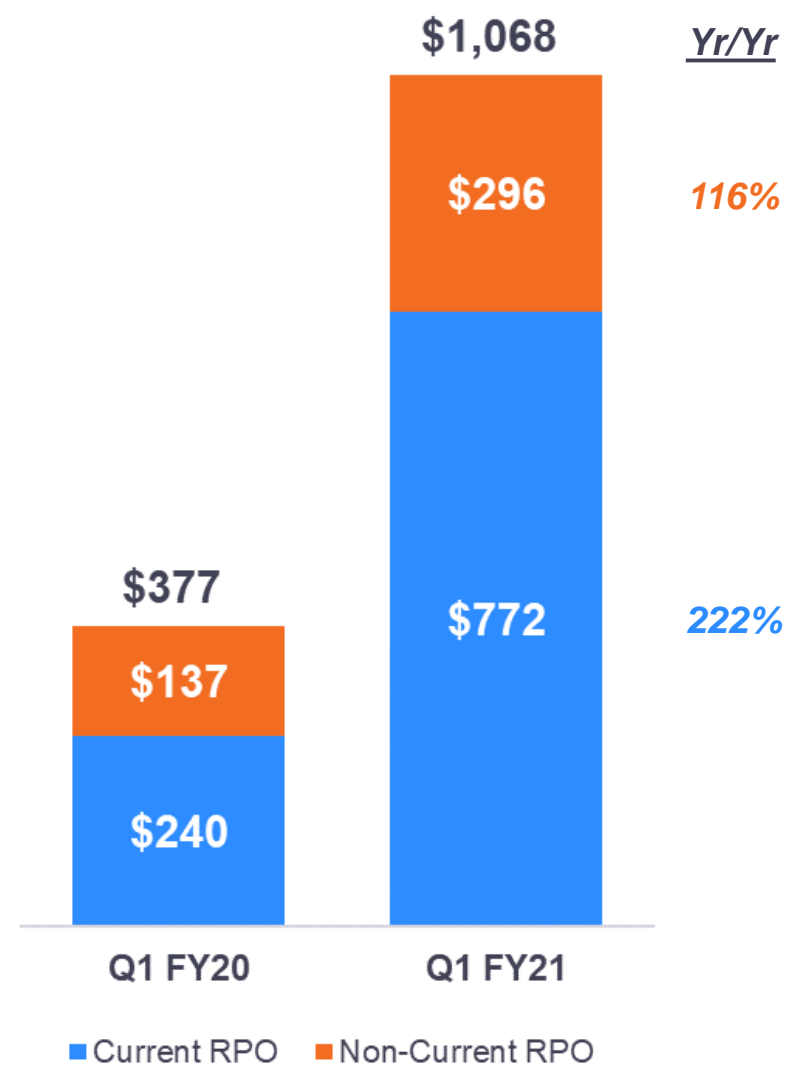
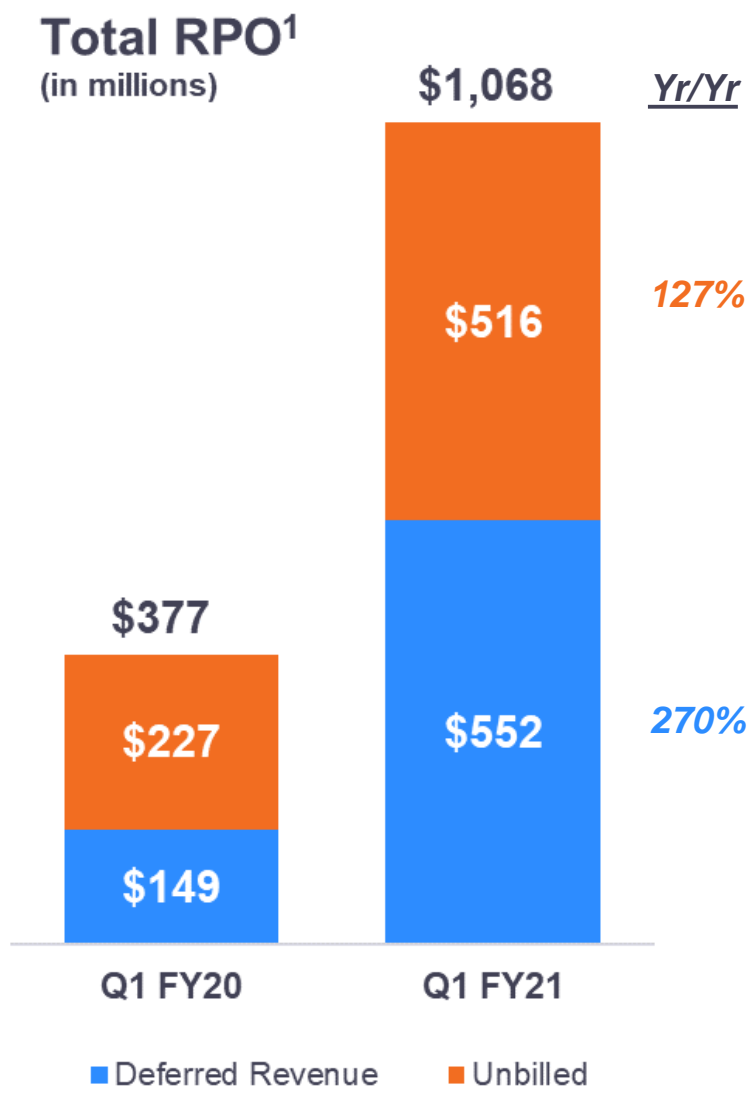
# Growing International Presence



# Q1 FY21 Expenses and Margins

		Q1 FY21			
		GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr
As a % of Revenue <sup>1</sup>	Revenue	\$328 million	169%	\$328 million	169%
	Gross Margin	68.4%	(1,184bps)	69.4%	(1,149bps)
	Research & Development	8.0%	(326bps)	6.4%	(395bps)
	Sales & Marketing	37.0%	(1,546bps)	31.5%	(1,880bps)
	General & Administrative	16.2%	+102bps	14.8%	+134bps
	Operating Margin	7.1%	+585bps	16.6%	+991bps

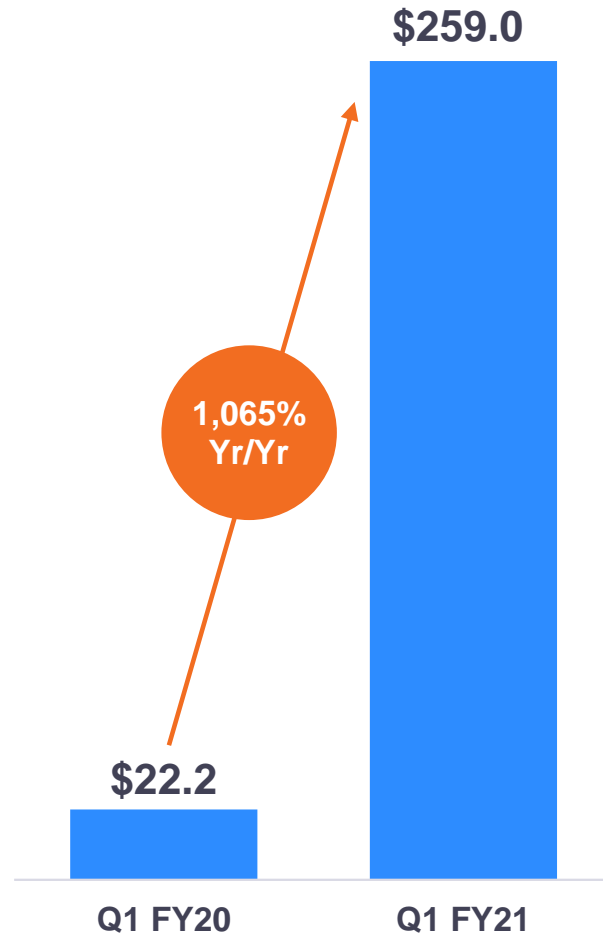
# Growing Future Revenue Under Contract



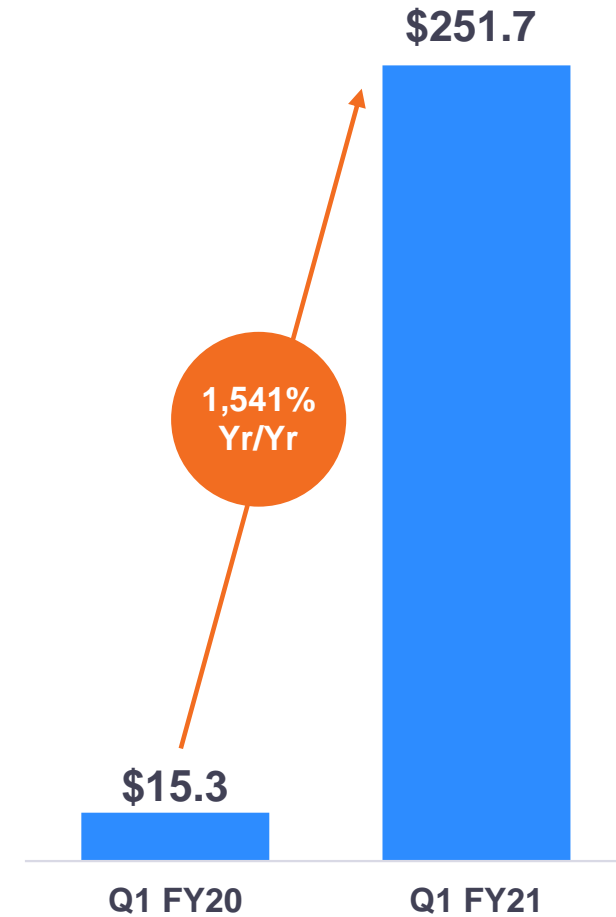
<sup>1</sup> Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue, which grew 184% year-over-year. We expect to recognize approximately 72% or \$772 million dollars of the total RPO as revenue over the next 12 months compared to 64% or \$240 million dollars in Q1 last year. Subtotals have been rounded.

# Rapid Cash Flow Growth

Operating Cash Flow  
(in millions)



Free Cash Flow <sup>1</sup>  
(in millions)



# Full Year and Q2 FY21 Outlook

	Q2FY21	FY21
Revenue	\$495 - \$500 million	\$1,775 - \$1,800 million
Non-GAAP Operating Income	\$130 - \$135 million	\$355 - \$380 million
Weighted Average Share Count	299 million	300 million
Non-GAAP EPS	\$0.44 - \$0.46	\$1.21 - \$1.29

Non-GAAP Outlook<sup>1</sup>



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# Questions

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**Thank you**

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# Appendix

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# GAAP to Non-GAAP Reconciliation

<b>Gross Profit</b>		
<b>(\$ in thousands)</b>	<b>QTD – Q1FY20</b>	<b>QTD – Q1FY21</b>
Total Revenue	\$121,988	\$328,167
GAAP Gross Profit	\$97,884	\$224,460
(+) Stock-based compensation expense and related payroll taxes	\$830	\$3,382
Non-GAAP Gross Profit	\$98,714	\$227,842
Non-GAAP Gross Margin	80.9%	69.4%
<b>R&amp;D Expenses</b>		
GAAP R&D	\$13,783	\$26,389
(-) Stock-based compensation expense and related payroll taxes	\$1,164	\$5,403
Non-GAAP R&D	\$12,619	\$20,986
<b>S&amp;M Expenses</b>		
GAAP S&M	\$64,041	\$121,556
(-) Stock-based compensation expense and related payroll taxes	\$2,627	\$18,025
Non-GAAP S&M	\$61,414	\$103,531
<b>G&amp;A Expenses</b>		
GAAP G&A	\$18,503	\$53,130
(-) Stock-based compensation expense, related payroll taxes, and charitable donation of common stock	\$2,041	\$4,436
Non-GAAP G&A	\$16,462	\$48,694

# GAAP to Non-GAAP Reconciliation

<b>Operating Margin</b>		
(\$ in thousands)	QTD – Q1FY20	QTD – Q1FY21
Total revenue	\$121,998	\$328,167
GAAP operating profit	\$1,557	\$23,385
(+) Stock-based compensation expense, related payroll taxes, and charitable donation of common stock	\$6,662	\$31,246
Non-GAAP operating profit	\$8,219	\$54,631
Non-GAAP operating margin	6.7%	16.6%
<b>Net Income</b>		
GAAP net income attributable to common stockholders	\$198	\$27,036
(+) Stock-based compensation expense, related payroll taxes, and charitable donation of common stock	\$6,662	\$31,246
(+) Undistributed earnings attributable to participating securities	\$2,016	\$39
Non-GAAP net income	\$8,876	\$58,321
<b>Earnings Per Share</b>		
GAAP net income per share – diluted	\$0.00	\$0.09
Non-GAAP net income per share – diluted	\$0.03	\$0.20
<b>Weighted Average Shares</b>		
GAAP weighted-average – diluted	136M	295M
Non-GAAP weighted-average - diluted	290M	295M

# GAAP to Non-GAAP Reconciliation

## Free Cash Flow

(\$ in thousands)	QTD – Q1FY20	QTD – Q1FY21
Cash flow from operations	\$22,236	\$258,965
(-) Purchases of PPE	\$6,897	\$7,272
Free cash flow	\$15,339	\$251,693

# Historic Metrics

Metric	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Revenue	\$74.5	\$90.1	\$105.8	\$122.0	\$145.8	\$166.6	\$188.3	\$328.2
y/y	126%	120%	108%	103%	96%	85%	78%	169%
GAAP Operating Income	\$3.4	\$(1.1)	\$5.5	\$1.6	\$2.3	\$(1.7)	\$10.6	\$23.4
Stock-based compensation expense, related payroll taxes, & charitable donation of common stock	\$1.1	\$2.7	\$4.3	\$6.7	\$18.5	\$22.9	\$27.9	\$31.2
Non-GAAP Operating Income	\$4.5	\$1.6	\$9.8	\$8.2	\$20.7	\$21.3	\$38.4	\$54.6
Operating Cash Flow	\$14.4	\$18.2	\$16.0	\$22.2	\$31.2	\$61.9	\$36.6	\$259.0
Capital Expenditures (Property & Equipment)	\$(6.2)	\$(8.1)	\$(10.3)	\$(6.9)	\$(14.0)	\$(7.2)	\$(10.0)	\$(7.3)
Free Cash Flow	\$8.2	\$10.1	\$5.7	\$15.3	\$17.1	\$54.7	\$26.6	\$251.7
RPO	\$210.5	\$256.0	\$311.7	\$376.5	\$457.6	\$517.0	\$604.1	\$1067.9
y/y	n/a	n/a	n/a	127%	117%	102%	94%	184%
TTM Net \$ Expansion Rate	138%	139%	140%	130%+	130%+	130%+	130%+	130%+
Customers >10 Employees	37.2k	44.4k	50.8k	58.5k	66.3k	74.1k	81.9k	265.4k
y/y	n/a	n/a	97%	86%	78%	67%	61%	354%
Customers >\$100K TTM Revenue	228	277	344	405	466	546	641	769
y/y	n/a	n/a	141%	120%	104%	97%	86%	90%