

**Start Webinar - Slide 1 Zoom Title Slide**

**Speaker: Tom McCallum, Head of Investor Relations**

Thank you, Matt -

Hello everyone, and welcome to Zoom's earnings video webinar for the third quarter of fiscal year 2021.

We will start the webinar with a recording from Zoom's Founder and CEO, Eric Yuan. Then Zoom's CFO, Kelly Steckelberg, will join to discuss the quarter and our outlook. We will then have a Q&A session hosted by Kelly that will end at approximately 3:30pm PT.

**Slide 2 GAAP to non-GAAP**

Our earnings press release was issued today after the market closed and may be downloaded from the Investor Relations page on the Zoom.com website. Also, on this page you'll be able to find a copy of today's prepared remarks and a slide deck with financial highlights that, along with our earnings release, include a reconciliation of GAAP to non-GAAP financial results.

**Slide 3 – Safe Harbor**

During this call we will make forward-looking statements about our market size and growth strategy, our estimated and projected costs, margins, revenue, expenditures, investments, growth rates, our anticipated financial performance and other future events or trends, including guidance for the fourth quarter of fiscal year 2021 and full fiscal year 2021, our plans and objectives for future operations and expansion, growth, initiatives, strategies, market position, and the continued impact of the COVID-19 pandemic on our business. These statements are only predictions that are based on what we believe today, and actual results may differ materially. These forward-looking statements are subject to risks and other factors that could affect our performance and financial results, which we discuss in detail in our filings with the SEC, including today's earnings press release and our latest 10-Q. Zoom assumes no obligation to update any forward-looking statements we may make on today's webinar.

Now let's hear from Eric.

**Slide 4 Zoom Title Slide**

**Video Recording: Eric Yuan, President and CEO**

Hello, I hope you are all doing well. I am sorry that I can't join you all live today but I had a personal conflict arise. As we are in the season of Thanksgiving in the U. S., I want to express my ongoing gratitude for the commitment of our Zoom employees and the support of our customers, partners and investors during these unprecedented times. You all inspire and motivate us every day!

**Slide 5 Strong Q3 FY21 Performance Slide**

Now let me share with you a few recent business highlights:

- First, revenue grew 367% year-over-year in Q3.
- Second, with strong sales execution, our customers with more than 10 employees grew 485% year-over-year.
- And we are very delighted that, just recently, Gartner Research has named Zoom a Leader in the 2020 Magic Quadrant for Meeting Solutions, as well as a Leader in the Magic Quadrant for Unified Communications as a Service. This is the first year Zoom has qualified for inclusion in the Gartner Magic Quadrant for UCaaS and the sixth year for Meeting Solutions.
- We are also thrilled to welcome Secretary Janet Napolitano to our board of directors.

### **Slide 6 New and Existing Zoom Customers**

We also had exciting wins in the quarter where customers committed to multiple Zoom products to provide a high-quality experience for their users.

First, I would like to welcome Peloton to the Zoom family!

Peloton is the leading interactive fitness platform. In Q3, Peloton consolidated to one vendor buying both Zoom Meetings and Zoom Rooms to provide a more feature-rich video communication service to their employees. We are honored to have Peloton commit to a long-term engagement where they will deploy services across all locations and employees.

A global customer increasing their commitment with Zoom is Rakuten. Rakuten is a global leader in internet services with 1.4 billion members around the world. Impressed by the simplicity in the Zoom technology, the ease of scaling the service and the feature-rich application, Rakuten has committed to the full Zoom UCaaS deployment. They have grown to 42,000 meetings licenses, more than 1,000 Zoom Rooms and are currently deploying Zoom Phones across the globe.

We also want to recognize the Israel Ministry of Education, which oversees public education institutions. The Ministry of Education has enabled about 200,000 teachers and 1.2 million students to use Zoom. The leadership at the Ministry has told me that, “Zoom became the most popular app for video meetings in Israel’s schools because of its simplicity, stability and many options for security and privacy.”

Thank you for their hard work to provide for children’s educational needs during this crisis. And to all educators around the globe, you are all heroes!

Thank you, Peloton. Thank you, Rakuten. Thank you, Israel Ministry of Education. I love you all. Also thank you as well to all other customers. Your trust and happiness energize the entire Zoom team!

### **Slide 7 Zoomtopia**

Now let me talk about my favorite event of the year... Zoomtopia!

In October, we had over 155,000 unique viewers attend Zoomtopia, our premier customer and community event. This year's event was held virtually on Zoom technology!

We also had over 140 customer speakers, ranging from Fortune 50 companies to small businesses, and across all verticals, sharing stories of how they have integrated Zoom into all aspects of their communication and collaboration.

We showcased several customers who are not just conducting their business over Zoom, they are re-imagining and delivering new business services over Zoom as well – including the new OnZoom platform.

I am very proud of the Zoom team that delivered this successful event to our user community at a size and scope that is truly incredible for virtual events. We were able to demonstrate to the world that you can do this too, with Zoom!

In summary, Zoom performed well for our customers and communities during the third quarter. I want to thank our over 3,800 employees who continue to scale our business and deliver happiness.

With that, let me turn things over to Kelly, but first here is a look of what our new OnZoom platform has to offer.

### **OnZoom Video Recording**

#### **Slide 8 – Rapid Revenue Growth Kelly Steckelberg, CFO**

And we're so glad that you could all join us today.

In Q3 we continued to be inspired by the many creative ways our customers have been using Zoom to work anywhere, learn anywhere and connect anywhere. Let me start by reviewing our financial results for Q3, then discuss our increased outlook for Q4 and the full year FY21.

Total revenue grew 367% year-over-year, to \$777 million in Q3, achieving a \$3 billion dollar revenue run-rate. This top line result exceeded the high end of our guidance range of \$690 million dollars due to strong sales and marketing execution in both our online and direct businesses, as well as lower-than-expected churn.

For the quarter, the year-over-year growth in revenue was primarily due to subscriptions provided to new customers, which accounted for approximately 81% of the increase, while subscriptions provided to existing customers accounted for approximately 19% of the increase. This demand was broad-based across products, industry verticals, geographies and customer cohorts.

#### **Slide 9 - Enterprise Traction**

Let's take a look at the key customer metrics for Q3:

We continued to see expansion in the up-market as we ended Q3 with 1,289 customers generating more than \$100,000 dollars in trailing twelve months revenue, up 136% year-over-year. This is an increase of more than 300 customers over Q2, the highest number of adds we have had in a quarter.

**Slide 10 – Rapidly Growing Customer Base**

We exited the quarter with a total of approximately 433,700 customers with more than 10 employees. We added approximately 63,500 of these customers during Q3. Year-over-year, we added approximately 360,000 new customers with more than 10 employees, representing a 485% increase. In Q3, customers with more than 10 employees represented approximately 62% of revenue.

We also continued to benefit from significant growth in our segment of customers with 10 or fewer employees, as small businesses and individuals adopted and maintained their Zoom licenses. In Q3, customers with 10 or fewer employees represented approximately 38% of revenue, up from 36% in Q2.

**Slide 11 – Strong Q3 Net Dollar Expansion**

Our Net Dollar Expansion for customers with more than 10 employees was over 130% for the 10th consecutive quarter as existing customers continue to support and trust Zoom to be their video communications platform of choice.

**Slide 12 – Growing International Presence**

Both domestic and international markets had strong growth during the quarter. Americas grew over 300% year-over-year. Our combined APAC and EMEA revenue grew 629% year-over-year and was consistent with Q2 at 31% of revenue. We plan to continue to invest in international expansion to capitalize on our brand awareness and the increased global opportunity.

**Slide 13 – Q3FY21 Expenses and Margins**

Now turning to profitability. The increase in demand and strong execution drove net income profitability from both GAAP and non-GAAP perspectives. I will focus on our non-GAAP results, which exclude stock-based compensation expense and associated payroll taxes, charitable donation of common stock and acquisition-related expenses.

Non-GAAP gross margin in the third quarter was 68.2%, compared to 82.9% in Q3 last year and 72.3% last quarter. The impact to our gross margin is partially due to the dramatic increase in usage related to the pandemic, as we are experiencing a higher percentage of free users, including those in over 125,000 K-12 educational institutions that went back to school in the fall. It is also due to the continued higher utilization of public cloud services.

We ended the quarter with an annualized run rate of 3.5 trillion meeting minutes, approximately 75% growth quarter-over-quarter. We are thrilled that a significant percentage of the usage was from both paid and free participants in the education sector, as millions of students and teachers returned to the classroom virtually.

With the uncertainty of the longevity of the pandemic, it is unclear how long gross margins will be impacted as we remain committed to supporting the global community. Consequently, we expect gross margins to be consistent with Q3 into the next fiscal year before starting to improve towards our long-term target margin.

R&D expense in Q3 was approximately \$25 million dollars, up 80% year-over-year. As a percentage of total revenue, R&D expense was approximately 3%, which was lower than Q3 last year mainly due to the strong top line growth. We are committed to prioritize R&D hiring to drive further innovation, expansion and security into our platform.

Sales and Marketing expense for Q3 was \$141 million dollars. This reflects an increase of 71% or \$59 million dollars over last year primarily due to investments to drive future growth. As a percentage of total revenue, Sales and Marketing expense was approximately 18%, a decrease from Q3 last year mainly due to strong top line growth and marketing efficiencies from the virtual production of Zoomtopia. We plan to continue to invest in adding sales capacity and marketing programs over the next several quarters to capture market share and to deliver on our growth opportunities.

G&A expense in Q3 was \$73 million dollars, up 257% on a year-over-year basis as we continued to scale our G&A functions to support a company of our size. As a percentage of total revenue, G&A expense was approximately 9%, a decrease from Q3 last year.

The revenue upside in the quarter carried over to the bottom line, with non-GAAP operating income of \$291 million dollars exceeding our guidance. This translates to a 37.4% non-GAAP operating margin for the third quarter. This is an increase compared to Q3 last year's result of 12.8%, and a decrease from Q2 FY21's margin of 41.7%.

Non-GAAP earnings per share in Q3 was \$0.99 cents, on approximately 299 million of non-GAAP, weighted average shares outstanding and adjusting for undistributed earnings. This result is \$0.25 cents more than the high end of our guidance and \$0.90 cents higher than Q3 of last year.

#### **Slide 14 – Growing Future Revenue under Contract**

Turning to the balance sheet. Deferred revenue at the end of the quarter was \$855 million dollars, up 324% year-over-year. Looking at both our billed and unbilled contracts, our RPO totaled approximately \$1.6 billion dollars, up 215% from \$517 million dollars year-over-year. The increase in RPO is consistent with the strong demand and execution in the quarter.

We expect to recognize approximately 72% or \$1.2 billion dollars of the total RPO as revenue over the next 12 months as compared to 64% or \$330 million dollars in Q3 last year.

**Slide 15 – Rapid Cash Flow Growth**

We ended Q3 with approximately \$1.9 billion dollars in cash, cash equivalents and marketable securities, excluding restricted cash.

We had exceptional operating cash flow in Q3 of \$412 million dollars, up from \$62 million dollars in Q3 last year. Free cash flow was \$388 million dollars, up from \$55 million dollars in Q3 last year. The increase is attributable to strong billings and collections.

For the fourth quarter, we expect to have additional capital expenditures related to the build out of our data center infrastructure. And as a reminder, we will see the semi-annual cadence of net cash outflows from ESPP purchases to occur in Q4.

**Slide 16 – Q4FY21 and Full Year Outlook**

Now turning to guidance, we are pleased to raise our outlook for FY21 for both revenue and non-GAAP profitability. Although we remain optimistic on Zoom’s outlook, please note that the impact and extent of the COVID-19 pandemic and its associated economic concerns remain largely unknown. Our higher outlook for FY21 is based on our current perspective of the business environment.

For the fourth quarter, we expect revenue to be in the range of \$806 to \$811 million dollars. We expect non-GAAP operating income to be in the range of \$243 to \$248 million dollars. Our outlook for non-GAAP earnings per share is \$0.77 to \$0.79 cents based on approximately 306 million shares outstanding.

For the full year of FY21, we expect revenue to be in the range of \$2.575 to \$2.580 billion dollars, which would be approximately 314% year-over-year growth. We expect non-GAAP operating income to be in the range of approximately \$865 to \$870 million dollars which would be approximately 876% to 881% year-over-year growth. Our outlook for the non-GAAP earnings per share is \$2.89 to \$2.91, based on approximately 300 million shares outstanding.

In closing, as the world is changing, Zoom is privileged to be a driving force enabling connection and collaboration worldwide with our high-quality, frictionless and secured communications platform. Thank you to the entire Zoom team!

**Slide 17 – Questions Slide**

With that, let’s open it up for questions. If you have not yet enabled your video, please do so now for the interactive portion of this meeting. Matt, please queue-up our first question.

**Slide 18 - Thank You Slide [END of webinar]  
Kelly Closing**

***Zoom Q3FY21 Earnings - Prepared Remarks***

Thank you for joining us. To our investors and analysts, we appreciate your continued support for Zoom as we look to have a strong finish to FY21.