

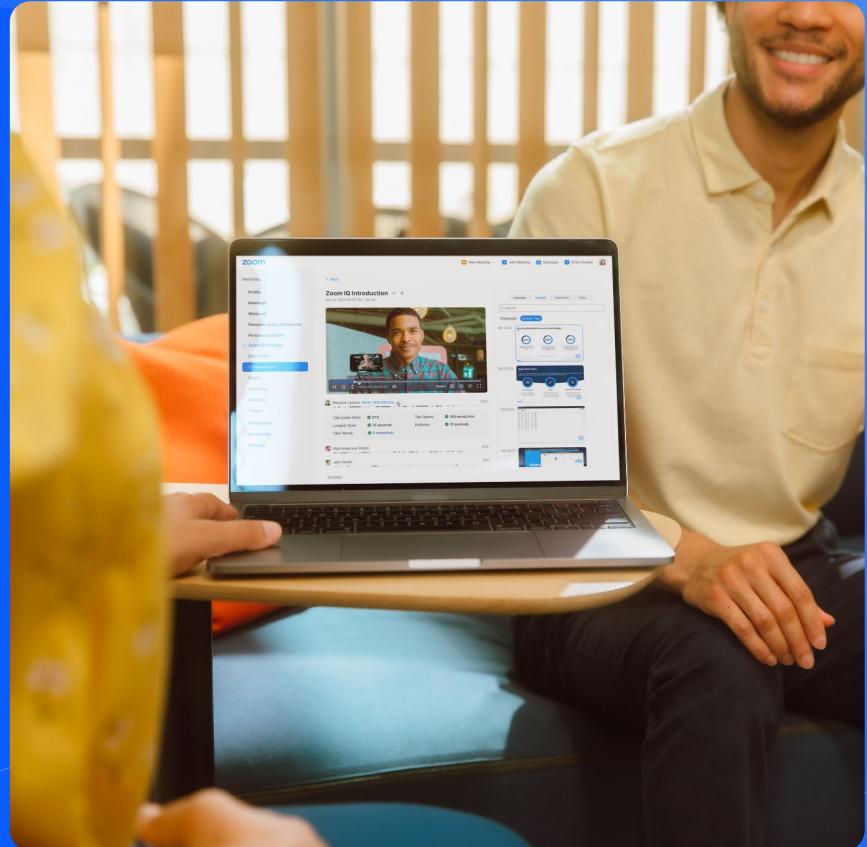
Zoom Video Communications



Q2 FY24 Earnings

August 21, 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 third 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 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 April 30, 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.



One platform delivering limitless human connection



Customer Collaboration

Strengthen customer relationships

Employee Collaboration

One solution to power the modern workday



a ZOOM company

Employee Experience

Elevate communication, culture and belonging

Customer wins highlight the power of the platform



DOLLAR GENERAL®

Q2 Milestones

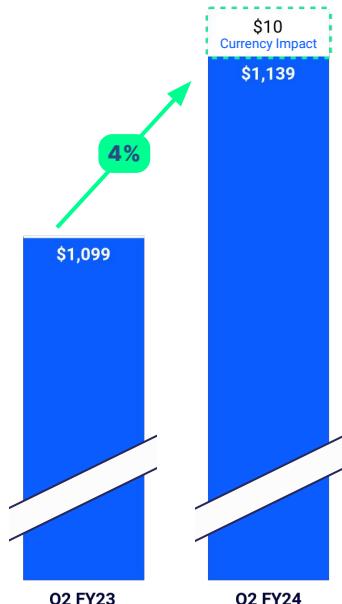
Operating
Cash Flow
grew **31%**
YoY

Zoom Phone
reaches
~\$0.5B
annualized run
rate revenue

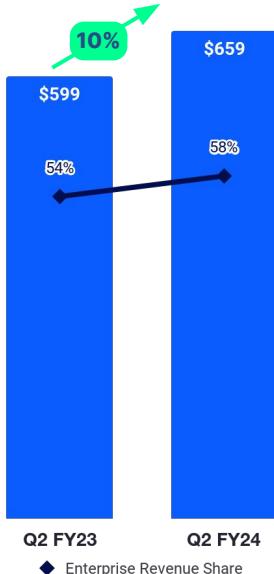
Surpassed **500**
Contact Center
customers

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

Total Revenue¹
(in millions)



Enterprise Revenue
(in millions)

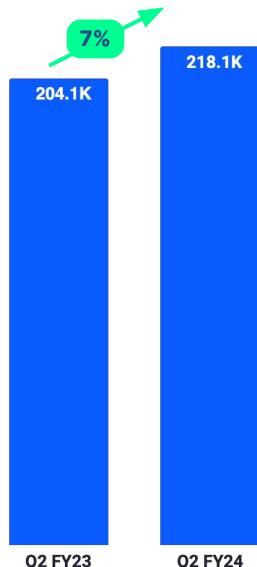


Online Average Monthly Churn²



Growth in new and existing Enterprise customers

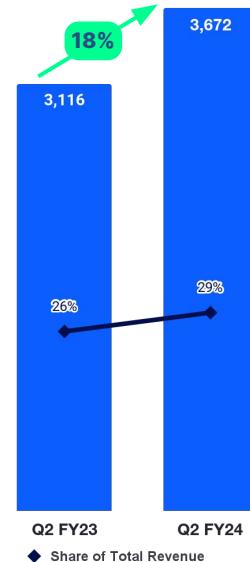
of Enterprise Customers¹



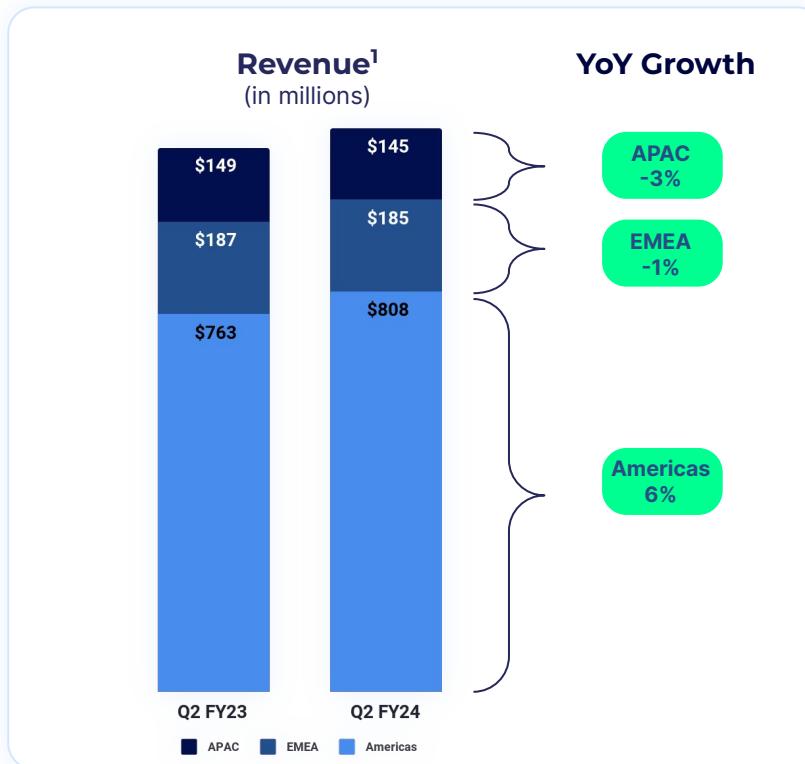
109%

TTM Net Dollar Expansion
Rate for Enterprise
Customers² in Q2 FY24

of Customers Contributing
>\$100k in TTM Revenue



Growth in Americas, macro headwinds in ROW

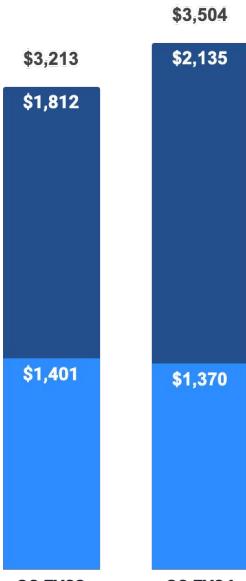


Q2 FY24 expenses and margins

		GAAP Results	Yr/Yr	Non-GAAP ¹ Results	Yr/Yr
As a % of Revenue	Revenue	\$1,139 million	4%	\$1,139 million	4%
	Gross Profit	76.6%	+148 bps	80.3%	+144 bps
	R&D Expense	16.8%	+115 bps	9.1%	+25 bps
	S&M Expense	32.8%	(363 bps)	24.2%	(176 bps)
	G&A Expense	11.4%	(56 bps)	6.4%	(179 bps)
	Operating Profit	15.6%	+453 bps	40.5%	+473 bps
	Effective Tax Rate	27.3%	(2,207 bps)	18.5%	(0 bps)
	EPS - Diluted	\$0.59	293%	\$1.34	28%

Growing future revenue under contract

Total RPO¹
(in millions)



YoY Growth

Total RPO
9%

Unbilled
18%

Deferred Revenue
-2%

Current² & Non-Current RPO
(in millions)



YoY Growth

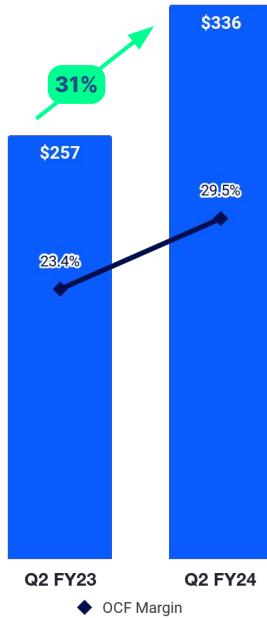
Total RPO
9%

Non-Current RPO
13%

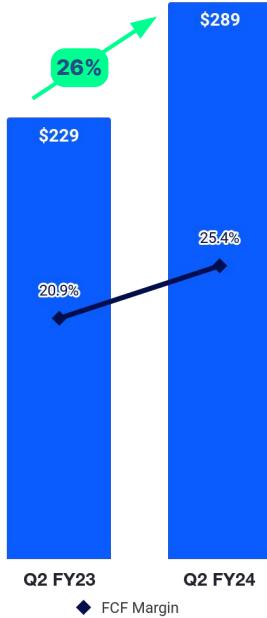
Current RPO
6%

Strong cash flow and position in Q2

Operating Cash Flow
(in Millions)



Free Cash Flow¹
(in Millions)



Cash Balance²

\$6.0
billion

Q3 and Fiscal Year 2024 outlook

Outlook ¹	Q3 FY24	FY24
Revenue	\$1,115 - \$1,120 million	\$4,485 - \$4,495 million
Total Revenue (Constant Currency)	\$1,117 - \$1,122 million	\$4,516 - \$4,526 million
Non-GAAP Operating Income	\$400 - \$405 million	\$1,685 - \$1,695 million
Weighted Average Share Count	309 million	308 million
Non-GAAP EPS	\$1.07 - \$1.09	\$4.63 - \$4.67

zoomtopia

October 3-4, 2023

Join us in-person in San Jose or virtually on
Zoom Events





Thank you

zoom

Appendix

GAAP to Non-GAAP Reconciliation



(\$ in Thousands)

	Q2 FY23	Q2 FY24	H1 FY23	H1 FY24
Gross Profit				
Total Revenue	\$1,099,458	\$1,138,676	\$2,173,258	\$2,244,040
GAAP Gross Profit	\$825,847	\$872,117	\$1,637,826	\$1,713,534
(+) Stock-based compensation expense and related payroll taxes	\$38,576	\$40,590	\$70,174	\$80,710
(+) Acquisition-related expense	\$3,058	\$2,066	\$3,849	\$3,623
(+) Restructuring expenses	-	\$24	-	\$7,119
Non-GAAP Gross Profit	\$867,481	\$914,797	\$1,711,849	\$1,804,986
GAAP Gross Margin	75.1%	76.6%	75.4%	76.4%
Non-GAAP Gross Margin	78.9%	80.3%	78.8%	80.4%
R&D Expenses				
GAAP R&D	\$172,564	\$191,802	\$316,855	\$401,073
(-) Stock-based compensation expense and related payroll taxes	\$(70,496)	\$(83,266)	\$(126,790)	\$(162,577)
(-) Acquisition-related expense	\$(4,287)	\$(4,090)	\$(7,382)	\$(8,476)
(-) Restructuring expenses	-	\$(327)	-	\$(19,629)
Non-GAAP R&D	\$97,781	\$104,119	\$182,683	\$210,391
S&M Expenses				
GAAP S&M	\$400,474	\$373,373	\$763,257	\$795,877
(-) Stock-based compensation expense and related payroll taxes	\$(113,983)	\$(96,351)	\$(209,630)	\$(205,743)
(-) Acquisition-related expenses	\$(776)	\$(2,022)	\$(776)	\$(3,206)
(-) Restructuring expenses	-	\$911	-	\$(32,930)
Non-GAAP S&M	\$285,715	\$275,911	\$552,851	\$553,998
G&A Expenses				
GAAP G&A	\$131,066	\$129,324	\$248,906	\$329,224
(-) Stock-based compensation expense and related payroll taxes	\$(39,537)	\$(49,113)	\$(68,860)	\$(98,338)
(-) Litigation settlements, net	-	-	\$4,226	\$(52,500)
(-) Acquisition-related expense	\$(1,276)	\$(6,750)	\$(1,324)	\$(8,474)
(-) Restructuring expenses	-	\$(373)	-	\$(13,315)
Non-GAAP G&A	\$90,253	\$73,088	\$182,948	\$156,597

GAAP to Non-GAAP Reconciliation



(\$ in Thousands except EPS)

	Q2 FY23	Q2 FY24	H1 FY23	H1 FY24
Operating Profit				
Total Revenue	\$1,099,458	\$1,138,676	\$2,173,258	\$2,244,040
GAAP Operating Profit	\$121,743	\$177,618	\$308,808	\$187,360
(+) Stock-based compensation expense and related payroll taxes	\$262,592	\$269,320	\$475,454	\$547,368
(+) Litigation settlements, net	-	-	\$(4226)	\$52,500
(+) Acquisition-related expense	\$9,397	\$14,928	\$13,331	\$23,779
(+) Restructuring expenses	-	\$(187)	-	\$72,993
Non-GAAP Operating Profit	\$393,732	\$461,679	\$793,367	\$884,000
GAAP Operating Margin	11.1%	15.6%	14.2%	8.3%
Non-GAAP Operating Margin	35.8%	40.5%	36.5%	39.4%
Net Income				
GAAP net income attributable to common stockholders	\$45,746	\$181,974	\$159,389	\$197,418
(+) Stock-based compensation expense and related payroll taxes	\$262,592	\$269,320	\$475,454	\$547,368
(+) Litigation settlements, net	-	-	\$(4,226)	\$52,500
(+) Acquisition-related expenses	\$9,397	\$14,928	\$13,331	\$23,779
(+) Restructuring expenses	-	\$(187)	-	\$72,993
(+) Undistributed earnings attributable to participating securities	\$4	-	\$19	-
(+) Losses (gains) on strategic investments	\$34,712	\$(31,670)	\$71,116	\$(33,945)
(-) Tax effects on non-GAAP adjustments	\$(28,966)	\$(24,800)	\$(75,812)	\$(97,297)
Non-GAAP net income	\$323,485	\$409,565	\$639,271	\$762,816
Earnings Per Share				
GAAP net income per share –diluted	\$0.15	\$0.59	\$0.52	\$0.65
Non-GAAP net income per share –diluted	\$1.05	\$1.34	\$2.08	\$2.50
Weighted Average Shares				
GAAP and Non-GAAP weighted-average –diluted	307,160,840	305,932,596	306,902,964	305,054,771

GAAP to Non-GAAP Reconciliation



(\$ in Thousands)	Q2 FY23	Q2 FY24	H1 FY23	H1 FY24
Free Cash Flow				
Cash Flow from Operations	\$257,209	\$335,971	\$783,360	\$754,458
(-) Purchases of PPE	\$(27,832)	\$(46,600)	\$(52,870)	\$(68,426)
Free Cash Flow	\$229,377	\$289,371	\$730,490	\$686,032
Operating Cash Flow Margin	23.4%	29.5%	36.0%	33.6%
Free Cash Flow Margin	20.9%	25.4%	33.6%	30.6%
Net Cash Used in Investing Activities	\$(466,027)	\$(19,360)	\$(508,361)	\$(500,146)
Net Cash (Used in) Provided by Financing Activities	\$(255,578)	\$34,439	\$(388,821)	\$41,458

(\$ in Thousands)	Q2 FY24	<i>Y/Y growth</i>	H1 FY24	<i>Y/Y growth</i>
Revenue in Constant Currency				
GAAP revenue	\$1,138,676	4%	\$2,244,040	3%
(+) Constant currency impact	\$10,190	--	\$28,656	--
Revenue in constant currency (non-GAAP)	\$1,148,866	4%	\$2,272,696	5%

Historic Metrics



(\$ in millions)

	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Revenue	\$1,050.8	\$1,071.4	\$1,073.8	\$1,099.5	\$1,101.9	\$1,117.8	\$1,105.4	\$1,138.7
Y/Y growth	35%	21%	12%	8%	5%	4%	3%	4%
GAAP Operating Income	\$290.9	\$251.8	\$187.1	\$121.7	\$66.5	(\$129.9)	\$9.7	\$177.6
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$120.4	\$168.5	\$212.6	\$272.0	\$314.4	\$534.7	\$412.6	\$284.1
Non-GAAP Operating Income	\$411.3	\$420.3	\$399.6	\$393.7	\$380.9	\$404.8	\$422.3	\$461.7
Operating Cash Flow	\$394.6	\$209.4	\$526.2	\$257.2	\$295.3	\$211.6	\$418.5	\$336.0
Capital Expenditures	\$(19.8)	\$(20.8)	\$(25.0)	\$(27.8)	\$(22.7)	\$(28.3)	\$(21.8)	\$(46.6)
Free Cash Flow	\$374.8	\$188.6	\$501.1	\$229.4	\$272.6	\$183.3	\$396.7	\$289.4
Deferred Revenue	\$1,186.1	\$1,179.9	\$1,331.0	\$1,401.1	\$1,354.2	\$1,308.4	\$1,366.1	\$1,369.8
Unbilled Accounts Receivable	\$48.6	\$59.7	\$68.6	\$70.6	\$82.4	\$91.6	\$107.1	\$115.6
RPO	\$2,456.5	\$2,647.6	\$2,990.0	\$3,213.0	\$3,245.9	\$3,434.5	\$3,482.2	\$3,504.4
Y/Y growth	51%	51%	44%	37%	32%	30%	16%	9%
Customers >\$100K TTM Revenue	2,507	2,725	2,916	3,116	3,286	3,471	3,580	3,672
Y/Y growth	94%	66%	46%	37%	31%	27%	23%	18%
Revenue % from Customers >\$100K TTM Revenue	22%	23%	24%	26%	27%	28%	29%	29%
Enterprise Customers¹	183,700	191,000	198,900	204,100	209,300	213,000	215,900	218,100
Y/Y growth	50%	35%	24%	18%	14%	12%	9%	7%
Revenue % from Enterprise Customers	49%	50%	52%	54%	56%	57%	57%	58%
TTM Net \$ Expansion Rate for Enterprise Customers	139%	130%	123%	120%	117%	115%	112%	109%
Online Average Monthly Churn	3.7%	3.8%	3.6%	3.6%	3.1%	3.4%	3.1%	3.2%

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 Zoom's direct sales team, channel partners or independent software vendor partners. All other customers 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.

Q2 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 Q2

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.

Q3 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.