Zoom Q3 FY27 Earnings - Prepared Remarks

Slide 1 – Zoom Q3 FY27 Earnings

Charles Eveslage, Head of IR

Thank you, Catherine.

Hello everyone, and welcome to Zoom's earnings webinar for the third quarter of fiscal year 2027. I'm joined today by Zoom's Founder and CEO, Eric Yuan, and Zoom's CFO, Michelle Chang.

Today, Eric, Michelle and I will deliver our prepared remarks using Zoom Custom Avatar. After the scripted portion of the call, Eric and Michelle will be on camera live to answer your questions.

Slide 2 – Use of non-GAAP financial measures

Our earnings release was issued today after the market closed and may be downloaded from the Investor Relations page at investors.zoom.com. 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. These measures should not be considered in isolation from or as a substitute for financial information prepared in accordance with GAAP.

Slide 3 – Safe Harbor Statement

During this call we will make forward-looking statements, including statements regarding our financial outlook for the fourth quarter and full fiscal year 2027; our expectations regarding financial and business trends; impacts from the macroeconomic environment, our market position, stock repurchase program, dividend program, opportunities, go-to-market initiatives, growth strategy and business aspirations, including our AI strategy and investments; and product initiatives, including future product and feature releases, and the expected benefits of such initiatives.

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 our

Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Zoom assumes no obligation to update any forward-looking statements we may make on today's webinar.

And with that, let me turn the discussion over to Eric, who is also giving his prepared remarks via Zoom Custom Avatar.

Slide 4 – Clear strategic priorities

Eric Yuan, Founder and CEO

Thank you, Charles.

Q3 was another quarter of strong progress for Zoom. Total revenue grew 4.9%, with Enterprise revenue growing 8.6% – its strongest growth rate in 13 quarters. The Enterprise acceleration was driven by our focused execution against our three priorities.

At Zoomtopia, our user conference in late October, we further brought our system of completion vision to life with many innovations across these priorities. At the foundation sits a Unified Context Layer that connects conversations to chats, documents, and third-party systems, giving people and AI agents the same relevant information to work from, helping convert action items into completed results and delivering added business value for our customers.

We also took the opportunity to sharpen our priorities for investors to the following: elevating the core with AI, driving new AI revenue streams, and accelerating line-of-business solutions.

Slide 5 – Elevate the core with AI

Our first priority, "elevate the core with AI," is where the Unified Context Layer drives value for customers in our core business across Meetings, Phone, Chat, Rooms, Webinars and more.

Our Q3 wins show how the Zoom suite helps organizations work more effectively with AI and lower their total cost of ownership as they deepen their use of Zoom, reinforcing the value of one unified platform for collaboration.

A leading U.S. deep-tech company expanded its Zoom Workplace deployment across Meetings, Phone, Rooms, and Webinars, adding $2.0 million in annual recurring revenue. Our bold AI vision and roadmap, including products like

Meeting Summaries and Canvas, were key factors in its decision to expand with Zoom.

Another example is SolarWinds, which became a full-suite Zoom UC and CX customer last year. During Q3, SolarWinds greatly expanded their Zoom Workplace Enterprise Plus licenses, doubling down on the Zoom suite and recalibrating their Microsoft package to drive savings while leaning into Zoom's advanced AI features.

We also saw a leading global bank add approximately 30,000 Zoom Phone licenses in Q3, bringing its total to 180,000, alongside its strong use of Meetings, Events, Rooms and Zoom AI via Meeting Summaries.

In another example of platform expansion, a Fortune 10 company further built on its Zoom suite deployment by making Zoom Webinars and Events its standard platform for internal communications, marketing, and training and development. We also saw further Webinars wins with multiple government institutions and a large global bank.

These wins highlight the many ways customers get value from Zoom, across Meetings, Chat, Phone, and Webinars. AI across our core products helps customers turn conversations into completed work, improving productivity and reducing costs. That value gives customers more reasons to expand with Zoom and supports durable Enterprise growth.

Slide 6 – Drive new AI revenue streams

Our next priority is to "drive new AI revenue streams" – a strategy we sharpened at Zoomtopia. The Unified Context Layer provides the foundation, connecting conversations with enterprise knowledge so AI can help customers take action across workflows.

My Notes, our personal AI notetaker, strengthens that foundation by capturing and summarizing Zoom, third-party, and in-person conversations. Adoption continues to grow as users build richer, searchable context across their interactions. My Notes as well as Meeting Summaries are powered by our native transcription technology, which continues to lead the Hugging Face Open ASR Leaderboard.

ZoomMate puts that context to work through agentic search, orchestration, and creation, connecting information across Zoom and enterprise systems to help customers turn conversations into completed work.

In Q3, a Fortune 20 company selected ZoomMate alongside Zoom Revenue Accelerator to track, document, and search customer engagements, enabling real-time deal feedback and analysis. This early example shows how our horizontal AI capabilities and line-of-business solutions work together to deliver greater customer value.

Our horizontal AI products as well as our MCP AI integrations and APIs give customers more ways to put Zoom's AI technology and Unified Context Layer to work across the tools and workflows they choose, while creating new revenue opportunities for Zoom.

Slide 7 – Accelerate line-of-business solutions

Our third priority is "accelerating line-of-business solutions," bringing Zoom's conversational intelligence and communications expertise into specialized workflows across customer experience, sales and HR that help enterprises drive better business outcomes. This is where we're seeing the most meaningful AI monetization, helping accelerate our overall business.

Zoom Customer Experience is a clear example of this strategy in action and continues to be a key driver of our Enterprise acceleration. In Q3, Zoom CX ARR grew in the high double digits year over year for the seventh consecutive quarter, and we set another record for the number of seven-figure ARR deals.

At Zoomtopia, we shared that 90% of our top 100 CX deals in H1 were with customers new to Zoom, and CX AI ARR in Q2 grew roughly twice as fast as CX overall. In Q3, we continued to land new customers with Zoom CX and drive AI monetization, with paid AI in all ten of our largest CX deals.

Two of our largest Q3 deals were with companies that power customer service themselves for global brands.

Foundever, one of the world's largest CX providers, selected ZCC Elite and Zoom Phone to replace its on-prem solution for hundreds of brands. Zoom CX stood out against major cloud competitors because of our rapid pace of

customer-focused innovation, AI functionality and roadmap, and enterprise-grade reliability.

DSI Systems selected Zoom Phone, ZCC Elite, and CX Insights to enable call center services with real-time performance data for the brands they serve. In this incredible deal, DSI is replacing five solutions with Zoom's integrated, easy-to-use platform, improving both financial and operational efficiency.

These wins demonstrate the value of bringing communications and customer service together on a single platform. Customers are also building on that foundation by adding Zoom Virtual Agent to their existing deployments, connecting automated self-service with AI-assisted human support.

A Fortune 200 retailer added ZVA Voice to its existing full Zoom UC and CX suite to further modernize its customer experience by automating service scheduling, loaner car booking, and after-hours support covering roughly 60,000 calls per month.

American Home Insurance Agency added ZVA Voice to its ZCC deployment to streamline inbound reception, after-hours support, and insurance policy data collection.

Building on our success in Customer Experience, we are extending our conversational intelligence into sales, where Zoom is already a leading platform for customer conversations. Our AI-native revenue platform builds on that foundation by combining buyer intelligence from Common Room, which we recently acquired, with insights from those conversations to help teams identify the right prospects, deepen engagement, and improve outreach and forecasting.

In Q3, ElevenLabs expanded from Zoom Workplace into Common Room by Zoom for their GTM organization to enrich prospect profiles, helping the sales team target the right prospects at the right time.

In addition, Smartling and 3 HTi bought ZRA and Common Room together to support the end-to-end marketing and sales workstreams from enhanced prospecting to AI-powered live and post-engagement assistance, training and analysis. And by consolidating onto our total revenue intelligence and orchestration solution, they were able to reduce vendors and total spend.

At our investor session at Zoomtopia, we took the opportunity to provide FY30 targets that stress our confidence in longer-term growth acceleration, while

maintaining strong, best-in-class margins. This, coupled with our durable cash flow generation, gives us the flexibility to both invest in innovation and expand capital returns. Today, we are pleased to announce that our board has approved the initiation of a quarterly dividend starting at $0.25 per share, which is incremental to our share repurchase program. We remain focused on delivering lasting value for our customers and shareholders.

Michelle, via Zoom Custom Avatar, will now take us through our Q3 financial results. Michelle?

Slide 8 – Continued revenue progress driven by Enterprise

Michelle Chang, CFO

Thank you, Eric, and hello everyone.

I'm excited to be with you today to share Zoom's Q3 FY27 financial performance. In Q3, total revenue grew 4.9% year over year to $1.29 billion. This result was $11 million above the high end of our guidance.

Our Enterprise business drove the outperformance with revenue growing 8.6% year over year, representing 62% of our total revenue, up 2 points year over year. We are particularly pleased with the acceleration in Enterprise growth, supported by strong execution against our three priorities.

In our Online business, Q3 Average Monthly Churn was 2.8%, remaining near its all-time low of 2.7% in Q3 of last year. Additionally we saw stability in the top-of-funnel challenges we spoke to last quarter and continue to work through them.

Slide 9 – Continued up-market strength & improving expansion rate

Within our Enterprise business, we saw 8% year-over-year growth in the number of customers contributing more than $100,000 dollars in trailing-twelve-month revenue. These customers now account for 34% of our total revenue, up 2 points year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q3 increased 2 points to 100% – its highest rate in 11 quarters. This improvement reflects broader adoption of our platform and AI capabilities among existing Enterprise customers.

Looking at our regional performance; our Americas revenue grew 6% year over year, EMEA grew 2%, and APAC grew 5%.

Slide 10 – Strong profitability

Moving to our non-GAAP results, which as a reminder exclude: stock-based compensation expense and associated payroll taxes, net litigation settlements, acquisition-related expenses, asset impairments, net gains or losses on strategic investments, and all associated tax effects.

Non-GAAP gross margin in Q3 was 81.1%, up 110 basis points from Q3 of last year, driven primarily by disciplined cost management, including continued improvements in cloud efficiency and further optimization of third-party token costs for our newly launched AI products. As a reminder, gross margin can fluctuate from quarter to quarter as we balance ongoing efficiency improvements with scaling AI usage.

Non-GAAP income from operations grew 6% year over year to $537 million, exceeding the high end of our guidance by $22 million. Non-GAAP operating margin for Q3 was 41.6%, up 40 basis points from Q3 of last year. We continue to deliver strong operating margins as we further invest in our growing portfolio of AI products.

Non-GAAP diluted net income per share in Q3 increased 7 cents year over year to $1.59 on approximately 298 million non-GAAP diluted weighted-average shares outstanding, exceeding the high end of our guidance by 11 cents. Our EPS growth reflects the strong operating income performance and a lower share count resulting from our buyback program and disciplined management of stock-based compensation, offset by lower interest income.

Slide 11 – Strong growth in deferred revenue & RPO

Turning to the balance sheet.

Deferred revenue at the end of Q3 grew 5% year over year to $1.52 billion, above the high end of our previously provided range. For Q4, we expect deferred revenue to be up 4 to 5% year over year.

Looking at both our billed and unbilled contracts, our RPO increased 13% year over year to approximately $4.5 billion, driven by non-current RPO growth of 23%.

The strong growth in RPO reflects our continued success landing larger, longer-term, multi-product platform deals, demonstrating growing demand for our AI-first platform.

Slide 12 – Strong cash flow, ~$7.3B cash balance, continued execution of share buyback

In Q3, operating cash flow was $588 million, representing an operating cash flow margin of 45.5%. Free cash flow in the quarter was $558 million, representing a free cash flow margin of 43.2%. We ended the quarter with $7.3 billion in cash, cash equivalents and marketable securities, excluding restricted cash.

In Q3 we repurchased 3.9 million shares for approximately $376 million. Across our $4.7 billion share repurchase plan, we've repurchased a total of 48.1 million shares for $3.8 billion.

Slide 13 – Q4 & fiscal year 2027 outlook

Turning to guidance.

For Q4, we expect revenue to be in the range of $1.293 to $1.298 billion, representing 3.9% year-over-year growth at the midpoint. We expect non-GAAP operating income to be in the range of $539 to $544 million, representing an operating margin of 41.8% at the midpoint. Our outlook for non-GAAP earnings per share is $1.55 to $1.57 based on approximately 298 million shares outstanding.

For the full year of FY27, we are excited to raise our revenue, operating income and EPS guidance. We now expect revenue to be in the range of $5.100 to $5.105 billion, which represents 4.8% year-over-year growth at the midpoint. We now expect our non-GAAP operating income to be in the range of $2.095 to $2.100 billion, representing an operating margin of 41.1% at the midpoint.

In addition, our outlook for non-GAAP earnings per share in FY27 is increasing to $6.24 to $6.25, based on approximately 299 million shares outstanding. As a reminder, future share repurchases are not reflected in share count and EPS guidance.

With the free cash flow results in Q3 and increased outlook for operating income in FY27, we now expect free cash flow to be near the high end of our previously provided range of $1.78 to $1.82 billion.

We are pleased with our Q3 performance, led by continued acceleration in our Enterprise business and growing adoption of our platform and AI capabilities. This progress supports our higher full-year revenue outlook and reinforces our confidence in our ability to deliver the longer-term growth acceleration we outlined at Zoomtopia. We are pursuing that growth with the financial discipline to generate strong, durable cash flow and continue investing in AI innovation. We are also putting that financial strength to work for shareholders by expanding capital returns through ongoing share repurchases and our new quarterly dividend.

Thank you to our customers, investors, and – of course – the entire Zoom team for your trust and support!

With that – Catherine, please queue up the first question.