

# Zoom Communications

## **Q3 FY25 Earnings**

November 25, 2024

**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 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 fourth 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, go-to-market initiatives, growth strategy and business aspirations; and product initiatives, including future product and feature releases, 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 quarterly report on Form 10-Q for the fiscal quarter ended July 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.

# Thanks for attending **Zoomtopia!**

**Record virtual attendance, up 55% YoY**

## **New innovations announced:**

- Zoom AI Companion 2.0
- Custom AI Companion (paid add-on)
- Custom AI Companion for Healthcare & Education (paid add-ons)
- Zoom Workplace for Frontline

## **Unveiled our new vision:**

*"AI-first Work Platform for Human Connection"*





# Meets Customers Evolving Demands

Transform the way you work and get more done

## Contextual

Available across Zoom Workplace.  
Understands what you are looking for, your prior interactions and provides suggestions to stay on top of your work.

## Synthesizes

Synthesizes information by pulling in data from your meetings, chats, docs, and more - and if connected to Zoom app - data from Microsoft Outlook, Office, Google Gmail, calendar, and docs. Connects to the web to look up information in real-time.

## Takes action

Detects, track and even completes actions across different workloads to help you get even more done.

# AI-first roadmap expands potential TAM

## Customized AI



### Custom AI Companion add-on

Paid add-on for Zoom Workplace enabling customized and personalized AI capabilities for critical business applications and data sources.

## Industry Specific



### AI Companion for Healthcare

Paid add-on providing healthcare-specific AI capabilities to enhance the Zoom experience.



### AI Companion for Education

Paid add-on that increases AI functionality by accessing custom data sources and internal systems for personalized teaching and learning.

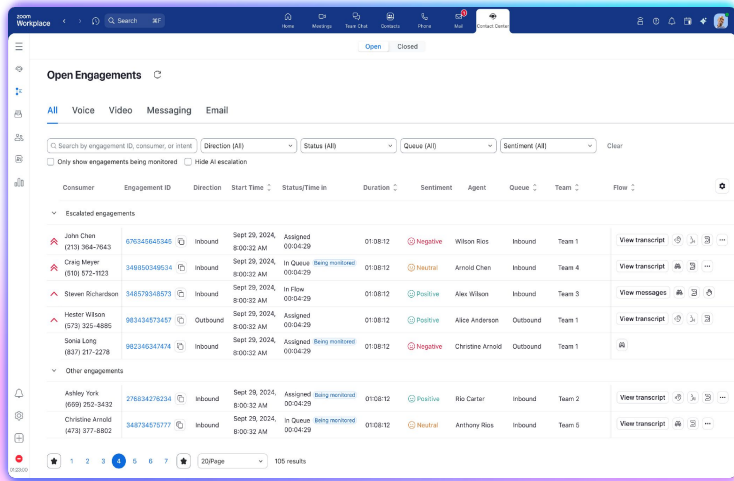
## Frontline



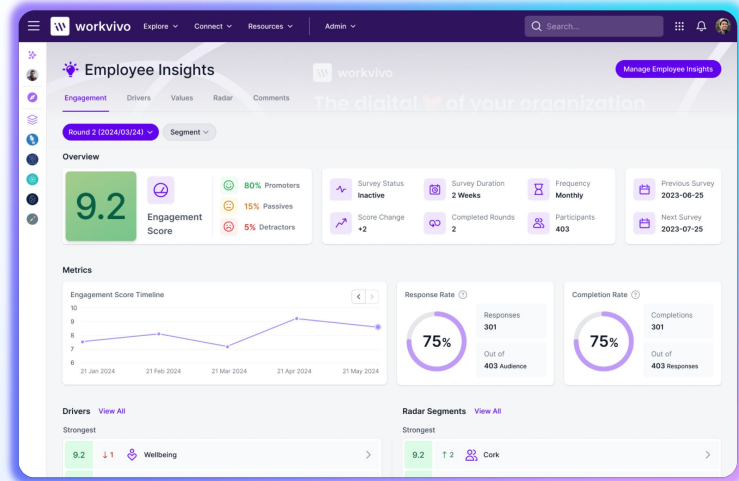
### Workplace for Frontline

Purpose-built on-shift communications and work management solution with AI Companion 2.0 woven throughout.

# Contact Center & Workvivo deliver standout results in Q3



Largest ever Contact Center customer at 20,000 seats



3 new Workvivo customers with >\$1 million in ARR



# Q3 customer wins validate progress towards AI-first platform bridging Workplace & Business Services



Agencia Tributaria

**servicenow**®

**redpin**

 **athenahealth**



# Q3 Milestones



**59% QoQ increase in AI Companion Monthly Active Users<sup>1</sup>**



**# of Workvivo customers grew 72% YoY**



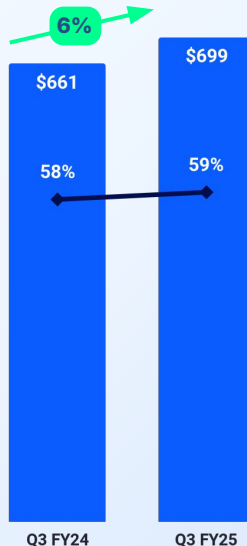
**Surpassed 1,250 Zoom Contact Center customers (82% YoY growth)**

# Improved growth for Total & Enterprise revenue; lowest ever Online churn

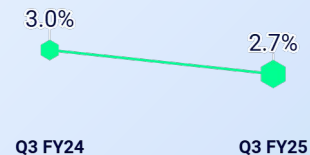
**Total Revenue**  
(in millions)



**Enterprise Revenue**  
(in millions)



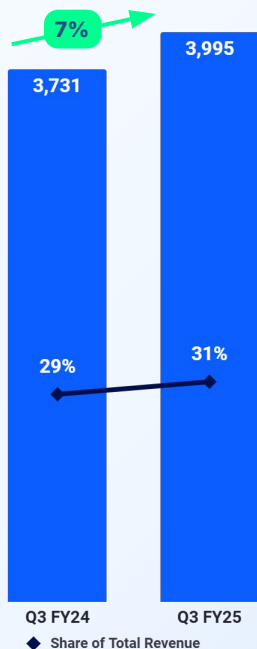
**Online Average Monthly Churn<sup>1</sup>**



◆ Enterprise Revenue Share

# Continued growth in the up-market

## # of Customers Contributing >\$100k in TTM Revenue



98%

TTM Net Dollar Expansion Rate for Enterprise Customers<sup>1</sup>

192.4k

Enterprise Customers<sup>2</sup>

# Growth in EMEA & Americas, FX headwinds in APAC



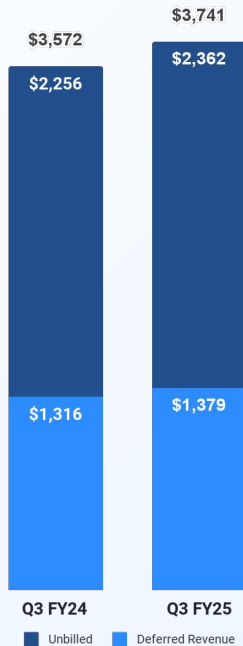
For endnote descriptions, see final slide

# Q3 FY25 expenses and margins

	GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr	
<b>Revenue</b>	\$1,178 million	4%	\$1,178 million	4%	
<b>As a % of Revenue</b>	<b>Gross Profit</b>	75.9%	(27 bps)	78.9%	(87 bps)
	<b>R&amp;D Expense</b>	18.9%	+162 bps	11.0%	+172 bps
	<b>S&amp;M Expense</b>	30.7%	(222 bps)	23.6%	(138 bps)
	<b>G&amp;A Expense</b>	10.8%	(30 bps)	5.4%	(75 bps)
	<b>Operating Income</b>	15.5%	+63 bps	38.9%	(46 bps)
<b>Effective Tax Rate</b>	26.2%	+215 bps	20.8%	+280 bps	
<b>EPS - Diluted</b>	\$0.66	47%	\$1.38	7%	

# Steady YoY growth in Deferred Revenue & RPO

## Total RPO<sup>1</sup> (in millions)



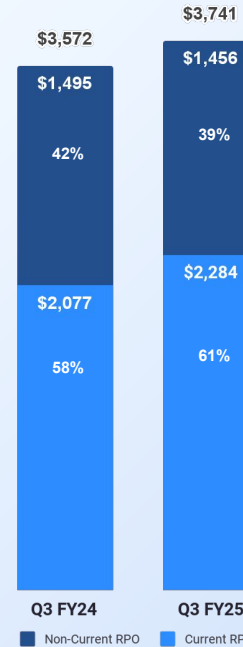
## YoY Growth

Total RPO  
5%

Unbilled  
5%

Deferred Revenue  
5%

## Current<sup>2</sup> & Non-Current RPO (in millions)



## YoY Growth

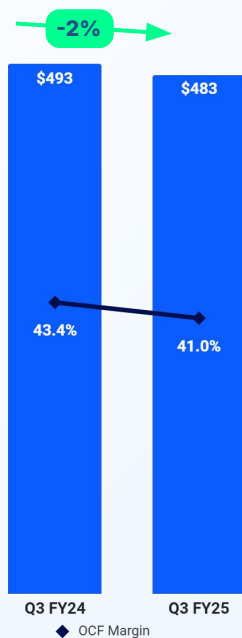
Total RPO  
5%

Non-Current RPO  
-3%

Current RPO  
10%

# Strong cash flow, ~\$7.7B cash balance<sup>1</sup>, actively repurchasing shares

## Operating Cash Flow (in Millions)



## Free Cash Flow<sup>2</sup> (in Millions)



## Shares repurchased in Q3

~4.4  
million



# Q4 & Full Fiscal Year 2025 outlook, incremental share repurchase authorization

Outlook <sup>1</sup>	Q4 FY25	FY25
Revenue	\$1,175 - \$1,180 million	\$4,656 - \$4,661 million
Revenue (Constant Currency)	\$1,174 - \$1,179 million	\$4,661 - \$4,666 million
Non-GAAP Operating Income	\$443 - \$448 million	\$1,813 - \$1,818 million
Weighted Average Share Count	315 million	315 million
Non-GAAP EPS	\$1.29 - \$1.30	\$5.41 - \$5.43
Free Cash Flow <sup>2</sup>	--	\$1,580 - \$1,620 million

**Incremental \$1.2 billion share repurchase authorized after 10/31/24;  
~\$2 billion total authorized share repurchase including remaining authorization  
(not reflected in Share Count and EPS figures)**



Thank you

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# Appendix

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q3 FY24	Q3 FY25	Q1-Q3 FY24	Q1-Q3 FY25
<b>Gross Profit</b>				
Total Revenue	\$1,136,727	\$1,177,541	\$3,380,767	\$3,481,295
GAAP Gross Profit	\$865,739	\$893,660	\$2,579,273	\$2,639,023
(+) Stock-based compensation expense and related payroll taxes	\$38,672	\$33,230	\$119,382	\$102,529
(+) Acquisition-related expense	\$2,062	\$1,834	\$5,685	\$5,473
(+) Restructuring expenses	-	-	\$7,119	-
Non-GAAP Gross Profit	\$906,473	\$928,724	\$2,711,459	\$2,747,025
GAAP Gross Margin	76.2%	75.9%	76.3%	75.8%
Non-GAAP Gross Margin	79.7%	78.9%	80.2%	78.9%
<b>R&amp;D Expenses</b>				
GAAP R&D	\$196,832	\$222,980	\$597,905	\$635,294
(-) Stock-based compensation expense and related payroll taxes	\$(87,632)	\$(90,589)	\$(250,209)	\$(258,747)
(-) Acquisition-related expense	\$(3,504)	\$(2,617)	\$(11,980)	\$(9,403)
(-) Restructuring expenses	-	-	\$(19,629)	-
Non-GAAP R&D	\$105,696	\$129,774	\$316,087	\$367,144
<b>S&amp;M Expenses</b>				
GAAP S&M	\$374,378	\$361,703	\$1,170,255	\$1,068,481
(-) Stock-based compensation expense and related payroll taxes	\$(88,637)	\$(82,285)	\$(294,380)	\$(249,733)
(-) Acquisition-related expenses	\$(1,924)	\$(1,712)	\$(5,130)	\$(5,261)
(-) Restructuring expenses	-	-	\$(32,930)	-
Non-GAAP S&M	\$283,817	\$277,706	\$837,815	\$813,487
<b>G&amp;A Expenses</b>				
GAAP G&A	\$125,140	\$126,137	\$454,364	\$347,016
(-) Stock-based compensation expense and related payroll taxes	\$(51,149)	\$(40,660)	\$(149,487)	\$(122,740)
(-) Litigation settlements, net	-	\$(18,000)	\$(52,500)	\$(16,250)
(-) Acquisition-related expense	\$(4,170)	\$(4,027)	\$(12,644)	\$(11,565)
(-) Restructuring expenses	-	-	\$(13,315)	-
Non-GAAP G&A	\$69,821	\$63,450	\$226,418	\$196,461

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q3 FY24	Q3 FY25	Q1-Q3 FY24	Q1-Q3 FY25
<b>Operating Profit</b>				
Total Revenue	\$1,136,727	\$1,177,541	\$3,380,767	\$3,481,295
GAAP Operating Profit	\$169,389	\$182,840	\$356,749	\$588,232
(+) Stock-based compensation expense and related payroll taxes	\$266,090	\$246,764	\$813,458	\$733,749
(+) Litigation settlements, net	-	\$18,000	\$52,500	\$16,250
(+) Acquisition-related expense	\$11,660	\$10,190	\$35,439	\$31,702
(+) Restructuring expenses	-	-	\$72,993	-
Non-GAAP Operating Profit	\$447,139	\$457,794	\$1,331,139	\$1,369,933
GAAP Operating Margin	14.9%	15.5%	10.6%	16.9%
Non-GAAP Operating Margin	39.3%	38.9%	39.4%	39.4%
<b>Net Income</b>				
GAAP net income attributable to common stockholders	\$141,212	\$207,050	\$338,630	\$642,373
(+) Stock-based compensation expense and related payroll taxes	\$266,090	\$246,764	\$813,458	\$733,749
(+) Litigation settlements, net	-	\$18,000	\$52,500	\$16,250
(+) Acquisition-related expenses	\$11,660	\$10,190	\$35,439	\$31,702
(+) Restructuring expenses	-	-	\$72,993	-
(+) Losses (gains) on strategic investments	\$25,471	\$(6,324)	\$(8,474)	\$(26,785)
(-) Tax effects on non-GAAP adjustments	\$(43,197)	\$(40,614)	\$(140,494)	\$(99,484)
Non-GAAP net income	\$401,236	\$435,066	\$1,164,052	\$1,297,805
<b>Earnings Per Share</b>				
GAAP net income per share –diluted	\$0.45	\$0.66	\$1.10	\$2.04
Non-GAAP net income per share –diluted	\$1.29	\$1.38	\$3.79	\$4.13
<b>Weighted Average Shares</b>				
GAAP and Non-GAAP weighted-average –diluted	310,389,905	314,191,269	306,852,190	314,514,244

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q3 FY24	Q3 FY25	Q1-Q3 FY24	Q1-Q3 FY25
<b>Free Cash Flow</b>				
Cash Flow from Operations	\$493,153	\$483,217	\$1,247,611	\$1,520,742
(-) Purchases of PPE	\$(39,987)	\$(25,484)	\$(108,413)	\$(128,226)
Free Cash Flow	\$453,166	\$457,733	\$1,139,198	\$1,392,516
Operating Cash Flow Margin	43.4%	41.0%	36.9%	43.7%
Free Cash Flow Margin	39.9%	38.9%	33.7%	40.0%
Net Cash Used in Investing Activities	\$(364,260)	\$(452,404)	\$(864,406)	\$(1,101,138)
Net Cash (Used in) Provided by Financing Activities	\$(5,506)	\$(300,390)	\$35,952	\$(699,106)

(\$ in Thousands)

	Q3 FY25	Y/Y growth	Q1-Q3 FY25	Y/Y growth
<b>Revenue in Constant Currency</b>				
GAAP revenue	\$1,177,541	3.6%	\$3,481,295	3.0%
(+) Constant currency impact	\$(213)	0.0%	\$5,710	0.1%
Revenue in constant currency (non-GAAP)	\$1,177,328	3.6%	\$3,487,005	3.1%



# Historic Metrics

(\$ in millions)

	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25
<b>Revenue</b>	\$1,117.8	\$1,105.4	\$1,138.7	\$1,136.7	\$1,146.5	\$1,141.2	\$1,162.5	\$1,177.5
<i>Y/Y growth</i>	4%	3%	4%	3%	3%	3%	2%	4%
<b>GAAP Income (loss) from operations</b>	(\$129.9)	\$9.7	\$177.6	\$169.4	\$168.5	\$203.0	\$202.4	\$182.8
Stock-based compensation and related payroll taxes, acquisition-related expenses, restructuring expenses, and net litigation settlements	\$534.7	\$412.6	\$284.1	\$277.8	\$275.2	\$253.6	\$253.2	\$275.0
<b>Non-GAAP income from operations</b>	\$404.8	\$422.3	\$461.7	\$447.1	\$443.7	\$456.6	\$455.5	\$457.8
<b>Operating Cash Flow</b>	\$211.6	\$418.5	\$336.0	\$493.2	\$351.2	\$588.2	\$449.3	\$483.2
Capital Expenditures	\$(28.3)	\$(21.8)	\$(46.6)	\$(40.0)	\$(18.5)	\$(18.5)	\$(84.2)	\$(25.5)
<b>Free Cash Flow</b>	\$183.3	\$396.7	\$289.4	\$453.2	\$332.7	\$569.7	\$365.1	\$457.7
<b>Deferred Revenue</b>	\$1,308.4	\$1,366.1	\$1,369.8	\$1,315.9	\$1,270.4	\$1,352.2	\$1,406.7	\$1,379.0
Unbilled Accounts Receivable	\$91.6	\$107.1	\$115.6	\$132.3	\$124.8	\$137.7	\$119.9	\$122.6
<b>RPO</b>	\$3,434.5	\$3,482.2	\$3,504.4	\$3,571.7	\$3,574.8	\$3,665.7	\$3,778.3	\$3,740.7
<i>Y/Y growth</i>	30%	16%	9%	10%	4%	5%	8%	5%
<b>Customers &gt;\$100K TTM Revenue</b>	3,471	3,580	3,672	3,731	3,810	3,883	3,933	3,995
<i>Y/Y growth</i>	27%	23%	18%	14%	10%	8%	7%	7%
<b>Revenue % from Customers &gt;\$100K TTM Revenue</b>	28%	29%	29%	29%	30%	30%	31%	31%
<b>Pre-Transition Enterprise Customers<sup>1</sup></b>	213,000	215,900	218,100	219,700	220,400	--	--	--
<b>Post-Transition Enterprise Customers</b>	--	--	--	--	--	191,000	191,600	192,400
<b>Revenue % from Enterprise Customers</b>	57%	57%	58%	58%	58%	58%	59%	59%
<b>TTM Net \$ Expansion Rate for Enterprise Customers</b>	115%	112%	109%	105%	101%	99%	98%	98%
<b>Online Average Monthly Churn</b>	3.4%	3.1%	3.2%	3.0%	3.0%	3.2%	2.9%	2.7%

# Endnotes

## Q3 Milestones

1. Monthly Active Users represent the total number of unique users who engage with Zoom AI Companion product by using at least one feature of Zoom AI Companion in the previous 28 days.

## Improved growth for Total & Enterprise revenue; lowest ever Online churn

1. 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 the up-market

1. 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.
2. 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.

## Growth in EMEA & Americas, FX headwinds in APAC

1. Subtotals revenue and revenue percent have been rounded.

## Q3 FY25 expenses and margins

1. See appendix for a reconciliation of non-GAAP to GAAP financial measures.

## Steady YoY Growth in Deferred Revenue and RPO

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, ~\$7.7B cash balance<sup>1</sup>, 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.

## Q4 & Full Fiscal Year 2025 outlook, incremental share repurchase authorization

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.