Zoom Q2 FY27 Earnings - Prepared Remarks

Slide 1 – Zoom Q2 FY27 Earnings

Charles Eveslage, Head of IR

Thank you, Catherine.

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

Today I'm giving my prepared remarks by Zoom Custom Avatar, and so will Eric and Michelle. 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 third quarter and full fiscal year 2027; our expectations regarding financial and business trends; impacts from the macroeconomic environment, our market position, stock repurchase 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 – Elevating Workplace with AI

Eric Yuan, Founder and CEO

Thank you, Charles. FY27 continues to progress well. Total revenue grew 4.9%, with Enterprise revenue growing 7.8%, its strongest rate in three years. The Enterprise acceleration was driven by our focused execution against our three priorities of elevating Workplace with AI, scaling AI-first Customer Experience, and driving growth in new AI products.

This progress reflects our success in bringing our AI-first system of action vision to life, helping customers reduce costs and create greater business value. That vision is grounded in Zoom Workplace, which we continue to enhance with AI. Across Workplace and our broader communications platform, AI is becoming increasingly embedded in how users work throughout the communication and collaboration lifecycle.

Licensed Monthly Active Users of our AI features in Workplace grew 125% year over year. We are even more encouraged by the broadening engagement, which has expanded from reactive communication summaries into active querying and building workflows, turning insights into action and conversations into outcomes.

Our wins in Q2 speak to our growing ability to win as a system of action for modern work.

We saw one of the largest U.S. tech companies renew Zoom Workplace in a deal that expanded its ARR by $1.9 million, driven by the deep employee appreciation for the Zoom Meetings and Rooms experience, our AI vision, and our ability to integrate and coexist with Google Workspace.

With ARR growing in the teens, Zoom Phone continues to demonstrate its value both as a natural add-on to Zoom Workplace and increasingly as a driver to broader platform adoption. We saw both dynamics in Q2.

A major U.S. wealth manager upgraded to Zoom Workplace Enterprise Premier, including a wall-to-wall rollout of Zoom Phone, replacing multiple vendors.

Zoom Phone is also creating pull-through for our broader platform. For example, QXO, a large North American distributor and installer of building products, chose Zoom Phone company-wide for roughly 8,000 employees alongside Zoom Contact Center to unify their UCaaS and CCaaS systems, integrate with Microsoft Teams and automatically drive CRM updates from live interactions.

We were also very pleased with the progress of our employee experience offering within our system of action. In Q2, a leading U.S. insurer and major Zoom Workplace and Phone user expanded into Workvivo, marking one of Workvivo's largest ever deals as it also surpassed $100 million in ARR. We are also priming Workvivo for the AI era by launching Workvivo HQ, an AI-native digital headquarters, built on Zoom's AI technology, bringing communication, knowledge, and action together for every employee. ON, a global luxury retail brand, selected Workvivo HQ as their employee experience platform and will deploy Workvivo HQ Agent to give thousands of frontline workers faster access to answers from their policies and databases.

As you can see, customers are choosing Zoom as an AI-first, secure, integrated, multi-product system of action – sometimes displacing multiple vendors; other times, coexisting with them. This progress exemplifies our ability to meet customers where they are, turn conversations into business value, while driving durable platform expansion for Zoom.

Slide 5 – Scaling AI-first customer experience

Customer Experience is a clear example of our platform strategy translating into growth and direct AI monetization. In Q2, Zoom CX ARR continued to grow at a high double digit year-over-year rate, and we set a record for the number of seven-figure ARR deals. AI continues to drive this momentum, with paid AI in nine of the top ten Zoom CX deals, showing growing demand for a system of action that connects automation, human agents, and intelligence.

We saw rapid adoption in Zoom Virtual Agent, both as a Zoom Contact Center attach and as a standalone offering, with its customer count growing more than 250% year over year. ZVA's voice and chat agents go beyond simply answering questions; they resolve issues, complete multi-step workflows, and escalate to human agents with full context when needed. This validates our vision of moving customers from chatbots to resolution agents, turning conversations into resolved outcomes, at scale.

Increasingly, customers are going all in on Zoom CX, combining our virtual agent and agent-assisted AI solutions to enable seamless transitions from automated self-service to human support. For example, in Q2, one of the largest U.S. banks chose ZVA while expanding its existing ZCC Elite deployment to enable self-service alongside AI-assisted human support, helping them scale to meet surging help desk volume.

For others, the value is in breaking down the fragmentation between UCaaS and CCaaS solutions and bringing communications onto a unified platform. In Q2, a leading enterprise software company selected ZVA Voice as a natural extension to Zoom Phone, as they look to modernize their customer experience.

We also saw a major U.S. cybersecurity company select Zoom Contact Center to replace multiple vendors and securely unify their UCaaS and CCaaS solutions, building on their use of Zoom Video in customer interactions and allowing agents to escalate voice calls to ZCC video sessions seamlessly and natively.

It is not only customer recognition; early this month, Zoom was named a Leader in the IDC MarketScape for Agentic CCaaS.

This progress demonstrates the momentum behind Zoom CX and validates our differentiated approach: a unified, AI-first system of action that connects self-service, human support and internal communications to deliver better customer outcomes at scale.

Slide 6 – Driving growth of new AI products

Our progress in enhancing Workplace and scaling Customer Experience gives us a natural foundation from which to deliver new AI value to our customers in horizontal and vertical scenarios.

In horizontal AI, we launched ZoomMate in June, bringing our system of action strategy to life for our Workplace users through AI-first productivity tools, agentic search, and agentic workflows. We've already seen interest spanning our Zoom Workplace base, from small businesses to the world's largest enterprises. By combining Zoom conversation data and proprietary intelligence with other enterprise systems, ZoomMate turns conversations into completed work and business value. In Q2, we were delighted to see the University of Newcastle in Australia, already a full-platform Zoom customer, add ZoomMate to further enhance its collaboration and communication capabilities.

As we expand this system of action across the enterprise, we are using Zoom's unique position in live communications to capture context and intent and apply that intelligence to vertical workflows. Sales is a strong example. Zoom Revenue Accelerator, our revenue orchestration solution, turns live sales conversations into intelligence that supports coaching and action to improve seller productivity and win rates. ZRA had another strong quarter, with paid customers growing 41% year over year.

Common Room extends this value upstream, creating a fuller end-to-end revenue intelligence and orchestration solution together with ZRA and the broader Zoom platform. We closed the acquisition in mid-July, adding buyer intelligence that unifies fragmented signals to identify in-market accounts, key buyers, and the right reasons to engage. In Q2, Okta expanded their Common Room contract as they look to further capture the value that AI-driven buyer intelligence delivers by consolidating customer insights across platforms and surfacing real-time buyer signals to convert deals into wins faster.

Across our three priorities, the common thread is clear: Zoom is deepening its value to our customers as a system of action. We are embedding AI across our platform to turn conversational context into action and deliver what customers want: real AI value that produces outcomes. We are encouraged by the momentum across our platform, and proud of our progress expanding AI monetization to durable growth, and – most importantly – deliver enduring value for our customers.

Michelle, via Zoom Custom Avatar, will now take us through our Q2 financial results. Michelle?

Slide 7 – Revenue progress continues driven by Enterprise

Michelle Chang, CFO

Thank you, Eric, and hello everyone.

I'm excited to be with you today to share Zoom's Q2 FY 2027 financial performance. In Q2, total revenue grew 4.9% year over year to $1.28 billion, or

4.7% in constant currency. This result was $7 million above the high end of our guidance.

Our Enterprise business drove the outperformance with revenue growing 7.8% year over year, representing 62% of our total revenue, up 2 points year over year.

In our Online business, Q2 Average Monthly Churn was 2.9%, in line with Q2 of last year.

Slide 8 – Strength in up-market and continued growth internationally

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 make up 33% of our total revenue, up 1 point year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q2 was 99%, up 1 point from the prior year period and in line with the prior quarter.

Looking at our international growth; our Americas revenue grew 6% year over year, EMEA grew 2%, and APAC grew 4%.

Slide 9 – 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, net gains or losses on strategic investments, and all associated tax effects.

Non-GAAP gross margin in Q2 was 79.1%, compared to 79.8% in Q2 of last year. We continue to deliver strong gross margins as we broaden our AI product portfolio, and optimize for scaling customer adoption.

Non-GAAP income from operations grew 1% year over year to $510 million, in line with our guidance. Non-GAAP operating margin for Q2 was 40.0%, compared to 41.3% in Q2 of last year. We continue to deliver very strong operating margins while improving topline growth as we further invest in our growing portfolio of AI products and drive future efficiencies in our AI infrastructure.

Non-GAAP diluted net income per share in Q2 increased to $1.55 on approximately 300 million non-GAAP diluted weighted-average shares outstanding. This result was 8 cents above the high end of our guidance and 2 cents higher than Q2 of last year. The EPS growth reflects strong top-line performance, as well as anti-dilution, driven by our buyback program and disciplined stock compensation management.

Slide 10 – Growth in deferred revenue and RPO

Turning to the balance sheet.

Deferred revenue at the end of Q2 grew 6% year over year to $1.56 billion, above the high end of our previously provided range of 2 to 3%. For Q3, we expect deferred revenue to be up 3 to 4% year over year.

Looking at both our billed and unbilled contracts, our RPO increased 14% year over year to approximately $4.5 billion, driven by non-current RPO growth of 25%.

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 11 – Strong cash flow, ~$7.2B cash balance, continued execution of share buyback in Q2

In Q2, operating cash flow was $495 million, representing an operating cash flow margin of 38.7%. Free cash flow in the quarter was $472 million, representing a free cash flow margin of 37.0%. We ended the quarter with $7.2 billion in cash, cash equivalents and marketable securities, excluding restricted cash.

In Q2 we repurchased 3.7 million shares for approximately $352 million. Across our $4.7 billion share repurchase plan, we've repurchased a total of 44.2 million shares for $3.4 billion.

Slide 12 – Q3 & fiscal year 2027 outlook

Turning to guidance.

For Q3, we expect revenue to be in the range of $1.275 to $1.28 billion, representing 3.9% year-over-year growth at the midpoint. We expect non-GAAP operating income to be in the range of $510 to $515 million, representing an operating margin of 40.1% at the midpoint. Our outlook for non-GAAP earnings per share is $1.46 to $1.48 based on approximately 301 million shares outstanding.

For the full year of FY27, we are excited to raise our revenue and EPS guidance. We now expect revenue to be in the range of $5.085 to $5.095 billion, which represents 4.5% year-over-year growth at the midpoint. Our increased revenue outlook assumes Enterprise revenue growing faster than expected, partially offset by flat Online growth. We continue to expect our non-GAAP operating income to be in the range of $2.065 to $2.075 billion, representing an operating margin of 40.7% at the midpoint.

In addition, our outlook for non-GAAP earnings per share in FY27 is increasing to $6.08 to $6.12, based on approximately 301 million shares outstanding. As a reminder, future share repurchases are not reflected in share count and EPS guidance.

We are also pleased to raise our free cash flow outlook for the full year, which we now expect to be in the range of $1.78 to $1.82 billion. This raise reflects the strength in free cash flow in the first half, as well as a downward revision in our capex spend for the year.

In closing, Q2 was a good quarter with continued execution across our three priorities and growing adoption of Zoom as an AI-first system of action. We are pleased with our progress in AI monetization led by customer experience and early momentum across new AI revenue streams. We remain on track to surpass $5 billion in revenue this year while maintaining our focus on profitability, cash flow generation, and shareholder returns.

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.