
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
Commission File Number 001-38865

Zoom Video Communications, Inc.

(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

61-1648780
(I.R.S. Employer
Identification No.)

55 Almaden Boulevard, 6th Floor
San Jose, California 95113
(Address of principal executive offices and Zip Code)
(888) 799-9666
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value per share	ZM	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 11, 2023, the number of shares of the registrant's Class A common stock outstanding was 254,292,343 and the number of shares of the registrant's Class B common stock outstanding was 46,664,611.

Zoom Video Communications, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended July 31, 2023

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which statements involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition; business strategy and plans; and objectives of management for future operations, including our statements regarding the benefits and timing of the roll out of new technology, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about: our future financial performance, including our revenue, cost of revenue, gross profit, margins, and operating expenses; trends in our key business metrics; the sufficiency of our cash and cash equivalents, investments, and cash provided by sales of our products and services to meet our liquidity needs; market trends; our market position and opportunity; our growth strategy and business aspirations for our communications and collaboration platform; our product strategy; our efforts to enhance the security and privacy of our platform; our ability to operate our business and effectively manage our growth under evolving macroeconomic conditions, such as high inflation, recessionary environments and fluctuations in foreign currency exchange rates; our ability to become the ubiquitous platform for communications; our ability to attract new customers and retain existing customers; our ability to successfully expand into our existing markets and into new markets; our ability to effectively manage our growth and future expenses; and the impact of recent accounting pronouncements on our unaudited condensed consolidated financial statements.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the Securities and Exchange Commission as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

SUMMARY RISK FACTORS

Investing in our Class A common stock involves numerous risks, including the risks described in “Part II—Other Information, Item 1A. Risk Factors” of this Quarterly Report on Form 10-Q. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects.

- Our business depends on our ability to attract new customers, retain and upsell additional products and new product categories to existing customers, and upgrade free hosts to our paid offerings. Any decline in new customers, renewals, or upgrades would harm our business.
- Our revenue growth rate has fluctuated in prior periods, and may decline in future periods.
- Interruptions, delays, or outages in service from our co-located data centers and a variety of other factors, would impair the delivery of our services, require us to issue credits or pay penalties, and harm our business.
- We operate in competitive markets, and we must continue to compete effectively. Many of our actual and potential competitors benefit from competitive advantages over us, such as greater name recognition; longer operating histories; more varied products and services; larger marketing budgets; more established marketing relationships; more third-party integration; greater accessibility across devices or applications; greater access to larger user bases; major distribution agreements with hardware manufacturers and resellers; and greater financial, technical, and other resources. In addition, as we introduce new products and services to our platform, and with the introduction of new technologies and market entrants, we expect competition to intensify in the future.
- Our business may be significantly affected by changes in the economy, including any resulting effect on consumer or business spending.
- As we increase sales to large organizations, our sales cycles have and could continue to lengthen, and we could experience greater deployment challenges.
- We generate revenue from sales of subscriptions to our platform, and any decline in demand for our platform or for communications and collaboration technologies in general would harm our business.
- We have incurred net losses in the past and there are no assurances we will be able to maintain or increase profitability in the future.
- We may not be able to respond to rapid technological changes, extend our platform or develop new features.
- Our security measures have been compromised in the past and may be compromised in the future. If our security measures are compromised in the future or if our information technology fails, this could harm our reputation, expose us to significant fines and liability, impair our sales, and harm our business. In addition, our products and services may be perceived as not being secure. This perception may result in customers and hosts curtailing or ceasing their use of our products, our incurring significant liabilities, and our business being harmed.
- We have a limited operating history at the current scale of our business, which makes it difficult to evaluate our prospects and future results of operations.
- The actual or perceived failure by us, our customers, partners, or vendors to comply with stringent and evolving privacy, data protection, and information security laws, regulations, standards, policies, and contractual obligations could harm our reputation and business or subject us to significant fines and liability.
- If we were to lose the services of our Chief Executive Officer or other members of our senior management team, we may not be able to execute our business strategy.
- We have significant and expanding operations outside the United States, which may subject us to increased business, regulatory and economic risks that could harm our business.
- We may be subject to, or assist law enforcement with enforcement of, a variety of U.S. and international laws that could result in claims, increase the cost of operations, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.
- Zoom Phone is subject to U.S. federal and international regulation, and other products we may introduce in the future may also be subject to U.S. federal, state, or international laws, rules, and regulations. Any failure to comply with such laws, rules, and regulations could harm our business and expose us to liability.

- The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to our initial public offering, including our executive officers, employees, and directors and their affiliates, limiting your ability to influence corporate matters.

If we are unable to adequately address these and other risks we face, our business may be harmed.

PART I—Financial Information

Item 1. FINANCIAL STATEMENTS

**ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)**

	As of	
	July 31, 2023	January 31, 2023
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 1,380,121	\$ 1,086,830
Marketable securities	4,648,393	4,325,836
Accounts receivable, net of allowances of \$45,781 and \$33,206 as of July 31, 2023 and January 31, 2023, respectively	571,049	557,404
Deferred contract acquisition costs, current	207,165	223,250
Prepaid expenses and other current assets	244,264	163,092
Total current assets	7,050,992	6,356,412
Deferred contract acquisition costs, noncurrent	150,260	179,991
Property and equipment, net	275,881	252,821
Operating lease right-of-use assets	70,249	80,906
Strategic investments	376,693	398,992
Goodwill	307,295	122,641
Deferred tax assets	541,016	558,428
Other assets, noncurrent	150,722	177,874
Total assets	<u>\$ 8,923,108</u>	<u>\$ 8,128,065</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 20,854	\$ 14,414
Accrued expenses and other current liabilities	397,268	457,716
Deferred revenue, current	1,349,351	1,266,514
Total current liabilities	1,767,473	1,738,644
Deferred revenue, noncurrent	20,417	41,932
Operating lease liabilities, noncurrent	62,181	73,687
Other liabilities, noncurrent	70,685	67,195
Total liabilities	<u>1,920,756</u>	<u>1,921,458</u>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value per share, 200,000,000 shares authorized as of July 31, 2023 and January 31, 2023; zero shares issued and outstanding as of July 31, 2023 and January 31, 2023	—	—
Common stock, \$0.001 par value per share, 2,000,000,000 Class A shares authorized as of July 31, 2023 and January 31, 2023; 254,291,416 and 247,151,956 shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively; 300,000,000 Class B shares authorized as of July 31, 2023 and January 31, 2023; 46,664,611 and 46,670,894 shares issued and outstanding as of July 31, 2023 and January 31, 2023, respectively	302	294
Additional paid-in capital	4,689,521	4,104,880
Accumulated other comprehensive loss	(36,707)	(50,385)
Retained earnings	2,349,236	2,151,818
Total stockholders' equity	<u>7,002,352</u>	<u>6,206,607</u>
Total liabilities and stockholders' equity	<u>\$ 8,923,108</u>	<u>\$ 8,128,065</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenue	\$ 1,138,676	\$ 1,099,458	\$ 2,244,040	\$ 2,173,258
Cost of revenue	266,559	273,611	530,506	535,432
Gross profit	872,117	825,847	1,713,534	1,637,826
Operating expenses:				
Research and development	191,802	172,564	401,073	316,855
Sales and marketing	373,373	400,474	795,877	763,257
General and administrative	129,324	131,066	329,224	248,906
Total operating expenses	694,499	704,104	1,526,174	1,329,018
Income from operations	177,618	121,743	187,360	308,808
Gains (losses) on strategic investments, net	31,670	(34,712)	33,945	(71,116)
Other income (expense), net	41,085	3,368	72,298	(3,621)
Income before provision for income taxes	250,373	90,399	293,603	234,071
Provision for income taxes	68,399	44,649	96,185	74,663
Net income	181,974	45,750	197,418	159,408
Undistributed earnings attributable to participating securities	—	(4)	—	(19)
Net income attributable to common stockholders	\$ 181,974	\$ 45,746	\$ 197,418	\$ 159,389
Net income per share attributable to common stockholders:				
Basic	\$ 0.61	\$ 0.15	\$ 0.66	\$ 0.53
Diluted	\$ 0.59	\$ 0.15	\$ 0.65	\$ 0.52
Weighted-average shares used in computing net income per share attributable to common stockholders:				
Basic	299,093,452	298,553,379	297,281,846	298,865,676
Diluted	305,932,596	307,160,840	305,054,771	306,902,964

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Net income	\$ 181,974	\$ 45,750	\$ 197,418	\$ 159,408
Other comprehensive (loss) income:				
Unrealized gain (loss) on available-for-sale marketable securities, net of income tax (expense) benefit of \$553 and \$929 for the three months ended July 31, 2023 and 2022, respectively, and \$(4,121) and \$9,615 for the six months ended July 31, 2023 and 2022, respectively	(1,836)	(2,924)	13,678	(30,259)
Comprehensive income	\$ 180,138	\$ 42,826	\$ 211,096	\$ 129,149

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Three Months Ended July 31, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of April 30, 2023	297,455,726	\$ 298	\$ 4,391,418	\$ (34,871)	\$ 2,167,262	\$ 6,524,107
Issuance of common stock upon exercise of stock options	542,954	—	3,417	—	—	3,417
Issuance of common stock upon release of restricted stock units	2,404,443	3	(3)	—	—	—
Issuance of common stock for employee stock purchase plan	552,904	1	32,512	—	—	32,513
Stock-based compensation expense	—	—	262,177	—	—	262,177
Other comprehensive loss	—	—	—	(1,836)	—	(1,836)
Net income	—	—	—	—	181,974	181,974
Balance as of July 31, 2023	300,956,027	\$ 302	\$ 4,689,521	\$ (36,707)	\$ 2,349,236	\$ 7,002,352

	Three Months Ended July 31, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of April 30, 2022	298,824,233	\$ 299	\$ 3,831,060	\$ (45,237)	\$ 2,161,765	\$ 5,947,887
Issuance of common stock upon exercise of stock options	314,537	—	1,899	—	—	1,899
Issuance of common stock upon release of restricted stock units	1,439,199	2	(2)	—	—	—
Issuance of common stock for employee stock purchase plan	373,259	—	34,604	—	—	34,604
Repurchases of common stock	(2,864,721)	(3)	(293,531)	—	—	(293,534)
Stock-based compensation expense	—	—	256,715	—	—	256,715
Other comprehensive loss	—	—	—	(2,924)	—	(2,924)
Net income	—	—	—	—	45,750	45,750
Balance as of July 31, 2022	298,086,507	\$ 298	\$ 3,830,745	\$ (48,161)	\$ 2,207,515	\$ 5,990,397

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Six Months Ended July 31, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 31, 2023	293,822,850	\$ 294	\$ 4,104,880	\$ (50,385)	\$ 2,151,818	\$ 6,206,607
Issuance of common stock upon exercise of stock options	1,044,922	1	7,685	—	—	7,686
Issuance of common stock upon release of restricted stock units	5,535,351	6	(6)	—	—	—
Issuance of common stock for employee stock purchase plan	552,904	1	32,512	—	—	32,513
Stock-based compensation expense	—	—	544,450	—	—	544,450
Other comprehensive income	—	—	—	13,678	—	13,678
Net income	—	—	—	—	197,418	197,418
Balance as of July 31, 2023	<u>300,956,027</u>	<u>\$ 302</u>	<u>\$ 4,689,521</u>	<u>\$ (36,707)</u>	<u>\$ 2,349,236</u>	<u>\$ 7,002,352</u>

	Six Months Ended July 31, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 31, 2022	299,037,805	\$ 299	\$ 3,749,514	\$ (17,902)	\$ 2,048,107	\$ 5,780,018
Issuance of common stock upon exercise of stock options	858,055	1	5,242	—	—	5,243
Issuance of common stock upon release of restricted stock units	1,906,359	2	(2)	—	—	—
Issuance of common stock for employee stock purchase plan	373,259	—	34,604	—	—	34,604
Repurchases of common stock	(4,088,971)	(4)	(425,942)	—	—	(425,946)
Stock-based compensation expense	—	—	467,329	—	—	467,329
Other comprehensive loss	—	—	—	(30,259)	—	(30,259)
Net income	—	—	—	—	159,408	159,408
Balance as of July 31, 2022	<u>298,086,507</u>	<u>\$ 298</u>	<u>\$ 3,830,745</u>	<u>\$ (48,161)</u>	<u>\$ 2,207,515</u>	<u>\$ 5,990,397</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended July 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 197,418	\$ 159,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	543,854	464,878
Amortization of deferred contract acquisition costs	138,744	119,502
Depreciation and amortization	50,202	36,155
Deferred income taxes	13,975	—
(Gains) losses on strategic investments, net	(33,945)	71,116
Provision for accounts receivable allowances	22,204	26,727
Unrealized foreign exchange losses	4,683	19,472
Non-cash operating lease cost	10,657	11,067
Amortization of discount/premium on marketable securities	(18,014)	4,821
Other	(3,415)	(167)
Changes in operating assets and liabilities:		
Accounts receivable	13,631	(125,898)
Prepaid expenses and other assets	(83,888)	(136,619)
Deferred contract acquisition costs	(92,927)	(157,005)
Accounts payable	4,999	16,441
Accrued expenses and other liabilities	(58,951)	64,262
Deferred revenue	56,332	220,550
Operating lease liabilities, net	(11,101)	(11,350)
Net cash provided by operating activities	754,458	783,360
Cash flows from investing activities:		
Purchases of marketable securities	(1,826,166)	(1,576,853)
Maturities of marketable securities	1,543,120	1,306,676
Purchases of property and equipment	(68,426)	(52,870)
Purchases of strategic investments	(51,000)	(61,550)
Proceeds from strategic investments	107,244	—
Cash paid for acquisition, net of cash acquired	(204,918)	(120,553)
Purchases of intangible assets	—	(3,211)
Net cash used in investing activities	(500,146)	(508,361)
Cash flows from financing activities:		
Proceeds from exercise of stock options	7,686	5,065
Proceeds from issuance of common stock for employee stock purchase plan	32,513	34,605
Proceeds from employee equity transactions to be remitted (remitted) to employees and tax authorities, net	1,259	(2,545)
Cash paid for repurchases of common stock	—	(425,946)
Net cash provided by (used in) financing activities	41,458	(388,821)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(3,781)	(16,111)
Net increase (decrease) in cash, cash equivalents, and restricted cash	291,989	(129,933)
Cash, cash equivalents, and restricted cash – beginning of period	1,100,243	1,073,353
Cash, cash equivalents, and restricted cash – end of period	\$ 1,392,232	\$ 943,420
Reconciliation of cash, cash equivalents, and restricted cash within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:		
Cash and cash equivalents	\$ 1,380,121	\$ 937,443
Restricted cash, current included in prepaid expenses and other current assets	11,856	5,708
Restricted cash, noncurrent included in other assets, noncurrent	255	269
Total cash, cash equivalents, and restricted cash	\$ 1,392,232	\$ 943,420

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ZOOM VIDEO COMMUNICATIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Summary of Business and Significant Accounting Policies

Description of Business

Zoom Video Communications, Inc. and its subsidiaries (collectively, “Zoom,” the “Company,” “we,” “us,” or “our”) connect people through our core unified communications and collaboration platform, which frictionlessly brings together video, phone, chat, webinars events, and contact center, and enables meaningful experiences across disparate devices and locations. We were incorporated in the state of Delaware in April 2011, and are headquartered in San Jose, California.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal year 2024, for example, refer to the fiscal year ending January 31, 2024.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting, and include the accounts of Zoom Video Communications, Inc., its subsidiaries, and variable interest entities for which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of January 31, 2023 included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including certain notes required by GAAP on an annual reporting basis. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the balance sheets, statements of operations, statements of comprehensive income, statements of stockholders’ equity, and statements of cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full fiscal year or any future period.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 3, 2023.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the estimated expected benefit period for deferred contract acquisition costs, stock-based compensation expense, the fair value of marketable securities, acquired intangible assets and goodwill, the valuation of deferred income tax assets and uncertain tax positions, and accruals and contingencies. Actual results could materially differ from those estimates.

Summary of Significant Accounting Policies

Our significant accounting policies are discussed in Note 1. “Summary of Business and Significant Accounting Policies” in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 3, 2023. There have been no significant changes to these policies during the six months ended July 31, 2023.

2. Revenue Recognition

Disaggregation of Revenue

The following table summarizes revenue by region based on the billing address of customers:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2023		2022		2023		2022	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
(in thousands, except percentages)								
Americas	\$ 808,425	71 %	\$ 762,690	69 %	\$ 1,593,022	71 %	\$ 1,491,071	69 %
Asia Pacific (“APAC”)	144,915	13	149,355	14	285,786	13	298,175	14
Europe, Middle East, and Africa (“EMEA”)	185,336	16	187,413	17	365,232	16	384,012	17
Total	<u>\$ 1,138,676</u>	<u>100 %</u>	<u>\$ 1,099,458</u>	<u>100 %</u>	<u>\$ 2,244,040</u>	<u>100 %</u>	<u>\$ 2,173,258</u>	<u>100 %</u>

Contract Balances

We receive payments from customers based on a billing schedule as established in our customer contracts. Accounts receivable are recorded when we contractually have the right to consideration. In some arrangements, a right to consideration for our performance under the customer contract may occur before invoicing to the customer, resulting in an unbilled accounts receivable. The amount of unbilled accounts receivable included within accounts receivable, net was \$115.6 million and \$91.6 million as of July 31, 2023 and January 31, 2023, respectively, and the amount of unbilled accounts receivable included within other assets, noncurrent was immaterial as of July 31, 2023 and January 31, 2023.

Contract liabilities consist of deferred revenue. Revenue is deferred when we have the right to invoice in advance of performance under a customer contract. The current portion of deferred revenue balances is recognized over the next 12 months. The amount of revenue recognized during the three months ended July 31, 2023 and 2022 that was included in deferred revenue at the beginning of each period was \$593.9 million and \$572.7 million, respectively, and \$939.2 million and \$867.6 million during the six months ended July 31, 2023 and 2022, respectively.

Remaining Performance Obligations

The terms of our subscription agreements are monthly, annual, and multiyear, and we may bill for the full term in advance or on an annual, quarterly, or monthly basis, depending on the billing terms with customers. As of July 31, 2023, the aggregate amount of the transaction price allocated to our remaining performance obligations was \$3,504.4 million, which consists of both billed consideration in the amount of \$1,369.8 million and unbilled consideration in the amount of \$2,134.6 million that we expect to recognize as revenue. We expect to recognize 59% of our remaining performance obligations as revenue over the next 12 months and the remainder thereafter.

3. Investments

Marketable Securities

As of July 31, 2023 and January 31, 2023, our marketable securities consisted of the following:

	As of July 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Commercial paper	\$ 67,269	\$ —	\$ —	\$ 67,269
Agency bonds	1,445,880	7	(15,588)	1,430,299
Corporate and other debt securities	543,042	68	(4,635)	538,475
U.S. government agency securities	2,590,023	10	(28,254)	2,561,779
Treasury bills	50,596	—	(25)	50,571
Marketable securities	<u>\$ 4,696,810</u>	<u>\$ 85</u>	<u>\$ (48,502)</u>	<u>\$ 4,648,393</u>
	As of January 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Commercial paper	\$ 77,701	\$ —	\$ —	\$ 77,701
Agency bonds	823,027	63	(12,440)	810,650
Corporate and other debt securities	555,354	385	(4,845)	550,894
U.S. government agency securities	2,910,572	150	(49,507)	2,861,215
Treasury bills	25,404	1	(29)	25,376
Marketable securities	<u>\$ 4,392,058</u>	<u>\$ 599</u>	<u>\$ (66,821)</u>	<u>\$ 4,325,836</u>

Unrealized losses for securities that have been in an unrealized loss position for less than 12 months were \$25.2 million and \$24.8 million as of July 31, 2023 and January 31, 2023, respectively. Unrealized losses for securities that have been in an unrealized loss position for 12 months or longer were \$23.3 million and \$42.0 million as of July 31, 2023 and January 31, 2023, respectively. We review the individual securities that have unrealized losses on a regular basis to evaluate whether or not any security has experienced, or is expected to experience, credit losses resulting in the decline in fair value. We evaluate, among other factors, whether we have the intention to sell any of these marketable securities and whether it is more likely than not that we will be required to sell any of them before recovery of the amortized cost basis. We have not recorded an allowance for credit losses, as we believe any such losses would be immaterial based on the high-grade credit rating for each of our marketable securities as of the end of each period. There were no material realized gains or losses from available-for-sale securities that were reclassified out of accumulated other comprehensive loss for the three and six months ended July 31, 2023 and 2022.

The following table presents the contractual maturities of our marketable securities as of July 31, 2023 and January 31, 2023:

	As of	
	July 31, 2023	January 31, 2023
	(in thousands)	
Less than one year	\$ 2,757,001	\$ 2,743,677
Due in one to five years	1,891,392	1,582,159
Total	<u>\$ 4,648,393</u>	<u>\$ 4,325,836</u>

Strategic Investments

Strategic investments by form and measurement category as of July 31, 2023 were as follows:

	Measurement Category			
	Fair Value	Measurement Alternative	Equity Method	Total
	(in thousands)			
Equity securities	\$ 92,139	\$ 185,732	\$ 95,070	\$ 372,941
Debt securities	3,752	—	—	3,752
Strategic investments	\$ 95,891	\$ 185,732	\$ 95,070	\$ 376,693

Strategic investments by form and measurement category as of January 31, 2023 were as follows:

	Measurement Category			
	Fair Value	Measurement Alternative	Equity Method	Total
	(in thousands)			
Equity securities	\$ 171,975	\$ 118,763	\$ 93,854	\$ 384,592
Debt securities	14,400	—	—	14,400
Strategic investments	\$ 186,375	\$ 118,763	\$ 93,854	\$ 398,992

In the first quarter of fiscal year 2024, we made a total of \$51.0 million of strategic investments in equity securities of private companies. Based on the terms of these privately-held securities, we determined that we do not have a controlling interest nor the ability to exercise significant influence over the operating and financial policies of the investees. Therefore these investments are currently accounted for under the measurement alternative method.

In the second quarter of fiscal year 2024, we sold a total of \$107.2 million of strategic investments in equity securities of public companies. The gains on sale, which were not material, were recorded through gains (losses) on strategic investments, net in the condensed consolidated statements of operations.

4. Fair Value Measurements

The following tables present information about our financial instruments that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value:

	As of July 31, 2023			
	Fair Value	Level 1	Level 2	Level 3
	(in thousands)			
Financial Assets:				
Money market funds	\$ 801,409	\$ 801,409	\$ —	\$ —
Treasury bills	71,187	—	71,187	—
Cash equivalents	872,596	801,409	71,187	—
Commercial paper	67,269	—	67,269	—
Agency bonds	1,430,299	—	1,430,299	—
Corporate and other debt securities	538,475	—	538,475	—
U.S. government agency securities	2,561,779	—	2,561,779	—
Treasury bills	50,571	—	50,571	—
Marketable securities	4,648,393	—	4,648,393	—
Certificates of deposit included in other assets, noncurrent	255	—	255	—
Publicly held equity securities included in strategic investments	92,139	92,139	—	—
Privately held debt securities included in strategic investments	3,752	—	—	3,752
Total financial assets	\$ 5,617,135	\$ 893,548	\$ 4,719,835	\$ 3,752

	As of January 31, 2023			
	Fair Value	Level 1	Level 2	Level 3
	(in thousands)			
Financial Assets:				
Money market funds	\$ 310,571	\$ 310,571	\$ —	\$ —
Cash equivalents	310,571	310,571	—	—
Commercial paper	77,701	—	77,701	—
Agency bonds	810,650	—	810,650	—
Corporate and other debt securities	550,894	—	550,894	—
U.S. government agency securities	2,861,215	—	2,861,215	—
Treasury bills	25,376	—	25,376	—
Marketable securities	4,325,836	—	4,325,836	—
Certificates of deposit included in other assets, noncurrent	272	—	272	—
Publicly held equity securities included in strategic investments	171,975	171,975	—	—
Privately held debt securities included in strategic investments	14,400	—	—	14,400
Total financial assets	\$ 4,823,054	\$ 482,546	\$ 4,326,108	\$ 14,400

We classify our highly liquid money market funds and publicly held equity securities within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. We classify our commercial paper, agency bonds, corporate and other debt securities, U.S. government agency securities, treasury bills, and certificates of deposit within Level 2 because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security, which may not be actively traded. We classify our privately held debt securities as Level 3 due to the lack of relevant observable market data over fair value inputs, such as the probability weighting of the various scenarios that can impact settlement of the arrangement.

5. Business Combinations

Solvvy, Inc.

On May 19, 2022, we acquired 100% of the issued and outstanding share capital of Solvvy, Inc., a private technology company specializing in customer support automation, for an all-cash purchase consideration of \$121.2 million. The acquisition adds to our customer service capabilities and enhances our integrated platform by providing conversational AI capabilities. The acquisition has been accounted for as a business combination.

In allocating the purchase consideration, \$95.0 million was attributed to goodwill, \$26.7 million to intangible assets (consisted of \$12.0 million to developed technology and \$14.7 million to customer relationships), and \$0.5 million to other net liabilities acquired. The goodwill amount represents synergies related to our existing products expected to be realized from the acquisition and assembled workforce. The associated goodwill is not deductible for tax purposes.

At the date of the acquisition, the developed technology and customer relationships both had an estimated useful life of 5.0 years, and both are amortized using the straight-line method over their respective estimated useful lives. As of July 31, 2023, the developed technology and customer relationships both had a remaining useful life of 3.8 years.

Transaction costs incurred in connection with the acquisition were immaterial. The results of operations of Solvvy, Inc., which are not material, have been included in our condensed consolidated financial statements from the date of the acquisition. Pro forma and historical results of operations of the company have not been presented, as the results do not have a material effect on any of the periods presented in our condensed consolidated statements of operations.

Workvivo Limited

On April 21, 2023, we acquired 100% of the issued and outstanding share capital of Workvivo Limited (“Workvivo”), a private technology company that provides an employee experience platform, for an all-cash purchase consideration of \$221.8 million. The acquisition extends our platform and offers our customers new ways to keep employees informed, engaged, and connected. The acquisition has been accounted for as a business combination.

In allocating the purchase consideration, \$184.7 million was attributed to goodwill, \$28.0 million to intangible assets (primarily consisting of \$10.8 million to developed technology and \$17.0 million to customer relationships), and \$9.1 million to other net assets acquired. The goodwill amount represents synergies related to our existing products expected to be realized from the acquisition and assembled workforce. The associated goodwill is not deductible for tax purposes.

At the date of the acquisition, the developed technology and customer relationships both had an estimated useful life of 5.0 years, and both are amortized using the straight-line method over their respective estimated useful lives. As of July 31, 2023, the developed technology and customer relationships both had a remaining useful life of 4.7 years.

Transaction costs incurred in connection with the acquisition were immaterial. The results of operations of Workvivo, which are not material, have been included in our condensed consolidated financial statements from the date of the acquisition. Pro forma and historical results of operations of the company have not been presented, as the results do not have a material effect on any of the periods presented in our condensed consolidated statements of operations.

Uncertain tax positions are initially established in connection with the acquisition as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly. We will record any adjustments to our preliminary estimates to goodwill, provided that it is within the one-year measurement period.

6. Balance Sheet Components

Accounts Receivable, Net

Accounts receivable are recorded for invoiced amounts and amounts for which revenue has been recognized, but not invoiced, net of allowances. Our short-term accounts receivable consist of the following:

	As of	
	July 31, 2023	January 31, 2023
	(in thousands)	
Accounts receivable, gross	\$ 616,830	\$ 590,610
Less: allowance for credit losses	(38,093)	(24,900)
Less: allowance for returns	(7,688)	(8,306)
Accounts receivable, net	<u>\$ 571,049</u>	<u>\$ 557,404</u>

Below is a rollforward of our allowance for credit losses for the six months ended July 31, 2023 and 2022:

	2023	2022
	(in thousands)	
Balance as of January 31	\$ 24,900	\$ 17,000
Provision for credit losses	30,250	25,606
Write-offs	(17,057)	(19,406)
Balance as of July 31	<u>\$ 38,093</u>	<u>\$ 23,200</u>

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	As of	
	July 31, 2023	January 31, 2023
(in thousands)		
Prepaid expenses	\$ 204,768	\$ 123,493
Other receivables	16,427	17,142
Restricted cash from international employee stock sales	11,856	13,141
Other	11,213	9,316
Prepaid expenses and other current assets	<u>\$ 244,264</u>	<u>\$ 163,092</u>

Property and Equipment, Net

Property and equipment consisted of the following:

	As of	
	July 31, 2023	January 31, 2023
(in thousands)		
Servers	\$ 303,527	\$ 249,776
Software	89,872	84,082
Computer and office equipment	46,780	48,325
Leasehold improvements	30,863	25,948
Furniture and fixtures	4,449	4,372
Property and equipment, gross	475,491	412,503
Less: accumulated depreciation and amortization	(199,610)	(159,682)
Property and equipment, net	<u>\$ 275,881</u>	<u>\$ 252,821</u>

Depreciation and amortization expense was \$22.6 million and \$19.6 million for the three months ended July 31, 2023 and 2022, respectively, and \$44.6 million and \$34.7 million for the six months ended July 31, 2023 and 2022, respectively.

Other Assets, Noncurrent

Other assets, noncurrent consisted of the following:

	As of	
	July 31, 2023	January 31, 2023
(in thousands)		
Accounts receivable, noncurrent	\$ 41,820	\$ 92,031
Intangible assets subject to amortization, net	53,832	31,420
Indefinite-lived intangible assets	25,239	25,239
Prepaid expenses, noncurrent	17,528	9,695
Other	12,303	19,489
Other assets, noncurrent	<u>\$ 150,722</u>	<u>\$ 177,874</u>

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of	
	July 31, 2023	January 31, 2023
(in thousands)		
Accrued expenses	\$ 151,881	\$ 160,189
Accrued compensation and benefits	111,791	139,105
Income tax liabilities	20,224	46,441
Sales and other non-income tax liabilities	30,968	33,859
Customer deposit liabilities	35,236	33,640
Operating lease liabilities, current	23,512	22,790
Other	23,656	21,692
Accrued expenses and other current liabilities	<u>\$ 397,268</u>	<u>\$ 457,716</u>

Other Liabilities, Noncurrent

Other liabilities, noncurrent consisted of the following:

	As of	
	July 31, 2023	January 31, 2023
(in thousands)		
Sales and other non-income tax liabilities	\$ 43,640	\$ 42,321
Other	27,045	24,874
Other liabilities, noncurrent	<u>\$ 70,685</u>	<u>\$ 67,195</u>

7. Commitments and Contingencies

Non-cancelable Purchase Obligations

During the six months ended July 31, 2023, there have been no material changes to our non-cancelable purchase obligations from those disclosed in Note 8. "Commitments and Contingencies" in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 3, 2023.

Other Contingencies

In June 2020, we received a grand jury subpoena from the Department of Justice's U.S. Attorney's Office for Eastern District of New York ("EDNY"), which requested information regarding our interactions with foreign governments and foreign political parties, including the Chinese government, as well as information regarding storage of and access to user data, the development and implementation of Zoom's privacy policies, and the actions we took relating to the Tiananmen commemorations on Zoom. In July 2020, we received subpoenas from the Department of Justice's U.S. Attorney's Office for the Northern District of California ("NDCA") and the SEC. Both subpoenas seek documents and information relating to various security, data protection and privacy matters, including our encryption, and our statements relating thereto, as well as calculation of usage metrics and related public statements. In addition, the NDCA subpoena seeks information relating to any contacts between our employees and representatives of the Chinese government, and any attempted or successful influence by any foreign government in our policies, procedures, practices, and actions as they relate to users in the United States. We have since received additional subpoenas from EDNY and NDCA seeking related information. We are fully cooperating with all of these investigations and have been conducting our own thorough internal investigation. These investigations are ongoing, and we do not know when they will be completed, which facts we will ultimately discover as a result of the investigations, or what actions the government may or may not take. We cannot predict the outcome of these investigations, and a negative outcome in any or all of these matters could cause us to incur substantial fines, penalties, or other financial exposure, as well as reputational harm.

Legal Proceedings

On June 11, 2020 and July 30, 2020, purported shareholder derivative complaints were filed in the United States District Court for the District of Delaware. The first complaint names as defendants nine of our officers and directors, and the second complaint names eight of our officers and directors. The lawsuits assert state and federal claims and are based on the same alleged misstatements as the shareholder class action complaint. The lawsuits accuse our board of directors of failing to exercise reasonable and prudent supervision over our management, policies, practices, and internal controls. The plaintiffs seek unspecified monetary damages on behalf of us as well as governance reforms. On September 25, 2020, the derivative cases were consolidated. On October 27, 2021, a third substantially identical lawsuit was filed in the same court against the same defendants, seeking unspecified monetary damages and governance reforms. On November 17, 2021, all three derivative lawsuits were consolidated. The consolidated case was stayed pending resolution of the motion to dismiss the securities class action. On April 11, 2023, the court entered a stipulated order that requires defendants to answer, move, or otherwise respond to the operative complaint by June 12, 2023. On June 12, 2023, defendants filed a motion to dismiss the consolidated case. On August 11, 2023, the plaintiff in the consolidated case filed an amended complaint.

We are vigorously defending ourselves against these lawsuits. Given the uncertainty of litigation, the preliminary stage of the cases, and the legal standards that must be met for, among other things, class certification and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from these actions.

Beginning on March 30, 2020, multiple putative class actions were filed against us in various U.S. federal district courts and state courts relating to our alleged privacy and security practices, including alleged data sharing with third parties (the “U.S. Privacy Class Actions”). The plaintiffs claim violations of a variety of state consumer protection and privacy laws, and also assert state constitutional and common law claims, such as negligence and unjust enrichment. The U.S. Privacy Class Actions seek to certify both nationwide and state-specific classes of individuals using our services in certain time periods. The plaintiffs seek various forms of injunctive and monetary relief, including restitution, statutory and actual damages, punitive damages, and attorneys’ fees. The federal cases have been transferred to and consolidated in the NDCA with our consent; lead plaintiffs’ counsel have been appointed; and plaintiffs filed their first amended consolidated class action complaint on October 28, 2020. On March 11, 2021, the court granted in part, and denied in part, our motion to dismiss, and gave plaintiffs leave to amend. On July 30, 2021, we entered into a settlement agreement with plaintiffs to settle the action on a classwide basis, and plaintiffs filed a motion for preliminary approval of the settlement with the court on July 31, 2021. On October 21, 2021, the Court preliminarily approved the settlement. Under the terms of the settlement, we have paid \$85.0 million into an escrow account that will be used to pay claims filed by settlement class members, attorneys’ fees and expenses, administrative costs, and service payments to plaintiffs. On April 21, 2022, the Court granted final approval of the settlement. On May 19, 2022, two objectors to the settlement appealed the Court’s final approval order. On May 20, 2022, a third objector appealed the Court’s final approval order. On October 17, 2022, we, plaintiffs, and all three objector-appellants agreed to settle the appeals, and on October 27, 2022, we and plaintiffs initiated proceedings in the district court to obtain Court approval of the settlements, which the district court approved on December 16, 2022. On January 13, 2023, a new objector appealed the court’s December 16, 2022 approval of the settlements of the prior appeals, and on March 31, 2023, the Ninth Circuit dismissed the new appeal. With the appeals resolved, the class action settlement is final and the settlement administrator is in the process of making payments to claimants.

On April 7, 2020 and April 8, 2020, securities class action complaints were filed against us and two of our officers in the United States District Court for the NDCA. The plaintiffs are purported stockholders of ours. The complaints allege, among other things, that we violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 by making false and misleading statements and omissions of material fact about our data privacy and security measures. The complaints seek unspecified damages, interest, fees, and costs. On May 18, 2020, the actions were consolidated. On November 4, 2020, the court appointed a lead plaintiff. On December 23, 2020, the lead plaintiff filed a consolidated complaint. We filed a motion to dismiss the consolidated complaint on May 20, 2021. Plaintiff filed an opposition to our motion to dismiss on July 9, 2021. Our reply in support of the motion to dismiss was filed on August 9, 2021. On February 16, 2022, the court granted in part, and denied in part, our motion to dismiss. On March 14, 2022, we moved for reconsideration of the court’s ruling on the motion to dismiss. On March 22, 2022, the court ordered plaintiff to respond to our motion, which plaintiff did on March 29, 2022. On April 22, 2022, we answered the complaint. On March 8, 2023, the court denied our motion for reconsideration. On April 6, 2023, the court entered a scheduling order. On July 17, 2023, the parties entered into a stipulation and agreement of settlement (the “Stipulation”) to resolve this matter. Under the terms of the stipulation, in exchange for the release and dismissal with prejudice of all claims against all defendants in the matter, we have agreed to pay and/or cause our insurance carriers to pay a total of \$150.0 million. The Stipulation and settlement remain subject to preliminary and final approval by the court. On July 25, 2023, the court entered an order staying further proceedings in the matter pending the filing of a motion for preliminary approval of the settlement, which is to be filed no later than October 20, 2023. As a result of the settlement, we made net payments of \$60.0 million (\$150.0 million for the settlement net of \$90.0 million covered by insurance) during the three months ended July 31, 2023, of which \$7.5 million had been accrued during the year ended January 31, 2023 and \$52.5 million was recorded as a

general and administrative expense in our condensed consolidated statement of operations for the six months ended July 31, 2023. No additional legal settlement charges were recorded for the three months ended July 31, 2023.

In addition, from time to time, we are involved in various other legal proceedings arising from the normal course of business activities. We are not presently a party to any other such litigation the outcome of which, we believe, if determined adversely to us, would individually, or taken together, have a material adverse effect on our business, operating results, cash flows, or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

8. Stockholders' Equity and Equity Incentive Plans

Common Stock

Our amended and restated certificate of incorporation authorizes the issuance of 2,000,000,000 shares of Class A common stock, \$0.001 par value per share, and 300,000,000 shares of Class B common stock, \$0.001 par value per share. Class A and Class B common stock are referred to as common stock throughout the notes to the condensed consolidated financial statements, unless otherwise noted.

Stock Repurchase Plan

In February 2022, our Board of Directors authorized a stock repurchase program of up to \$1.0 billion of our Class A common stock, which was completed in December 2022. During the three and six months ended July 31, 2022, we repurchased and subsequently retired 2,864,721 and 4,088,971 shares of our Class A common stock, respectively, for an aggregate amount of \$293.5 million and \$425.9 million, respectively.

Equity Incentive Plans

We have two equity incentive plans: the 2011 Global Share Plan ("2011 Plan") and the 2019 Equity Incentive Plan ("2019 Plan"). All shares that remain available for future grants are under the 2019 Plan.

Stock Options

A summary of stock option activity under our equity incentive plan and related information is as follows:

	Stock Options			
	Outstanding Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	(in thousands, except share, life, and per share data)			
Balance as of January 31, 2023	4,800,616	\$ 8.22	4.9	\$ 322,929
Exercised	(1,044,922)	\$ 7.36		\$ 64,515
Canceled/forfeited/expired	(20,667)	\$ 92.81		
Outstanding as of July 31, 2023	<u>3,735,027</u>	\$ 8.00	4.4	\$ 246,235
Vested and expected to vest as of July 31, 2023	<u>3,735,027</u>	\$ 8.00	4.4	\$ 246,235
Exercisable as of July 31, 2023	3,734,578	\$ 7.99	4.4	\$ 246,235

As of July 31, 2023, unrecognized stock-based compensation expense related to outstanding unvested stock options was not material.

Restricted Stock Units

A summary of restricted stock unit (“RSU”) activity under our equity incentive plan and related information is as follows:

	RSUs	
	RSUs	Weighted-Average Grant Date Fair Value Per Share
Unvested as of January 31, 2023	21,868,533	\$ 109.31
Granted	13,450,561	\$ 68.93
Vested	(5,535,351)	\$ 110.16
Canceled/forfeited	(2,946,033)	\$ 105.91
Unvested as of July 31, 2023	26,837,710	\$ 89.28

As of July 31, 2023, unrecognized stock-based compensation expense related to RSUs was \$2,091.1 million, which is expected to be recognized over a weighted-average period of 2.6 years.

2019 Employee Stock Purchase Plan

In April 2019, we adopted the 2019 Employee Stock Purchase Plan (“ESPP”). As of July 31, 2023, unrecognized stock-based compensation expense related to the ESPP was \$62.0 million, which is expected to be recognized over a weighted-average period of 1.4 years.

Stock-Based Compensation

The stock-based compensation expense by line item in the accompanying condensed consolidated statements of operations is summarized as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 37,535	\$ 37,177	\$ 75,624	\$ 68,327
Research and development	82,037	69,701	163,503	125,452
Sales and marketing	93,918	110,161	206,511	203,956
General and administrative	48,019	38,476	98,216	67,143
Total stock-based compensation expense	\$ 261,509	\$ 255,515	\$ 543,854	\$ 464,878
Benefit from income taxes	(48,766)	(54,117)	(98,443)	(97,032)
Total stock-based compensation expense recorded to net income	\$ 212,743	\$ 201,398	\$ 445,411	\$ 367,846

9. Restructuring Activities

On February 7, 2023, we announced a restructuring plan (the “Plan”) intended to reduce operating costs and continue advancing our ongoing commitment to profitable growth. The Plan included a reduction of our current workforce by approximately 15%.

For the three months ended July 31, 2023, we recorded net restructuring costs (benefits) of \$(0.2) million, which consisted of \$(0.4) million related to employee transition, severance payments, and employee benefits; and \$0.2 million for other related expenses. For the six months ended July 31, 2023, we recorded net restructuring costs of \$73.0 million, which consisted of \$54.4 million related to employee transition, severance payments, and employee benefits; \$17.3 million related to stock-based compensation awards; and \$1.3 million for other related expenses. The execution of the Plan was completed as of July 31, 2023.

The following table summarizes our restructuring expenses that were recorded as an operating expense in the condensed consolidated statement of operations for the three and six months ended July 31, 2023:

	Three Months Ended July 31, 2023	Six Months Ended July 31, 2023
	(in thousands)	
Cost of revenue	\$ 24	\$ 7,119
Research and development	327	19,629
Sales and marketing	(911)	32,930
General and administrative	373	13,315
Total restructuring expenses	<u>\$ (187)</u>	<u>\$ 72,993</u>

The following table summarizes our restructuring liability that is included in accrued expenses and other current liabilities on the condensed consolidated balance sheet:

	Severance and termination benefits	Other
	(in thousands)	
Balance as of January 31, 2023	\$ —	\$ —
Restructuring expenses	54,361	1,339
Cash payments	(54,361)	(1,339)
Balance as of July 31, 2023	<u>\$ —</u>	<u>\$ —</u>

10. Income Taxes

We compute our provision for income taxes by applying the estimated annual effective tax rate to year-to-date ordinary income and adjust the provision for discrete tax items recorded in the period. In each quarter, we update the estimated annual effective tax rate and make a year-to-date adjustment to the provision. The estimated annual effective tax rate is subject to significant volatility due to several factors, including our ability to accurately predict the proportion of our pretax income in multiple jurisdictions and certain book-tax differences.

The following table provides details of the provision for income taxes:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands, except percentages)			
Income before provision for income taxes	\$ 250,373	\$ 90,399	\$ 293,603	\$ 234,071
Provision for income taxes	68,399	44,649	96,185	74,663
Effective tax rate	27.3 %	49.4 %	32.8 %	31.9 %

We had a provision for income taxes of \$68.4 million and \$44.6 million for the three months ended July 31, 2023 and 2022, respectively. The provision for income taxes was \$96.2 million and \$74.7 million for the six months ended July 31, 2023 and 2022, respectively. The year-over-year change in effective tax rate for the three and six months ended July 31, 2023 was due primarily to changes in the valuation allowance, tax shortfalls and windfalls on stock-based compensation, and the foreign-derived intangible income deduction. For both the three and six months ended July 31, 2023 and July 31, 2022, the effective tax rate differed from the U.S. federal statutory rate due primarily to the foreign-derived intangible income deduction and research credits, offset by tax shortfalls on stock-based compensation, the valuation allowance recorded on certain deferred tax assets, and other compensation-related permanent differences.

During the three and six months ended July 31, 2023, there were no material changes to the total amount of unrecognized tax benefits and we do not expect any significant changes in the next 12 months.

As required by the 2017 Tax Cuts and Jobs Act, we started capitalizing research and development expenses incurred beginning in fiscal year 2023. These expenses are capitalized and amortized over five years for domestic research and fifteen years for international research. The mandatory capitalization requirement increases our cash tax liabilities but also decreases our effective tax rate due to increasing the foreign-derived intangible income deduction. The cash flow impact will decrease over time as capitalized research and development expenditures continue to amortize.

The Inflation Reduction Act was signed into law in August 2022. The act included tax provisions for a 15% corporate book income minimum tax effective for tax years beginning after December 31, 2022. We do not expect the Inflation Reduction Act to have a material impact on our consolidated financial statements.

11. Net Income Per Share Attributable to Common Stockholders

The following table sets forth the computation of basic and diluted net income per share attributable to common stockholders for the periods presented:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2023		2022		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Numerator: (in thousands, except share and per share data)								
Net income	\$ 153,573	\$ 28,401	\$ 38,594	\$ 7,156	\$ 166,420	\$ 30,998	\$ 134,075	\$ 25,333
Less: undistributed earnings attributable to participating securities	—	—	—	(4)	—	—	—	(19)
Net income attributable to common stockholders, basic	\$ 153,573	\$ 28,401	\$ 38,594	\$ 7,152	\$ 166,420	\$ 30,998	\$ 134,075	\$ 25,314
Reallocation of net income attributable to common stockholders	(1,468)	1,468	(518)	518	(1,662)	1,662	(1,959)	1,959
Net income attributable to common stockholders, diluted	\$ 152,105	\$ 29,869	\$ 38,076	\$ 7,670	\$ 164,758	\$ 32,660	\$ 132,116	\$ 27,273
Denominator:								
Weighted-average shares used in computing net income per share attributable to common stockholders, basic	252,413,018	46,680,434	251,878,556	46,674,823	250,603,102	46,678,744	251,400,283	47,465,393
Weighted-average shares used in computing net income per share attributable to common stockholders, diluted	255,717,521	50,215,075	255,661,184	51,499,656	254,587,009	50,467,762	254,389,537	52,513,427
Net income per share attributable to common stockholders, basic	\$ 0.61	\$ 0.61	\$ 0.15	\$ 0.15	\$ 0.66	\$ 0.66	\$ 0.53	\$ 0.53
Net income per share attributable to common stockholders, diluted	\$ 0.59	\$ 0.59	\$ 0.15	\$ 0.15	\$ 0.65	\$ 0.65	\$ 0.52	\$ 0.52

The potential shares of common stock that were excluded from the computation of diluted net income per share attributable to common stockholders for the periods presented, because including them would have been anti-dilutive, are as follows:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2023		2022		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
Unvested RSUs	9,214,305	—	6,451,823	—	10,083,918	—	5,113,608	—
Purchase rights committed under the ESPP	2,347,590	—	1,757,812	—	2,208,209	—	995,341	—
Outstanding stock options	108,647	—	103,406	—	116,349	—	51,703	—
Total	11,670,542	—	8,313,041	—	12,408,476	—	6,160,652	—

The table above does not include 405,156 shares of issued Class A common stock held by us as of July 31, 2023 and 2022 that are reserved for the sole purpose of being transferred to nonprofit organizations.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in the section titled “Risk Factors” and in other parts of this Quarterly Report on Form 10-Q.

Overview

Our mission is to make communications frictionless and secure.

Zoom enables people to connect to others, share ideas, make plans, and build toward a future limited only by their imagination. Our frictionless communications and collaboration platform started with video as its foundation, and we have set the standard for innovation ever since. That is why Zoom is an intuitive, scalable, and secure choice for large enterprises, small businesses, and individuals alike. We provide a unified communications and collaboration platform that delivers happiness and fundamentally changes how people interact, connecting them through frictionless and secure meetings, phone, chat, content sharing and more. Our Developer Platform enables customers, developers, and service providers to easily build apps and integrations on top of Zoom’s industry-leading video communications and collaboration platform, with opportunities for global discovery and distribution. Our virtual and hybrid event solutions allow users to seamlessly create and manage engaging events.

We believe that face-to-face communications build greater empathy and trust. We strive to live up to the trust our customers place in us by delivering a communications solution while prioritizing their privacy and security. Our 29 co-located data centers worldwide and the public cloud in conjunction with our proprietary adaptive rate codec enable us to provide both high-quality and high-definition, real-time video to our customers even in low-bandwidth environments.

We generate revenue from the sale of subscriptions to our unified communications and collaboration platform. Subscription revenue is driven primarily by the number of paid hosts as well as purchases of additional products, including Zoom Phone, Zoom Spaces, Zoom Events, Zoom Contact Center and Zoom IQ for Sales. A host is any user of our unified communications and collaboration platform who initiates a Zoom Meeting and invites one or more participants to join that meeting. We refer to hosts who subscribe to a paid Zoom Meeting plan as “paid hosts.” We define a customer as a separate and distinct buying entity, which can be a single paid user or host or an organization of any size (including a distinct unit of an organization) that has multiple paid hosts. Our Zoom One Basic offering is free and gives hosts access to Zoom Meetings with core features but with the limitation that meetings time-out at 40 minutes. Our core paid offerings are available with our Zoom One bundles: Zoom One Pro, Business, Business Plus, Enterprise, and Enterprise Plus. The Zoom One bundles are designed for different business needs and are composed of Zoom Meetings, Zoom Team Chat, Zoom Whiteboard and Mail and Calendar as well as Zoom Phone, Zoom Webinars and Zoom Rooms for our Enterprise plans. We also offer vertical-specific plans for Education, Healthcare and Government which provide incremental features and functionality, such as different participant limits, administrative controls, and reporting.

For Zoom Phone, plans include Zoom Phone Pro, which provides extension-to-extension calling or can be used with the Bring Your Own Carrier model wherein the customer connects Zoom Phone to an existing carrier. We also offer Regional Unlimited and Regional Metered calling plans in four specific markets (Australia/New Zealand, Japan, United Kingdom/Ireland and United States/Canada). In addition, we introduced the Global Select plan in August 2020, which allows customers to select from local numbers and domestic calling in more than 45 countries and territories where Zoom has local public switched telephone network (“PSTN”) coverage.

Our revenue was \$1,138.7 million and \$1,099.5 million for the three months ended July 31, 2023 and 2022, respectively, representing period-over-period growth of 3.6%. We had net income of \$182.0 million and \$45.8 million for the three months ended July 31, 2023 and 2022, respectively. Our revenue was \$2,244.0 million and \$2,173.3 million for the six months ended July 31, 2023 and 2022, respectively, representing period-over-period growth of 3.3%. We had net income of \$197.4 million and \$159.4 million for the six months ended July 31, 2023 and 2022, respectively. Net cash provided by operating activities was \$754.5 million and \$783.4 million for the six months ended July 31, 2023 and 2022, respectively.

Macroeconomic Conditions and Other Factors

Recent changes in macroeconomic conditions such as high inflation, potential recessionary environments, bank failures, and fluctuations in foreign currency exchange rates, have and may continue to cause uncertainty in our business. For the three and six months ended July 31, 2023, compared to the three and six months ended July 31, 2022, we continued to experience growth in total revenue and revenue from Enterprise customers. However, macroeconomic conditions have and may continue to impact the future demand for subscriptions to our unified communications and collaboration platform. For example, we have

recently experienced elongated sales cycles as well as a decrease in overall corporate spending. In addition, for the three and six months ended July 31, 2023, we experienced unfavorable foreign currency impact as a result of the continued strengthening of the U.S. dollar compared to certain foreign jurisdictions where we do a significant amount of business, which resulted in a \$10.2 million and \$28.7 million negative impact on revenue during the three and six months ended July 31, 2023, respectively. Many factors may contribute to declines in our growth rate as compared to prior fiscal years, among other things, higher market penetration, increased competition, slowing demand for our platform, a slower than anticipated capitalization on growth opportunities, and the maturation of our business.

We are continuously monitoring the impact of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape. The implications of macroeconomic conditions on our business, results of operations and overall financial position, particularly in the long term, remain uncertain. On February 7, 2023, as a result of the uncertain economic environment, we announced a restructuring plan intended to reduce operating costs and continue advancing our ongoing commitment to profitable growth. The restructuring plan included a reduction of our current workforce by approximately 15%. The execution of the restructuring plan was completed as of July 31, 2023.

In addition, the global impacts of the Russian invasion of Ukraine, including various sanctions and export restrictions on Russia and Belarus by the United States, the United Kingdom, the European Union, and other governmental authorities remain highly uncertain. The Russia-Ukraine war impacted our EMEA revenue for the three and six months ended July 31, 2023. Our customers in Russia, Belarus, and Ukraine represented less than 1% of our net assets and total consolidated revenue as of and for the three and six months ended July 31, 2023. If the Russia-Ukraine war continues or worsens, leading to additional sanctions, tightened export restrictions, and greater global economic disruptions and uncertainty, our business and results of operations could be materially impacted. Refer to “Part II—Other Information, Item 1A. Risk Factors” of this Quarterly Report on Form 10-Q for further discussions of the potential impacts of the current macroeconomic conditions on our business.

Key Factors Affecting Our Performance

Acquiring New Customers

We are focused on continuing to grow the number of customers that use our platform. Our operating results and growth prospects will depend, in part, on our ability to attract new customers. While we believe there is a significant market opportunity that our platform addresses, it is difficult to predict customer adoption rates or the future growth rate and size of the market for our platform. We will need to continue to invest in sales and marketing in order to address this opportunity by hiring, developing, and retaining talented sales personnel who are able to achieve desired productivity levels in a reasonable period of time.

Expansion of Zoom Across Existing Enterprise Customers

We believe that there is a large opportunity for growth with many of our existing customers. Many customers have increased the size of their subscriptions as they have expanded their use of our platform across their operations. Some of our larger customers start with a deployment of Zoom Meetings with one team, location, or geography, before rolling out our platform throughout their organization. Several of our largest customers have deployed our platform globally to their entire workforce following smaller initial deployments. This expansion in the use of our platform also provides us with opportunities to market and sell additional products to our customers, such as Zoom Phone, Spaces, Contact Center, IQ for Sales, Events and Developer Platform Solutions. In order for us to address this opportunity and expand the use of our products with our existing customers, we will need to maintain the reliability of our platform and produce new features and functionality that are responsive to our customers’ requirements for enterprise-grade solutions.

We quantify our expansion across existing Enterprise customers through our net dollar expansion rate. We define Enterprise customers as distinct business units who have been engaged by either our direct sales team, resellers, or strategic partners. Revenue from Enterprise customers represented 57.9% and 54.4% of total revenue for the three months ended July 31, 2023 and 2022, respectively, and 57.6% and 53.3% of total revenue for the six months ended July 31, 2023 and 2022, respectively. Our net dollar expansion rate includes the increase in user adoption within our Enterprise customers, as our subscription revenue is primarily driven by the number of paid hosts within a customer and the purchase of additional products, and compares our subscription revenue from the same set of Enterprise customers across comparable periods. We calculate net dollar expansion rate as of a period end by starting with the annual recurring revenue (“ARR”) from all Enterprise customers as of 12 months prior (“Prior Period ARR”). We define ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. We calculate 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. We then calculate the ARR from these Enterprise customers as of the current period end (“Current Period ARR”), which includes any upsells, contraction, and attrition. We divide the Current Period ARR by the Prior Period ARR to

arrive at the net dollar expansion rate. For the trailing 12-months calculation, we take an average of the net dollar expansion rate over the trailing 12 months. Our net dollar expansion rate may fluctuate as a result of a number of factors, including the level of penetration within our customer base, expansion of products and features, and our ability to retain our Enterprise customers. Our trailing 12-month net dollar expansion rate for Enterprise customers as of July 31, 2023 and 2022 was 109% and 120%, respectively.

Retention of Online Customers

In addition to Enterprise customers, we also have a significant number of customers that subscribe to our services directly through our website (“Online customers”). Online customers represent a diverse customer base, ranging from individual consumers to small and medium size businesses. We continue to focus on acquisition and retention of our Online customer base through various strategies to improve the features and functionalities of our products and services. Revenue from Online customers represented 42.1% and 45.6% of total revenue for the three months ended July 31, 2023 and 2022, respectively, and 42.4% and 46.7% of total revenue for the six months ended July 31, 2023 and 2022, respectively. The ability to retain these Online customers will have an impact on our future revenue. The online monthly average churn for our Online customers was 3.2% and 3.6% per month for the three months ended July 31, 2023 and 2022, respectively, and 3.2% and 3.6% of total revenue for the six months ended July 31, 2023 and 2022, respectively. One of the dynamics in the Online portion of the business is the MRR contribution from customers that have retained Zoom services for a certain portion of time as these customers tend to maintain their subscriptions and contribute meaningfully to the Online business. As of July 31, 2023 and 2022, the percentage of total Online MRR from Online customers with a continual term of service of at least 16 months was 72.8% and 69.4%, respectively.

We calculate our online average monthly churn by starting with the Online customer MRR as of the beginning of the applicable quarter (“Entry MRR”). We define Entry MRR as the recurring revenue run-rate of subscription agreements from all Online customers except for subscriptions that we recorded as churn in a previous quarter based on the customers' earlier indication to us of their intention to cancel that subscription. We then determine 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 divide 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. We then divided that amount by three to calculate the online average monthly churn.

Innovation and Expansion of Our Platform

We continue to invest resources to enhance the capabilities of our platform. For example, we have recently introduced a number of product enhancements including a new trial for Zoom AI (Meeting Summary and Team Chat Compose), a new appointment planning tool (Zoom Scheduler), new features for Zoom Contact Center (Workforce Engagement Management), and ongoing enhancements for Zoom Phone, Meetings, Webinars, and Zoom Events. We also deliver Zoom Phone calling plans in more than 45 countries and territories as of July 31, 2023.

Third-party developers are also a key component of our strategy for platform innovation to make it easier for customers and developers to extend our product portfolio with new functionalities. We believe that as more developers and other third parties use our platform to integrate major third-party applications, we will become the ubiquitous platform for communications and collaboration. We will need to expend additional resources to continue introducing new products, features, and functionality, and supporting the efforts of third parties to enhance the value of our platform with their own applications.

An end-to-end encryption (“E2EE”) option is available to free and paid Zoom customers globally who host meetings with up to 200 participants as well as on Zoom Phone. Zoom’s E2EE uses the same AES-256-GCM encryption that secures Zoom meetings by default, but with Zoom’s E2EE, the meeting host, or originating caller in the case of Zoom Phone, as opposed to Zoom’s servers, generates encryption keys and uses public key cryptography to distribute these keys to the other meeting participants or call recipient.

In April 2023, we acquired Workvivo. Workvivo provides an employee experience platform that combines internal communication and engagement tools, a social intranet, and an employee app. With the acquisition, we continue our evolution to provide a collaboration platform that enables modern work and powers the digital-first workplace, offering our customers new ways to keep employees informed, engaged, and connected.

International Opportunity

Our platform addresses the communications and collaboration needs of users worldwide, and we see international expansion as a major opportunity. Our revenue from the rest of world (APAC and EMEA) represented 29% and 31% of our total revenue for the three months ended July 31, 2023 and 2022, respectively, and 29% and 31% of our total revenue for the six months ended July 31, 2023 and 2022, respectively. The decrease in revenue from the rest of the world for the three months ended July 31, 2023 was due to the impact of the strengthening of the U.S dollar along with macroeconomic conditions in the

APAC and EMEA regions. We plan to add local sales support in further select international markets over time. We use strategic partners and resellers to sell in certain international markets where we have limited or no direct sales presence. While we believe global demand for our platform will continue to increase as international market awareness of Zoom grows, our ability to conduct our operations internationally will require considerable management attention and resources, and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets.

Key Business Metrics

We review the following key business metrics to measure our performance, identify trends, formulate financial projections, and make strategic decisions.

Number of Enterprise Customers

We believe that our ability to increase the number of Enterprise customers is an indicator of our potential future business opportunities, the growth of our business, and an indicator of our market penetration. Increasing awareness of our platform and capabilities, coupled with the mainstream adoption of our technology, has expanded the diversity of our customer base to include organizations of all sizes across all industries. Over time, we expect Enterprise customers to represent a larger share of our business. As of July 31, 2023 and 2022, we had approximately 218,100 and 204,100 Enterprise customers, respectively.

Customers Contributing More Than \$100,000 of Trailing 12 Months Revenue

We focus on growing the number of customers that contribute more than \$100,000 of trailing 12 months revenue as it is a measure of our ability to scale with our customers and attract larger organizations to Zoom. Revenue from these customers represented 29% and 26% of total revenue for the three months ended July 31, 2023 and 2022, respectively, and 29% and 26% of total revenue for the six months ended July 31, 2023 and 2022, respectively. As of July 31, 2023 and 2022, we had 3,672 and 3,116 customers, respectively, that contributed more than \$100,000 of trailing 12 months revenue, demonstrating our rapid penetration of larger organizations, including enterprises. These customers are a subset of Enterprise customers.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that free cash flow (“FCF”) is a non-GAAP financial measure that is useful in evaluating our liquidity.

Free Cash Flow

We define FCF as GAAP net cash provided by operating activities less purchases of property and equipment. We believe that FCF is a useful indicator of liquidity that provides information to management and investors about the amount of cash generated from our operations that, after investments in property and equipment, can be used for future growth. FCF is presented for supplemental informational purposes only and has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. It is important to note that other companies, including companies in our industry, may not use this metric, may calculate this metric differently, or may use other financial measures to evaluate their liquidity, all of which could reduce the usefulness of the non-GAAP metric as a comparative measure.

The following table presents a summary of our cash flows for the periods presented and a reconciliation of FCF to net cash provided by operating activities, the most directly comparable financial measure calculated in accordance with GAAP:

	Six Months Ended July 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 754,458	\$ 783,360
Less: purchases of property and equipment	(68,426)	(52,870)
Free cash flow (non-GAAP)	<u>\$ 686,032</u>	<u>\$ 730,490</u>
Net cash used in investing activities	<u>\$ (500,146)</u>	<u>\$ (508,361)</u>
Net cash provided by (used in) financing activities	<u>\$ 41,458</u>	<u>\$ (388,821)</u>

Components of Results of Operations

Revenue

We derive our revenue from subscription agreements with customers for access to our unified communications and collaboration platform. Our customers generally do not have the ability to take possession of our software. We also provide services, which include professional services, consulting services, and online event hosting, which are generally considered distinct from the access to our unified communications and collaboration platform. The amount of revenue recognized reflects the consideration that we expect to receive in exchange for these services over the contract term which can include a free period discount.

Cost of Revenue

Cost of revenue primarily consists of costs related to hosting our unified communications and collaboration platform and providing general operating support services to our customers. These costs are related to our co-located data centers, third-party cloud hosting, integrated third-party PSTN services, personnel-related expenses, amortization of capitalized software development and acquired intangible assets, royalty payments, and allocated overhead.

Operating Expenses

Research and Development

Research and development expenses primarily consist of personnel-related expenses directly associated with our research and development organization, depreciation of equipment used in research and development, and allocated overhead. Research and development costs are expensed as incurred.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related expenses directly associated with our sales and marketing organization. Other sales and marketing expenses include advertising and promotional events to promote our brand, such as awareness programs, digital programs, public relations, tradeshow, and our user conference, Zoomtopia, and allocated overhead. Sales and marketing expenses also include credit card processing fees related to sales and amortization of deferred contract acquisition costs.

General and Administrative

General and administrative expenses primarily consist of personnel-related expenses associated with our finance and legal organizations; professional fees for external legal, accounting, and other consulting services; expected credit losses; insurance; certain indirect taxes; litigation settlements; corporate security and regulatory expenses; and allocated overhead.

Gains (Losses) on Strategic Investments, Net

Gains (losses) on strategic investments, net consist primarily of remeasurement gains or losses on our equity investments.

Other Income (Expense), Net

Other income (expense) income, net consists primarily of interest income and net accretion on our marketable securities and effect of changes in foreign currency exchange rates.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes related to federal, state, and foreign jurisdictions where we conduct business.

Results of Operations

The following tables set forth selected condensed consolidated statements of operations data and such data as a percentage of revenue for each of the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)			
Revenue	\$ 1,138,676	\$ 1,099,458	\$ 2,244,040	\$ 2,173,258
Cost of revenue ⁽¹⁾	266,559	273,611	530,506	535,432
Gross profit	872,117	825,847	1,713,534	1,637,826
Operating expenses:				
Research and development ⁽¹⁾	191,802	172,564	401,073	316,855
Sales and marketing ⁽¹⁾	373,373	400,474	795,877	763,257
General and administrative ⁽¹⁾	129,324	131,066	329,224	248,906
Total operating expenses	694,499	704,104	1,526,174	1,329,018
Income from operations	177,618	121,743	187,360	308,808
Gains (losses) on strategic investments, net	31,670	(34,712)	33,945	(71,116)
Other income (expense), net	41,085	3,368	72,298	(3,621)
Income before provision for income taxes	250,373	90,399	293,603	234,071
Provision for income taxes	68,399	44,649	96,185	74,663
Net income	\$ 181,974	\$ 45,750	\$ 197,418	\$ 159,408

⁽¹⁾ Includes stock-based compensation expense as follows:

Cost of revenue	\$ 37,535	\$ 37,177	\$ 75,624	\$ 68,327
Research and development	82,037	69,701	163,503	125,452
Sales and marketing	93,918	110,161	206,511	203,956
General and administrative	48,019	38,476	98,216	67,143
Total stock-based compensation expense	\$ 261,509	\$ 255,515	\$ 543,854	\$ 464,878

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(as a percentage of revenue)			
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	23.4	24.9	23.6	24.6
Gross profit	76.6	75.1	76.4	75.4
Operating expenses:				
Research and development	16.8	15.7	17.9	14.6
Sales and marketing	32.8	36.4	35.5	35.1
General and administrative	11.4	11.9	14.6	11.5
Total operating expenses	61.0	64.0	68.0	61.2
Income from operations	15.6	11.1	8.4	14.2
Gains (losses) on strategic investments, net	2.8	(3.2)	1.5	(3.3)
Other income (expense), net	3.6	0.3	3.2	(0.2)
Income before provision for income taxes	22.0	8.2	13.1	10.7
Provision for income taxes	6.0	4.0	4.3	3.4
Net income	16.0 %	4.2 %	8.8 %	7.3 %

Comparison of the Three Months Ended July 31, 2023 and 2022

Revenue

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Revenue	\$ 1,138,676	\$ 1,099,458	3.6 %

Revenue for the three months ended July 31, 2023 increased by \$39.2 million, or 3.6%, compared to the three months ended July 31, 2022. The increase in revenue was due to a 10.2% increase in revenue from subscription services provided to Enterprise customers, of which 57.9% and 42.1% were from existing and new customers, respectively. This increase was partially offset by a 4.3% decline in revenue from subscription services provided to Online customers.

Cost of Revenue

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Cost of revenue	\$ 266,559	\$ 273,611	(2.6)%
Gross profit	872,117	825,847	5.6 %
Gross margin	76.6 %	75.1 %	

Cost of revenue for the three months ended July 31, 2023 decreased by \$7.1 million, or 2.6%, compared to the three months ended July 31, 2022. The decrease was primarily due to a decrease of \$8.5 million in costs mainly driven by the net impact of the transition from third-party cloud hosting to internal data centers and cloud optimization.

Gross margin increased to 76.6% for the three months ended July 31, 2023 from 75.1% for the three months ended July 31, 2022. The increase in gross margin was mainly due to increased efficiencies as we expanded our internal data center capacity.

Operating Expenses

Research and Development

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Research and development	\$ 191,802	\$ 172,564	11.1 %

Research and development expense for the three months ended July 31, 2023 increased by \$19.2 million, or 11.1%, compared to the three months ended July 31, 2022. The increase was primarily due to higher personnel-related expenses of \$16.4 million, which includes a \$12.3 million increase in stock-based compensation and a \$3.8 million increase in salaries, payroll taxes and benefits.

Sales and Marketing

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Sales and marketing	\$ 373,373	\$ 400,474	(6.8)%

Sales and marketing expense for the three months ended July 31, 2023 decreased by \$27.1 million, or 6.8%, compared to the three months ended July 31, 2022. The decrease in sales and marketing expense was primarily due to lower personnel-

related expenses of \$27.6 million, which includes a \$16.2 million decrease in stock-based compensation and a decrease of \$8.5 million in salaries, payroll taxes and benefits.

General and Administrative

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
General and administrative	\$ 129,324	\$ 131,066	(1.3)%

General and administrative expense for the three months ended July 31, 2023 decreased by \$1.7 million, or 1.3%, compared to the three months ended July 31, 2022. The decrease in general and administrative expense was primarily due to a decrease of \$11.2 million in legal expenses, including legal settlement and a \$4.3 million decrease in bad debt expense, partially offset by an increase of \$12.7 million in personnel-related expenses, which includes an increase of \$9.5 million in stock-based compensation expense and an increase of \$2.8 million in salaries, payroll taxes and benefits.

Gains (Losses) on Strategic Investments, Net

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Gains (losses) on strategic investments, net	\$ 31,670	\$ (34,712)	191.2 %

Gains on strategic investments, net of \$31.7 million recognized during the three months ended July 31, 2023 was driven by net realized and unrealized gains recognized on our publicly held securities, while losses on strategic investments, net, of \$34.7 million recognized during the three months ended July 31, 2022 was mainly driven by unrealized losses recognized on our publicly held securities.

Other Income (Expense), Net

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Other income (expense), net	\$ 41,085	\$ 3,368	1,119.9 %

Other income (expense), net for the three months ended July 31, 2023 increased by \$37.7 million, or 1119.9%, compared to the three months ended July 31, 2022. The increase was mainly due to \$29.3 million in investment yield and an increase of \$4.3 million related to changes in foreign currency exchange rates.

Provision for Income Taxes

	Three Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Provision for income taxes	\$ 68,399	\$ 44,649	53.2 %

Provision for income taxes for the three months ended July 31, 2023 increased by \$23.8 million, or 53.2%, compared to the three months ended July 31, 2022. The year-over-year change was due primarily to the increase in income before taxes, an increase in the tax shortfalls on stock-based compensation, and other compensation-related permanent differences.

Comparison of the Six Months Ended July 31, 2023 and 2022

Revenue

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Revenue	\$ 2,244,040	\$ 2,173,258	3.3 %

Revenue for the six months ended July 31, 2023 increased by \$70.8 million, or 3.3%, compared to the six months ended July 31, 2022. The increase in revenue was due to a 11.4% increase in revenue from subscription services provided to Enterprise customers, of which 60.4% and 39.6% were from existing and new customers, respectively. This increase was partially offset by a 6.1% decline in revenue from subscription services provided to Online customers.

Cost of Revenue

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Cost of revenue	\$ 530,506	\$ 535,432	(0.9)%
Gross profit	\$ 1,713,534	\$ 1,637,826	4.6 %
Gross margin	76.4 %	75.4 %	

Cost of revenue for the six months ended July 31, 2023 decreased by \$4.9 million, or 0.9%, compared to the six months ended July 31, 2022. The decrease was due to a decrease of \$26.8 million in costs mainly driven by the net impact of the transition from third-party cloud hosting to internal data centers and cloud optimization partially offset by an increase of \$20.0 million in personnel-related expenses, which includes an increase of \$7.5 million in salaries, payroll taxes and benefits, restructuring and related expenses of \$7.1 million, and an increase of \$5.5 million in stock-based compensation expense.

Gross margin increased to 76.4% for the six months ended July 31, 2023 from 75.4% for the six months ended July 31, 2022. The increase in gross margin was mainly due to increased efficiencies as we expanded our internal data center capacity.

Operating Expenses

Research and Development

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Research and development	\$ 401,073	\$ 316,855	26.6 %

Research and development expense for the six months ended July 31, 2023 increased by \$84.2 million, or 26.6%, compared to the six months ended July 31, 2022. The increase was primarily due to higher personnel-related expenses of \$76.8 million, which includes a \$33.8 million increase in stock-based compensation expense, a \$23.4 million increase in salaries, payroll taxes and benefits, and \$19.6 million in restructuring and related expenses.

Sales and Marketing

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Sales and marketing	\$ 795,877	\$ 763,257	4.3 %

Sales and marketing expense for the six months ended July 31, 2023 increased by \$32.6 million, or 4.3%, compared to the six months ended July 31, 2022. The increase in sales and marketing expense was primarily due to higher personnel-related expenses of \$26.1 million, which includes \$32.9 million in restructuring and related expenses, an increase of \$7.5 million in

commissions expense, offset by a \$8.7 million decrease in salaries, payroll taxes and benefits and a \$5.6 million decrease in stock-based compensation expense; and an increase of \$12.1 million in channel partner referral fees.

General and Administrative

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
General and administrative	\$ 329,224	\$ 248,906	32.3 %

General and administrative expense for the six months ended July 31, 2023 increased by \$80.3 million, or 32.3%, compared to the six months ended July 31, 2022. The increase in general and administrative expenses was primarily due to an increase of \$43.8 million in personnel-related expenses, which includes a \$28.1 million increase in stock-based compensation expense and \$13.3 million in restructuring expense; and an increase of \$36.8 million in legal expense, including litigation settlements.

Gains (Losses) on Strategic Investments, Net

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Gains (losses) on strategic investments, net	\$ 33,945	\$ (71,116)	147.7 %

Gains on strategic investments, net of \$33.9 million recognized during the six months ended July 31, 2023 was driven by net realized and unrealized gains recognized on our publicly and privately held securities, while losses on strategic investments, net, of \$71.1 million recognized during the six months ended July 31, 2022 was mainly driven by unrealized losses recognized on our publicly held securities.

Other Expense, Net

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Other expense, net	\$ 72,298	\$ (3,621)	2,096.6 %

Other expense, net for the six months ended July 31, 2023 increased by \$75.9 million, or 2,096.6%, compared to the six months ended July 31, 2022. The increase was primarily due to an increase of \$55.7 million in investment yield and an increase of \$11.7 million related to changes in foreign currency exchange rates.

Provision for Income Taxes

	Six Months Ended July 31,		
	2023	2022	% Change
	(in thousands)		
Provision for income taxes	\$ 96,185	\$ 74,663	28.8 %

Provision for income taxes for the six months ended July 31, 2023 increased by \$21.5 million, or 28.8%, compared to the six months ended July 31, 2022. The year-over-year change was due primarily to the increase in income before taxes, an increase in the tax shortfalls on stock-based compensation, and other compensation-related permanent differences.

Liquidity and Capital Resources

As of July 31, 2023, our principal sources of liquidity were cash, cash equivalents, and marketable securities of \$6.0 billion, which were held for working capital purposes and for investment in growth opportunities. Our marketable

securities generally consist of high-grade commercial paper, corporate bonds, agency bonds, corporate and other debt securities, U.S. government agency securities, and treasury bills.

We have financed our operations primarily through income from operations and sales of equity securities. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, the recent changes in macroeconomic conditions such as high inflation, recessionary environments, and the fluctuations in foreign currency exchange rates, could impact the timing of cash collections from our customers and other risks detailed in the section titled “Risk Factors.” However, based on our current business plan and revenue prospects, we believe our existing cash, cash equivalents, and marketable securities, together with net cash provided by operations, will be sufficient to meet our needs for at least the next 12 months and allow us to capitalize on growth opportunities. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operating activities and available cash balances. Our future capital requirements will depend on many factors, including our revenue growth rate, subscription renewal activity, billing frequency, the timing and extent of spending to support further sales and marketing and research and development efforts, as well as expenses associated with our international expansion, and the timing and extent of additional capital expenditures to invest in existing and new office spaces as well as data center infrastructure. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. We may choose or be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be materially and adversely affected.

There have been no material changes to our material cash requirements from known contractual and other obligations from those disclosed in our Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 3, 2023.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended July 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 754,458	\$ 783,360
Net cash used in investing activities	\$ (500,146)	\$ (508,361)
Net cash provided by (used in) financing activities	\$ 41,458	\$ (388,821)

Operating Activities

Our largest source of operating cash is cash collections from our customers for subscriptions to our platform. Our primary uses of cash from operating activities are for employee-related expenditures, costs related to hosting our platform, and marketing expenses. Net cash provided by operating activities is impacted by our net income adjusted for certain non-cash items, such as stock-based compensation expense, depreciation and amortization expenses, as well as the effect of changes in operating assets and liabilities.

Net cash provided by operating activities was \$754.5 million for the six months ended July 31, 2023, compared to \$783.4 million for the six months ended July 31, 2022. The decrease in operating cash flow was primarily due to the negative impact from changes in operating assets and liabilities of \$42.3 million.

Investing Activities

Net cash used in investing activities of \$500.1 million for the six months ended July 31, 2023 was due to net purchases of marketable securities of \$283.0 million, cash paid for acquisition, net of cash acquired, of \$204.9 million, purchases of property and equipment of \$68.4 million, and purchases of strategic investments of \$51.0 million, offset by proceeds from strategic investments of \$107.2 million.

Net cash used in investing activities of \$508.4 million for the six months ended July 31, 2022 was primarily due to net purchases of marketable securities of \$270.2 million, cash paid for acquisition, net of cash acquired, of \$120.6 million, purchases of strategic investments of \$61.6 million, and purchases of property and equipment of \$52.9 million.

Financing Activities

Net cash provided by financing activities of \$41.5 million for the six months ended July 31, 2023 was primarily due to proceeds from issuance of common stock under our ESPP of \$32.5 million and proceeds from the exercise of stock options of \$7.7 million.

Net cash used in financing activities of \$388.8 million for the six months ended July 31, 2022 was primarily due to cash paid for repurchases of common stock of \$425.9 million offset by proceeds from issuance of common stock under our ESPP of \$34.6 million.

Critical Accounting Estimates

Critical accounting estimates are those accounting estimates that require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. These estimates are developed based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Critical accounting estimates are accounting estimates where the nature of the estimates are material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and the impact of the estimates on financial condition or operating performance is material.

There have been no material changes to our critical accounting estimates as compared to the critical accounting estimates described in our Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the year ended January 31, 2023, filed with the SEC on March 3, 2023.

Item 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency and Exchange Risk

The majority of our cash generated from revenue is denominated in U.S. dollars, with a portion of our revenue from amounts denominated in foreign currencies. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the United States, China, Europe, and Australia. Our results of current and future operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. For the six months ended July 31, 2023 and 2022, 19.3% and 20.7% of our revenue, respectively and 13.3% and 12.6% of our expenses, respectively, were denominated in currencies other than the U.S. dollar. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our historical condensed consolidated financial statements for the three and six months ended July 31, 2023 and 2022. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Interest Rate Risk

We had cash and cash equivalents of \$1,380.1 million and marketable securities of \$4,648.4 million as of July 31, 2023. Cash and cash equivalents consist of bank deposits, money market funds, and high-grade commercial paper, and agency bonds. Our marketable securities generally consist of high-grade commercial paper, agency bonds, corporate and other debt securities, U.S. government agency securities, and treasury bills. The cash and cash equivalents and marketable securities are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our historical condensed consolidated financial statements for the three and six months ended July 31, 2023 and 2022.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal

executive officer and principal financial officer have concluded that as of July 31, 2023, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended July 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—Other Information

Item 1. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 7 - “Commitments and Contingencies” in the accompanying notes to the condensed consolidated financial statements included in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q, under “Legal Proceedings,” which is incorporated herein by reference.

Item 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our condensed consolidated financial statements and related notes, before making a decision to invest in our securities. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Our Industry

Our business depends on our ability to attract new customers, retain and upsell additional products and new product categories to existing customers, and upgrade free hosts to our paid offerings. Any decline in new customers, renewals, or upgrades would harm our business.

Our business depends upon our ability to attract new customers, and maintain and expand our relationships with our existing customers, including upselling additional products and new product categories to our existing customers and upgrading hosts to a paid Zoom Meeting plan. A host is any user of our unified communications and collaboration platform who initiates a Zoom Meeting and invites one or more participants to join that meeting. We refer to hosts who subscribe to a paid Zoom Meeting plan as “paid hosts.”

Our business is subscription based, and customers are not obligated to, and may choose not to, renew their subscriptions after their existing subscriptions expire. As a result, we cannot provide assurance that customers will renew their subscriptions utilizing the same tier of their Zoom Meeting plan, upgrade to a higher-priced tier, or purchase additional products, if they renew at all. Renewals of subscriptions to our platform may decline or fluctuate because of several factors, such as dissatisfaction with our products and support, a customer or host no longer having a need for our products, including any new customers or hosts that have subscribed to our services during the COVID-19 pandemic that may subsequently reduce or discontinue their use after the impact of the pandemic have tapered, a reduction in customer information technology spending budgets, or a consolidation of spending budgets on our competitors' platforms, during periods of high inflation or recessionary or uncertain economic environments or the perception that competitive products provide better, more secure, or less expensive options. In addition, some customers downgrade their Zoom Meeting plan or do not renew their subscriptions. Furthermore, as a result of the increased usage of our platform during the COVID-19 pandemic, our customer base has shifted largely from businesses and enterprises to a mix of businesses, enterprises, and consumers. This shift in mix could result in higher non-renewal rates than we have experienced in the past. We must continually add new customers and hosts to grow our business beyond our current user base and to replace customers and hosts who choose not to continue to use our platform. Finally, any decrease in user satisfaction with our products or support would harm our brand, word-of-mouth referrals, and ability to grow.

We encourage customers to purchase additional products and encourage hosts to upgrade to our paid offerings by recommending additional features and through in-product prompts and notifications. Additionally, we seek to expand within organizations by adding new hosts, having workplaces purchase additional products, or expanding the use of our platform into other teams and departments within an organization. At the same time, we encourage hosts that subscribe to our free Zoom Meeting plan to upgrade to a paid Zoom Meeting plan. However, a majority of these hosts, including those that initially subscribed to our free plan during the COVID-19 pandemic as a result of shelter-in-place and work-from-home mandates, may never upgrade to a paid Zoom Meeting plan. If we fail to upsell our customers or upgrade hosts of our free Zoom Meeting plan to paid subscriptions or expand the number of paid hosts within organizations, our business would be harmed.

In addition, our user growth rate may slow or decline in the future as our market penetration rates increase. If we are not able to continue to expand our user base, our revenue may grow more slowly than expected or decline. While we continue to add paid users to our customer base, we expect our user growth rate to continue to slow or decline during the COVID-19 pandemic recovery, particularly as users return to work or school or are otherwise no longer subject to limitations on in-person meetings.

Our revenue growth rate has fluctuated in prior periods, and may decline in future periods.

Our revenue growth has fluctuated in prior periods. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. Our revenue growth rate over the past year has stabilized but there are no assurances we will be able to sustain or increase it in future periods, and our revenue growth rate may decline in future periods. Many factors may contribute to declines in our growth rate, including higher market penetration, increased competition, macroeconomic conditions, such as high inflation, recessionary or uncertain environments and fluctuating foreign currency exchange rates, slowing demand for our platform, a lower than anticipated capitalization on growth opportunities, and the maturation of our business, among others. Our growth rate could adversely affect investors' perceptions of our business and the trading price of our Class A common stock could be adversely affected.

Interruptions, delays, or outages in service from our co-located data centers and a variety of other factors, would impair the delivery of our services, require us to issue credits or pay penalties, and harm our business.

We currently serve our users from various co-located data centers located throughout the world. We also utilize Amazon Web Services and Oracle Cloud for the hosting of certain critical aspects of our business, as well as Microsoft Azure for limited customer-specified managed services. As part of our distributed meeting architecture, we establish private links between data centers that automatically transfer data between various data centers. Damage to, or failure of, these data centers has in the past resulted in and could in the future result in interruptions or delays in our services. In addition, we have experienced, and may in the future experience, other interruptions and delays in our services caused by a variety of other factors, including, but not limited to, infrastructure changes, vendor issues, human or software errors, viruses, security attacks, ransomware or cyber extortion, fraud, general internet availability issues, spikes in usage, local administrative actions, changes to legal or permitting requirements, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these problems within an acceptable period of time. For example, we have experienced partial outages in our services that impacted a subset of our users for a limited number of hours. Additionally, in connection with the addition of new data centers or expansion or consolidation of our existing data center facilities or other reasons, we may move or transfer our data and our users' metadata to other data centers, not including our China data center. Despite precautions that we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our service, and we may incur significant costs in connection with any such move or transfer. Interruptions, delays, or outages in our services would reduce our revenue; may require us to issue credits or pay penalties; may subject us to claims and litigation; and may cause customers and hosts to terminate their subscriptions and adversely affect our ability to attract new customers and hosts. Our ability to attract and retain customers and hosts depends on our ability to provide customers and hosts with a highly reliable platform and even minor interruptions or delays in our services could harm our business.

Additionally, if our data centers are unable to keep up with our increasing needs for capacity, customers may experience delays or interruptions in service as we seek to obtain additional capacity, which could result in the loss of customers who use our unified communications and collaboration platform because of its reliability and performance. We plan to continue our practice of opening new data centers throughout the world to meet increased demand, but we may be unable to bring additional data centers online in a timely manner, including as a result of current shortages for certain parts, such as servers. In addition, to meet short-term capacity needs, we may need to rely increasingly on public cloud providers, including Amazon Web Services and Oracle Cloud, which may result in higher variable costs, harming our business, financial condition, and operating results.

We do not control, or in some cases have limited control over, the operation of the co-located data center facilities we use, and they are vulnerable to damage or interruption from human error; intentional bad acts; earthquakes; floods; fires; hurricanes; war; terrorist attacks; power losses; hardware failures; systems failures; telecommunications failures; disease, such as the COVID-19 pandemic; and other public health related measures, any of which could disrupt our service. In the event of significant physical damage to one of these data centers, it may take a significant period of time to achieve full resumption of our services and our disaster recovery planning may not account for all eventualities. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism, or other act of malfeasance, a decision to close the facilities without adequate notice or other unanticipated problems at the facilities would harm our business.

We operate in competitive markets, and we must continue to compete effectively.

The market for communication and collaboration technologies platforms is competitive and rapidly changing, and new market entrants, particularly established companies with greater resources than we do, that provide technologies to improve communication and collaboration technologies platforms, such as AI and machine learning, could also increase the level of competition in the market. Certain features of our current platform compete in the communication and collaboration technologies market with products offered by:

- legacy web-based meeting providers, including Cisco Webex and GoTo;

- bundled productivity solutions providers with video functionality, including Microsoft Teams and Google G Suite and Meet products;
- UCaaS and legacy PBX providers, including Avaya, RingCentral, and 8x8; and
- consumer-facing platforms that can support small- or medium-sized businesses, including Amazon, Apple, and Facebook.

Other large established companies may also make investments in video communications tools. In addition, as we introduce new products and services into our platform, and with the introduction of new technologies and market entrants, including AI, we expect competition to intensify in the future.

In February 2022, we launched Zoom Contact Center, an omnichannel contact center solution that is optimized for video, which, as we build out our offering, may result in increased competition against companies that offer similar services, such as Five9, Inc., Genesys and NICE inContact, and new competitors that may enter that market in the future. As we continue to build out our platform, we may face increased competition against companies that offer similar services and new competitors that may enter that market in the future. During the COVID-19 pandemic, we saw a significant increase in usage and subscriptions from smaller customers, many of whom are consumers or small and medium sized businesses. With respect to these smaller customers, we face competition from more consumer-oriented platforms, most of which have more experience with the consumer market than we do. Further, many of our actual and potential competitors benefit from competitive advantages over us, such as greater name recognition; longer operating histories; more varied products and services; larger marketing budgets; more established marketing relationships; more third-party integration; greater accessibility across devices or applications; greater access to larger user bases; major distribution agreements with hardware manufacturers and resellers; and greater financial, technical, and other resources. Some of our competitors may make acquisitions or strategic investments or enter into strategic relationships to offer a broader range of products and services than we do, which may prevent us from using such third parties' technology or offering such products or services. These combinations may make it more difficult for us to compete effectively. We expect these trends to continue as competitors attempt to strengthen or maintain their market positions.

Demand for our platform is also price sensitive. Many factors, including our marketing, user acquisition, and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Certain competitors offer, or may in the future offer, lower-priced or free products, or services that compete with our platform, or may bundle and offer a broader range of products and services than we do. Similarly, certain competitors may use marketing strategies that enable them to acquire customers at a lower cost than we can. Furthermore, third parties could build products similar to ours that rely on open source software. Even if such products do not include all the features and functionality that our platform provides, we could face pricing pressure from these third parties to the extent that users find such alternative products to be sufficient to meet their video communications needs. There can be no assurance that we will not be forced to engage in price-cutting initiatives or other discounts or to increase our marketing and other expenses to attract and retain customers in response to competitive pressures, either of which would harm our business. We, on occasion, offer customers a free period of time at the beginning of the subscription term that can result in deferred billings or long-term accounts receivable and increase the risk of loss on uncollected accounts receivable.

Our results have fluctuated and may in the future fluctuate significantly and may not fully reflect the underlying performance of our business.

Our results of operations have fluctuated and may in the future fluctuate significantly, and period-to-period comparisons of our results of operations may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our results of operations may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. For example, during fiscal year 2021, we experienced rapid growth in usage of our unified communications and collaboration platform largely due to the COVID-19 pandemic, a significant portion of which was attributable to free Basic accounts, which do not generate any revenue. To meet this increased demand, we have incurred and expect to continue to incur significant costs associated with upgrading our infrastructure and expanding our capacity, including higher variable costs to the extent we have had to rely on public cloud providers rather than our own data centers. Fluctuation in our results may negatively impact the value of our securities. Factors that may cause fluctuations in our results of operations include, without limitation, those listed below:

- our ability to retain and upgrade customers to higher-priced tiers of Zoom Meeting plans;
- our ability to attract new hosts and upgrade hosts that subscribe to our free Zoom Meeting plan to one of our paid Zoom Meeting plans;
- our ability to hire and retain employees, in particular those responsible for the selling or marketing of our platform;

- our ability to hire, develop, and retain talented sales personnel who are able to achieve desired productivity levels in a reasonable period of time and provide sales leadership in areas in which we are expanding our sales and marketing efforts;
- changes in the way we organize and compensate our sales teams;
- the timing of expenses and recognition of revenue;
- our ability to increase sales to large organizations;
- the length of our sales cycles and linearity of our bookings, especially with respect to sales to large enterprises and highly regulated industries, including financial services and U.S. federal and state and foreign governmental agencies;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure, as well as international expansion and entry into operating leases, and the hiring and retention of personnel who can build, manage, and maintain our expanded business operations and infrastructure;
- timing and effectiveness of new sales and marketing initiatives;
- changes in our pricing policies or those of our competitors;
- our ability to hire and retain experienced research and development personnel to design new products, features, and functionality that meet our privacy and security standards;
- the timing and success of new products, features, and functionality by us or our competitors;
- interruptions or delays in our service, network outages, or actual, alleged, or perceived privacy violations or issues or security vulnerabilities, incidents, or breaches;
- lawsuits, regulatory actions or investigations, legislator scrutiny, or negative publicity arising from actual, alleged, or perceived privacy violations or issues or security vulnerabilities, incidents, or breaches;
- changes in the competitive dynamics of our industry, including consolidation among competitors;
- changes in laws and regulations that impact our business;
- any large indemnification payments to our users or other third parties;
- the timing of expenses related to any future acquisitions; and
- general economic and market conditions.

Our business may be significantly affected by changes in the economy, including any resulting effect on consumer or business spending.

Our business may be significantly affected by changes in the economy, such as high inflation, recessionary or uncertain environments, bank failures, U.S. federal debt ceiling negotiations, fluctuations in the foreign currency exchange rates and global impacts, including the Russian invasion of Ukraine and the United States' ongoing trade disputes with China and other countries. Some customers may view a subscription to our platform as a cost-saving purchase, decreasing the need for business travel, others may view a subscription to our platform as a discretionary purchase, and our customers may reduce their information technology spending on our platform during an economic downturn or during times of economic uncertainty. Given current economic conditions, including inflation, we could experience a reduction in demand and loss of customers, especially if the effects of the current economic environment have a prolonged impact on various industries that our unified communications and collaboration platform addresses. In addition to the foregoing, adverse developments that affect financial institutions, transactional counterparties or other third parties, such as bank failures, or concerns or speculation about any similar events or risks, could lead to market-wide liquidity problems, which in turn may cause third parties, including customers, to become unable to meet their obligations under various types of financial arrangements as well as general disruptions or instability in the financial markets. We would lose customers as a result of customers ceasing to do business, and we could experience a material increase in longer payment cycles and greater difficulty in collecting accounts receivable from certain customers.

As we increase sales to large organizations, our sales cycles have and could continue to lengthen, and we could experience greater deployment challenges.

We have begun investing more resources into sales to large organizations. Large organizations typically undertake a significant evaluation and negotiation process due to their leverage, size, organizational structure, and approval requirements, all of which have and may continue to lengthen our sales cycle. We may also face unexpected deployment challenges with large organizations or more complicated deployment of our platform. Large organizations may demand additional features, support

services and pricing concessions, or require additional security management or control features. We may spend substantial time, effort, and money on sales efforts to large organizations without any assurance that our efforts will produce any sales or that these customers will deploy our platform widely enough across their organization to justify our substantial up-front investment. As a result, we anticipate increased sales to large organizations will lead to higher up-front sales costs and greater unpredictability in our business, results of operations, and financial condition.

We generate revenue from sales of subscriptions to our platform, and any decline in demand for our platform or for communications and collaboration technologies in general would harm our business.

We generate, and expect to continue to generate, revenue from the sale of subscriptions to our platform. As a result, widespread acceptance and use of communications and collaboration technologies in general, and our platform in particular, is critical to our future growth and success. If the communications and collaboration technologies market fails to grow, or grows more slowly than we currently anticipate, demand for our platform could be negatively affected.

Changes in user preferences for communications and collaboration technologies may have a disproportionately greater impact on us than if we offered multiple platforms or disparate products. Demand for communications and collaboration technologies in general, and our platform in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- general awareness of the communications and collaboration technologies category;
- availability of products and services that compete with ours;
- new modes of communications and collaboration that may be developed in the future;
- a reduction in customer information technology spending budgets, or a consolidation of spending budgets on our competitors' platforms, during periods of high inflation or recessionary or uncertain economic environments;
- ease of adoption and use;
- features and platform experience;
- reliability of our platform, including frequency of outages;
- performance;
- brand;
- user support; and
- pricing.

The communications and collaboration technologies market is subject to rapidly changing user demand and trends in preferences. If we fail to successfully predict and address these changes and trends, meet user demands, or achieve more widespread market acceptance of our platform, our business would be harmed.

We have incurred net losses in the past and there are no assurances we will be able to maintain or increase profitability in the future.

We have incurred net losses in the past and could incur net losses in the future. We intend to continue to expend significant funds to expand our direct sales force and marketing efforts to attract new customers and hosts and to develop and enhance our products and for general corporate purposes, including operations, hiring additional personnel, including through acquisitions of other businesses, upgrading our infrastructure, addressing security and privacy issues, and expanding into new geographical markets. To the extent we are successful in increasing our user base, we may also incur increased losses because, other than sales commissions, the costs associated with acquiring customers and hosts are generally incurred up front, while the subscription revenue is generally recognized ratably over the subscription term, which can be monthly, annual, or on a multiyear basis. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses, which may result in decreased profitability. We may incur significant losses in the future for a number of reasons, including as a result of the other risks described herein, and unforeseen expenses, difficulties, complications, delays, and other unknown events. While free users continue to be a meaningful portion of the user base, we have directed marketing programs focused on converting free users to paid subscriptions. Some of these new hosts using our platform on a free Basic account have upgraded to a paid Zoom Meeting plan but the remainder have not and may never do so. If we are unable to increase or sustain our profitability, the value of our business and Class A common stock may significantly decrease. Furthermore, it is difficult to predict the size and growth rate of our market, customer demand for our platform, user adoption and renewal of our platform, the entry of competitive products and services, or the success of existing

competitive products and services. As a result, we may not increase or maintain profitability in future periods. If we fail to grow our revenue sufficiently to keep pace with our investments and other expenses, our business would be harmed.

The experience of our users depends upon the interoperability of our platform across devices, operating systems, and third-party applications that we do not control, and if we are not able to maintain and expand our relationships with third parties to integrate our platform with their solutions, our business may be harmed.

One of the most important features of our platform is its broad interoperability with a range of diverse devices, operating systems, and third-party applications. Our platform is accessible from the web and from devices running Windows, Mac OS, iOS, Android, and Linux. We also have integrations with Atlassian, Dropbox, Google, Microsoft, Salesforce, Slack, and a variety of other productivity, collaboration, data management, and security vendors. We are dependent on the accessibility of our platform across these and other third-party operating systems and applications that we do not control. For example, given the broad adoption of Microsoft Office and other productivity software, it is important that we are able to integrate with this software. Several of our competitors own, develop, operate, or distribute operating systems, app stores, co-located data center services, and other software, and also have material business relationships with companies that own, develop, operate, or distribute operating systems, applications markets, co-located data center services, and other software that our platform requires in order to operate. Moreover, some of these competitors have inherent advantages developing products and services that more tightly integrate with their software and hardware platforms or those of their business partners.

Third-party services and products are constantly evolving, and we may not be able to modify our platform to assure its compatibility with that of other third parties following development changes. In addition, some of our competitors may be able to disrupt the operations or compatibility of our platform with their products or services, or exert strong business influence on our ability to, and terms on which we, operate and distribute our platform. For example, we currently offer products that directly compete with several large technology companies that we rely on to ensure the interoperability of our platform with their products or services. As our respective products evolve, we expect this level of competition to increase. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our platform or gives preferential treatment to competitive products or services, whether to enhance their competitive position or for any other reason, the interoperability of our platform with these products could decrease and our business could be harmed.

In addition, we provide, develop, and create applications for our platform partners that integrate our platform with our partners' various offerings. For example, our Zoom Meetings product integrates with tools offered by companies, such as Atlassian and Dropbox, to help teams get more done together. If we are not able to continue and expand on existing and new relationships to integrate our platform with our partners' solutions, or there are quality issues with our products or service interruptions of our products that integrate with our partners' solutions, our business will be harmed.

We are subject to requirements imposed by app stores such as those operated by Apple and Google, who may change their technical requirements or policies in a manner that adversely impacts the way in which we or our partners collect, use and share data from users. For example, Apple recently began requiring mobile applications using its iOS mobile operating system to obtain a user's permission to track them or access their device's advertising identifier for certain purposes. The long-term impact of these and any other privacy and regulatory changes remains uncertain. If we do not comply with applicable requirements imposed by app stores, we could lose access to the app store and users, and our business would be harmed.

We may not be able to respond to rapid technological changes, extend our platform, or develop new features.

The communications and collaboration technologies market is characterized by rapid technological change and frequent new product and service introductions. Our ability to grow our user base and increase revenue from customers will depend heavily on our ability to enhance and improve our platform; introduce new features and products; and interoperate across an increasing range of devices, operating systems, and third-party applications. Our customers may require features and capabilities that our current platform does not have. In particular, advancements in technology such as artificial intelligence ("AI") and machine learning are changing the way people work by automating tasks, enhancing communication, and improving decision-making processes, and businesses that are slow to adopt these new technologies may face a competitive disadvantage. We invest significantly in research and development, and our goal is to focus our spending on measures that improve quality and ease of adoption, enhance privacy and security, and create organic user demand for our platform. There is no assurance that new additions or other future enhancements to our platform or new product experiences, features, or capabilities will be compelling to our users or gain market acceptance, or that they will perform as expected. If our research and development investments do not accurately anticipate user demand or if we fail to develop our platform in a manner that satisfies user preferences and requirements in a timely and cost-effective manner, we may fail to retain our existing users or increase demand for our platform.

The introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings, such as AI-powered communication and collaboration tools, could make our platform obsolete or adversely affect our business, results of operations, and financial condition. We may experience difficulties with software development,

design, or marketing that could delay or prevent our development, introduction, or implementation of new product experiences, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new features and capabilities and there can be no assurance that new product experiences, features, or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by users brought against us, all of which could harm our business. Moreover, new productivity features to our platform may require substantial investment, and we have no assurance that such investments will be successful. If customers and hosts do not widely adopt our new product experiences, features, and capabilities, or they do not perform as expected, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new features and capabilities to our platform on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, our business would be harmed.

The failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

Our ability to increase our customer and host base and achieve broader market acceptance of our products and services will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force and strategic partners, both domestically and internationally. If we are unable to hire a sufficient number of qualified sales personnel in the near term, our future revenue growth and business could be adversely impacted.

Identifying and recruiting qualified sales representatives and training them is time consuming and resource intensive, and they may not be fully trained and productive for a significant amount of time. We also plan to dedicate significant resources to sales and marketing programs, including internet and other online advertising. All of these efforts will require us to invest significant financial and other resources. In addition, the cost to acquire customers and hosts is high due to these marketing and sales efforts. Our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue. We will not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, and retain talented sales personnel, our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

Failures in internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers and hosts to switch to our competitors, or to cancel their subscriptions to our platform.

Unlike traditional communications and collaborations technologies, our services depend on our users' high-speed broadband access to the internet, usually provided through a cable or digital subscriber line connection. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our platform due to capacity constraints and other internet infrastructure limitations. As our number of users has grown and their usage of communications capacity has increased, we have been required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity does not continue to be available to us as our user base grows in the future, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability, or performance. In addition, if internet service providers and other third parties providing internet services have outages or deteriorations in their quality of service, our users will not have access to our platform or may experience a decrease in the quality of our platform. Furthermore, as the rate of adoption of new technologies increases, the networks our platform relies on may not be able to sufficiently adapt to the increased demand for these services, including ours. Frequent or persistent interruptions could cause current or potential users to believe that our systems or platform are unreliable, leading them to switch to our competitors or to avoid our platform, which could permanently harm our business.

In addition, users who access our platform through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as 3G, 4G, 5G, LTE, satellite, or Wi-Fi, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and internet access marketplace, including incumbent phone companies, cable companies, satellite companies, and wireless companies. Some of these providers offer products and subscriptions that directly compete with our own offerings, which can potentially give them a competitive advantage. Also, these providers could take measures that degrade, disrupt, or increase the cost of user access to third-party services, including our platform, by restricting or prohibiting the use of their infrastructure to support or facilitate third-party services or by charging increased fees to third parties or the users of third-party services, any of which would make our platform less attractive to users and reduce our revenue.

On January 4, 2018, the Federal Communications Commission ("FCC") released an order reclassifying broadband internet access as an information service, subject to certain provisions of Title I of the Communications Act. The order requires broadband providers to publicly disclose accurate information regarding network management practices, performance characteristics, and commercial terms of their broadband internet access services sufficient to enable consumers to make informed choices regarding the purchase and use of such services, and entrepreneurs and other small businesses to develop, market, and maintain internet offerings. The new rules went into effect on June 11, 2018. Numerous parties filed judicial

challenges to the order, and on October 1, 2019, the United States Court of Appeals for the District of Columbia Circuit released a decision that rejected nearly all of the challenges to the new rules, but reversed the FCC's decision to prohibit all state and local regulation targeted at broadband internet service, requiring case-by-case determinations as to whether state and local regulation conflicts with the FCC's rules. The court also required the FCC to reexamine three issues from the order but allowed the order to remain in effect, while the FCC conducts that review. On October 27, 2020, the FCC adopted an order concluding that the three issues remanded by the court did not provide a basis to alter its conclusions in the 2018 order. Petitions for reconsideration of this decision are pending and could be reversed by the current FCC after Democrats gain control. In addition, a number of states have adopted or are adopting or considering legislation or executive actions that would regulate the conduct of broadband providers. After a federal court judge denied a request for a preliminary injunction against California's state-specific network neutrality law, California began enforcing that law on March 25, 2021. A number of other states have adopted or are adopting or considering legislation or executive actions that would regulate the conduct of broadband providers. A similar law in Vermont is subject to a pending challenge, but went into effect on April 20, 2022 and the challenge has been suspended until an appeal in another case addressing state powers to adopt internet regulation is resolved. We cannot predict whether the FCC order or other state initiatives will be enforced, modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC. Under the FCC's new rules, broadband internet access providers may be able to charge web-based services such as ours for priority access or favor services offered by our competitors or by the internet access providers themselves, which could result in increased costs and a loss of existing customers and hosts, impair our ability to attract new customers and hosts, and harm our business.

If there are changes to the regulatory structures in the United States or elsewhere that reduce investment in infrastructure by internet service providers, including a return of the network neutrality regulations that were repealed, any impacts of reduced investment that reduce network capacity or speed could have a negative effect on our business, operating results, and financial condition.

Our security measures have been compromised in the past and may be compromised in the future. If our security measures are compromised in the future or if our information technology fails, this could harm our reputation, expose us to significant fines and liability, impair our sales, and harm our business. In addition, our products and services may be perceived as not being secure. This perception may result in customers and hosts curtailing or ceasing their use of our products, our incurring significant liabilities, and our business being harmed.

In the ordinary course of our business, we and the third parties upon which we rely collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share confidential, proprietary, and sensitive data, including data of ours, our customers, and our users, the data which includes personal information, customer and user content, health-related data, intellectual property, trade secrets, business plans, and financial information. We and the third parties upon which we rely face a variety of evolving threats, including but not limited to ransomware attacks, which could cause security incidents. Security incidents have occurred in the past and may occur in the future, resulting in unauthorized access to, loss or unauthorized disclosure of, or inadvertent disclosure of confidential, proprietary, and sensitive information.

Cyber-attacks, other malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our proprietary, confidential, and sensitive data and information technology systems, and those of the third parties upon which we rely. Cloud-based platform providers of products and services have been and are expected to continue to be targeted. Threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation-state and nation-state supported actors, and advanced persistent threat intrusions. Some actors now engage and are expected to continue to engage in cyberattacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including cyberattacks, that could materially disrupt our systems and operations, supply chain, and ability to provide our services. We may be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through deep fakes, which may be increasingly more difficult to identify as fake, and phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, earthquakes, fires, floods, and other similar threats. Ransomware attacks, including those perpetrated by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Additionally, our platform, products, and services are relied on by a large number of companies worldwide and as a result, if our platform, products, or solutions are compromised, a significant number or all of our customers and their data could be simultaneously affected. The potential

liability and associated consequences we could suffer as a result of such a large-scale event could be catastrophic and result in irreparable harm.

Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program.

In addition, our reliance on third-party service providers could introduce new cybersecurity risks and vulnerabilities, including supply-chain attacks, and other threats to our business operations. We rely on third-party service providers and technologies to operate critical business systems to process confidential, proprietary, and sensitive data in a variety of contexts, including, without limitation, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, content delivery to customers, and other functions. We also rely on third-party service providers to provide other products, services, parts, or otherwise to operate our business. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third-party partners' supply chains have not been compromised.

Any of the previously identified or similar threats could cause a security incident or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to confidential, proprietary, or sensitive data or our information technology systems, or those of the third parties upon whom we rely. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our services. We may expend significant resources or modify our business activities to try to protect against security incidents. Additionally, certain privacy, data protection, and information security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures to protect our information technology systems and sensitive data.

If our security measures are compromised, our reputation could be damaged; our data, information or intellectual property, or that of our customers, may be destroyed, stolen, or otherwise compromised; our business may be harmed; and we could incur significant liability. We take steps to detect and remediate vulnerabilities, but we may not be able to detect and remediate all vulnerabilities because the threats and techniques used to exploit the vulnerability change frequently and are often sophisticated in nature. Therefore, such vulnerabilities could be exploited but may not be detected until after a security incident has occurred. These vulnerabilities pose material risks to our business. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. We have not always been able in the past and may be unable in the future to anticipate or prevent threats or techniques used to detect or exploit vulnerabilities in our services or software or third-party software, or obtain unauthorized access to or compromise our systems.

In addition, security researchers and other individuals have in the past and will continue in the future to actively search for and exploit actual and potential vulnerabilities in our software or services. This activity may increase because of increased demand for our services and increased media scrutiny of our unified communications and collaboration platform, and can lead to additional adverse publicity, reputational harm, extortion threats, business and operational interruptions, security incidents, additional expenses, litigation, regulatory investigations and actions, and substantial harm to our business, some of which we have experienced during the COVID-19 pandemic. For example, in July 2019, a security researcher published a blog highlighting concerns with the Zoom Meeting platform, including certain video-on features. We were able to release updates to the software addressing these vulnerabilities, and we are not aware of any customers being affected or meetings compromised by these vulnerabilities. In most cases customers are responsible for installing this update to the software, and their software is subject to these vulnerabilities until they do so. Additionally, in March 2020, a security researcher reported certain vulnerabilities related to our macOS version that could have allowed an unauthorized person to gain root access to a user's system. Given the nature of our business and operations, our products and services will inevitably contain vulnerabilities or critical security defects that have not been identified or remediated and cannot be disclosed without compromising security. We have identified vulnerabilities in our products and services in the past, and we expect that we will continue to identify vulnerabilities in the future. We cannot be certain that we will be able to address any vulnerabilities in our software products and services that we may become aware of in the future, or there may be delays in developing patches that can be effectively deployed to address vulnerabilities.

We will continue to make prioritization decisions to determine which vulnerabilities or security defects to fix and the timing of these fixes, which could result in an exploit that compromises security. Further, in many cases, customers are responsible for installing our software updates, and until they do so, their service remains subject to the vulnerabilities

addressed in the software update. Vulnerabilities and critical security defects, errors in remediating vulnerabilities or security defects, failure of third-party providers to remediate vulnerabilities or security defects, or customers not deploying security releases or deciding not to install software updates could result in claims of liability against us, damage our reputation, or otherwise harm our business. Security incidents and vulnerabilities, and concerns regarding privacy, data protection, and information security may also cause some of our customers and hosts to stop using our solutions and fail to upgrade or renew their subscriptions. Failures to meet customers' and hosts' expectations with respect to security and confidentiality of their data and information could damage our reputation and affect our ability to retain customers and hosts, attract new customers and hosts, and grow our business. In addition, cybersecurity events or security vulnerabilities could result in breaches of our agreements with customers, lawsuits against us (including class action litigation), regulatory investigations or actions, and significant increases in costs, including costs for remediating the effects of such an event or vulnerability, lost revenue due to network downtime, and a decrease in customer, host, and user trust, increases in insurance premiums due to cybersecurity incidents, increased costs to address cybersecurity issues, and attempts to prevent future incidents, fines, penalties, judgments and settlements, and attorney fees, and harm to our business and our reputation because of any such incident.

Many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of personal information. Such laws are inconsistent, and compliance in the event of a widespread data breach is costly. In addition, some of our customers require us to notify them of data security breaches.

Actual or perceived security compromises experienced in our industry or by our competitors, our customers, a third party upon whom we rely, or us could cause us to experience adverse consequences, such as government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive data (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. Security incidents and attendant consequences may cause customers to stop using our services, deter new customers from using our services, and negatively impact our ability to grow and operate our business.

In addition, while more than half of our employees are based in the United States, like many similarly situated technology companies, we have a sizable number of research and development personnel in China, which has exposed and could continue to expose us to governmental and regulatory as well as market and media scrutiny regarding the actual or perceived integrity of our platform or data security and privacy features.

Increased usage of our services, novel uses of our services, and additional awareness of Zoom and our brand could lead to greater public scrutiny of, press related to, or a negative perception of our information security and potential vulnerabilities associated with, our platform. For example, during the COVID-19 pandemic, we opened our platform to unprecedented numbers of first-time users, leading to challenges for users who did not have full IT support or established protocols for security and privacy like our larger customers. As a result, we have experienced negative publicity related to meeting disruptions and security and privacy issues, including on encryption. Such unfavorable publicity and scrutiny could result in material reputational harm, a loss of customer and user confidence, increased regulatory or litigation exposure, additional expenses, and other harm to our business.

There can be no assurance that any limitations of liability provisions in our subscription agreements, terms of use or other agreements would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that are not covered or exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could harm our business.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users will be impaired and our business will be harmed.

We believe that maintaining and enhancing the Zoom brand is critical to expanding our base of customers, hosts, and users and, in particular, conveying to users and the public that the Zoom brand consists of a broad communications and collaboration platform, rather than just one distinct product. For example, if users view the Zoom brand primarily as a video conferencing point solution or utility rather than as a platform that connects people through video, voice, chat and content sharing, or have a negative perception of our privacy and security, then our market position may be detrimentally impacted. We

anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or perception of our platform, including from any delays or interruptions in service due to capacity constraints stemming from increased usage, from our privacy or security features, because of sentiment towards the providers of communication and collaboration technologies generally, or from our integration of new product functionalities using technologies with heightened public interest, could adversely affect our reputation and our ability to attract and retain hosts. Similarly, any unfavorable perception of our company, including due to any actual or perceived violation by our employees of our policies, such as our Code of Business Conduct and Ethics, could cause us reputational harm and customer loss, impact our financial performance, expose us to litigation, and harm our business, among other things. If we fail to promote and maintain the Zoom brand, including consumer and public perception of our platform or our company, or if we incur excessive expenses in this effort, our business will be harmed.

We cannot assure you that we will successfully manage our growth.

Since our founding in 2011, our employee headcount both in the United States and internationally has increased significantly over time. The growth and expansion of our business places a continuous, significant strain on our management, operational, and financial resources. Further growth of our operations to support our user base, our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. In addition, as we continue to grow, we face challenges integrating, developing, and motivating our employee base in various countries around the world. Many of our personnel work remotely, which may lead to challenges in productivity and collaboration. Certain members of our management have not previously worked together for an extended period of time, and some do not have prior experience managing a public company, which may affect how they manage our growth effectively.

In addition, from time to time, we implement organizational changes to pursue greater efficiency and realign our business and strategic priorities. In February 2023, we commenced certain restructuring actions (the “Restructuring Plan”), designed to reduce operating costs and continue advancing our ongoing commitment to profitable growth. We may encounter challenges in the execution of these efforts, and these challenges could impact our financial results.

Although we believe that the Restructuring Plan will reduce operating costs and improve operating margins, we cannot guarantee that the Restructuring Plan will achieve or sustain the targeted benefits, or that the benefits, even if achieved, will be adequate to meet our long-term profitability and operational expectations. As a result of these actions, we will incur additional charges in the near term, including those related to employee transition, severance payments, employee benefits, and stock-based compensation. Additional risks associated with the continuing impact of the Restructuring Plan include employee attrition beyond our intended reduction in force and adverse effects on employee morale (which may also be further exacerbated by actual or perceived declining value of equity awards), diversion of management attention, adverse effects to our reputation as an employer (which could make it more difficult for us to hire new employees in the future), and potential failure or delays to meet operational and growth targets due to the loss of qualified employees. If we do not realize the expected benefits of our restructuring efforts on a timely basis or at all, our business, results of operations and financial condition could be adversely affected.

In addition, our historical rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business would be harmed.

Our ability to sell subscriptions to our platform could be harmed by real or perceived material defects or errors in our platform.

The software technology underlying our platform is inherently complex and may contain material defects or errors, particularly when new products are first introduced or when new features or capabilities are released. We have from time to time found defects or errors in our platform, and new defects or errors in our existing platform or new products may be detected in the future by us or our users. There can be no assurance that our existing platform and new products will not contain defects. Any real or perceived errors, failures, vulnerabilities, or bugs in our platform have in the past resulted and could in the future result in negative publicity or lead to data security, access, retention, or other performance issues, all of which could harm our business. The costs incurred in correcting such defects or errors may be substantial and could harm our business. Moreover, the harm to our reputation and legal liability related to such defects or errors may be substantial and would harm our business.

We also utilize hardware purchased or leased and software and services licensed from third parties to offer our platform. Any defects in, or unavailability of, our or third-party hardware, software, or services that cause interruptions to the availability of our services, loss of data, or performance issues could, among other things:

- cause a reduction in revenue or delay in market acceptance of our platform;

- require us to issue refunds to our customers or expose us to claims for damages;
- cause us to lose existing hosts and make it more difficult to attract new customers and hosts;
- divert our development resources or require us to make extensive changes to our platform, which would increase our expenses;
- increase our technical support costs; and
- harm our reputation and brand.

If we were to lose the services of our Chief Executive Officer or other members of our senior management team, we may not be able to execute our business strategy.

Our success depends in a large part upon the continued service of key members of our senior management team. In particular, our founder, President and Chief Executive Officer, Eric S. Yuan, is critical to our overall management, as well as the continued development of our products, services, the Zoom platform, our culture, our strategic direction, engineering, and our global operations, including regions such as the United States, Europe, Middle East, and Africa (“EMEA”), and Asia Pacific (“APAC”). All of our executive officers are at-will employees, and we do not maintain any key person life insurance policies. Any changes in our senior management team in particular, even in the ordinary course of business, may be disruptive to our business. Such changes may result in a loss of institutional knowledge and cause disruptions to our business. If our senior management team fails to work together effectively or execute our plans and strategies on a timely basis as a result of management turnover or otherwise, our business could be harmed.

The failure to attract and retain additional qualified personnel or to maintain our happiness-centric company culture could harm our business and culture and prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executives, software developers, sales personnel, and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing, and managing software for communication and collaboration technologies, as well as for skilled sales and operations professionals. At times, we have experienced, and we may continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and we may not be able to fill positions in a timely manner or at all, which may be exacerbated by our recent restructuring actions and any similar future actions. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. In addition, we may experience employee turnover as a result of our recent restructuring actions. New hires require training and take time before they achieve full productivity. New employees may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business could be harmed.

Many of the companies with which we compete for experienced personnel have greater resources than we have, and some of these companies may offer more attractive compensation packages. Particularly in the San Francisco Bay Area, job candidates and existing employees carefully consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain highly skilled employees. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could impact hiring and result in a diversion of our time and resources. Additionally, laws and regulations, such as restrictive immigration laws, may limit our ability to recruit internationally. Moreover, as we plan to reopen our offices, vaccine mandates and similar government orders and restrictions could result in employee attrition and difficulty in recruiting. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business would be harmed.

We believe that a critical component to our success and our ability to retain our best people is our culture. As we continue to grow and develop a public company infrastructure, we may find it difficult to maintain our happiness-centric company culture. Transparency is also an important part of our culture, and one that we practice every day. As we continue to grow, maintaining this culture of transparency will present its own challenges that we will need to address, including the type of information and level of detail that we share with our employees.

In addition, as our stock price has fluctuated since our initial public offering (“IPO”), employees joining us at different times could have significant disparities in proceeds from sales of our equity in the public markets, which could create disparities in wealth among our employees, which may harm our culture and relations among employees and our business. Further, the volatility of our stock price may make our equity compensation less attractive to current and potential employees, and could contribute to increased turnover or difficulties in hiring.

We have significant and expanding operations outside the United States, which may subject us to increased business, regulatory and economic risks that could harm our business.

Our platform addresses the communications and collaboration needs of users worldwide, and we see international expansion as a major opportunity. Our revenue from APAC and EMEA collectively represented 29% and 31% of our revenue for the six months ended July 31, 2023 and 2022, respectively. We plan to add local sales support in further select international markets over time. Our customers include multinational corporations with global users, and we expect to continue to expand our international operations, which includes opening offices in new jurisdictions and providing our platform in additional languages to support the needs of these multinational corporations. Any new markets or countries into which we attempt to allow users to access our services or sell subscriptions to our platform may not be receptive. If we are not able to satisfy certain government- and industry-specific requirements, we have in the past and may in the future experience service outages or other adverse consequences that would impair our ability to expand further into certain markets. For example, the Chinese government has at times turned off our service in China without warning and requested that we take certain steps prior to restoring our service, such as designating an in-house contact for law enforcement requests and transferring China-based user data housed in the United States to a data center in China. In addition, our ability to manage our business and conduct our operations internationally in the future requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. Future international expansion will require investment of significant funds and other resources. We also face risks related to recruiting and retaining talented and capable employees outside the United States, including complying with complex employment- and compensation-related laws, regulations, and practices in these international jurisdictions, and maintaining our company culture across all of our offices. We may also be unable to grant equity compensation to employees in certain countries outside of the United States due to the complexities of local laws and regulations. This may require us to offer equally compelling alternatives to supplement our compensation, such as long-term cash compensation plans or increased short-term cash compensation, in order to continue to attract and retain employees in these jurisdictions.

Operating internationally subjects us to new risks and increases risks that we currently face, including risks associated with:

- providing our platform and operating our business across a significant distance, in different languages and among different cultures, including the potential need to modify our platform and features to ensure that they are culturally appropriate and relevant in different countries;
- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, information security, telecommunications requirements, data protection, consumer protection, and unsolicited email, and the risk of penalties to us and individual members of management or employees if our practices are deemed to be out of compliance;
- operating in foreign jurisdictions where the government may impede or interrupt our ability to provide our services;
- management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as the United States;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States and the practical enforcement of such intellectual property rights outside of the United States;
- foreign government interference with our non-core intellectual property that resides outside of the United States, such as the risk of changes in foreign laws that could restrict our ability to use our intellectual property outside of the foreign jurisdiction in which we developed it;
- integration with partners outside of the United States;
- compliance by us and our business partners with anti-corruption laws, import and export control laws, tariffs, trade barriers, economic sanctions, and other regulatory limitations on our ability to provide our platform in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability, including as a result of the United Kingdom's ("U.K.") withdrawal from the European Union ("EU"), and other political tensions between countries in which we do business;
- changes in diplomatic and trade relationships, including the continuing deterioration in diplomatic relations between the United States and China and the continuing war between Russia and Ukraine, which can and has resulted in the

imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes, and other trade barriers;

- generally longer payment cycles and greater difficulty in collecting accounts receivable, a risk that may increase as a result of recent macroeconomic conditions, such as high inflation, recessionary environments, recent bank failures and related uncertainties, and fluctuations in foreign currency exchange rates, weighing on our customers' ability to pay for our service on a timely basis;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate, including the imposition of digital services taxes; and
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs.

As described above, following Russia's military invasion of Ukraine in February 2022, the United States, European Union, and other nations announced various sanctions against Russia and export restrictions against Russia and Belarus. Such restrictions include blocking sanctions on some of the largest state-owned and private Russian financial institutions, and their removal from the Society for Worldwide Interbank Financial Telecommunication, or the SWIFT, payment system. The invasion of Ukraine and the retaliatory measures that have been taken, and could be taken in future, by the United States, NATO, and other countries have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies, any or all of which could adversely affect our business, including preventing us from performing existing contracts, pursuing new business opportunities, or receiving payments for services already provided to customers.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in international jurisdictions. We may be unable to keep current with changes in laws and regulations as they occur. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, and agents will comply. In addition, legal requirements in the United States and other countries may come into conflict with each other making it challenging or impossible to comply with both countries' legal requirements simultaneously. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, we may need to relocate or cease operations in certain foreign jurisdictions.

Geopolitical tension between the United States and China, or between other countries and China, may intensify and lead to increased scrutiny of our business operations in China.

We have a significant number of employees, primarily engineers, in China, where personnel costs are less expensive than in many other geographies. The number or proportion of our employees in China has fluctuated in the past and may fluctuate in the future due to a number of factors, including macroeconomic changes and internal restructuring. Geopolitical and national security tensions between the United States and China, or between other countries and China, have in the past, currently are and could in the future lead to increased scrutiny of our business operations in China.

In June and July 2020, we received subpoenas from the Department of Justice's U.S. Attorney's Office for the Eastern District of New York ("EDNY") and the Department of Justice's U.S. Attorney's Office for the Northern District of California ("NDCA"). The EDNY and NDCA subpoenas requested information about (among other things) our interactions with foreign governments and/or foreign political parties, including the Chinese government, as well as about storage of and access to user data, including the use of servers based overseas. In addition, the EDNY subpoena requested information about the actions we took relating to the videoconference commemorations of the crackdown on the 1989 Tiananmen Square democracy protests. The NDCA subpoena also requested documents and information about (among other things) contacts between our employees and representatives of the Chinese government, and any attempted or successful influence by any foreign government in our policies, procedures, practices, and actions as they relate to users in the United States. We are fully cooperating with these investigations and have been conducting our own thorough internal investigation. These investigations are ongoing, and we do not know when they will be completed, which facts we will ultimately discover as a result of the investigations, or what actions the government may or may not take. We cannot predict the outcome of these investigations, and a negative outcome in any or all of these matters could cause us to incur substantial fines, penalties, or other financial exposure, as well as material reputational harm, a loss of customer and user confidence and business, additional expenses, and other harm to our business.

We recognize revenue from subscriptions to our platform over the terms of these subscriptions. Consequently, increases or decreases in new sales may not be immediately reflected in our results of operations and may be difficult to discern.

We recognize revenue from subscriptions to our platform over the terms of these subscriptions. As a result, a portion of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter may have an immaterial impact on the revenue that we recognize for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and potential changes in our pricing policies or rate of customer expansion or retention may not be fully reflected in our results of operations until future periods. In addition, a significant portion of our costs is expensed as incurred, while revenue is recognized over the term of the subscription. As a result, growth in the number of new customers and hosts could continue to result in our recognition of higher costs and lower revenue in the earlier periods of our subscriptions. Finally, our subscription-based revenue model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers or from existing customers that increase their use of our platform or upgrade to a higher-priced tier of Zoom Meeting plan must be recognized over the applicable subscription term.

Any failure to offer high-quality support for our customers and hosts may harm our relationships with our customers and hosts and, consequently, our business.

Increased user demand for support may result in increased costs that may harm our results of operations. For example, during the COVID-19 pandemic we saw surging demand requiring us to allocate additional resources to support our expanded user base, including many hosts and customers who are using our platform for the first time. In addition, as we continue to grow our operations and support our global user base, we need to be able to continue to provide efficient support that meets our customers and hosts' needs globally at scale. As the number of our users has grown significantly, it has put additional pressure on our support organization. If we are unable to provide efficient user support globally at scale or if we need to hire additional support personnel, our business may be harmed. Our new customer and host signups are highly dependent on our business reputation and on recommendations from our existing customers and hosts. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support for our customers and hosts, would harm our business.

We utilize our network of resellers to sell our products and services, and our failure to effectively develop, manage, and maintain our indirect sales channels would harm our business.

Our future success depends on our continued ability to establish and maintain a network of channel relationships, and we expect that we will need to maintain and expand our network as we expand into international markets. A small portion of our revenue is derived from our network of sales agents and resellers, which we refer to collectively as resellers, many of which sell or may in the future decide to sell their own products and services or services from other communications solutions providers. Loss of or reduction in sales through these third parties could reduce our revenue. Our competitors may in some cases be effective in causing our reseller or potential reseller to favor their products and services or prevent or reduce sales of our products and services. Recruiting and retaining qualified resellers in our network and training them in our technology and product offerings requires significant time and resources. If we decide to further develop and expand our indirect sales channels, we must continue to scale and improve our processes and procedures to support these channels, including investment in systems and training. Many resellers may not be willing to invest the time and resources required to train their staff to effectively sell our platform. If we fail to maintain relationships with our resellers, fail to develop relationships with new resellers in new markets, or expand the number of resellers in existing markets or fail to manage, train, or provide appropriate incentives to our existing resellers, our ability to increase the number of new customers and hosts and increase sales to existing customers could be adversely impacted, which would harm our business.

Our results of operations, which are reported in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.

We sell to customers globally and have international operations primarily in Australia, China, and the U.K. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. Although the majority of our cash generated from revenue is denominated in U.S. dollars, a portion of our revenue is denominated in foreign currencies, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations. For the six months ended July 31, 2023 and 2022, 19.3% and 20.7% of our revenue, respectively, and 13.3% and 12.6% of our expenses, respectively, were denominated in currencies other than U.S. dollars. Because we conduct business in currencies other than U.S. dollars but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could materially impact our results of operations. For example, for the quarter ended July 31, 2023, our

total revenue was lower than anticipated in part due to the strengthening of the U.S. dollar. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

Our sales to government entities and other government contractors are subject to a number of additional challenges and risks.

We expect to continue selling our products and services to U.S. federal and state and foreign governmental agency customers, which may occur through sales to other companies that re-sell our services to government customers and/or through direct sales to government entities. While we are a U.S. Federal Risk and Authorization Management Program (“FedRAMP”) authorized SaaS service, selling to government entities and other government contractors presents a number of unique challenges and risks including the following:

- selling to governmental entities can be more competitive, expensive, and time-consuming than selling to private entities, often requiring significant up-front time and expense and ongoing compliance costs without any assurance that these efforts will generate a sale;
- government certification requirements may change, or we may be unable to achieve or sustain one or more government certifications, including FedRAMP, which may restrict our ability to sell into the government sector until we have attained such certificates;
- contracts with governmental entities and other government contractors, including resellers in the government market, contain terms that differ less favorably from what we generally agree to in our standard agreements, including, terms and conditions required by regulation that are not negotiable with the customer;
- non-compliance with terms and conditions of government contracts, or with representations or certifications made in connection with government contracts, can result in significantly more adverse consequences than we typically would expect in the commercial market, including, depending on the circumstances, criminal liability, liability under the civil False Claims Act, and/or suspension or debarment from doing business with governmental entities;
- government demand and payment for our products may be influenced, among other things, by public sector budgetary cycles and funding authorizations, with funding reductions or delays having an adverse impact on public sector demand for our products; and
- government-imposed vaccine mandates could result in increased attrition and difficulties in recruiting, and non-compliance with any such mandates could restrict our ability to do business with governmental entities.

To the extent that we become more reliant on contracts with government entities and/or other government contractors in the future, our exposure to such risks and challenges could increase, which in turn could adversely impact our business.

In May 2021, the Biden Administration issued an Executive Order requiring federal agencies to implement additional information technology security measures, including, among other things, requiring agencies to adopt multifactor authentication and encryption for data at rest and in transit to the maximum extent consistent with Federal records laws and other applicable laws. The Executive Order will lead to the development of secure software development practices and/or criteria for a consumer software labeling program, which will reflect a baseline level of secure practices, for software that is developed and sold to the U.S. federal government. Software developers will be required to provide visibility into their software and make security data publicly available. Due to this Executive Order, federal agencies may require us to modify our cybersecurity practices and policies, thereby increasing our compliance costs. If we are unable to meet the requirements of the Executive Order, our ability to work with the U.S. government may be impaired and may result in a loss of revenue.

Our current platform, as well as products, features, and functionality that we may introduce in the future, may not be widely accepted by our customers and hosts or may receive negative attention or may require us to compensate or reimburse third parties, any of which may lower our margins and harm our business.

Our ability to engage, retain, and increase our base of customers and hosts and to increase our revenue will depend on our ability to successfully create new products, features, and functionality, both independently and together with third parties. We may introduce significant changes to our existing platform or develop and introduce new and unproven products, including technologies with which we have little or no prior development or operating experience. These new products and updates may not perform as expected, have attracted and may in the future attract negative attention if they involve technologies with heightened public interest, may fail to engage, retain, and increase our base of customers and hosts or may create lag in adoption of such new products. New products may initially suffer from performance and quality issues that may negatively impact our ability to market and sell such products to new and existing customers and hosts. The short- and long-term impact of any major change to our products, or the introduction of new products, is particularly difficult to predict. If new or enhanced products fail to engage, retain, and increase our base of customers and hosts, or do not perform as expected, we may fail to generate sufficient revenue, operating margin, or other value to justify our investments in such products, any of which may

harm our business in the short term, long term, or both. In addition, our current platform, as well as products, features, and functionality that we may introduce in the future, may require us to compensate or reimburse third parties. For example, our cloud phone system, Zoom Phone, is a PBX phone solution that requires us to compensate carriers that operate the PSTN. As a result, a portion of the payments that we will receive from customers that will use our Zoom Phone product will be allocated towards compensating these telephone carriers, which lowers our margins for Zoom Phone as compared to our other products. In addition, new products that we introduce in the future may similarly require us to compensate or reimburse third parties, all of which would lower our profit margins for any such new products. If this trend continues with our new and existing products, including Zoom Phone, it could harm our business.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer and paid host base to decline significantly.

A large portion of our customers authorize us to bill their credit card accounts directly for our products. If customers pay for their subscriptions with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies for claims that the customer did not authorize the credit card transaction for our products, something that we have experienced in the past. If the number of claims of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks, and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. If we fail to maintain compliance with current merchant standards or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our products. Our products may also be subject to fraudulent usage and schemes, including third parties accessing customer accounts or viewing and recording data from our communications solutions. These fraudulent activities can result in unauthorized access to customer accounts and data, unauthorized use of our products, and charges and expenses to customers for fraudulent usage. We may be required to pay for these charges and expenses with no reimbursement from the customer, and our reputation may be harmed if our products are subject to fraudulent usage. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments would cause our customer base to significantly decrease and would harm our business.

We may have exposure to greater than anticipated tax liabilities, which could harm our business.

We are subject to income taxes in the United States and various jurisdictions outside of the United States. Our effective tax rate could fluctuate due to changes in the proportion of our earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in non-deductible expenses; changes in excess tax benefits of stock-based compensation expense; changes in the valuation of, or our ability to use, deferred tax assets; the applicability of withholding taxes; and effects from acquisitions.

The provision for taxes on our condensed consolidated financial statements could also be impacted by changes in accounting principles, changes in U.S. federal, state, or foreign tax laws applicable to corporate multinationals (including provisions of the recently enacted federal tax legislation titled the Inflation Reduction Act), other fundamental changes in tax law currently being considered by many countries, and changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions. In addition, we are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take, and if any such tax authority were to successfully challenge any such position, our business could be adversely impacted.

The Tax Cuts and Jobs Act of 2017 requires the capitalization and amortization of research and development expenses effective for years beginning after December 31, 2021. The mandatory capitalization requirement increased our cash tax liabilities but also decreased our effective tax rate due to increasing the foreign-derived intangible income deduction. Absent a change in legislation, we expect the mandatory capitalization requirement will continue to have a material impact on our cash flows.

We may also be subject to additional tax liabilities due to changes in non-income-based taxes resulting from changes in U.S. federal, state, local, or foreign tax laws; changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions; results of tax examinations, settlements, or judicial decisions; changes in accounting principles, changes to our business operations, including acquisitions; as well as the evaluation of new information that results in a change to a tax position taken in a prior period. Further, the Organization for Economic Co-operation and Development ("OECD") and the Inclusive Framework of G20 and other countries have issued proposals related to the taxation of the digital economy. In addition, several countries have proposed or enacted Digital Services Taxes ("DST"), many of which would apply to revenue

derived from digital services. Future developments related to such proposals, in particular any unilateral actions outside of the OECD's Inclusive Framework such as the imposition of DST rules, could have an adverse impact on our business by increasing our future tax obligations.

We have acquired and may continue to acquire other businesses or receive offers to be acquired, which could require significant management attention, disrupt our business, or dilute stockholder value.

We have made and may continue in the future to make acquisitions of other companies, products, and technologies. We have limited experience in acquisitions. We may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users, developers, or investors. In addition, we may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could harm our business. In addition, we may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

We have a limited operating history at the current scale of our business, which makes it difficult to evaluate our prospects and future results of operations.

During fiscal year 2021, we experienced rapid growth in usage of our unified communications and collaboration platform largely due to the COVID-19 pandemic. This usage dramatically changed the scale of our business, and we have a limited operating history at the current scale of our business. As a result, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth and expenses. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, our revenue growth could continue to slow or our revenue could decline for a number of reasons, including any reduction in demand for our platform; increased competition; contraction of our overall market; our inability to accurately forecast demand for our platform and plan for capacity constraints; or our failure, for any reason, to capitalize on growth opportunities or to adapt and respond to inflationary factors affecting our business or future economic recession. The changes the COVID-19 pandemic fostered on the way companies operate, including the shifts to remote and hybrid work have limited our ability to forecast revenue, costs, and expenses due to the uncertainty around how companies choose to operate in the future, including the impacts of a remote and hybrid workplace. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our business would be harmed.

We rely on data from tools to calculate certain of our key business metrics. Real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We track our key business metrics with tools that are not independently verified by any third party. Our tools have limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our performance metrics, including the key metrics we report. If the tools we use to track these metrics over- or undercount performance or contain errors, the data we report may not be accurate and our understanding of certain details of our business may be distorted, which could affect our longer-term strategies.

We are continually seeking to improve our ability to measure our key business metrics, and regularly review our processes to assess potential improvements.

Risks Related to Laws and Regulations

The actual or perceived failure by us, our customers, partners or vendors to comply with stringent and evolving privacy, data protection, and information security laws, regulations, standards, policies, and contractual obligations could harm our reputation and business or subject us to significant fines and liability.

In the ordinary course of business, we collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share confidential, proprietary, and sensitive information, including personal information, customer and user content, business data, trade secrets, intellectual property, third-party data, business plans, transactions, financial information. Our data processing activities subject us to numerous privacy, data protection, and information security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, and contractual requirements.

For example, in June 2020, we received a grand jury subpoena from the Department of Justice’s U.S. Attorney’s Office for the EDNY, which requested information regarding our interactions with foreign governments and foreign political parties, including the Chinese government, as well as information regarding storage of and access to user data, the development and implementation of Zoom’s privacy policies, and the actions we took relating to videoconference commemorations of the crackdown on the 1989 Tiananmen Square democracy protests. In July 2020, we received subpoenas from the Department of Justice’s U.S. Attorney’s Office for the NDCA and the SEC. Both subpoenas seek documents and information relating to various security, data protection and privacy matters, including our encryption, and our statements relating thereto, as well as calculation of usage metrics and related public statements. In addition, the NDCA subpoena seeks information relating to any contacts between our employees and representatives of the Chinese government, and any attempted or successful influence by any foreign government in our policies, procedures, practices, and actions as they relate to users in the United States. We have since received additional subpoenas from EDNY and NDCA seeking related information. We are fully cooperating with all of these investigations and have been conducting our own thorough internal investigation. These investigations are ongoing, and we do not know when they will be completed, which facts we will ultimately discover as a result of the investigations, or what actions the government may or may not take. We cannot predict the outcome of these investigations, and a negative outcome in any or all of these matters could cause us to incur substantial fines, penalties, or other financial exposure, as well as material reputational harm, a loss of customer and user confidence and business, additional expenses, and other harm to our business.

In the United States, federal, state, and local governments have enacted numerous privacy, data protection, and information security laws, including data breach notification laws, personal data privacy laws, consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act), and other similar laws (e.g., wiretapping laws). For example, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act of 2020 (“CPRA”) (collectively, “CCPA”) applies to personal information of consumers, business representatives, and employees, and requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for administrative fines of up to \$7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. In addition, the CPRA expands the CCPA’s requirements, including by adding a new right for individuals to correct their personal information and establishing a new regulatory agency to implement and enforce the law. Many states such as Virginia, Colorado, Utah and Connecticut have similarly enacted comprehensive privacy, data protection and information security laws, that emulate the CCPA in many respects. Similar laws are being considered in several other states, as well as at the federal and local levels. These developments may further complicate compliance efforts and increase legal risk and compliance costs for us and the third parties upon whom we rely. Under various laws and other obligations related to privacy, data protection, and information security, we may be required to obtain certain consents to process personal information. Our inability or failure to do so could result in adverse consequences, including class action litigation and mass arbitration demands.

Outside the United States, an increasing number of laws, regulations, and industry standards may govern related to privacy, data protection, and information security. For example, the European Union’s General Data Protection Regulation (“EU GDPR”), the United Kingdom’s GDPR (“UK GDPR”), Brazil’s General Data Protection Law (Lei Geral de Proteção de Dados Pessoais, or “LGPD”) (Law No. 13,709/2018), and China’s Personal Information Protection Law (“PIPL”) impose strict requirements for processing personal information. For example, under the EU GDPR, companies may face temporary or definitive bans on data processing and other corrective actions; fines of up to 20 million Euros under the EU GDPR and 17.5 million pounds sterling under the UK GDPR, or 4% of annual global revenue, in each case, whichever is greater; or private litigation related to processing of personal information brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests. The Swiss Federal Act on Data Protection (“FADP”), also applies to the collection and processing of personal information, including health-related information, by companies located in Switzerland, or in certain circumstances, by companies located outside of Switzerland. The FADP has been revised and adopted by the Swiss Parliament. Companies must comply with the revised version of the FADP and its revised ordinances from September 1, 2023, which may result in an increase of costs of compliance, risks of noncompliance and penalties for noncompliance.

We also target customers in Asia and have operations in Japan and Singapore, and may be subject to new and emerging privacy, data protection, and information security regimes in Asia, including Japan’s Act on the Protection of Personal Information and Singapore’s Personal Data Protection Act.

In addition, we may be unable to transfer personal information from Europe and other jurisdictions to the United States or other countries due to data localization requirements or limitations on cross-border data flows. Europe and other jurisdictions have enacted laws requiring data to be localized or limiting the transfer of personal information to other countries. In particular, the European Economic Area (“EEA”) and the United Kingdom (“UK”) have significantly restricted the transfer of personal information to the United States and other countries whose privacy laws they generally believe are inadequate. Other jurisdictions may adopt similarly stringent interpretations of their data localization and cross-border data transfer laws. Although there are currently various mechanisms that may be used to transfer personal information from the EEA and UK to the United States in compliance with law, such as the EEA and UK’s standard contractual clauses, and the EU-U.S. Data Privacy Framework (which allows for transfers for relevant U.S.-based organizations who self-certify compliance and participate in the Framework), these mechanisms can be subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal information to the United States.

If there is no lawful manner for us to transfer personal information from the EEA, the UK, or other jurisdictions to the United States, or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part of or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors and other third parties, and injunctions against our processing or transferring of personal information necessary to operate our business. Additionally, companies that transfer personal information out of the EEA and UK to other jurisdictions, particularly to the United States, are subject to increased scrutiny from regulators, individual litigants, and activities groups. Some European regulators have ordered certain companies to suspend or permanently cease certain transfers of personal information out of Europe for allegedly violating the GDPR’s cross-border data transfer limitations. For example, in May 2023, the Irish Data Protection Commission determined that a major social media company’s use of the standard contractual clauses to transfer personal information from Europe to the United States was insufficient and levied a 1.2 billion Euro fine against the company and prohibited the company from transferring personal information to the United States.

We use AI and machine learning (“AI/ML”) technologies in our products and services. The development and use of AI/ML is subject to privacy, data protection, and information security laws, industry standards, external and internal privacy and security policies, and contractual requirements, as well as increasing regulation and scrutiny. If we do not incorporate AI/ML in a manner consistent with these factors, and consistent with customer expectations, it may result in an adverse impact to our reputation, our business may be less efficient, or we may be at a competitive disadvantage.

Additionally, regulators are increasingly scrutinizing companies that process children’s data. Numerous laws, regulations, and legally-binding codes, such as the Children’s Online Privacy Protection Act (“COPPA”), California’s Age Appropriate Design Code (effective in July 2024), the CCPA, other U.S. state comprehensive privacy laws, the EU and UK GDPR, and the UK Age Appropriate Design Code, impose various obligations on companies that process children’s data, including requiring certain consents to process such data and extending certain rights to children and their parents with respect that data. Some of these obligations have wide ranging applications, including for services that do not intentionally target child users (defined in some circumstances as a user under the age of 18 years old). In particular, COPPA is a U.S. Federal law that applies to operators of commercial websites and online services directed to U.S. children under the age of 13 that collect personal information from children, and to operators of general audience websites with actual knowledge that they are collecting personal information from U.S. children under the age of 13. We provide video communications and collaboration services to schools, school districts, and school systems to support traditional, virtual, and hybrid classrooms, distance learning, educational office hours, guest lectures, and other services. As part of these services, Zoom may be used by students, including students under the age of 13, and we collect personal information from such students on behalf of our school subscribers. School subscribers must contractually consent to Zoom’s information practices on behalf of students, prior to students using the services. If we fail to accurately anticipate the application, interpretation, or legislative expansion of applicable privacy, data protection, and information security laws, we could be subject to governmental enforcement actions, data processing restrictions, litigation, fines and penalties, adverse publicity or loss of customers. Moreover, as a result of any such failures, we could be in breach of our K-12 school customer contracts, and our customers could lose trust in us, which could harm our reputation and business.

Individuals are increasingly resistant to the collection, use, and sharing of personal information to deliver targeted advertising. Third-party platforms have introduced (or plan to introduce) measures to provide users with more privacy controls over targeted advertising activities, and regulators (including in the EEA/UK) are heavily scrutinizing the use of technologies used to deliver such advertisements. Major technology platforms on which we rely to gather information about consumers have adopted or proposed measures to provide consumers with additional control over the collection, use, and sharing of their

personal data for targeted advertising or other purposes. For example, in 2021, Apple began allowing users to more easily opt-out of activity tracking across devices. In February 2022, Google announced similar plans to adopt additional privacy controls on its Android devices to allow users to limit sharing of their data with third parties and reduce cross-device tracking for advertising purposes. Additionally, Google has announced that it intends to phase out third-party cookies in its Chrome browser, which could make it more difficult for us to target advertisements. Other browsers, such as Firefox and Safari, have already adopted similar measures. In addition, legislative proposals and present laws and regulations regulate the use of cookies and other tracking technologies, electronic communications, and marketing. For example, in the EEA and the UK, regulators are increasingly focusing on compliance with requirements related to the targeted advertising ecosystem. European regulators have issued significant fines in certain circumstances where the regulators alleged that appropriate consent was not obtained in connection with targeted advertising activities. It is anticipated that the ePrivacy Regulation and national implementing laws will replace the current national laws implementing the ePrivacy Directive, which may require us to make significant operational changes. In the United States, the CCPA, for example, grants California residents the right to opt-out of a company's sharing of personal data for advertising purposes in exchange for money or other valuable consideration, and requires covered businesses to honor user-enabled browser signals from the Global Privacy Control. Partially as a result of these developments, individuals are becoming increasingly resistant to the collection, use, and sharing of personal information to deliver targeted advertising or other types of tracking. Individuals are now more aware of options related to consent, "do not track" mechanisms (such as browser signals from the Global Privacy Control), and "ad-blocking" software to prevent the collection of their personal information for targeted advertising purposes. As a result, we may be required to change the way we market our products, and any of these developments or changes could materially impair our ability to reach new or existing customers or otherwise negatively affect our operations.

In addition to data privacy and security laws, we are contractually subject to industry standards adopted by industry groups and may become subject to such obligations in the future. We are also bound by other contractual obligations related to privacy, data protection, and information security, and our efforts to comply with such obligations may not be successful. We publish privacy policies, marketing materials, and other statements, such as compliance with certain certifications or self-regulatory principles, regarding privacy, data protection, and information security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators, or other adverse consequences.

Obligations related to privacy, data protection, and information security are quickly changing, becoming increasingly stringent, and creating regulatory uncertainty. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources and may necessitate changes to our services, information technologies, systems, and practices and to those of any third parties that process personal information on our behalf.

We may at times fail (or be perceived to have failed) in our efforts to comply with our privacy, data protection, and information security obligations. Moreover, despite our efforts, our personnel or third parties on whom we rely may fail to comply with such obligations, which could negatively impact our business operations. If we or the third parties on which we rely fail, or are perceived to have failed, to address or comply with applicable privacy, data protection, and information security obligations, we could face significant consequences, including but not limited to: government enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class-action claims) and mass arbitration demands; additional reporting requirements and/or oversight; bans on processing personal information; and orders to destroy or not use personal information. In particular, plaintiffs have become increasingly more active in bringing privacy-related claims against companies, including class claims and mass arbitration demands. Some of these claims allow for the recovery of statutory damages on a per violation basis, and, if viable, carry the potential for monumental statutory damages, depending on the volume of data and the number of violations. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; inability to process personal information or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or substantial changes to our business model or operations.

We have in the past and may in the future receive inquiries or be subject to investigations by domestic and international government entities regarding, among other things, our privacy, data protection, and information security practices. The result of these proceedings could impact our brand reputation, subject us to monetary remedies and costs, interrupt or require us to change our business practices, divert resources and the attention of management from our business, or subject us to other remedies that adversely affect our business. We also face litigation regarding our privacy and security practices, including alleged data sharing with third parties, in various jurisdictions. See Part I, Item 3 "Legal Proceedings" for additional information.

We were also the subject of an investigation by the FTC relating to our privacy and security representations and practices. We have reached a settlement agreement with the FTC, which the FTC voted to make final on January 19, 2021. We

could fail or be perceived to fail to comply with the terms of the settlement with the FTC or any other orders or settlements relating to litigation or governmental investigations with respect to our privacy and security practices. Any failure or perceived failure to comply with such orders or settlements may increase the possibility of additional adverse consequences, including litigation, additional regulatory actions, injunctions, or monetary penalties, or require further changes to our business practices, significant management time, or the diversion of significant operational resources. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, policies, and other obligations that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform and services, which could have an adverse impact on our business.

Additionally, we rely on the administrators of our customers in the healthcare and education industries to obtain the necessary consents from users of our products and services and to ensure their account settings are configured correctly for their compliance under applicable laws and regulations, including HIPAA. Furthermore, if third parties we work with, such as vendors or developers, make misrepresentations, violate applicable laws and regulations, or our policies, such misrepresentations and violations may also put our users' content at risk and could in turn have an adverse effect on our business. Any significant change to applicable laws, regulations, or industry practices regarding the collection, use, retention, security, or disclosure of our users' content, or regarding the manner in which the express or implied consent of users for the collection, use, retention, or disclosure of such content is obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process user data or provide or develop new services and features.

Increased usage of our services and additional awareness of Zoom and our brand, stemming from the COVID-19 pandemic, has led to greater public scrutiny of, press related to, or a negative perception of our collection, use, storage, disclosure, and processing of personal information, and our privacy policies and practices. For example, users and customers, particularly those that are new to Zoom, may not have significant IT or security knowledge or have their own IT controls like those of a larger organization to configure our service in a manner that provides them with control over user settings. This has resulted in reports of users and customers experiencing meeting disruptions by malicious actors. Additional unfavorable publicity and scrutiny has led to increased governmental and regulatory scrutiny and litigation exposure, and could result in material reputational harm, a loss of customer and user confidence, additional expenses and other harm to our business.

Changes in government trade policies, including the imposition of tariffs and export restrictions, could limit our ability to sell our products to certain customers, which may materially adversely affect our sales and results of operations.

The U.S. or foreign governments may take administrative, legislative, or regulatory action that could materially interfere with our ability to sell products in certain countries. For example, the prior U.S. administration had threatened tougher trade terms with China and other countries, leading to the imposition, or announcement of future imposition, of substantially higher U.S. Section 301 tariffs on roughly \$500 billion of imports from China. In response, China imposed and proposed new or higher tariffs on U.S. products. The direct and indirect effects of tariffs and other restrictive trade policies are difficult to measure and are only one part of a larger U.S./China economic and trade policy disagreement. The effects of tariffs are uncertain because of the dynamic nature of governmental action and responses. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the United States and its trading partners, especially China, could result in a global economic slowdown and long-term changes to global trade, including retaliatory trade restrictions that restrict our ability to operate in China. We cannot predict what actions may ultimately be taken by the new U.S. administration with respect to tariffs or trade relations between the United States and China or other countries, what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. Any further deterioration in the relations between the United States and China could exacerbate these actions and other governmental intervention. For example, the implementation of China's national-security law in Hong Kong has created additional U.S.-China tensions and could potentially increase the risks associated with the business and operations of U.S.-based technology companies in China. Any alterations to our business strategy or operations made in order to adapt to or comply with any such changes would be time-consuming and expensive, and certain of our competitors may be better suited to withstand or react to these changes.

Further, in recent years, the U.S. Government has expressed concerns with the security of information and communications technology and services ("ICTS") sourced from providers in China, Russia, and other jurisdictions. In May 2019, former President Trump issued an executive order that invoked national emergency economic powers to implement a framework to regulate the acquisition or transfer of ICTS in transactions that imposed undue national security risks. The executive order is subject to implementation by the Secretary of Commerce and applies to contracts entered into prior to the effective date of the order. On March 22, 2021, the U.S. Department of Commerce issued an interim final rule allowing it to identify, review, and prohibit ICTS transactions that pose a national security risk, including transactions involving specified countries, such as China. Several aspects of this rule remain unclear including the scope of affected transactions and how the rule will be implemented and enforced in practice. In addition, the U.S. Commerce Department has implemented additional restrictions and may implement further restrictions that would affect conducting business with certain Chinese companies. Due to the uncertainty regarding the timing, content, and extent of any such changes in policy, we cannot assure you that we will

successfully mitigate any negative impact. Depending upon their duration and implementation, these tariffs, the executive order and its implementation, and other regulatory actions could materially affect our business, including in the form of increased cost of revenue, decreased margins, increased pricing for customers, and reduced sales.

We may be subject to additional liabilities on past sales for taxes, surcharges, and fees.

We currently collect and remit applicable indirect taxes in jurisdictions where we, through our employees, have a presence and where we have determined, based on legal precedents in the jurisdiction, that sales of our platform are classified as taxable. State and local taxing authorities have differing rules and regulations which are subject to varying interpretations. This makes the applicability of sales tax to e-commerce businesses, such as ours, uncertain and complex. We believe that we are not otherwise subject to, or required to collect, additional taxes, fees, or surcharges imposed by state and local jurisdictions because we do not have a sufficient physical presence or “nexus” in the relevant taxing jurisdiction, or such taxes, fees, or surcharges do not apply to sales of our platform in the relevant taxing jurisdiction. There is uncertainty as to what constitutes sufficient nexus for sales made over the Internet and, after the U.S. Supreme Court’s ruling in *South Dakota v. Wayfair*, states may require an e-commerce business with no in-state property or personnel to collect and remit sales tax. Therefore, it is possible that we could face future audits or challenges of our positions by taxing authorities and that our liability for these taxes could exceed our estimates. The application of existing, new, or future laws, whether in the U.S. or internationally, could harm our business.

We are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in compliance with applicable laws.

Our platform and associated products are subject to various restrictions under U.S. export control and sanctions laws and regulations, including the U.S. Department of Commerce’s Export Administration Regulations (“EAR”) and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”). The U.S. export control laws and U.S. economic sanctions laws include restrictions or prohibitions on the sale or supply of certain products and services to U.S.-embargoed or U.S.-sanctioned countries, governments, persons, and entities, and also require authorization for the export of certain encryption items. In addition, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements and have enacted or could enact laws that could limit our ability to distribute our platform or could limit our hosts’ ability to implement our platform in those countries.

Although we have taken precautions to prevent our platform and associated products from being accessed or used in violation of such laws, we have inadvertently allowed our platform and associated products to be accessed or used by some customers in potential violation of U.S. economic sanction laws. In addition, we have inadvertently made and may inadvertently make our software products available to some customers in potential violation of the EAR. Therefore, as warranted, we may submit voluntary self-disclosures regarding compliance with U.S. sanctions and export control laws and regulations to OFAC and to the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”). For instance, in March 2022, we submitted a voluntary self-disclosure to BIS regarding our compliance with certain U.S. export control laws and regulations, which BIS closed out with a warning letter with no referral for criminal or administrative prosecution, and no imposition of monetary fines or penalties.

If we are found to be in violation of U.S. economic sanctions or export control laws in the future, it could result in fines and penalties. We may also be adversely affected through other penalties, business disruption, reputational harm, loss of access to certain markets, or otherwise. While we are working to implement additional controls designed to prevent similar activity from occurring in the future, these controls may not be fully effective.

Changes in our platform, or changes in export, sanctions, and import laws, may delay the introduction and sale of subscriptions to our platform in international markets; prevent our customers with international operations from using our platform; or, in some cases, prevent the access or use of our platform to and from certain countries, governments, persons, or entities altogether. Further, any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our platform or in our decreased ability to export or sell our platform to existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export or sell our platform would likely harm our business.

We may be subject to, or assist law enforcement with enforcement of, a variety of U.S. and international laws that could result in claims, increase the cost of operations or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.

We may be subject to, or assist law enforcement with enforcement of, various laws, including those covering copyright, indecent content, child protection, consumer protection, telecommunications services, taxation, and similar matters. It may be difficult, expensive, and disruptive for us to address law enforcement requests, subpoenas and other legal process, and laws in various jurisdictions may conflict and hamper our ability to satisfy or comply with such requests, subpoenas and other legal process. There have been instances where improper or illegal content has been shared on our platform without our knowledge. As a service provider and as a matter of policy, we do not monitor user meetings. However, to ensure user safety and prevent conduct that is illegal, violent, or harmful to others, we enforce our terms of service through use of a mix of tools that suggest when such activity may be occurring on our platform. We also recently created an in-product security feature that allows the host or co-host of a meeting to easily select a meeting participant that may be engaging in illegal or harmful behavior and send a report about that behavior to our trust and safety team for evaluation. Our trust and safety team may take further action as appropriate, including suspension or termination of the participant's account or referral to law enforcement. While to date we have not been subject to material legal or administrative actions as a result of improper or illegal content, the laws in this area are currently in a state of flux and vary widely between jurisdictions. Accordingly, it may be possible that in the future we and our competitors may be subject to legal actions along with the users who shared such content. In addition, regardless of any legal liability we may face, our reputation could be harmed should there be an incident generating extensive negative publicity about the content shared on our platform. Such publicity would harm our business.

We are also subject to consumer protection laws that may affect our sales and marketing efforts, including laws related to subscriptions, billing, and auto-renewal. These laws, as well as any changes in these laws, could adversely affect our self-serve model and make it more difficult for us to retain and upgrade customers and attract new customers and hosts. Additionally, we have in the past, are currently, and may from time to time in the future become the subject of inquiries and other actions by regulatory authorities as a result of our business practices, including our subscription, billing, and auto-renewal policies. Consumer protection laws may be interpreted or applied by regulatory authorities in a manner that could require us to make changes to our operations or incur fines, penalties, or settlement expenses, which may result in harm to our business.

Our platform depends on the ability of our customers, hosts, and users to access the internet, and our platform has been blocked or restricted in some countries for various reasons. If we fail to anticipate developments in the law, or fail for any reason to comply with relevant law, our platform could be further blocked or restricted, and we could be exposed to significant liability that could harm our business.

We are also subject to various U.S. and international anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), and the U.K. Bribery Act 2010, as well as other similar anti-bribery and anti-kickback laws and regulations. These laws and regulations generally prohibit companies and their employees and intermediaries, from directly or indirectly authorizing, offering, or providing improper payments or benefits to government officials and other recipients for improper purposes. The FCPA also requires public companies to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls. Although we take precautions to prevent violations of anti-corruption laws, our exposure for violating these laws increases as we continue to expand our international presence, and any failure to comply with such laws could harm our business, financial condition, and results of operations.

Zoom Phone is subject to U.S. federal and international regulation, and other products we may introduce in the future may also be subject to U.S. federal, state, or international laws, rules, and regulations. Any failure to comply with such laws, rules, and regulations could harm our business and expose us to liability.

Federal Regulation

Zoom Phone is provided through our wholly owned subsidiary, Zoom Voice Communications, Inc., which is regulated by the FCC as an interconnected voice over internet protocol ("VoIP") service provider. As a result, Zoom Phone is subject to existing or potential FCC regulations, including, but not limited to, regulations relating to privacy, disability access, porting of numbers, federal Universal Service Fund ("USF"), contributions and other regulatory assessments, emergency calling/Enhanced 911 ("E-911"), access charges for long distance services, and law enforcement access. Congress or the FCC may expand the scope of Zoom Phone's regulatory obligations at any time. In addition, FCC classification of Zoom Phone as a common carrier or telecommunications service could result in additional federal and state regulatory obligations. If we do not comply with any current or future state regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our product offerings, exit certain markets, or raise the price of our products, any of which could ultimately harm our business and results of operations. Any enforcement action by the FCC, which may be a public

process, would hurt our reputation in the industry, possibly impair our ability to sell Zoom Phone to our customers and harm our business.

As described above, the FCC could reinstate its prior network neutrality regulations or adopt new regulations. See Part 1A – Failures in internet infrastructure or interference with broadband access could cause current or potential users to believe that our systems are unreliable, possibly leading our customers and hosts to switch to our competitors, or to cancel their subscriptions to our platform. Changes in FCC regulation of the internet and internet-based services also could impose new regulatory obligations on our other services. Such action could result in extension of common carrier regulation to internet-based communications services like the ones we offer. The imposition of common carrier regulation would increase our costs, and we could be required to modify our service offerings to comply with regulatory requirements. The failure to comply with such regulation could result in substantial fines and penalties and other sanctions.

There have been various Congressional and executive efforts to eliminate or modify Section 230 of the Communications Act of 1934, enacted as part of the Communications Decency Act of 1996. President Biden and many Members of Congress from both parties support the reform or repeal of Section 230, so the possibility of Congressional action remains. In addition, the FCC is considering a petition, filed by the Trump Administration, to adopt rules interpreting Section 230, which limits the liability of internet platforms for third-party content that is transmitted via those platforms and for good-faith moderation of offensive content. No date has been set for a vote on that proposal and the FCC has not released any document describing the rules that would be proposed. The Democratic members of the FCC have indicated that they are opposed to the petition and now control the agenda of the FCC. There is no schedule for action by the FCC on the petition. If Congress revises or repeals Section 230 or the FCC adopts rules, we may no longer be afforded the same level of protection offered by Section 230. In addition, there are pending cases before the judiciary that may result in changes to the protections afforded to internet platforms, including a lawsuit by former President Trump that, if successful, would greatly limit the scope of Section 230. The U.S. Supreme Court recently declined to limit the applicability of Section 230 in certain circumstances, but future cases may not yield the same results. These various efforts to limit the protections provided by Section 230 would increase the risks faced by internet-based businesses, like Zoom, that rely on third-party content. Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims. If we are found liable for our customers' or other users' activities, we could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

The FCC has proposed to revise its rules requiring reporting of breaches of private customer information, known as CPNI. If adopted, the proposed rules could broaden the types of CPNI breaches that must be reported, but also could limit the number of reports that must be filed by adopting a minimum threshold for the number of customers affected. The proposed rules also would require that breach reports be provided directly to the FCC, which could increase the risk of enforcement action, including fines and behavioral remedies.

The FCC has adopted rules that prohibit Chinese companies that are deemed to be a national security risk by other federal agencies from obtaining new authorizations and placed on a list known as the Covered List to sell telecommunications equipment in the U.S. and is considering proposed rules that would ban those companies from selling previously-authorized equipment or could prohibit use of their equipment in the U.S. Zoom does not currently have any equipment from the companies subject to the ban in its network, but if other companies are added to the Covered List and the FCC adopts rules that ban sales or use of equipment from companies on the Covered List, we could be required to find new sources for similar equipment or replace existing equipment entirely.

State Regulation

State telecommunications regulation of Zoom Phone is generally preempted by the FCC. However, states are allowed to assess state USF contributions, E-911 fees, and other surcharges. A number of states require us to contribute to state USF and pay E-911 and other assessments and surcharges, while others are actively considering extending their programs to include the products we offer and the California Public Utilities Commission is now taking the position that it can require VoIP providers like Zoom Phone to obtain authority to operate in that state. We generally pass USF, E-911 fees, and other surcharges through to our customers where we are permitted to do so, which may result in our products becoming more expensive. We expect that state public utility commissions will continue their attempts to apply state telecommunications regulations to services like Zoom Phone. If we do not comply with any current or future state regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our product offerings, exit certain markets, or raise the price of our products, any of which could harm our business.

Certain states have adopted or are adopting or considering legislation or executive actions that would regulate the conduct of broadband providers. California's state-specific network neutrality law has taken effect and Vermont's law took effect, but a challenge to that law remains pending. We cannot predict whether other state initiatives will be enforced, modified, overturned, or vacated.

Legislation has been adopted in Florida and Texas that is intended to reduce or eliminate the power of businesses operating on the Internet to moderate user-generated content, implicitly eliminating the federal protections granted under Section 230. Similar legislation has been introduced in other states in 2022, including a bill that has passed the Georgia State Senate and is pending before the Georgia House. Implementation of the Florida and Texas statutes has been stayed by various federal courts, including the U.S. Supreme Court. On August 18, the parties in the Florida case requested, and were granted, a stay of the appeals court mandate pending Supreme Court review, and on September 21, 2022, Florida requested that the Supreme Court review the case. On September 16, the U.S. Court of Appeals for the Fifth Circuit issued a decision upholding the Texas law. On September 30, the parties in that case filed an unopposed motion to stay the Fifth Circuit decision pending Supreme Court review, and the Fifth Circuit granted that request on October 13, 2022. The parties opposing the Texas law requested that the Supreme Court review the case on December 15, 2022. The petitions for Supreme Court review of the decisions on the Florida and Texas laws remain pending. Florida recently amended its statute in an effort to address issues that led the court to issue the stay. It is likely that any other such state legislation also would be challenged under the First Amendment to the U.S. Constitution and on the ground that it is preempted by Section 230. We cannot predict whether any such state legislation will be adopted, enforced, modified, overturned, or vacated.

International Regulation

As we expand internationally, we may be subject to telecommunications, consumer protection, privacy, data protection, and other laws and regulations in the foreign countries where we offer our products. If we do not comply with any current or future international regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our product offerings, exit certain markets, or raise the price of our products, any of which could harm our business.

Risks Related to Our Intellectual Property

We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters, which, if resolved adversely, could harm our business.

We protect our intellectual property through patents, copyrights, trademarks, domain names, and trade secrets and, from time to time, are subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. Some companies, including some of our competitors, own large numbers of patents, copyrights, and trademarks, which they may use to assert claims against us. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us grows. We have in the past been, are currently, and may from time to time in the future become, a party to litigation and disputes related to our intellectual property, our business practices, and our platform. While we intend to defend these lawsuits vigorously and believe that we have valid defenses to these claims, litigation can be costly and time consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from subscribing to our services, which would harm our business. Furthermore, with respect to these lawsuits, there can be no assurances that favorable outcomes will be obtained. We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, our agreements with certain larger customers include certain provisions for indemnifying them against liabilities if our services infringe a third party's intellectual property rights, which could require us to make payments to our customers. During the course of any litigation or dispute, we may make announcements regarding the results of hearings and motions and other interim developments. If securities analysts and investors regard these announcements as negative, the market price of our Class A common stock may decline. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all, and we may be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative, non-infringing technology or practices could require significant effort and expense. Our business could be harmed as a result.

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.

We primarily rely and expect to continue to rely on a combination of patent, patent licenses, trade secret and domain name protection, trademark and copyright laws, as well as confidentiality and license agreements with our employees, consultants, and third parties, to protect our intellectual property and proprietary rights. We make business decisions about when to seek patent protection for a particular technology and when to rely upon copyright or trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our products. In addition, we believe that the protection of our trademark rights is an important factor in product recognition, protecting our brand and maintaining goodwill.

If we do not adequately protect our rights in our trademarks from infringement and unauthorized use, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business. Third parties may knowingly or unknowingly infringe our proprietary rights; third parties may challenge our proprietary right; our pending and future patent, trademark, and copyright applications may not be approved; and we may not be able to prevent infringement without incurring substantial expense. We have also devoted substantial resources to the development of our proprietary technologies and related processes. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the laws of certain foreign countries do not provide the same level of protection of corporate proprietary information and assets such as intellectual property, trademarks, trade secrets, know-how, and records, as the laws of the United States. For instance, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. As a result, we may encounter significant problems in protecting and defending our intellectual property or proprietary rights abroad. Additionally, we may also be exposed to material risks of theft or unauthorized reverse engineering of our proprietary information and other intellectual property, including technical data, manufacturing processes, data sets, or other sensitive information. Our efforts to enforce our intellectual property rights in such foreign countries may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop, which could have a material adverse effect on our business, financial condition, and results of operations. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our platform, brand, and other intangible assets may be diminished, and competitors may be able to more effectively replicate our platform and its features. Any of these events would harm our business.

Our use of third-party open source software could negatively affect our ability to offer and sell subscriptions to our platform and subject us to possible litigation.

We have incorporated, and may in the future incorporate, third-party open source software in our technologies. Open source software is generally licensed by its authors or other third parties under open source licenses. From time to time, companies that use third-party open source software have faced claims challenging the use of such open source software and requesting compliance with the open source software license terms. Accordingly, we may be subject to suits by parties claiming ownership of what we believe to be open source software or claiming non-compliance with the applicable open source licensing terms. Some open source software licenses require end-users who use, distribute or make available across a network software and services that include open source software to offer aspects of the technology that incorporates the open source software for no cost. We may also be required to make publicly available source code (which in some circumstances could include valuable proprietary code) for modifications or derivative works we create based upon incorporating or using the open source software and/or to license such modifications or derivative works under the terms of the particular open source license. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose our source code that incorporates or is a modification of such licensed software. While we use tools designed to help us monitor and comply with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the terms of their licenses, including claims of intellectual property rights infringement or for breach of contract. Furthermore, there exists today an increasing number of types of open source software licenses, almost none of which have been tested in courts of law to provide guidance of their proper legal interpretations. If we were to receive a claim of non-compliance with the terms of any of these open source licenses, we could be required to publicly release certain portions of our proprietary source code. We could also be required to expend substantial time and resources to re-engineer some of our software. Any of the foregoing could disrupt and harm our business.

In addition, the use of third-party open source software typically exposes us to greater risks than the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to compromise our platform. Any of the foregoing could harm our business and could help our competitors develop products and services that are similar to or better than ours.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock has been and will likely continue to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new products, features, or services;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, products, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management; and
- general political, social, economic and market conditions, in both domestic and our foreign markets, including effects of increased interest rates and inflationary pressures.

In addition, in the past, following periods of volatility in the overall market and in the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. For example, in April 2020, June 2020, July 2020 and October 2021, we and certain of our officers and directors were sued in putative class action lawsuits and purported shareholder derivative lawsuits alleging violations of the federal securities laws for allegedly making materially false and misleading statements about our data privacy and security measures. Securities litigation against us could result in substantial costs and divert our management's time and attention from other business concerns, which could harm our business. We may be the target of additional litigation of this type in the future as well.

The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to our IPO, including our executive officers, employees, and directors and their affiliates, limiting your ability to influence corporate matters.

Our Class B common stock has 10 votes per share and our Class A common stock has one vote per share. As of July 31, 2023, the holders of our outstanding Class B common stock held 64.7% of the voting power of our outstanding capital stock, with our directors, executive officers and 5% stockholders and their respective affiliates holding 57.3% of such voting power in the aggregate. As of July 31, 2023, our founder, President and Chief Executive Officer, Eric S. Yuan, together with his affiliates, held approximately 7.5% of our outstanding capital stock but controlled approximately 31.3% of the voting power of our outstanding capital stock. Therefore, these holders have significant influence over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of Zoom or our assets, for the foreseeable future. Each share of Class B common stock will be automatically converted into one share of Class A common stock upon the earliest of (i) the date that is six months following the death or incapacity of Mr. Yuan, (ii) the date that is six months following the date that Mr. Yuan is no longer providing services to us or his employment is terminated for cause, (iii) the date specified by the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class, and (iv) the 15-year anniversary of the closing of our IPO.

In addition, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than a majority of the outstanding shares of our common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Yuan retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our Class A and Class B common stock. As a board member, Mr. Yuan owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Yuan is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

In addition, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual- or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. However, in April 2023, Standard & Poor's announced its decision that companies with multiple share class structures will be considered eligible candidates for addition to the S&P Composite 1500 and its component indices provided they meet all other eligibility criteria. Under these policies, our dual-class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices will not be investing in our stock. These policies may depress the valuations of publicly-traded companies excluded from the indices, or depress our trading volume compared to those of other similar companies that are included.

Future sales and issuances of our capital stock or rights to purchase capital stock could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to decline.

Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell Class A common stock, convertible securities, and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our Class A common stock.

Substantial future sales of shares of our Class A common stock and Class B common stock could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock and Class B common stock (after automatically converting to Class A common stock) in the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock.

In addition, certain of our stockholders have registration rights that would require us to register shares owned by them for public sale in the United States. We have also filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods and applicable volume and restrictions that apply to affiliates, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding restricted stock unit ("RSU") awards are available for immediate resale in the United States in the open market.

Sales of our shares could also impair our ability to raise capital through the sale of additional equity securities in the future and at a price we deem appropriate. These sales could also cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.

There are provisions in our certificate of incorporation and bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of Zoom, even if a change in control was considered favorable by our stockholders.

Our charter documents also contain other provisions that could have an anti-takeover effect, such as:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- providing that directors may only be removed for cause;
- prohibiting cumulative voting for directors;
- requiring super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorizing the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; and
- our dual-class common stock structure as described above.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibit a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any provision in our certificate of incorporation or our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and the federal district courts of the United States of America as the exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, or the certificate of incorporation or the amended and restated bylaws; or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. These exclusive-forum provisions may limit a stockholder's ability to bring a claim

in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our results of operations.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future returns on their investment.

General Risk Factors

Estimates of our market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts for the markets in which we compete, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Not every organization covered by our market opportunity estimates will necessarily buy video communications and collaboration platforms, and some or many of those organizations may choose to continue using legacy communication methods or point solutions offered by our competitors. It is impossible to build every product feature that every customer or host wants, and our competitors may develop and offer features that our platform does not provide. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the organizations covered by our market opportunity estimates will purchase our solutions at all or generate any particular level of revenue for us. Even if the markets in which we compete meet the size estimates and growth forecasts, our business could fail to grow for a variety of reasons outside of our control, including competition in our industry. If any of these risks materializes, it could harm our business and prospects.

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami or other weather event, power loss, telecommunications failure, software or hardware malfunctions, cyber-attack, war, terrorist attack, disease, or health epidemics, could result in lengthy interruptions in our service. In particular, our U.S. headquarters and some of the data centers we utilize are located in the San Francisco Bay Area, a region known for seismic activity, and our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, acts of terrorism could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, our service could be interrupted. Moreover, if our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver products to our users would be impaired, or we could lose critical data. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster and to execute successfully on those plans in the event of a disaster or emergency, our business would be harmed.

We also face risks related to health epidemics, such as the COVID-19 pandemic, which has impacted virtually every country in the world. An outbreak of a contagious disease, and other adverse health developments could have an adverse effect on global economic conditions and on our business. The effects could include business and service disruptions, such as the temporary closure of our facilities, restrictions on our employees' ability to travel to support our facilities and services, and difficulties in hiring new employees. While we have seen increased usage of our service globally, a significant portion of such increase is attributable to free Basic accounts, which do not generate any revenue. We cannot make any assurances that we will experience an increase in paid hosts or that new or existing users will continue to utilize our services at the same levels during the COVID-19 pandemic recovery. Furthermore, such increased usage by free Basic account users during this time has required and will continue to require us to expand our network capacity which will increase our operating costs.

We are subject to risks associated with our strategic investments, including partial or complete loss of invested capital. Significant changes in the fair value of our investment portfolio could negatively impact our financial results.

We have strategic investments in publicly traded and privately held companies. The financial success of our investments in any privately held company is typically dependent on a liquidity event, such as a public offering, acquisition or other favorable market event reflecting appreciation to the cost of our initial investment. In addition, valuations of privately held companies are inherently complex due to the lack of readily available market data. Likewise, the financial success of our investment in any publicly held company is typically dependent upon an exit in favorable market conditions, and to a lesser

extent on liquidity events. The capital markets for public offerings and acquisitions are dynamic and the likelihood of successful liquidity events for the companies we have invested in could significantly worsen. In addition, valuations of privately held companies are inherently complex due to the lack of readily available market data.

We record all fair value adjustments of our publicly traded and privately held non-marketable securities through the condensed consolidated statement of operations. As a result, we may experience additional volatility to our statements of operations due to changes in market prices of our investments in publicly held securities and the valuation and timing of observable price changes or impairments of our investments in privately held securities. Our ability to mitigate this volatility in any given period may be impacted by our contractual obligations to hold securities for a set period of time. All of our investments are subject to a risk of a partial or total loss of investment capital. Changes in the fair value or partial or total loss of investment capital of these individual companies could be material to our financial statements and negatively impact our business and financial results.

Our reported results of operations may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and may even affect the reporting of transactions completed before the announcement or effectiveness of a change. It is also difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could harm our business.

We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.

Historically, we have funded our operations and capital expenditures primarily through equity issuances and cash generated from our operations. Although we currently anticipate that our existing cash and cash equivalents and cash flow from operations will be sufficient to meet our cash needs for the foreseeable future, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all, particularly during times of market volatility and general economic instability. The need for additional liquidity may also be affected by the federal government's potential failure to raise the debt ceiling or correct a prolonged banking or financial crisis. If we raise additional funds through the issuance of equity or equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our Class A common stock, and our stockholders may experience dilution.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate consolidated financial statements or comply with applicable regulations could be impaired.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations of the applicable listing standards of The Nasdaq Stock Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs; make some activities more difficult, time-consuming, and costly; and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. We have limited experience with implementing the systems and controls that will be necessary to operate as a public company, as well as adopting changes in accounting principles or interpretations mandated by the relevant regulatory bodies. Additionally, if these new systems, controls, or standards and the associated process changes do not give rise to the benefits that we expect or do not

operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports, or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our business or cause us to fail to meet our reporting obligations and may result in a restatement of our condensed consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on The Nasdaq Stock Market. We are required to provide an annual management report on the effectiveness of our internal control over financial reporting.

Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and could cause a decline in the trading price of our Class A common stock.

Our Class A common stock market price and trading volume could decline if securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If one or more securities analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

We incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies in the United States, which may harm our business.

As a public company listed in the United States, we incur significant additional legal, accounting, and other expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and The Nasdaq Stock Market, may increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts, we fail to comply with new laws, regulations, and standards, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events would also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as members of senior management.

Investors' and other stakeholders' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from certain investors, customers, employees, and other stakeholders concerning environmental, social and governance matters ("ESG"). Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. We may face reputational damage in the event that we do not meet the ESG standards set by various constituencies.

As ESG best practices and reporting standards continue to develop, we may incur increasing costs relating to ESG monitoring and reporting and complying with ESG initiatives. For example, the SEC has recently proposed climate change and ESG reporting requirements, which, if approved, would increase our compliance costs. We may also face greater costs to comply with new ESG standards or initiatives in the European Union. We recently published our ESG Report for fiscal year 2022, which describes, among other things, the measurement of our greenhouse gas emissions in 2021 and our efforts to reduce emissions. In addition, our ESG Report provides highlights of how we are supporting our workforce, including our efforts to promote diversity, equity, and inclusion. Our disclosures on these matters, or a failure to meet evolving stakeholder expectations for ESG practices and reporting, may potentially harm our reputation and customer relationships. Due to new regulatory standards and market standards, certain new or existing customers, particularly those in the European Union, may impose stricter ESG guidelines or mandates for, and may scrutinize relationships more closely with, their counterparties, including us, which may lengthen sales cycles or increase our costs.

Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives or goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, customers, employees and other stakeholders or our initiatives are not executed as planned, our business, financial condition, results of operations, and prospects could be adversely affected.

Climate change may have an impact on our business.

While we seek to mitigate our business risks associated with climate change (such as drought, wildfires, hurricanes, increased storm severity and sea level rise), we recognize that there are inherent climate-related risks wherever business is conducted. Our primary locations may be vulnerable to the adverse effects of climate change. For example, certain of our offices have experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, heat waves, wildfires and resultant air quality impacts and power shutoffs associated with wildfire prevention. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience losses and additional costs to maintain or resume operations. In addition, we may be subject to increased regulations, reporting requirements, standards or expectations regarding the environmental impacts of our business.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Trading Arrangements

During the Company's last fiscal quarter, the Company's directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated the contracts, instructions or written plans for the purchase or sale of the Company's securities set forth in the table below.

Name and Position	Action	Adoption/ Termination Date	Type of Trading Arrangement		Total Shares of Class A Common Stock to be Sold***	Expiration Date
			Rule 10b5- 1*	Non- Rule 10b5- 1**		
Aparna Bawa, Chief Operating Officer	Adoption	06/21/2023	X		166,944	07/31/2024

Velchamy Sankarlingam, President of Product & Engineering	Adoption	06/15/2023	X		109,965	08/23/2024
Eric S. Yuan, Chief Executive Officer	Adoption	06/02/2023	X		156,680	10/18/2024
* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.						
** “Non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K under the Exchange Act.						
*** Represents the maximum number of shares that may be sold pursuant to the 10b5-1 arrangement. The actual number of shares sold will be dependent on the satisfaction of certain conditions as set forth in the written plan.						

Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Zoom Video Communications, Inc.	8-K	001-38865	3.1	April 23, 2019
3.2	Amended and Restated Bylaws of Zoom Video Communications, Inc.	10-K	001-38865	3.2	March 3, 2023
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (the cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended July 31, 2023, has been formatted in Inline XBRL)				

* Filed herewith.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZOOM VIDEO COMMUNICATIONS, INC.

Date: August 23, 2023

By: /s/ Eric S. Yuan
Eric S. Yuan
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 23, 2023

By: /s/ Kelly Steckelberg
Kelly Steckelberg
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric S. Yuan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zoom Video Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 23, 2023

/s/ Eric S. Yuan

Eric S. Yuan
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kelly Steckelberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Zoom Video Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 23, 2023

/s/ Kelly Steckelberg

Kelly Steckelberg
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric S. Yuan, certify, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of Zoom Video Communications, Inc. for the fiscal quarter ended July 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Zoom Video Communications, Inc.

Date: August 23, 2023

By: /s/ Eric S. Yuan
Eric S. Yuan
President and Chief Executive Officer
(Principal Executive Officer)

I, Kelly Steckelberg, certify, pursuant to the requirement set forth in Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of Zoom Video Communications, Inc. for the fiscal quarter ended July 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Zoom Video Communications, Inc.

Date: August 23, 2023

By: /s/ Kelly Steckelberg
Kelly Steckelberg
Chief Financial Officer
(Principal Financial Officer)