

# Zoom Video Communications

Q3 FY22 Earnings  
November 22, 2021



# Use of non-GAAP financial measures



In addition to the financials presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation includes the following non-GAAP metrics: non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, non-GAAP operating income, non-GAAP EPS, and Free Cash Flow. Non-GAAP metrics have limitations as analytical tools and you should not consider them in isolation or as a substitute for or superior to the most directly comparable financial measures prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of non-GAAP metrics versus their nearest GAAP equivalents. Other companies, including companies in our industry, may calculate non-GAAP metrics differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP metrics as tools for comparison. We urge you to review the reconciliation of Zoom's non-GAAP metrics to the most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business. See the Appendix for reconciliation between each non-GAAP metric and the most comparable GAAP measure.

# Safe Harbor statement



This presentation and the accompanying oral presentation have been prepared by Zoom Video Communications, Inc. (“Zoom”) for informational purposes only and not for any other purpose. Nothing contained in this presentation is, or should be construed as, a recommendation, promise or representation by the presenter or Zoom or any officer, director, employee, agent or advisor of Zoom. This presentation does not purport to be all-inclusive or to contain all of the information you may desire. Information provided in this presentation and the accompanying oral presentation speak only as of the date hereof.

This presentation and the accompanying oral presentation contain express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our financial outlook for the fourth quarter and full fiscal year 2022, Zoom's expectations regarding financial and business trends, Zoom's growth strategy and business aspirations to help customers embrace change, enable hybrid workforces, and grow their businesses, product features and the expected benefits of such features, and Zoom continuing to fortify its position as a leading brand in its industry. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “potential,” “target,” “explore,” “continue,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. By their nature, these statements are subject to numerous uncertainties and risks, including factors beyond our control, that could cause actual results, performance or achievement to differ materially and adversely from those anticipated or implied in the statements, including: declines in new customers and hosts, renewals or upgrades, difficulties in evaluating our prospects and future results of operations given our limited operating history, competition from other providers of communications platforms, continued uncertainty regarding the extent and duration of the impact of COVID-19 and the responses of government and private industry thereto, including the potential effect on our user growth rate once the impact of the COVID-19 pandemic tapers, particularly as vaccines become widely available and distributed, and users return to work or school or are otherwise no longer subject to limitations on in-person meetings, as well as the impact of COVID-19 on the overall economic environment, any or all of which will have an impact on demand for remote work solutions for businesses as well as overall distributed, face-to-face interactions and collaboration using Zoom, delays or outages in services from our co-located data centers, and failures in internet infrastructure or interference with broadband access, which could cause current or potential users to believe that our systems are unreliable.

Additional risks and uncertainties that could cause actual outcomes and results to differ materially from those contemplated by the forward-looking statements are included under the caption “Risk Factors” and elsewhere in our most recent filings with the Securities and Exchange Commission (the “SEC”), including our quarterly report on Form 10-Q for the fiscal quarter ended July 31, 2021. Forward-looking statements speak only as of the date the statements are made and are based on information available to Zoom at the time those statements are made and/or management's good faith belief as of that time with respect to future events. Zoom assumes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, except as required by law.

This presentation and the accompanying oral presentation also contain estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of our future performance and the future performance of the markets in which we compete are necessarily subject to a high degree of uncertainty and risk.

- Hosted on Zoom Events, nearly 34K live virtual attendees (up 30% from last year)
- Highlighted many customers and partners with 277 speakers
- Showcased customers using Zoom to enable hybrid workforces, and grow their businesses
- Unveiled Video Engagement Center, Whiteboard, and much more



# Thank you, Carrier!



# Strong Wins and Expansions

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A leading global retail brand

+20k Phone seats

A global tech firm

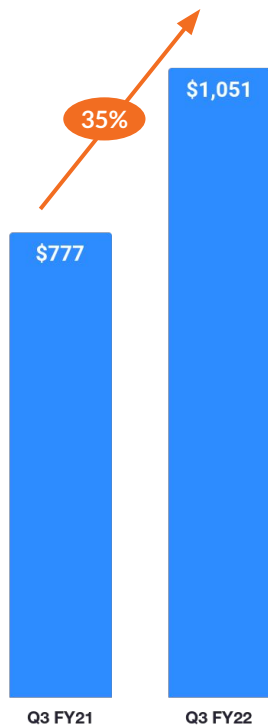
+16.5k Meetings licenses

Big 4 audit & Big 3 consulting customers

+35k Meetings licenses

# Strong revenue growth

(in millions)



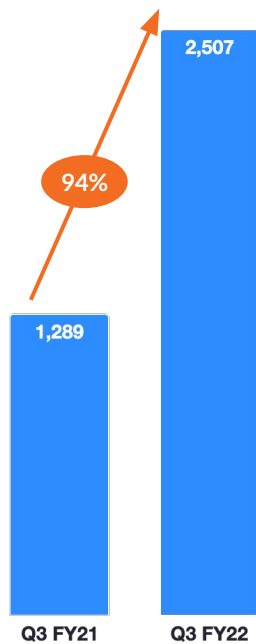
Q3'22: 26%  
Q3'21: 19%  
of YoY incremental  
revenue from  
existing customers

- Zoom Phone saw **triple-digit** YoY revenue growth
- Zoom Phone reached **30** customers with 10k+ paid seats in Q3 FY22
- Strong growth in Zoom Rooms

<sup>1</sup>ARR stands for Annual Recurring Revenue

# Expanding customer base

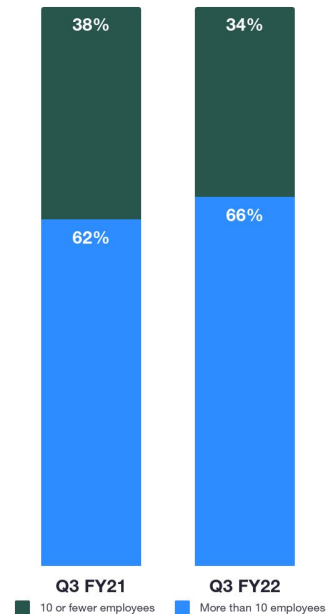
Customers contributing >\$100k in trailing 12-months revenue<sup>1</sup>



Customers<sup>2</sup> with more than 10 employees



Revenue Share by customer cohort



<sup>1</sup>The revenue from these customers represented 22% and 18% of total revenue for Q3 FY22 and Q3 FY21, respectively.

<sup>2</sup>The numbers of customers are rounded down to the nearest hundred.



# Strong Net Dollar Expansion Rate

TTM Net Dollar  
Expansion Rate<sup>1</sup>

**>130%**

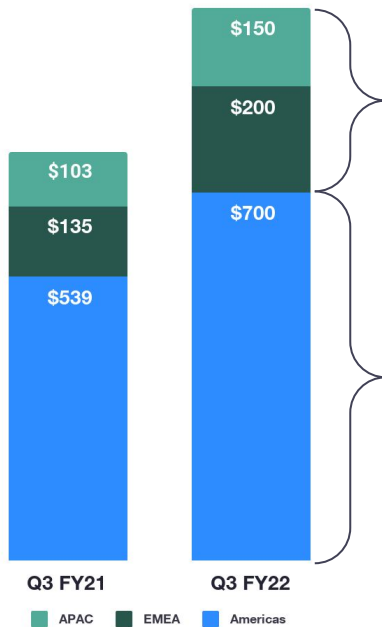
in Q3 FY22

- 14<sup>th</sup> consecutive quarter above 130%
- Demonstrated ability to land and expand
- Reflects trust and loyalty with existing customers

<sup>1</sup>We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with more than 10 employees as of the 12 months prior to such period end (Prior Period ARR). We then calculate the ARR from these customers as of the current period end (Current Period ARR). The calculation of Current Period ARR includes any upsells, contraction and attrition. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12-months calculation, we take an average of this calculation over the trailing 12 months.

# Growing international presence

Revenue<sup>1</sup>  
(in millions)

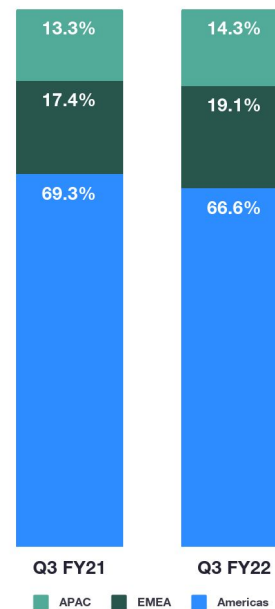


Yr/Yr Growth

ROW  
47%

Americas  
30%

Revenue Share by  
Region<sup>1</sup>



<sup>1</sup>Subtotal revenue has been rounded.

# Q3 FY22 expenses and margins

	GAAP Results		Non-GAAP <sup>1</sup> Results	
		Yr/Yr		Yr/Yr
Revenue	\$1,051 million	35%	\$1,051 million	35%
Gross Margin	74.2%	+750 bps	76.0%	+774 bps
R&D Expense	9.4%	+390 bps	6.4%	+320 bps
S&M Expense	28.0%	+348 bps	22.6%	+444 bps
G&A Expense	9.2%	(282 bps)	7.8%	(163 bps)
Operating Margin	27.7%	+295 bps	39.1%	+173 bps
EPS	\$1.11	68%	\$1.11	12%

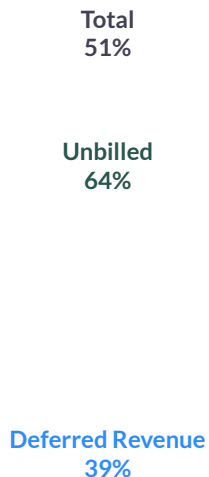
<sup>1</sup> See appendix for a reconciliation of non-GAAP to GAAP financial measures.

# Growing future revenue under contract

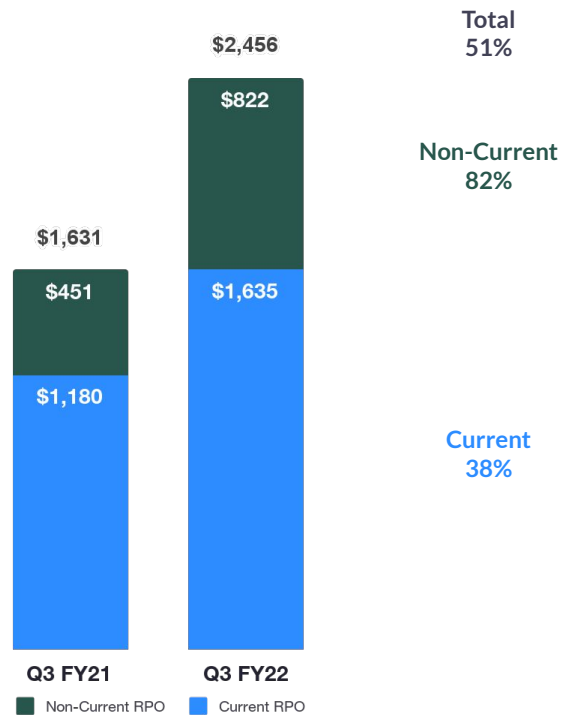
Total RPO<sup>1</sup>  
(in millions)



Yr/Yr Growth



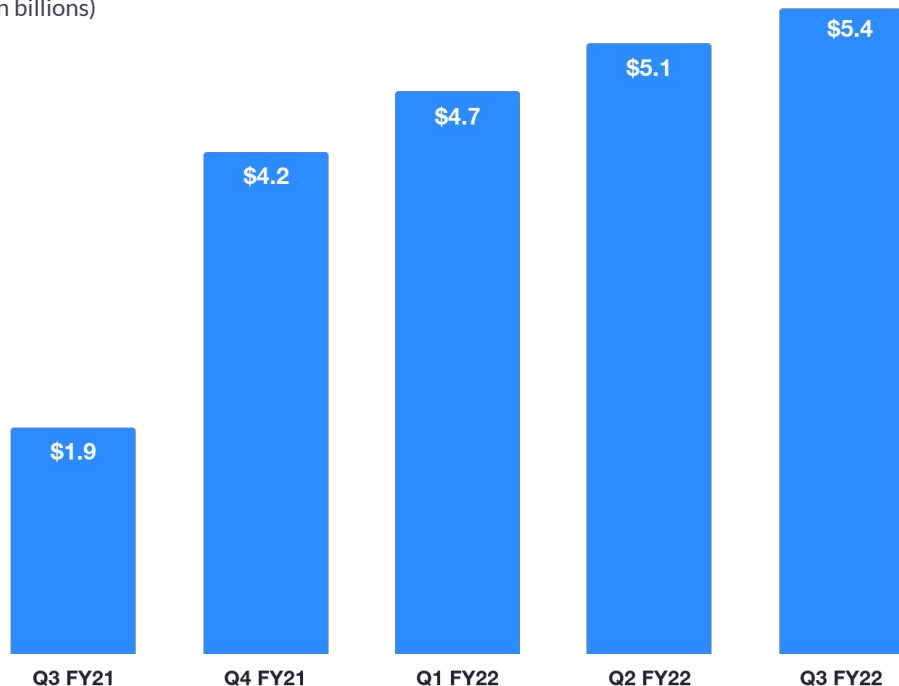
Yr/Yr Growth



<sup>1</sup> Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. We expect to recognize approximately 67% or \$1.6 billion of the total RPO as revenue over the next 12 months compared to 72% or \$1.2 billion in Q3 last year. Subtotals have been rounded.

# Strong cash flow and position in Q3

Cash Position<sup>1</sup>  
(in billions)



**\$395M**  
in Operating  
Cash Flow

**\$375M**  
in Free Cash  
Flow<sup>2</sup>

<sup>1</sup> Cash, cash equivalents and marketable securities, excluding restricted cash at the end of the period.  
<sup>2</sup> See appendix for a reconciliation of non-GAAP to GAAP financial measures. We define FCF as GAAP net cash provided by operating activities less purchases of property and equipment.

# Q4 and Fiscal Year 2022 outlook

	Q4 FY22	FY22
Outlook <sup>1</sup>		
Revenue	\$1,051 - \$1,053 million	\$4,079 - \$4,081 million
Non-GAAP Operating Income	\$361 - \$363 million	\$1,598 - \$1,600 million
Weighted Average Share Count	307 million	306 million
Non-GAAP EPS	\$1.06 - \$1.07	\$4.84 - \$4.85

<sup>1</sup> A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty of expenses that may be incurred in the future, although it is important to note that these factors could be material to Zoom's results computed in accordance with GAAP.



**Thank You**



**zoom**



# Appendix

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q3 FY21	Q3 FY22	Q1-Q3 FY21	Q1-Q3 FY22
<b>Gross Profit</b>				
Total Revenue	\$777,196	\$1,050,756	\$1,768,883	\$3,028,488
GAAP Gross Profit	\$518,469	\$779,799	\$1,214,178	\$2,231,281
(+) Stock-based compensation expense and related payroll taxes	\$11,620	\$17,772	\$23,061	\$49,973
(+) Acquisition-related expense	\$168	\$642	\$322	\$2,088
Non-GAAP Gross Profit	\$530,257	\$798,213	\$1,237,561	\$2,283,342
Non-GAAP Gross Margin	68.2%	76.0%	70.0%	75.4%
<b>R&amp;D Expenses</b>				
GAAP R&D	\$42,582	\$98,508	\$111,705	\$245,994
(-) Stock-based compensation expense and related payroll taxes	\$(16,191)	\$(28,181)	\$(31,760)	\$(73,434)
(-) Acquisition-related expense	\$(1,268)	\$(2,692)	\$(5,274)	\$(9,439)
Non-GAAP R&D	\$25,123	\$67,635	\$74,671	\$163,121
<b>S&amp;M Expenses</b>				
GAAP S&M	\$190,157	\$293,698	\$470,886	\$810,544
(-) Stock-based compensation expense and related payroll taxes	\$(49,065)	\$(56,320)	\$(103,519)	\$(171,216)
Non-GAAP S&M	\$141,092	\$237,378	\$367,367	\$639,328
<b>G&amp;A Expenses</b>				
GAAP G&A	\$93,488	\$96,736	\$227,856	\$362,971
(-) Stock-based compensation expense and related payroll taxes	\$(20,255)	\$(16,435)	\$(30,639)	\$(45,202)
(-) Litigation settlements, net	-	-	-	\$(66,916)
(-) Charitable donation of common stock	-	-	\$(23,312)	-
(-) Acquisition-related expense	\$38	\$1,621	\$(744)	\$(6,790)
Non-GAAP G&A	\$73,271	\$81,922	\$173,161	\$244,063

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q3 FY21	Q3 FY22	Q1-Q3 FY21	Q1-Q3 FY22
<b>Operating Profit</b>				
Total Revenue	\$777,196	\$1,050,756	\$1,768,883	\$3,028,488
GAAP Operating Profit	\$192,242	\$290,857	\$403,731	\$811,772
(+) Stock-based compensation expense and related payroll taxes	\$97,131	\$118,708	\$188,979	\$339,825
(+) Litigation settlements, net	-	-	-	\$66,916
(+) Charitable donation of common stock	-	-	\$23,312	-
(+) Acquisition-related expense	\$1,398	\$1,713	\$6,340	\$18,317
Non-GAAP Operating Profit	\$290,771	\$411,278	\$622,362	\$1,236,830
Non-GAAP Operating Margin	37.4%	39.1%	35.2%	40.8%
<b>Net Income</b>				
GAAP net income attributable to common stockholders	\$198,440	\$340,271	\$411,175	\$884,568
(+) Stock-based compensation expense and related payroll taxes	\$97,131	\$118,708	\$188,979	\$339,825
(+) Litigation settlements, net	-	-	-	\$66,916
(+) Charitable donation of common stock	-	-	\$23,312	-
(+) Acquisition-related expenses	\$1,398	\$1,713	\$6,340	\$18,317
(+) Undistributed earnings attributable to participating securities	\$202	\$112	\$531	\$430
(-) Gains on strategic investments, net	-	\$(122,421)	-	\$(154,497)
Non-GAAP net income	\$297,171	\$338,383	\$630,337	\$1,155,559
<b>Earnings Per Share</b>				
GAAP net income per share -diluted	\$0.66	\$1.11	\$1.38	\$2.89
Non-GAAP net income per share -diluted	\$0.99	\$1.11	\$2.12	\$3.78
<b>Weighted Average Shares</b>				
GAAP and Non-GAAP weighted-average -diluted	299,258,765	305,939,624	297,605,941	305,726,733

# GAAP to Non-GAAP Reconciliation

(\$ in Thousands)	Q3 FY21	Q3 FY22	Q1-Q3 FY21	Q1-Q3 FY22
<b>Free Cash Flow</b>				
Cash Flow from Operations	\$411,470	\$394,556	\$1,071,781	\$1,395,870
(-) Purchases of PPE	\$(23,264)	\$(19,767)	\$(58,517)	\$(111,816)
Free Cash Flow	\$388,206	\$374,789	\$1,013,264	\$1,284,054
Net Cash Used in Investing Activities	\$(437,816)	\$(1,002,916)	\$(673,377)	\$(2,367,098)
Net Cash Provided by (Used in) Financing Activities	\$23,600	\$(44,219)	\$296,242	\$20,885

# Historic Metrics

(\$ in millions)

	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22
<b>Revenue</b>	\$188.3	\$328.2	\$663.5	\$777.2	\$882.5	\$956.2	\$1,021.5	\$1,050.8
<i>Y/Y growth</i>	78%	169%	355%	367%	369%	191%	54%	35%
<b>GAAP Operating Income</b>	\$10.6	\$23.4	\$188.1	\$192.2	\$256.1	\$226.3	\$294.6	\$290.9
<b>Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and litigation settlements, net</b>	\$27.9	\$31.2	\$88.9	\$98.5	\$104.8	\$174.6	\$130.1	\$120.4
<b>Non-GAAP Operating Income</b>	\$38.4	\$54.6	\$277.0	\$290.8	\$360.9	\$400.9	\$424.7	\$411.3
<b>Operating Cash Flow</b>	\$36.6	\$259.0	\$401.3	\$411.5	\$399.4	\$533.3	\$468.0	\$394.6
<b>Capital Expenditures</b>	\$(10.0)	\$(7.3)	\$(28.0)	\$(23.3)	\$(21.5)	\$(79.1)	\$(13.0)	\$(19.8)
<b>Free Cash Flow</b>	\$26.6	\$251.7	\$373.4	\$388.2	\$377.9	\$454.2	\$455.0	\$374.8
<b>RPO</b>	\$604.1	\$1,067.9	\$1,415.8	\$1,631.2	\$1,750.9	\$2,073.4	\$2,346.3	\$2,456.5
<i>Y/Y growth</i>	94%	184%	209%	215%	190%	94%	66%	51%
<b>TTM Net \$ Expansion Rate</b>	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%	> 130%
<b>Customers &gt; 10 Employees</b>	81,900	265,400	370,200	433,700	467,100	497,000	504,900	512,100
<i>Y/Y growth</i>	61%	354%	458%	485%	470%	87%	36%	18%
<b>Customers &gt; \$100K TTM Revenue</b>	641	769	988	1,289	1,644	1,999	2,278	2,507
<i>Y/Y growth</i>	86%	90%	112%	136%	156%	160%	131%	94%