

Zoom Q2 FY26 Earnings - Prepared Remarks

Slide 1 – Zoom Q2 FY26 Earnings

Charles Eveslage, Head of IR

Thank you, Megan.

Hello everyone, and welcome to Zoom's earnings video webinar for the second quarter of fiscal year 2026. I'm joined today by Zoom's Founder and CEO, Eric Yuan, and Zoom's CFO, Michelle Chang.

Slide 2 – Use of non-GAAP financial measures

Our earnings release was issued today after the market closed and may be downloaded from the Investor Relations page at investors.zoom.com. Also, on this page you'll be able to find a copy of today's prepared remarks and a slide deck with financial highlights that, along with our earnings release, include a reconciliation of GAAP to non-GAAP financial results. These measures should not be considered in isolation from or as a substitute for financial information prepared in accordance with GAAP.

Slide 3 – Safe Harbor Statement

During this call we will make forward-looking statements, including statements regarding our financial outlook for the third quarter and full fiscal year 2026; our expectations regarding financial and business trends; impacts from the macroeconomic environment, our market position, stock repurchase program, opportunities, go-to-market initiatives, growth strategy and business aspirations; and product initiatives, including future product and feature releases, and the expected benefits of such initiatives.

These statements are only predictions that are based on what we believe today, and actual results may differ materially. These forward-looking statements are subject to risks and other factors that could affect our performance and financial results, which we discuss in detail in our filings with the SEC, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Zoom assumes no obligation to update any forward-looking statements we may make on today's webinar.

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

Slide 4 – Rapid AI innovation expands customer value

Eric Yuan, Founder and CEO

Thank you, Charles.

We delivered strong results highlighted by revenue growing at its fastest rate in 11 quarters. We also achieved meaningful progress on our three key priorities: delivering world-class AI to enhance customer value, rapidly innovating Zoom Workplace, and scaling high-growth departmental solutions.

Zoom is strengthening its position as a leader in AI-powered collaboration, helping customers work smarter, operate more efficiently, and deliver greater value to their organizations. Reflecting this impact, AI Companion Monthly Active Users have grown over four times year over year, with millions using our AI to boost business value throughout the meeting lifecycle and beyond. AI adoption now extends well beyond meeting summaries, with strong momentum in meeting prep and post-meeting task management, call summaries for Zoom Phone, and AI-first meeting integration and content generation capabilities for Zoom Docs. This progress is just the beginning and we look forward to sharing more AI innovations at Zoomtopia next month.

Our broadening AI adoption is also translating into greater customer investment, as organizations increasingly see our AI as critical to driving business outcomes. In Q2, a Fortune 200 U.S. tech company deployed Zoom Custom AI Companion, our paid AI add-on for Zoom Workplace, for nearly 60,000 employees to tap into company knowledge during meetings, generate action-ready summaries that power agentic workflows, and integrate directly with their AI bot to streamline IT service operations.

Customers are also benefiting from our AI supporting human agents in our Contact Center Elite offering, which is a critical component driving revenue growth in Zoom Customer Experience. One example is ATPI, a leading UK-based global travel and events management company known for its expertise in complex sectors, who in Q2 selected Zoom Contact Center Elite alongside Zoom Phone to transform their global customer engagement. ATPI chose Zoom over the competition for our "better together" voice and contact center offering

and because of the measurable potential of our AI features across AI Expert Assist, Quality Management, and Workforce Management to significantly reduce hours spent by both agents and supervisors on repeatable tasks.

Lastly, we are also excited about the Q2 launch of Virtual Agent 2.0, which advances from conversational to agentic AI designed to deliver measurable customer outcomes. In its first month, we saw deals including SecureOne—a private security company—who replaced an expensive manual after-hours answering service with ZVA for Voice. The solution integrated seamlessly with their existing Zoom Phone deployment, reduced costs by tens of thousands of dollars annually, and enhanced sales prospecting through intelligent automation. This is just one example of how Zoom’s agentic AI tools can help customers drive both meaningful cost savings and new revenue opportunities.

Slide 5 - Building out the Collaboration Experience with Zoom Workplace

Zoom continues to innovate with Zoom Workplace, delivering a seamless and integrated collaboration experience with Zoom Meetings, Phone, Team Chat, Events, Docs, Whiteboard, and Rooms. We have been honored with four UC Today Awards, recognizing our continued innovation and leadership — including Most Innovative Product for AI Companion, Best UC Platform for Zoom Workplace, Best UCaaS Provider Americas, and Best Contact Center Solution. Furthermore, in recognition of our customer focus and innovation, we are proud to be named a UCaaS leader in the Forrester Wave™).

Our continued momentum reflects not only strong customer demand for our modern collaboration solutions, but also the success of meeting buyers where they are—through preferred channels like AWS Marketplace. In Q2, for example, Hubspot expanded to Zoom Workplace, including Zoom Phone, Rooms, Sessions, Whiteboard, Translated Captions, and more. This will deliver the benefits of our modern, integrated, and cohesive collaboration suite to help them enable hybrid work across their global workforce, reduce costs, and simplify billing on AWS Marketplace.

Our focus on customer value led many companies to boomerang to Zoom after trying other services. One such company is F5, a global technology leader in application delivery and security. F5 bounced back to Zoom with a 7-figure ARR deal due to the increased productivity and lower total cost of ownership of our modern, easy-to-use platform.

And finally, Zoom Phone delivered another strong quarter, sustaining mid-teens ARR growth and gaining market share versus leading competitors — an impressive result given its already large scale as a UCaaS leader. Our better together vision unifying best-in-class voice collaboration and customer engagement solutions drove a major 5-year, 7-figure ARR Zoom Phone deal displacing Cisco, which also includes Workplace and Contact Center Elite.

Slide 6 – Scaling High-Growth Department Solutions

We also continue to drive amazing growth with our Customer Experience and Employee Experience solutions.

As I mentioned earlier, AI adoption is increasing within our Customer Experience offering and transforming how brands engage their customers and build loyalty with our set of modern, differentiated, AI-first tools. You see this momentum in the number of Zoom Contact Center Customers with over \$100k ARR, which grew 94% year over year to 229, highlighting our ability to win with large accounts in high-stakes deployments and migrate them into the high-end AI products. Our top ten Contact Center deals were all displacements of leading competitors, and all but one were cloud displacements.

Inland Real Estate Group, whose member companies employ more than 1,200 people, faced challenges for years managing disparate systems. In Q2, they chose the full Zoom Platform, including Workplace, Phone, and Contact Center, to unify their Collaboration and Customer Experience and future-proof their business.

We have also made progress in building additional routes to market. We are excited about our newly established collaboration with PwC, which expands our Zoom Contact Center and AI opportunity and ability to meet the needs of global Enterprise customers. Together, we have already co-sold several large deals, including a Fortune 50 technology firm, for which PwC will provide advisory and implementation services.

In Q2, our Employee Experience offering continued to shine, with Workvivo reaching 168 customers with over \$100k in ARR—up 142% year over year.

One of these large deals was Marubeni Corporation, a large, diversified Japanese conglomerate that transitioned to Workvivo from Meta Workplace with

more than 10,000 licenses to elevate how it informs, connects, and engages employees.

Before I hand it to Michelle to take us through the financial results let me close by saying that on September 17th we look forward to bringing you Zoomtopia 2025: “For the People”, our biggest event of the year. You’ll learn about exciting product reveals, inspiring stories, and much more. See you there!

Michelle.

Slide 7 – Revenue acceleration in Q2; Online churn stabilizing

Michelle Chang, CFO

Thank you Eric, and hello everyone.

I’m excited to share Zoom’s Q2 FY26 financial performance today. In Q2, total revenue grew 4.7% year over year to \$1.217 billion dollars, or 4.4% in constant currency. This result was \$17 million dollars above the high end of our guidance.

Our Enterprise business continues to be a key point of strength with revenue growing 7% year over year and representing 60% of our total revenue, up 1 point year over year.

Our Online business continues to show signs of stabilizing. In Q2, Average Monthly Churn was flat year over year at continued lows of 2.9%.

Slide 8 – Continued growth in the up-market and internationally

In our Enterprise business, we saw approximately 9% year-over-year growth in the number of customers contributing more than \$100,000 dollars in trailing twelve month revenue. These customers make up 32% of our total revenue, up 1 point year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q2 held steady at 98%.

Pivoting to our growth internationally; our Americas revenue grew 5% year over year, EMEA grew 6%, and APAC grew 4%.

Slide 9 – Q2 FY26 expenses and margins

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

Non-GAAP gross margin in Q2 was 79.8%, up 128 basis points from Q2 of last year primarily due to cost optimization efforts. We continue to reiterate our long-term goal of 80% non-GAAP gross margins, and remain focused in the near term around balancing investments in AI with cost efficiencies.

Non-GAAP income from operations grew 10.5% year over year to \$503 million dollars, exceeding the high end of our guidance by over \$38 million dollars. Non-GAAP operating margin for Q2 was 41.3%, up 216 basis points from Q2 of last year. The operating margin improvement was driven by ongoing cost management and timing of spend.

Non-GAAP diluted net income per share in Q2 was \$1.53 on approximately 308 million non-GAAP diluted weighted-average shares outstanding. This result was 16 cents above the high end of our guidance and 14 cents higher than Q2 of FY25. The EPS growth reflects strong business performance, effective cost management and less dilution, driven by our buyback program and disciplined stock compensation management.

Slide 10 – Growth in Deferred Revenue and RPO

Turning to the balance sheet.

Deferred revenue at the end of the period grew 5% year over year to 1.48 billion dollars, slightly ahead of the high end of our previously provided range. For Q3, we expect deferred revenue to be up 4 to 5% year over year.

Looking at both our billed and unbilled contracts, our RPO increased over 5% year over year to approximately \$4 billion dollars. We expect to recognize just under 61% of the total RPO as revenue over the next 12 months, slightly up from 60% in Q2 of FY25.

Slide 11 – Strong Cash Flow, ~\$7.8B cash balance, accelerated execution of share buyback in Q2

Operating cash flow in Q2 grew 15% year over year to \$516 million dollars, representing an operating cash flow margin of 42.4%. Free cash flow in the

quarter grew 39% year over year to \$508 million dollars, representing a free cash flow margin of 41.7%, up 10 points year over year. The year-over-year increase in free cash flow margin was driven by the timing of tax payments and lapping significant PP&E investments.

We ended the quarter with approximately \$7.8 billion dollars in cash, cash equivalents and marketable securities, excluding restricted cash.

In Q2, we again accelerated execution of our existing \$2.7 billion dollar share buyback plan, purchasing 6 million shares for \$463 million dollars, an increase of approximately 389 thousand shares quarter over quarter, underscoring our commitment to delivering value to shareholders.

Slide 12 – Q3 & raised fiscal year 2026 outlook

Turning to guidance.

For Q3, we expect revenue to be in the range of \$1.210 to \$1.215 billion dollars. This represents approximately 3.0% year-over-year growth at the midpoint. We expect non-GAAP operating income to be in the range of \$465 to \$470 million dollars, representing an operating margin of 38.6% at the midpoint. Our outlook for non-GAAP earnings per share is \$1.42 to \$1.44 based on approximately 307 million shares outstanding. As a reminder, future share repurchases are not reflected in Share Count and EPS guidance.

For the full year FY26, we are excited to raise both our revenue and profitability guidance. We now expect revenue to be in the range of \$4.825 to \$4.835 billion dollars, which at the midpoint represents approximately 3.5% year-over-year growth. We expect our non-GAAP operating income to be in the range of \$1.905 to \$1.915 billion dollars, representing an operating margin of 39.5% at the midpoint. In addition, our outlook for non-GAAP earnings per share in FY26 is increasing to \$5.81 to \$5.84, based on approximately 308 million shares outstanding.

With the strength in free cash flow in the first half and increased outlook for operating income in FY26, we now expect free cash flow to be in the range of 1.74 to 1.78 billion dollars for the full year.

In closing, we've made progress improving top-line growth, we've sustained best-in-class profitability, and reduced dilution. We're executing on our three

priorities with discipline and momentum, and remain committed to building on this success to deliver lasting value for our shareholders.

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

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