



CORRECTION - Zoom Reports Financial Results for the Second Quarter of Fiscal Year 2022

August 31, 2021

- **Second quarter total revenue of \$1,021.5 million, up 54% year over year**
- **Number of customers contributing more than \$100,000 in TTM revenue up 131% year over year**
- **Second quarter GAAP operating margin of 28.8% and non-GAAP operating margin of 41.6%**

SAN JOSE, Calif., Aug. 30, 2021 (GLOBE NEWSWIRE) -- Zoom Video Communications, Inc. (NASDAQ: ZM) is updating this press release to include the "Amortization on marketable securities" line item in its condensed consolidated statements of cash flows. Complete corrected text follows.

Zoom Video Communications, Inc. (NASDAQ: ZM) today announced financial results for the second fiscal quarter ended July 31, 2021.

"In Q2, we achieved our first billion dollar revenue quarter while delivering strong profitability and cash flow," said Zoom founder and CEO, Eric S. Yuan. "Q2 also marked several milestones on our expansion beyond the UC platform. We launched Zoom Apps, bringing over 50 apps directly into the Zoom experience, and Zoom Events, an all-in-one digital events service. Today we are a global brand counting over half a million customers with more than 10 employees, which we believe positions us extremely well to support organizations and individuals as they look to reimagine work, communications, and collaboration."

Second Quarter Fiscal Year 2022 Financial Highlights:

- **Revenue:** Total revenue for the second quarter was \$1,021.5 million, up 54% year over year.
- **Income from Operations and Operating Margin:** GAAP income from operations for the second quarter was \$294.6 million, up from \$188.1 million in the second quarter of fiscal year 2021. After adjusting for stock-based compensation expense and related payroll taxes, acquisition-related expenses, and expenses related to charitable donation of common stock, non-GAAP income from operations for the second quarter was \$424.7 million, up from \$277.0 million in the second quarter of fiscal year 2021. For the second quarter, GAAP operating margin was 28.8% and non-GAAP operating margin was 41.6%.
- **Net Income and Diluted Net Income Per Share:** GAAP net income attributable to common stockholders for the second quarter was \$316.9 million, or \$1.04 per share, up from \$185.7 million, or \$0.63 per share in the second quarter of fiscal year 2021.

Non-GAAP net income for the quarter was \$415.1 million, after adjusting for stock-based compensation expense and related payroll taxes, acquisition-related expenses, gains on strategic investments, undistributed earnings attributable to participating securities, and expenses related to charitable donation of common stock. Non-GAAP net income per share was \$1.36. In the second quarter of fiscal year 2021, non-GAAP net income was \$274.8 million, or \$0.92 per share.

- **Cash and Marketable Securities:** Total cash, cash equivalents, and marketable securities, excluding restricted cash, as of July 31, 2021 was \$5.1 billion.
- **Cash Flow:** Net cash provided by operating activities was \$468.0 million for the second quarter, compared to \$401.3 million in the second quarter of fiscal year 2021. Free cash flow, which is net cash provided by operating activities less purchases of property and equipment, was \$455.0 million, compared to \$373.4 million in the second quarter of fiscal year 2021.

Customer Metrics: Drivers of total revenue included acquiring new customers and expanding across existing customers. At the end of the second quarter of fiscal year 2022, Zoom had:

- 2,278 customers contributing more than \$100,000 in trailing 12 months revenue, up approximately 131% from the same quarter last fiscal year.
- Approximately 504,900 customers with more than 10 employees, up approximately 36% from the same quarter last fiscal year.
- A trailing 12-month net dollar expansion rate in customers with more than 10 employees above 130% for the 13th consecutive quarter.

Financial Outlook: Zoom is providing the following guidance for its third quarter fiscal year 2022 and its full fiscal year 2022.

- Third Quarter Fiscal Year 2022: Total revenue is expected to be between \$1.015 billion and \$1.020 billion and non-GAAP income from operations is expected to be between \$340.0 million and \$345.0 million. Non-GAAP diluted EPS is expected to be between \$1.07 and \$1.08 with approximately 309 million non-GAAP weighted average shares outstanding.
- Full Fiscal Year 2022: Total revenue is expected to be between \$4.005 billion and \$4.015 billion. Non-GAAP income from operations is expected to be between \$1.500 billion and \$1.510 billion. Non-GAAP diluted EPS is expected to be between \$4.75 and \$4.79 with approximately 308 million non-GAAP weighted average shares outstanding.

Additional information on Zoom's reported results, including a reconciliation of the non-GAAP results to their most comparable GAAP measures, is included in the financial tables below. 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.

A supplemental financial presentation and other information can be accessed through Zoom's investor relations website at investors.zoom.us.

Zoom Video Earnings Call

Zoom will host a Zoom Video Webinar for investors on August 30, 2021 at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss the company's financial results and business highlights. Investors are invited to join the Zoom Video Webinar by visiting: <https://investors.zoom.us/>

About Zoom

Zoom is for you. We help you express ideas, connect to others, and build toward a future limited only by your imagination. Our frictionless communications platform is the only one that started with video as its foundation, and we have set the standard for innovation ever since. That is why we are an intuitive, scalable, and secure choice for large enterprises, small businesses, and individuals alike. Founded in 2011, Zoom is publicly traded (NASDAQ:ZM) and headquartered in San Jose, California. Visit zoom.com and follow @zoom.

Forward-Looking Statements

This press release contains 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 third quarter of fiscal year 2022 and full fiscal year 2022, Zoom's growth strategy and business aspirations to support organizations and people on multiple fronts as they look to reimagine work, communications and collaboration. 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 a vaccine becomes widely available, and users return to work or school or are otherwise no longer subject to shelter-in-place mandates, 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 April 30, 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.

Non-GAAP Financial Measures

Zoom has provided in this press release financial information that has not been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). Zoom uses these non-GAAP financial measures internally in analyzing its financial results and believes that use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing Zoom's financial results with other companies in its industry, many of which present similar non-GAAP financial measures.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures and should be read only in conjunction with Zoom's condensed consolidated financial statements prepared in accordance with GAAP. A reconciliation of Zoom's historical non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation.

Non-GAAP Income From Operations and Non-GAAP Operating Margins. Zoom defines non-GAAP income from operations as income from operations excluding stock-based compensation expense and related payroll taxes, expenses related to charitable donation of common stock, acquisition-related expenses, and litigation settlements, net. Zoom excludes stock-based compensation expense and expenses related to charitable donation of common stock because they are non-cash in nature and excluding these expenses provides meaningful supplemental information regarding Zoom's operational performance and allows investors the ability to make more meaningful comparisons between Zoom's operating results and those of other companies. Zoom excludes the amount of employer payroll taxes related to employee stock plans, which is a cash expense, in order for investors to see the full effect that excluding stock-based compensation expense had on Zoom's operating results. In particular, this expense is dependent on the price of our common stock and other factors that are beyond our control and do not correlate to the operation of the business. Zoom views acquisition-related expenses when applicable, such as amortization of acquired intangible assets, transaction costs, and acquisition-related retention payments that are directly related to business combinations as events that are not necessarily reflective of operational performance during a period. Zoom excludes significant litigation settlements, net of amounts covered by insurance, that we deem not to be in the ordinary course of our business. In particular, Zoom believes the consideration of measures that exclude such expenses can assist in the comparison of operational performance in different periods which may or may not include such expenses and assist in the comparison with the results of other companies in the industry.

Non-GAAP Net Income and Non-GAAP Net Income Per Share, Basic and Diluted. Zoom defines non-GAAP net income and non-GAAP net income per share, basic and diluted, as GAAP net income attributable to common stockholders and GAAP net income per share attributable to common stockholders, basic and diluted, respectively, adjusted to exclude stock-based compensation expense and related payroll taxes, expenses related to charitable donation of common stock, acquisition-related expenses, litigation settlements, net, gains on strategic investments, and undistributed earnings attributable to participating securities. Zoom excludes gains on strategic investments because given the size and volatility in the ongoing adjustments to the valuation of our strategic investments, we believe that excluding these gains or losses facilitates a more meaningful evaluation of our operational performance. Zoom excludes undistributed earnings attributable to participating securities because they are considered by management to be outside of Zoom's core operating results, and excluding them provides investors and management with greater visibility to the underlying performance of Zoom's business operations, facilitates comparison of its results with other periods and may also facilitate comparison with the results of other companies in the industry.

In order to calculate non-GAAP net income per share, basic and diluted, Zoom uses a non-GAAP weighted-average share count. Zoom defines non-GAAP weighted-average shares used to compute non-GAAP net income per share, basic and diluted, as GAAP weighted average shares used to compute net income per share attributable to common stockholders, basic and diluted, adjusted to reflect the common stock issued in connection with the IPO, including the concurrent private placement, that are outstanding as of the end of the period as if they were outstanding as of the beginning of the period for comparability.

Free Cash Flow. Zoom defines free cash flow as GAAP net cash provided by operating activities less purchases of property and equipment. Zoom considers free cash flow to be a liquidity measure that provides useful information to management and investors regarding net cash provided by operating activities and cash used for investments in property and equipment required to maintain and grow the business.

Customer Metrics

Zoom defines a customer as a separate and distinct buying entity, which can be a single paid host or an organization of any size (including a distinct unit of an organization) that has multiple paid hosts.

Zoom calculates net dollar expansion rate as of a period end by starting with the annual recurring revenue ("ARR") from all customers with more than 10 employees as of 12 months prior ("Prior Period ARR"). Zoom defines ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. We then calculate the ARR from these customers as of the current period end ("Current Period ARR"), which includes any upsells, contraction, and attrition. Zoom divides the Current Period ARR by the Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12 months calculation, Zoom takes an average of the net dollar expansion rate over the trailing 12 months.

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Zoom Video Communications, Inc. Condensed Consolidated Balance Sheets (Unaudited, in thousands)

	As of	
	July 31, 2021	January 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,931,370	\$ 2,240,303
Marketable securities	3,174,029	2,004,410
Accounts receivable, net	395,266	294,703
Deferred contract acquisition costs, current	162,126	136,630
Prepaid expenses and other current assets	172,288	116,819
Total current assets	5,835,079	4,792,865
Deferred contract acquisition costs, noncurrent	154,971	157,262
Property and equipment, net	193,852	149,924
Operating lease right-of-use assets	91,087	97,649
Strategic investments	137,795	18,668
Goodwill	26,247	24,340
Other assets, noncurrent	69,562	57,285
Total assets	<u>\$ 6,508,593</u>	<u>\$ 5,297,993</u>
Liabilities and stockholders' equity		
Current liabilities:		

Accounts payable	\$ 49,762	\$ 8,664
Accrued expenses and other current liabilities	482,162	393,018
Deferred revenue, current	1,154,449	858,284
Total current liabilities	1,686,373	1,259,966
Deferred revenue, noncurrent	23,579	25,211
Operating lease liabilities, noncurrent	83,009	90,415
Other liabilities, noncurrent	57,884	61,634
Total liabilities	1,850,845	1,437,226
Stockholders' equity:		
Preferred stock	—	—
Common stock	296	292
Additional paid-in capital	3,440,222	3,187,168
Accumulated other comprehensive income	147	839
Retained earnings	1,217,083	672,468
Total stockholders' equity	4,657,748	3,860,767
Total liabilities and stockholders' equity	\$ 6,508,593	\$ 5,297,993

Note: The amount of unbilled accounts receivable included within accounts receivable, net on the condensed consolidated balance sheets was \$35.4 million and \$24.6 million as of July 31, 2021 and January 31, 2021, respectively.

Zoom Video Communications, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2021	2020	2021	2020
Revenue	\$ 1,021,495	\$ 663,520	\$ 1,977,732	\$ 991,687
Cost of revenue	261,256	192,271	526,250	295,978
Gross profit	760,239	471,249	1,451,482	695,709
Operating expenses:				
Research and development	82,311	42,734	147,486	69,123
Sales and marketing	271,179	159,173	516,846	280,729
General and administrative	112,146	81,238	266,235	134,368
Total operating expenses	465,636	283,145	930,567	484,220
Income from operations	294,603	188,104	520,915	211,489
Gains on strategic investments	32,076	—	32,076	2,538
Interest income and other, net	(2,795)	2,081	(176)	5,333
Income before provision for income taxes	323,884	190,185	552,815	219,360
Provision for income taxes	6,800	4,196	8,200	6,296
Net income	317,084	185,989	544,615	213,064
Undistributed earnings attributable to participating securities	(154)	(247)	(309)	(305)
Net income attributable to common stockholders	\$ 316,930	\$ 185,742	\$ 544,306	\$ 212,759
Net income per share attributable to common stockholders:				
Basic	\$ 1.07	\$ 0.66	\$ 1.85	\$ 0.76
Diluted	\$ 1.04	\$ 0.63	\$ 1.78	\$ 0.72
Weighted-average shares used in computing net income per share attributable to common stockholders:				
Basic	295,712,675	282,850,805	294,769,619	281,394,901
Diluted	305,861,051	297,162,309	305,652,628	296,408,229

Zoom Video Communications, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

Three Months Ended July 31, **Six Months Ended July 31,**

	2021	2020	2021	2020
Cash flows from operating activities:				
Net income	\$ 317,084	\$ 185,989	\$ 544,615	\$ 213,064
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation expense	102,142	56,855	201,111	85,632
Amortization of deferred contract acquisition costs	41,626	24,494	79,392	40,781
Gains on strategic investments	(32,076)	—	(32,076)	(2,538)
Charitable donation of common stock	—	22,312	—	23,312
Provision for accounts receivable allowances	10,537	11,091	14,592	14,959
Depreciation and amortization	12,028	6,475	22,691	11,814
Non-cash operating lease cost	4,359	2,349	8,633	4,597
Amortization on marketable securities	7,041	947	12,637	1,190
Other	(6)	(36)	264	838
Changes in operating assets and liabilities:				
Accounts receivable	(41,594)	(54,425)	(117,259)	(196,926)
Prepaid expenses and other assets	(27,395)	(4,649)	(57,370)	(53,729)
Deferred contract acquisition costs	(54,784)	(88,936)	(102,597)	(213,790)
Accounts payable	42,368	9,115	43,960	10,871
Accrued expenses and other liabilities	5,153	34,744	93,809	202,066
Deferred revenue	85,740	196,287	296,636	519,149
Operating lease liabilities, net	(4,211)	(1,266)	(7,724)	(979)
Net cash provided by operating activities	468,012	401,346	1,001,314	660,311
Cash flows from investing activities:				
Purchases of marketable securities	(669,136)	(277,336)	(2,094,587)	(484,882)
Maturities of marketable securities	500,859	150,324	791,906	287,338
Sales of marketable securities	119,569	10,284	119,569	36,897
Purchases of property and equipment	(12,975)	(27,981)	(92,049)	(35,253)
Purchases of strategic investments	(80,400)	—	(86,900)	(13,000)
Cash paid for acquisition, net of cash acquired	(2,121)	(26,486)	(2,121)	(26,486)
Purchase of intangible assets	—	(1,332)	—	(1,494)
Other	—	—	—	1,319
Net cash used in investing activities	(144,204)	(172,527)	(1,364,182)	(235,561)
Cash flows from financing activities:				
Proceeds from issuance of common stock for employee stock purchase plan	37,846	20,760	37,846	20,760
Proceeds from employee equity transactions to be remitted to employees and tax authorities, net	28,884	15,925	18,900	234,465
Proceeds from exercise of stock options	4,653	7,831	8,021	17,417
Other	—	—	337	—
Net cash provided by financing activities	71,383	44,516	65,104	272,642
Net increase (decrease) in cash, cash equivalents, and restricted cash	395,191	273,335	(297,764)	697,392
Cash, cash equivalents, and restricted cash – beginning of period	1,600,161	758,139	2,293,116	334,082
Cash, cash equivalents, and restricted cash – end of period	\$ 1,995,352	\$ 1,031,474	\$ 1,995,352	\$ 1,031,474

Zoom Video Communications, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2021	2020	2021	2020
GAAP income from operations	\$ 294,603	\$ 188,104	\$ 520,915	\$ 211,489
Adjustments:				
Stock-based compensation expense and related payroll taxes	116,742	61,602	221,117	91,848
Litigation settlements, net	—	—	66,916	—
Acquisition-related expenses	13,320	4,942	16,604	4,942
Charitable donation of common stock	—	22,312	—	23,312
Non-GAAP income from operations	\$ 424,665	\$ 276,960	\$ 825,552	\$ 331,591

GAAP net income attributable to common stockholders	\$ 316,930	\$ 185,742	\$ 544,306	\$ 212,759
Adjustments:				
Stock-based compensation expense and related payroll taxes	116,742	61,602	221,117	91,848
Litigation settlements, net	—	—	66,916	—
Gains on strategic investments	(32,076)	—	(32,076)	—
Acquisition-related expenses	13,320	4,942	16,604	4,942
Charitable donation of common stock	—	22,312	—	23,312
Undistributed earnings attributable to participating securities	154	247	309	305
Non-GAAP net income	<u>\$ 415,070</u>	<u>\$ 274,845</u>	<u>\$ 817,176</u>	<u>\$ 333,166</u>
Net income per share - basic and diluted:				
GAAP net income per share - basic	<u>\$ 1.07</u>	<u>\$ 0.66</u>	<u>\$ 1.85</u>	<u>\$ 0.76</u>
Non-GAAP net income per share - basic	<u>\$ 1.40</u>	<u>\$ 0.97</u>	<u>\$ 2.77</u>	<u>\$ 1.18</u>
GAAP net income per share - diluted	<u>\$ 1.04</u>	<u>\$ 0.63</u>	<u>\$ 1.78</u>	<u>\$ 0.72</u>
Non-GAAP net income per share - diluted	<u>\$ 1.36</u>	<u>\$ 0.92</u>	<u>\$ 2.67</u>	<u>\$ 1.12</u>
GAAP and non-GAAP weighted-average shares used to compute net income per share - basic	295,712,675	282,850,805	294,769,619	281,394,901
GAAP and non-GAAP weighted-average shares used to compute net income per share - diluted	305,861,051	297,162,309	305,652,628	296,408,229
Net cash provided by operating activities	\$ 468,012	\$ 401,346	\$ 1,001,314	\$ 660,311
Less:				
Purchases of property and equipment	(12,975)	(27,981)	(92,049)	(35,253)
Free cash flow (non-GAAP)	<u>\$ 455,037</u>	<u>\$ 373,365</u>	<u>\$ 909,265</u>	<u>\$ 625,058</u>
Net cash used in investing activities	<u>\$ (144,204)</u>	<u>\$ (172,527)</u>	<u>\$ (1,364,182)</u>	<u>\$ (235,561)</u>
Net cash provided by financing activities	\$ 71,383	\$ 44,516	\$ 65,104	\$ 272,642



Source: Zoom Video Communications, Inc.