

# Zoom Video Communications

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Q3 FY21 Earnings  
November 30, 2020



# 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 non-GAAP 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 of fiscal year 2021 and full fiscal year 2021, estimated or projected costs, margins, expenditures, and investments, Zoom’s future results of operations and trends regarding the same, Zoom’s growth strategy and business aspirations for its video-first unified communications platform, its product strategy, its market position, and the continued impact of COVID-19 on its business and operations. 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, 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 Zoom’s quarterly report on Form 10-Q for the quarter ended July 31, 2020. 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.

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# Strong Q3 FY21 Performance



Revenue Growth



Growth in Customers with  
> 10 employees



Leader in Gartner's Magic Quadrants  
for Meeting Solutions and UCaaS

# New and Existing Zoom Customers



מדינת ישראל  
משרד החינוך  
STATE OF ISRAEL  
MINISTRY OF EDUCATION



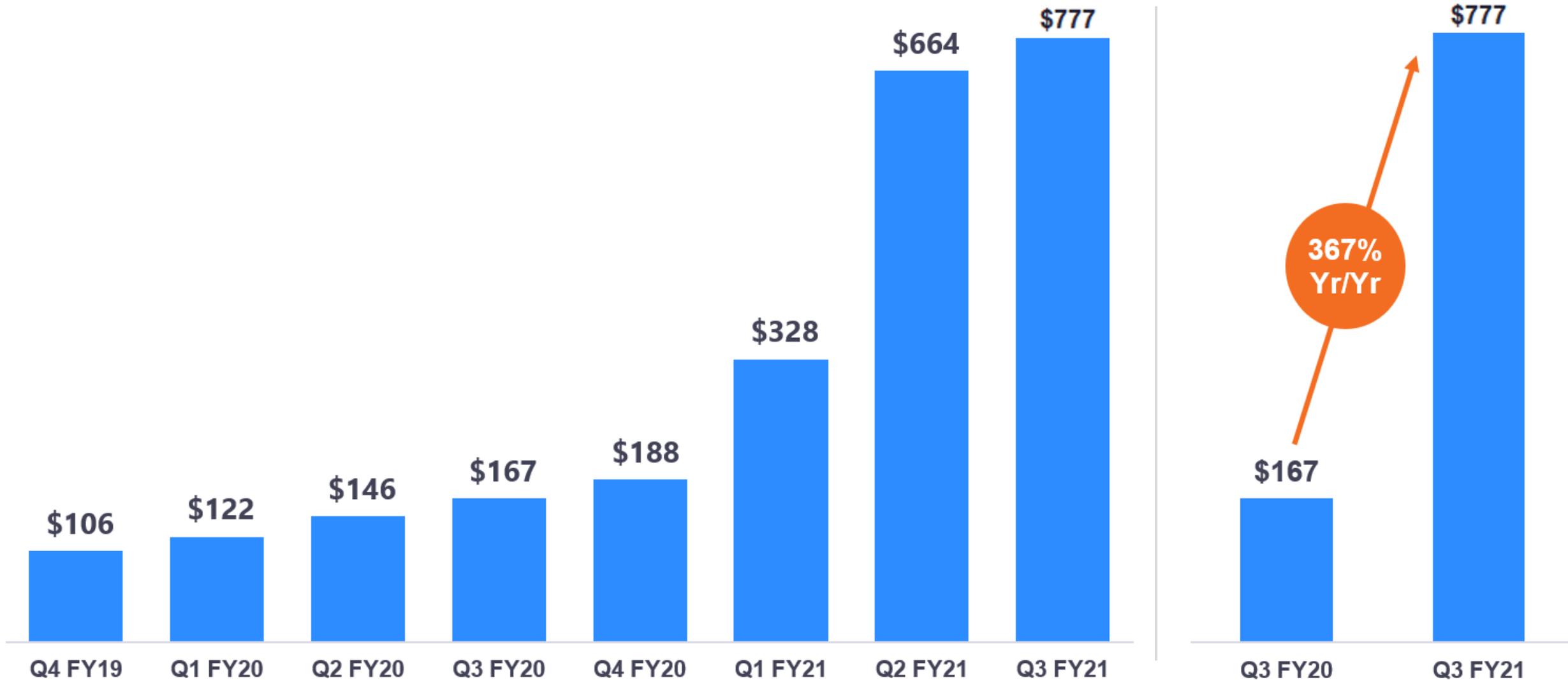
# zoom 7F 8P I A

- First virtual Zoomtopia premier customer and community event
- Over 155,000 unique viewers
- Over 140 host customers from various industries and sizes
- Showcase the reimagining and delivering of new businesses services over Zoom



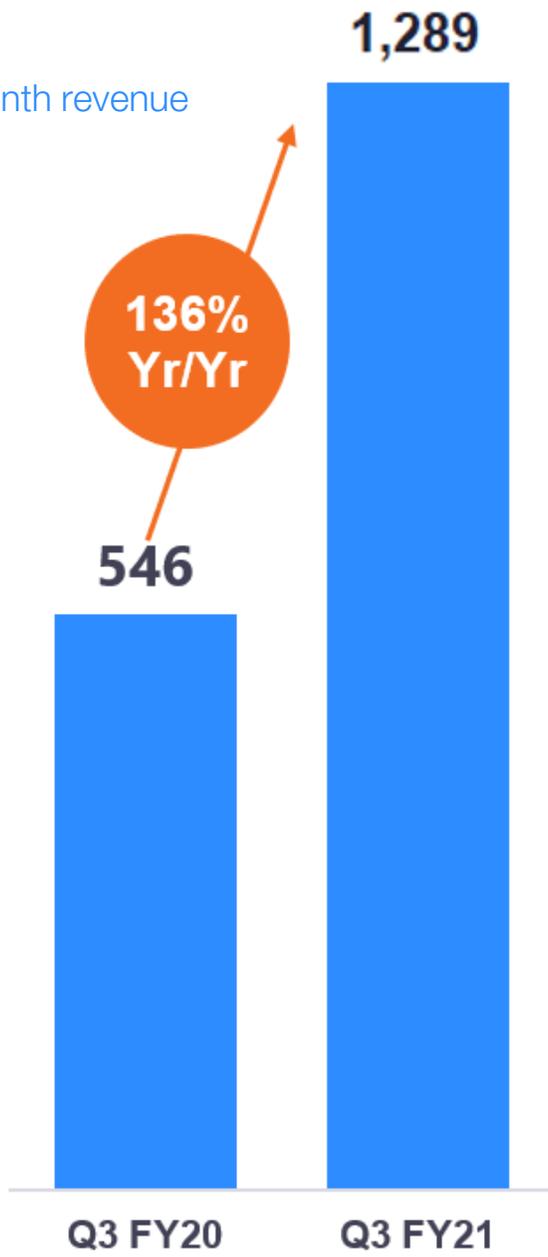
# Rapid Revenue Growth

(in Millions)



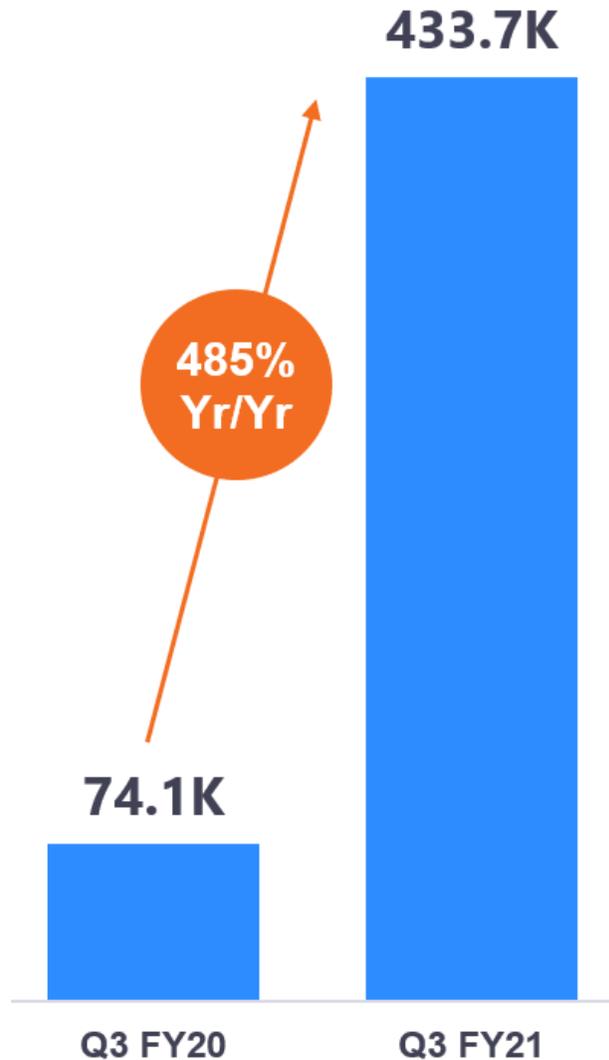
# Enterprise Traction

Growth in customers generating >\$100K in trailing 12-month revenue



# Rapidly Growing Customer Base

Customers<sup>1</sup> with more than 10 employees

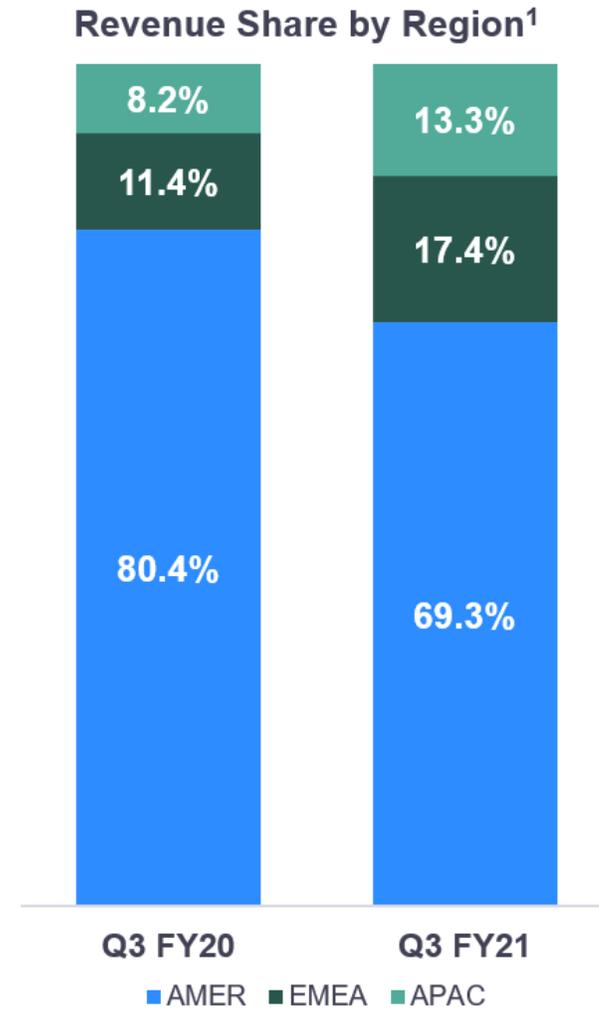
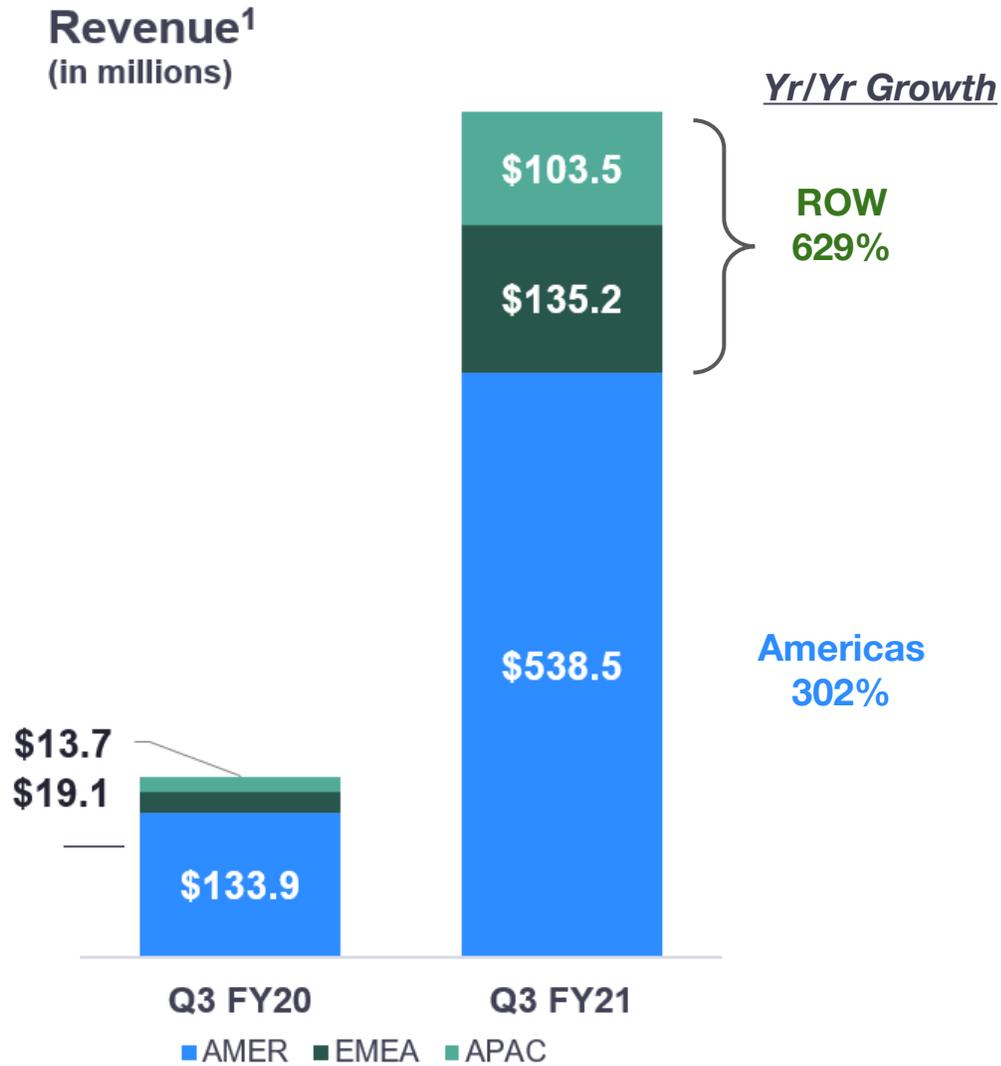


# Strong Q3 Net Dollar Expansion Rate



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

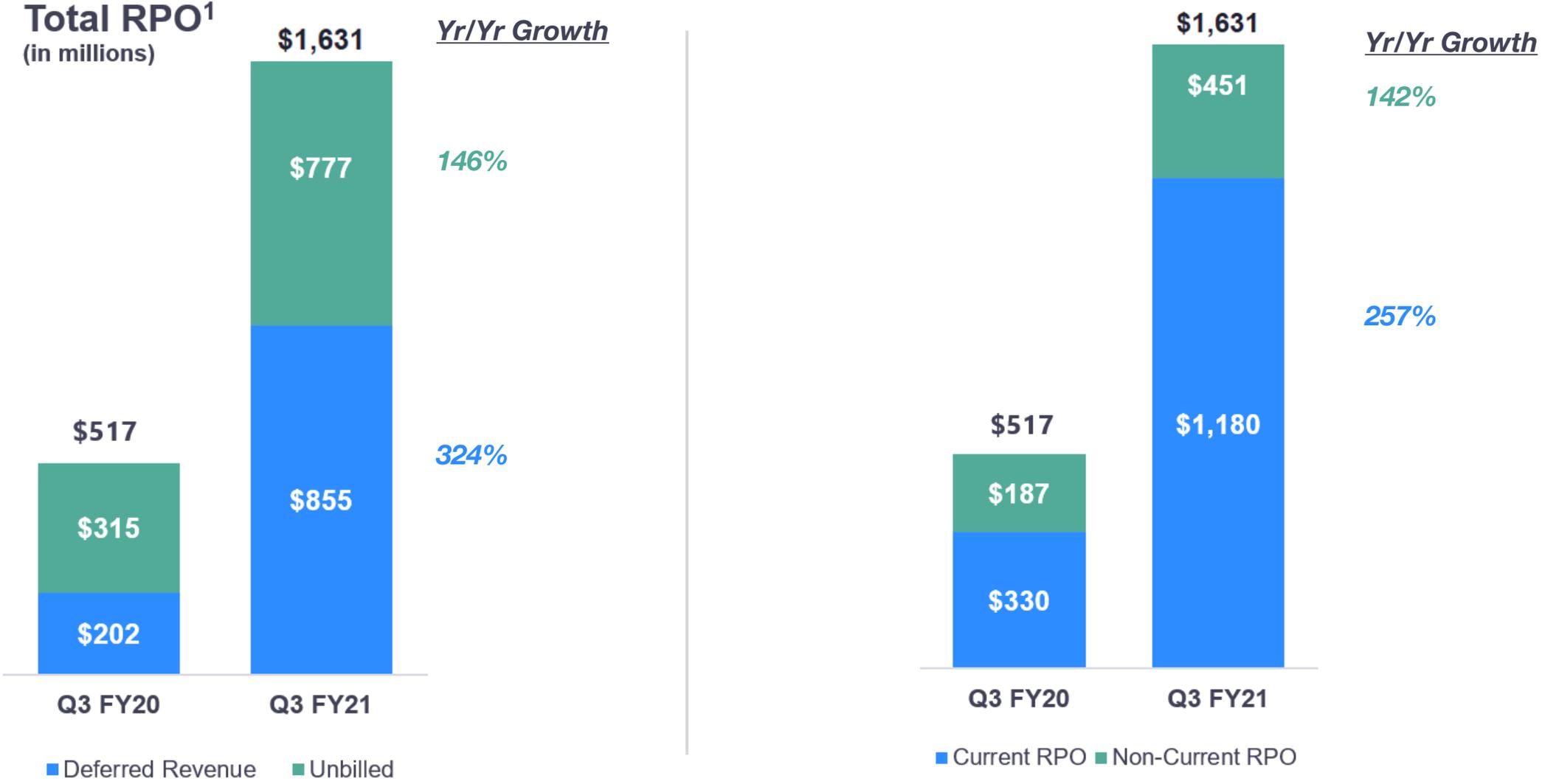
# Growing International Presence



# Q3 FY21 Expenses and Margins

		Q3 FY21			
		GAAP Results	Yr/Yr	Non-GAAP <sup>1</sup> Results	Yr/Yr
As a % of Revenue	Revenue	\$777 million	367%	\$777 million	367%
	Gross Margin	66.7%	(1,477bps)	68.2%	(1,468bps)
	Research & Development	5.5%	(507bps)	3.2%	(513bps)
	Sales & Marketing	24.5%	(3,319bps)	18.2%	(3,132bps)
	General & Administrative	12.0%	(226bps)	9.4%	(288bps)
	Operating Margin	24.7%	+2,574bps	37.4%	+2,465bps

# Growing Future Revenue under Contract



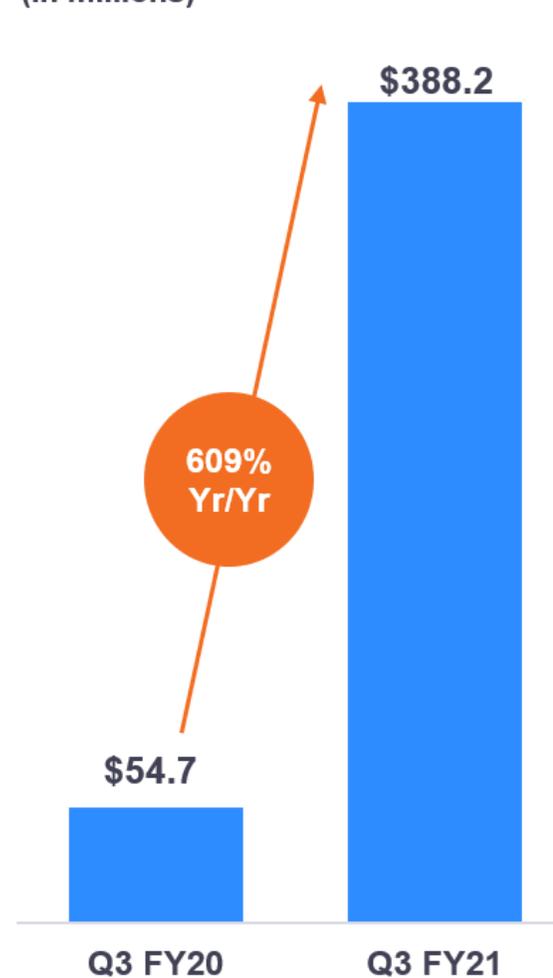
<sup>1</sup> Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue, which grew 215% year-over-year. We expect to recognize approximately 72% or \$1.2 billion dollars of the total RPO as revenue over the next 12 months compared to 64% or \$330 million dollars in Q3 last year. Subtotals have been rounded.

# Rapid Cash Flow Growth

Operating Cash Flow  
(in millions)



Free Cash Flow<sup>1</sup>  
(in millions)



# Q4 FY21 and Full Year Outlook

	Q4 FY21	FY21
Revenue	\$806 - \$811 million	\$2,575 - \$2,580 million
Non-GAAP Operating Income	\$243 - \$248 million	\$865 - \$870 million
Weighted Average Share Count	306 million	300 million
Non-GAAP EPS	\$0.77 - \$0.79	\$2.89 - \$2.91

Outlook<sup>1</sup>

<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.

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# Questions

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**Thank you**

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# Appendix

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# GAAP to Non-GAAP Reconciliation

<b>Gross Profit</b>				
<b>(\$ in thousands)</b>	<b>QTD – Q3FY20</b>	<b>QTD – Q3FY21</b>	<b>YTD – Q3FY20</b>	<b>YTD – Q3FY21</b>
Total Revenue	\$166,593	\$777,196	\$434,407	\$1,768,883
GAAP Gross Profit	\$135,748	\$518,469	\$351,558	\$1,214,178
(+) Stock-based compensation expense and related payroll taxes	\$2,374	\$11,620	\$5,126	\$23,061
(+) Acquisition-related expenses	-	\$168	-	\$322
Non-GAAP Gross Profit	\$138,122	\$530,257	\$356,684	\$1,237,561
Non-GAAP Gross Margin	82.9%	68.2%	82.1%	70.0%
<b>R&amp;D Expenses</b>				
GAAP R&D	\$17,573	\$42,582	\$46,410	\$111,705
(-) Stock-based compensation expense and related payroll taxes	\$3,642	\$16,191	\$7,316	\$31,760
(-) Acquisition-related expenses	-	\$1,268	-	\$5,274
Non-GAAP R&D	\$13,931	\$25,123	\$39,094	\$74,671
<b>S&amp;M Expenses</b>				
GAAP S&M	\$96,048	\$190,157	\$239,741	\$470,886
(-) Stock-based compensation expense and related payroll taxes	\$13,636	\$49,065	\$27,076	\$103,519
Non-GAAP S&M	\$82,412	\$141,092	\$212,665	\$367,367
<b>G&amp;A Expenses</b>				
GAAP G&A	\$23,806	\$93,488	\$63,264	\$227,856
(-) Stock-based compensation expense, and related payroll taxes	\$3,296	\$20,255	\$8,561	\$30,639
(-) Charitable donation of common stock	-	-	-	\$23,312
(-) Acquisition-related expenses	-	(\$38)	-	\$744
Non-GAAP G&A	\$20,510	\$73,271	\$54,703	\$173,161

# GAAP to Non-GAAP Reconciliation

<b>Operating Margin</b>				
<b>(\$ in thousands)</b>	<b>QTD – Q3FY20</b>	<b>QTD – Q3FY21</b>	<b>YTD – Q3FY20</b>	<b>YTD – Q3FY21</b>
Total revenue	\$166,593	\$777,196	\$434,407	\$1,768,883
GAAP operating profit (loss)	(\$1,679)	\$192,242	\$2,143	\$403,731
(+) Stock-based compensation expense and related payroll taxes	\$22,948	\$97,131	\$48,079	\$188,979
(+) Charitable donation of common stock	-	-	-	\$23,312
(+) Acquisition-related expenses	-	\$1,398	-	\$6,340
Non-GAAP operating profit	\$21,269	\$290,771	\$50,222	\$622,362
Non-GAAP operating margin	12.8%	37.4%	11.6%	35.2%
<b>Net Income</b>				
GAAP net income attributable to common stockholders	\$2,207	\$198,440	\$7,473	\$411,175
(+) Stock-based compensation expense and related payroll taxes	\$22,948	\$97,131	\$48,079	\$188,979
(+) Charitable donation of common stock	-	-	-	\$23,312
(+) Acquisition-related expenses	-	\$1,398	-	\$6,340
(+) Undistributed earnings attributable to participating securities	\$4	\$202	\$2,493	\$531
Non-GAAP net income	\$25,159	\$297,171	\$58,045	\$630,337
<b>Earnings Per Share</b>				
GAAP net income per share – diluted	\$0.01	\$0.66	\$0.03	\$1.38
Non-GAAP net income per share – diluted	\$0.09	\$0.99	\$0.20	\$2.12
<b>Weighted Average Shares</b>				
GAAP weighted-average – diluted	293M	299M	242M	298M
Non-GAAP weighted-average - diluted <sup>1</sup>	293M	299M	292M	298M

<sup>1</sup> Non-GAAP weighted-average shares used to compute diluted net income per share for YTD Q3FY20 are adjusted for 50 million shares of common stock issued in connection with the IPO.

# GAAP to Non-GAAP Reconciliation

## Free Cash Flow

(\$ in thousands)	QTD – Q3FY20	QTD – Q3FY21	YTD – Q3FY20	YTD – Q3FY21
Cash flow from operations	\$61,930	\$411,470	\$115,338	\$1,071,781
(-) Purchases of PPE	\$7,195	\$23,264	\$28,132	\$58,517
Free cash flow	\$54,735	\$388,206	\$87,206	\$1,013,264

# Historic Metrics

Metric (\$ in millions)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Revenue	\$90.1	\$105.8	\$122.0	\$145.8	\$166.6	\$188.3	\$328.2	\$663.5	777.2
y/y	120%	108%	103%	96%	85%	78%	169%	355%	367%
GAAP Operating Income (Loss)	\$(1.1)	\$5.5	\$1.6	\$2.3	\$(1.7)	\$10.6	\$23.4	\$188.1	\$192.2
Stock-based compensation expense, related payroll taxes, charitable donation of common stock & acquisition-related expenses	\$2.7	\$4.3	\$6.7	\$18.5	\$22.9	\$27.9	\$31.2	\$88.9	\$98.5
Non-GAAP Operating Income	\$1.6	\$9.8	\$8.2	\$20.7	\$21.3	\$38.4	\$54.6	\$277.0	\$290.8
Operating Cash Flow	\$18.2	\$16.0	\$22.2	\$31.2	\$61.9	\$36.6	\$259.0	\$401.3	\$411.5
Capital Expenditures (Property & Equipment)	\$(8.1)	\$(10.3)	\$(6.9)	\$(14.0)	\$(7.2)	\$(10.0)	\$(7.3)	\$(28.0)	\$(23.3)
Free Cash Flow	\$10.1	\$5.7	\$15.3	\$17.1	\$54.7	\$26.6	\$251.7	\$373.4	\$388.2
RPO	\$256.0	\$311.7	\$376.5	\$457.6	\$517.0	\$604.1	\$1067.9	\$1415.8	\$1631.2
y/y	n/a	n/a	127%	117%	102%	94%	184%	209%	215%
TTM Net \$ Expansion Rate	139%	140%	130%+	130%+	130%+	130%+	130%+	130%+	130%+
Customers >10 Employees	44.4k	50.8k	58.5k	66.3k	74.1k	81.9k	265.4k	370.2k	433.7k
y/y	n/a	97%	86%	78%	67%	61%	354%	458%	485%
Customers >\$100K TTM Revenue	277	344	405	466	546	641	769	988	1289
y/y	n/a	141%	120%	104%	97%	86%	90%	112%	136%