

## **Zoom Q4 and Full Year FY25 Earnings - Prepared Remarks**

### ***Slide 1 – Zoom Q4 FY25 Earnings***

#### ***Charles Eveslage, Head of IR***

Thank you, Kelcey.

Hello everyone, and welcome to Zoom's earnings video webinar for the fourth quarter and full fiscal year 2025. 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.us](https://investors.zoom.us). 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 first 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.

## ***Slide 4 – The evolution of AI Companion***

### ***Eric Yuan, Founder and CEO***

Thank you, Charles! Thank you everyone for joining us today.

FY25 was an incredible year, marked by major advancements in AI, the evolution of Zoom into an AI-first work platform spanning Phone, Team Chat, Events, Docs and more, and strong momentum in Contact Center and Workvivo. A key highlight has been the rapid adoption of our AI capabilities—growth in monthly active users of Zoom AI Companion accelerated to 68% quarter over quarter demonstrating the real value AI is providing customers.

Zoom AI Companion has emerged as the driving force behind our transformation into an AI-first company, enabling our customers to discover enhanced productivity opportunities. We're always looking ahead, moving forward, and reimagining what's possible to enable frictionless work. And now, we look forward to helping our customers fully realize the benefits of agentic AI and discover what's possible with AI agents.

As part of AI Companion 2.0, we added advanced agentic capabilities, including memory, reasoning, orchestration, and seamless integration with Microsoft and Google services. In April, we're launching Custom AI Companion add-on to automate workplace tasks through custom agents. This will personalize AI to fit customer needs, connect with their existing data, and work seamlessly with their third-party tools.

We're also enhancing Zoom Workplace for Clinicians with an upgraded AI Companion that will enable clinical note-taking capabilities and specialized medical features for healthcare providers starting in March. Additionally, we are upgrading our Business Services by introducing more agentic capabilities. Zoom Virtual Agent will soon expand reasoning abilities to handle complex tasks while maintaining conversational context for more natural and helpful outcomes.

We're uniquely positioned to succeed in agentic AI for several reasons:

- Zoom is a system of engagement for our users with recent information in ongoing conversations. This exceptional context along with user engagement allows us to drive greater value for customers.

- Our federated AI approach lets us combine the best models for each task. We can use specialized small language models where appropriate, while leveraging larger models for more complex reasoning - driving both quality and cost efficiency.
- Zoom is known for making complex technology simple for users. We manage the complexity of AI models while keeping the experience intuitive, powerful and connected with popular third party apps.

We believe our strategic approach positions us favorably to help bring value to the customer. We're focused on delivering practical value while building toward an ambitious vision of AI that truly amplifies human potential for the customer.

### ***Slide 5 – Workplace strength shows completeness of platform vision***

Our AI-first work platform continues to gain momentum, driven by our core strengths in meetings and expanding portfolio of integrated solutions such as Phone, Team Chat, Events, Zoom Docs, Whiteboard, and Zoom Rooms. We see this in the results: Zoom Workplace had a big win with Amazon in Q4. Within Zoom Workplace, Zoom Phone continues to see strong traction with both new customers and expansions. We built upon our strength in retail, healthcare and education, which delivered seven of our top ten Zoom Phone deals this quarter. The recent Mitel partnership opens up access to Mitel's 70 million global end users and demonstrates how our open ecosystem approach is resonating with customers seeking flexible deployment models and choice.

Zoom Team Chat continues to serve as the collaboration hub across our platform. The recent redesign of the sidebar has enhanced navigation and productivity, while our new workflow automation capabilities are driving deeper platform engagement.

Beyond Zoom Team Chat, we're seeing encouraging adoption across our broader portfolio. Zoom Docs usage more than doubled quarter-over-quarter. Together with Whiteboard, which was a Customers' Choice recipient in the 2024 Gartner® Peer Insights™ "Voice of the Customer" report for "Visual Collaboration Applications", Zoom Team Chat and Zoom Docs are critical components of our AI-first platform vision that expand our system of engagement and allow customers to do more with AI.

### ***Slide 6 – Building momentum in Contact Center & Workvivo***

Both Contact Center and Workvivo delivered exceptional results this quarter. In Contact Center, we achieved our largest ARR deal in history with a Fortune 100 US tech company for over 15,000 agents, demonstrating our ability to win and deliver for the most demanding enterprise customers. The number of Contact Center customers with over \$100k in ARR grew over 100% year over year with wins both displacing on prem and leading CCaaS vendors. Our AI-first approach is resonating strongly - the majority of our deals are now in the higher-tier Elite or Premium packages, validating the power and customer appeal of our comprehensive AI and workforce engagement capabilities.

Workvivo also had a record quarter driven by strength across all regions. The total number of Workvivo customers grew 89% year over year, accelerating from 79% in Q3. We signed three deals over \$1 million in ARR - each with major global brands. Our strategic partnership as the preferred migration partner for Meta Workplace has been a strong contributor to this momentum.

These solutions are critical components of our AI-first work platform vision. Contact Center extends our platform from employee engagement to customer engagement, while Workvivo broadens our employee collaboration to internal engagement and culture. Together they exemplify our strategy of thoughtful expansion into high-growth areas where we can deliver differentiated value through our platform approach, AI leadership, and rapid innovation for the customer.

### ***Slide 7 – Priorities in FY26 and beyond***

As we look ahead to FY26, we are focused on our key strategic priorities:

- Expanding our AI capabilities to drive customer value
- Rapidly innovating within Zoom Workplace
- And, building upon momentum in new products such as Contact Center and Workvivo

Despite ongoing macro challenges and uncertainties, we are encouraged that our value proposition and total cost of ownership are gaining traction in the market. Our innovation engine is firing on all cylinders, our platform strategy is working, and we have significant opportunities and growth vectors to execute upon.

***Slide 8 – Q4 customer wins highlight the value of both our core and emerging products***

Now, on top of the record-setting Contact Center win I just highlighted, let me share some more amazing wins in Q4.

We are excited to offer Zoom to Amazon employees and further strengthen our longstanding relationship with AWS as our preferred cloud provider. This builds on the success we've achieved helping customers easily procure and deploy Zoom through AWS Marketplace.

Let me also thank Delta Air Lines, who this year is the first US airline to celebrate its centennial, for choosing Workvivo as their employee communications and engagement platform. Upon the sunsetting of Meta Workplace, Delta strategically chose to migrate to Workvivo. As part of a multi-year deal, Workvivo will serve Delta's entire global workforce, reinforcing their strong company culture with omni-channel reach and key features like live streaming, employee recognition, and comprehensive engagement analytics.

Let me also thank Cloud Software Group, a global mission critical enterprise software leader, as one of our newest CX clients to the Zoom family. Recognizing the simplicity and ease-of-use of our unified platform, they opted for the Zoom Contact Center and Zoom Virtual Agent to modernize the way they communicate and collaborate with their customers.

These incredible wins across Workplace and Business Services validate our strategy of delivering a full platform of modern, integrated AI-powered solutions to drive meaningful business value and outcomes for customers.

Now, let me hand it over to Michelle to take us through the financial results.

***Slide 9 – Revenue expansion in Q4 against FX pressure; continued Online churn stability***

***Michelle Chang, CFO***

Thank you Eric. And hello everyone, I'm excited to be with you again and share that we beat our top-line and profitability guidance.

In Q4, total revenue grew approximately 3% year over year to \$1.184 billion dollars, \$4 million dollars above the high end of our guidance. Total revenue

adjusted for constant currency grew approximately 4% to \$1.188 billion dollars, \$9 million dollars above the high end of our constant currency guidance range.

Our Enterprise revenue grew approximately 6% year over year and now makes up 60% of our total revenue, up 2 points year over year.

We're seeing continued signs of stability in our Online business. In Q4, Average Monthly Churn was 2.8%, a 20 basis point improvement year over year, and our lowest ever churn rate in a fourth quarter.

### ***Slide 10 – Continued growth in the up-market***

In our Enterprise business, we saw 7% year-over-year growth in the number of customers contributing more than \$100,000 dollars in trailing twelve month revenue. These customers now make up 31% of our total revenue, up 1 point year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q4 remained flat quarter over quarter at 98%. The number of Enterprise customers at the end of Q4 was approximately 192,600.

As we have said previously, Enterprise Customer Count is more reflective of our go-to-market motion rather than a direct measure of the Enterprise business performance. We will continue to do migrations between our two go-to-market motions to better serve customers as we did last year, and as such going forward into next fiscal year, will no longer include this metric in our prepared remarks or SEC filings. To provide ongoing transparency we will include it in the earnings deck appendix through FY26. We still believe Enterprise Revenue growth and KPIs such as Net Dollar Expansion are better reflections of our future business and expect future migrations to have minimal impact on these metrics.

### ***Slide 11 – Growth across the globe despite FX headwinds***

Now, back to our financial results. Pivoting to our growth internationally; our Americas revenue grew 4% year over year, EMEA grew 2%, and APAC grew 3%. On a constant currency basis, EMEA grew 2% and APAC grew 5% year over year.

### ***Slide 12 – Q4 FY25 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, and all associated tax effects.

Non-GAAP gross margin in Q4 was 78.8%, slightly lower than Q4 of last year, primarily due to our strategic investments in AI, partially offset by efficiency gains. The results in Q4 were in line with our prior commentary, and we continue to reiterate our goal of reaching 80% gross margin over the long term.

Non-GAAP income from operations grew by 5% year over year to \$468 million dollars, exceeding the high end of our guidance by \$20 million dollars.

Non-GAAP operating margin for Q4 improved to 39.5%, up 81 basis points from Q4 of last year, even amongst continued investment in AI, our platform, and our emerging growth businesses.

Non-GAAP diluted net income per share in Q4 was \$1.41 on approximately 317 million non-GAAP diluted weighted average shares outstanding. This result was 11 cents above the high end of our guidance and 1 cent lower than Q4 of last year, primarily due to higher income tax and unrealized foreign exchange losses.

### ***Slide 13 – Growth in Deferred Revenue and RPO***

Turning to the balance sheet. Deferred revenue at the end of the period grew 7% year over year to 1.35 billion dollars, outperforming the 5 to 6% we estimated last quarter. The growth was driven by the continued refinement of discounting practices as well as ongoing business growth. For Q1, we expect deferred revenue to be up 4 to 5% year over year.

Looking at both our billed and unbilled contracts, our RPO increased 6% year over year to approximately 3.8 billion dollars. We expect to recognize 59% of the total RPO as revenue over the next 12 months, up from 58% in Q4 of last year.

### ***Slide 14 – Strong cash flow, ~\$7.8B cash balance; Share buy-back going beyond dilution in Q4***

Operating cash flow in the quarter increased 21% year over year to \$425 million dollars. Free cash flow grew 25% year over year to \$416 million dollars.

Operating cash flow and free cash flow margins in the quarter expanded to 35.9% and 35.2%, respectively.

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

Under our \$2.7 billion dollar share buy-back authorization, in Q4 we purchased 4.3 million shares for \$355 million dollars, increasing our repurchases quarter over quarter by \$53 million dollars and contributing to the reduction of common stock outstanding in Q4.

***Slide 15 – Full Fiscal Year 2025 results demonstrate progress driving value for shareholders***

Pivoting from Q4, I would like to share a few of our full year FY25 highlights. Total revenue grew 3% and Enterprise revenue grew 5% year over year, both of which accelerated in the second half. Our Free Cash Flow grew 23% year over year to over \$1.8 billion dollars. We also achieved a non-GAAP operating margin of 39.4%, a 20 basis point improvement from FY24. And finally, we made significant progress on stock based compensation, down to 20% of revenue, representing a 3 point reduction year over year and slightly ahead of the pace of reduction discussed at Zoomtopia. And, we repurchased 15.9 million shares for \$1.1 billion dollars, contributing to the reduction of common stock outstanding in FY25.

***Slide 16 – Q1 and Fiscal Year 2026 outlook***

Now turning to guidance. For Q1, we expect revenue to be in the range of 1.162 to 1.167 billion dollars. This represents approximately 2.0% year over year growth at the midpoint, or 2.6% year over year growth on a constant currency basis. As a reminder, Q1 of FY26 has one fewer day than the prior year. We expect non-GAAP operating income to be in the range of \$440 to \$445 million dollars, representing an operating margin of 38% at the midpoint. Our outlook for non-GAAP earnings per share is \$1.29 to \$1.31 based on approximately 316 million shares outstanding. As a reminder, future share repurchases are not reflected in Share Count and EPS guidance.

For the full year of FY26, we expect revenue to be in the range of 4.785 to 4.795 billion dollars, which represents approximately 2.7% year over year growth at the midpoint, or 3.1% year over year growth on a constant currency basis. We expect our non-GAAP operating income to be in the range of 1.85 to 1.86 billion dollars representing an operating margin of approximately 39% at the midpoint. Our outlook for non-GAAP earnings per share for FY26 is \$5.34 to \$5.37, based on

approximately 318 million shares outstanding. For FY26, we expect free cash flow to be in the range of 1.68 to 1.72 billion dollars.

We are proud of our progress in FY25 and excited about our differentiated agentic AI vision and the value it's delivering to customers. We'll continue to invest thoughtfully across the priorities outlined while maintaining our focus on profitability and cash flow generation.

We are excited and incredibly grateful for the trust and support of the entire Zoom team, our customers, and our investors!

Kelcey, please queue up the first question.