

Zoom Q1 FY27 Earnings - Prepared Remarks

Slide 1 – Zoom Q1 FY27 Earnings

Charles Eveslage, Head of IR

Thank you, Catherine.

Hello everyone, and welcome to Zoom's earnings webinar for the first quarter of fiscal year 2027. 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 second quarter and full fiscal year 2027; 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 is giving his prepared remarks via Zoom Custom Avatar.

Slide 4 – Elevating Workplace with AI

Eric Yuan, Founder and CEO

Thank you, Charles.

FY27 is off to a good start, continuing the momentum from FY26. Q1 revenue grew 5.5%, exceeding the high end of our guidance and among our best growth rates in recent years. This progress underscores the increasing value of our system of action for modern work.

To help accelerate that vision, we appointed Russell Dicker as chief product officer. Russell brings more than 25 years of product leadership experience across Microsoft, Google, and Amazon, including leading Microsoft Teams' product and data science teams. He will help drive our AI-first roadmap as we connect conversations, workflows, and outcomes through our system of action.

The foundation of our system of action is Zoom Workplace, where context is created across the full meetings and work lifecycle. With AI Companion, that context becomes actionable, helping customers drive productivity, automate follow-through, and turn everyday collaboration into measurable business value.

In Q1, AI Companion usage continued to scale, with paid MAUs growing 184% year over year, driven by strong early adoption of AI Companion 3.0 capabilities. My Notes has quickly emerged as a breakout product, surpassing 1.5 million Monthly Active Users excluding trial users just four months after launch. It gives users a personal AI note-taker that captures context across Zoom, in-person, and third-party meetings, helping them stay present while turning conversations into organized takeaways, action items, and follow-through. Altogether, AI Companion 3.0 brings agentic retrieval across Zoom and connected work sources, extending AI Companion beyond meeting summaries into a broader workflow layer that turns conversations into action.

This AI momentum is also reinforcing the strength of our core business. In Q1, 15 of our top 20 wins included Zoom Workplace or Zoom Phone, as customers increasingly choose Zoom for secure, AI-first communications that improve productivity, reduce complexity, and turn conversations into action.

Zoom Workplace continues to win on product quality, platform breadth, and security. In Q1, a major government contractor came back to Zoom for the full suite of Zoom Workplace, Phone, Events, and Webinars in a 7-figure ARR deal, displacing Teams and Cisco Calling. The customer chose Zoom to meet stringent government security requirements and unlock insights from live communications data to support its broader AI workflows.

Zoom Phone continued to grow ARR in the mid-teens, taking share as customers modernize voice on our reliable, flexible platform that integrates with their existing workflows and extends AI into everyday communications. A great example of this is Baptist Health in Jacksonville, Florida, who in Q1 chose Zoom Phone to support 16,000 workers across more than 200 points of care in a 7-figure ARR deal. Baptist Health selected Zoom Phone because of its reliability, hybrid flexibility, and industry-specific integrations.

Taken together, these wins show a consistent pattern: customers are choosing Zoom as a secure, integrated, multi-product platform, often displacing multiple vendors and expanding over time as AI becomes embedded in their workflows. This reinforces our confidence in Zoom's ability to turn conversations into action and drive durable platform expansion.

Slide 5 – Driving growth of new AI products

Our progress elevating Workplace with AI sets the foundation for our second priority: driving growth in new AI revenue streams. As customers experience the value of AI Companion in Zoom Workplace, Custom AI Companion is the natural next step that takes them from conversation to action by unlocking agentic search, customization, and agentic workflows.

Raymond James is a strong example of this expansion motion. After adopting AI Companion for meeting summaries, they expanded in Q1 to Custom AI Companion across approximately 10,000 seats, giving wealth advisors more tailored AI workflows and customized summaries with the security, compliance, and centralized oversight required in financial services.

Custom AI Companion also wins on its ability to support agentic workflows. In Q1, as part of MongoDB's upgrade to Zoom Workplace Enterprise Plus, Zoom Contact Center and ZVA, they chose Custom AI Companion to translate live conversations into completed actions across their IT ticketing, customer relationship management, and other third-party systems.

Just as Custom AI Companion creates an AI monetization path within Zoom Workplace, ZVA Receptionist represents an important new monetization layer for Zoom Phone. ZVA Receptionist turns Zoom Phone into an AI-powered front door for the business, helping customers qualify callers, capture context, answer common questions, and route requests to the right person or team. In Q1, we saw it deliver real business value across a variety of customers, including an industry association improving lead capture and lowering costs, an insurance firm automating after-hours and overflow calls, and a law firm managing high call volume by filtering unsupported requests so staff can focus on actionable cases.

We also added AI innovation to Employee Experience with the launch of Seer by Workvivo, expanding from employee communications into AI-powered people intelligence and creating another path for AI monetization. Seer helps leaders listen to employee feedback, measure engagement, understand sentiment with AI, act through built-in communication tools, and track progress in real time.

Beyond these application-level AI monetization layers, Zoom AI Services opens our core AI technologies to customers and developers. Launched in March, Zoom AI Services extends our speech recognition advantage, honed across countless daily meetings and ranked among the top models on the Hugging Face Open ASR Leaderboard. Its Scribe API gives customers and developers high-quality, flexible speech-to-text across platforms, with early adoption from BPOs like InflectionCX validating the real-world value of our ASR technology.

We are also extending AI into high-value vertical workflows. BrightHire, which brings conversational AI to recruiting and hiring, had a strong quarter, with continued momentum in tech and other sectors. In Q1, BrightHire landed Figma on its core product to help support consistent, objective, and calibrated hiring decisions, and expanded with HubSpot from its core interview intelligence product into BrightHire Screen, its AI interviewer, to support go-to-market hiring.

Taken together, these examples show how we are extending Zoom AI beyond core collaboration into a broader monetization engine across Workplace, AI services, and vertical workflows.

Slide 6 - Scaling AI-first customer experience

The same combination of AI, context, and workflow orchestration is also driving our third priority: scaling AI-first customer experience.

The same AI-first platform that powers Zoom Workplace and Phone also extends to customer engagement. This is a true point of differentiation: Zoom is one of the few scaled companies with a native platform that bridges UC and CX. By connecting collaboration, voice, contact center, virtual agents, expert assist, and more, we help customers carry context across teams, channels, and systems — moving from reactive service to faster, more intelligent resolution and measurable business value.

To further bolster the suite, in March, we introduced CX Insights, a new SKU within ZCX that gives business and CX leaders a natural-language way to analyze CX data across Contact Center, Workforce Management, Quality Management, and Virtual Agent. We also announced AI Expert Assist 3.0, Customer Workflow Orchestration, Advanced Quality Management for Virtual Agent, and new Workforce Management capabilities to help organizations deliver better outcomes with greater efficiency.

Zoom Customer Experience continued to accelerate in Q1, with high double-digit growth driven by paid AI in 9 of the top 10 ZCX deals, showing that customers are increasingly turning to Zoom to automate service, empower agents, and improve resolution. Zoom Customer Experience is emerging as a key growth driver and represents the strategic expansion of our platform into mission-critical customer operations.

We are increasingly winning competitive displacements and larger deals as customers look to consolidate contact center and UC systems with a unified AI, workflow, and analytics platform that works across all channels. Let me bring this to life with a couple of customer wins.

Showcasing the strength of our full system of action, we landed Chelsea FC, one of the world's most recognized football clubs. They selected Zoom Phone, ZCC Elite, and ZVA Chat to modernize fan engagement across touchpoints. Zoom will help the club deliver faster, more personalized experiences while creating a connected data foundation to improve insight, efficiency, and long-term growth.

Also in Q1, Caliber Collision, a leading automobile repair provider, chose to deploy Zoom Phone with ZCC Elite in order to streamline their customer experience across more than 1,800 repair centers and their central contact center, eliminate the “cold call” experience for customers, and provide unified CX Analytics for end-to-end visibility.

We also saw a strong full CX platform win in Japan with RENXA, who selected Zoom Virtual Agent, Agentless Dialer, and ZCC Elite to modernize high-volume customer interactions. They chose Zoom for the flexibility and automation capabilities of the platform, and are using ZVA in a differentiated way for outbound engagement, including pre-confirmation calls tied to electricity and gas connections, which helps free teams for higher-value sales activity.

Taken together, our progress across our three priorities gives us confidence in the opportunity ahead. As customers increasingly adopt Zoom as an AI-powered system of action, we are excited to turn that momentum into durable growth and long-term value. Michelle will now take us through our Q1 financial results. Michelle?

Slide 7 – Revenue acceleration in Q1

Michelle Chang, CFO

Thank you, Eric, and hello everyone.

I'm excited to be with you today to share Zoom's Q1 FY27 financial performance. In Q1, total revenue grew 5.5% year over year to \$1.24 billion, or 4.6% in constant currency. This result was \$14 million above the high end of our guidance.

Our Enterprise business continues to be strong with revenue growing 7.2% year over year, representing 61% of our total revenue, up 1 point year over year.

In our Online business, Q1 Average Monthly Churn was 3.0%, as compared to 2.8% in Q1 of FY26.

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

Within our Enterprise business, we saw 8% year-over-year growth in the number of customers contributing more than \$100,000 in trailing twelve-month revenue. These customers now make up 33% of our total revenue, up 1 point year over year.

Our trailing twelve-month net dollar expansion rate for Enterprise customers in Q1 improved to 99%.

Looking at our international growth, our Americas revenue and EMEA revenue both grew 5% year over year, while APAC grew 6%. The EMEA growth was predominantly driven by year-over-year changes in foreign exchange rates.

Slide 9 – Strong, improved profitability

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

Non-GAAP gross margin in Q1 was 79.9%, up 70 basis points from Q1 of last year, primarily due to our continued cost optimization efforts aligned with our long-term target of 80%.

Non-GAAP income from operations grew 9% year over year to \$509 million, exceeding the high end of our guidance by \$17 million. Non-GAAP operating margin for Q1 was 41.1%, up 130 basis points from Q1 of last year. The operating margin improvement was primarily driven by the accounting amortization change we discussed last quarter and our gross margin improvements. This was partially offset by the second year of our shift from SBC to cash bonus compensation.

Non-GAAP diluted net income per share in Q1 increased to \$1.55 on approximately 300 million non-GAAP diluted weighted-average shares outstanding. This result was \$0.13 above the high end of our guidance and \$0.12 higher than Q1 of last year. The EPS growth reflects strong business performance, effective cost management as well as anti-dilution efforts across our buyback program and stock compensation management.

Slide 10 – Growth in deferred revenue and RPO

Turning to the balance sheet.

Deferred revenue at the end of Q1 grew 5% year over year to \$1.49 billion, above the high end of our previously provided range of 1 to 2%. For Q2, we expect deferred revenue to be up 2 to 3% year over year.

As we discussed last quarter, larger and longer-duration competitive takeouts in Phone and Contact Center can include grace periods that affect deferred revenue timing. In Q1, fewer contracts than expected required such terms. We

continue to expect some quarter-to-quarter variability based on the timing and structure of larger deals.

Looking at both our billed and unbilled contracts, our RPO increased 11% year over year to approximately \$4.3 billion, driven by non-current RPO growth of 19%.

The strong growth in non-current RPO reflects our continued success landing larger, longer-term, multi-product platform deals.

Slide 11 – Strong cash flow, ~\$7.7B cash balance, continued execution of share buyback in Q1

In Q1, operating cash flow grew 7% year over year to \$522 million, representing an operating cash flow margin of 42.1%, up 50 basis points year over year. Free cash flow in the quarter grew 8% year over year to \$500 million, representing a free cash flow margin of 40.4%, up 100 basis points year over year.

We ended the quarter with \$7.7 billion in cash, cash equivalents and marketable securities, excluding restricted cash.

In Q1, we repurchased 4.2 million shares for \$362 million. Across the pre-existing \$3.7 billion share repurchase plan, we've repurchased a total of 40.4 million shares for \$3.1 billion.

Slide 12 – Q2 & raised fiscal year 2027 outlook

Turning to guidance.

For Q2, we expect revenue to be in the range of \$1.265 to \$1.270 billion, representing 4.1% year-over-year growth at the midpoint. We expect non-GAAP operating income to be in the range of \$508 to \$513 million, representing an operating margin of 40.3% at the midpoint. Our outlook for non-GAAP earnings per share is \$1.45 to \$1.47 based on approximately 304 million shares outstanding.

For the full year of FY27, we're pleased to raise both our revenue and profitability guidance. We now expect revenue to be in the range of \$5.08 to \$5.09 billion, which at the midpoint represents 4.4% year-over-year growth. We expect our non-GAAP operating income to be in the range of \$2.065 to \$2.075 billion, representing an operating margin of 40.7% at the midpoint. In addition, our outlook for non-GAAP earnings per share in FY27 is increasing to \$5.96 to \$6.00,

based on approximately 304 million shares outstanding. As a reminder, future share repurchases are not reflected in share count and EPS guidance.

We continue to expect free cash flow for FY27 to be in the range of \$1.70 to \$1.74 billion.

As indicated in our earnings press release today, we're also excited to announce our board has authorized an incremental \$1 billion share repurchase. This reinforces our board and management team's confidence in Zoom as we continue to leverage our strong cash flow and balance sheet to drive shareholder value.

In closing, Q1 was a strong start to FY27, with continued execution across our three priorities and growing adoption of Zoom as an AI-first system of action. We are encouraged by progress scaling Customer Experience and the early momentum across new AI revenue streams. We remain on track to surpass \$5 billion in revenue this year while maintaining our focus on profitability, cash flow generation, and shareholder returns.

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

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