

Zoom Video Communications

Q3 FY23 Earnings
November 21, 2022



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: Revenue in Constant Currency, non-GAAP gross profit, non-GAAP gross margin, non-GAAP R&D expense, non-GAAP S&M expense, non-GAAP G&A expense, non-GAAP operating margin, non-GAAP operating income, non-GAAP EPS, Free Cash Flow and Free Cash Flow margin. 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 contain express and implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding Zoom's financial outlook for the fourth quarter and full fiscal year 2023; Zoom's expectations regarding financial and business trends, as well as impacts from macroeconomic developments and the Russia-Ukraine war; Zoom's market position, opportunities, growth strategy and business aspirations; and product initiatives and the expected benefits of such initiatives. 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 as the impact of the COVID-19 pandemic tapers, particularly as users return to work or school or are otherwise no longer subject to limitations on in-person meetings, as well as the impact of COVID-19 and other macroeconomic conditions, including inflation, 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, failures in internet infrastructure or interference with broadband access, which could cause current or potential users to believe that our systems are unreliable, market volatility, and global security concerns and their potential impact on regional and global economies and supply chains.

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 July 31, 2022. 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.



First hybrid Zoomtopia powered by Zoom Events

Zoom Platform Innovations Announced:

- Zoom Mail & Zoom Calendar (beta)
- Zoom Spots
- Zoom Virtual Agent
- Continuous Collaboration across Zoom One
- and more!

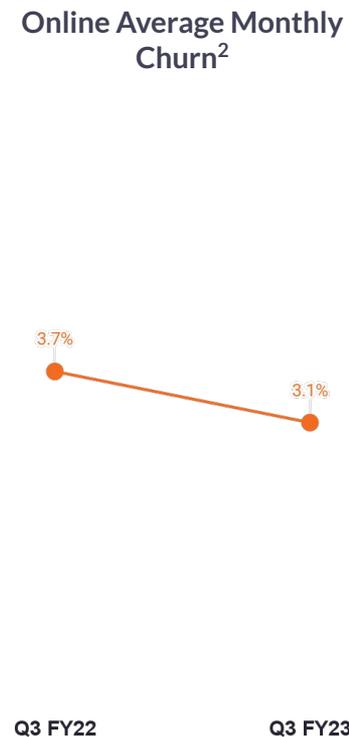
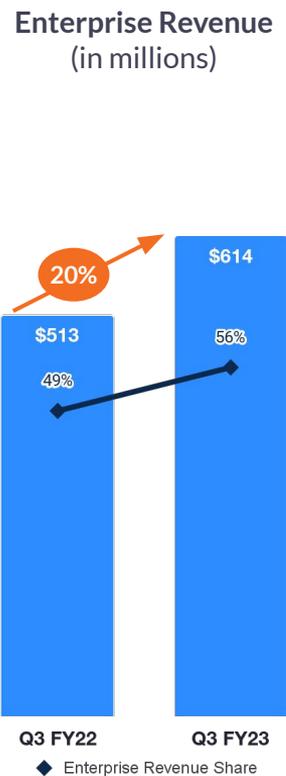
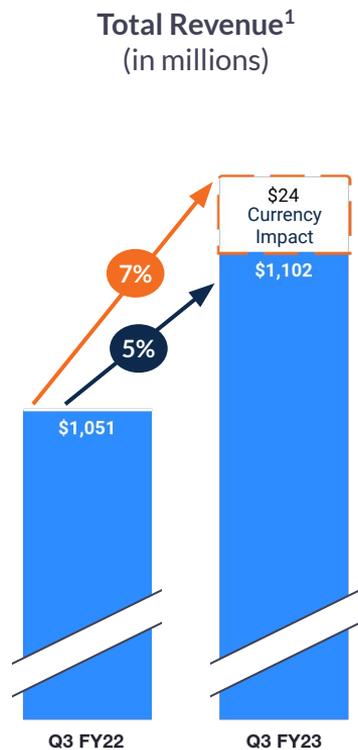
Highlighted the more than **1,500** features and enhancements Zoom launched this year



Customer wins highlight the power of the platform



Continued top-line expansion with positive trends in Enterprise and Online



¹Not drawn to scale.

²Zoom calculates online average monthly churn by starting with the Online customer MRR as of the beginning of the applicable quarter ("Entry MRR"). Entry MRR is defined as the recurring revenue run-rate of subscription agreements from all Online customers, including revenue from monthly subscribers that have not provided any indication that they intend to cancel their subscriptions. Zoom then determines the MRR related to customers who canceled or downgraded their subscription during the applicable quarter ("Applicable Quarter MRR Churn"). Zoom divides the Applicable Quarter MRR Churn by the applicable quarter Entry MRR to arrive at the MRR Churn rate for Online Customers for the applicable quarter. Zoom then divides that amount by three to calculate the online average monthly churn.

Strong growth with new and existing Enterprise customers

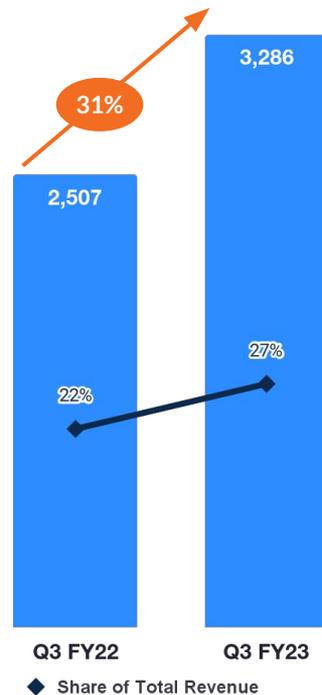
of Enterprise Customers¹



TTM Net Dollar Expansion Rate for Enterprise Customers²

117%
in Q3 FY23

of Customers Contributing >\$100k in TTM Revenue

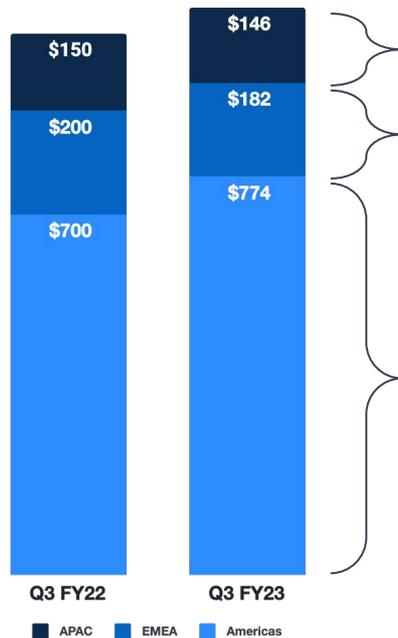


¹The number of customers is rounded down to the nearest hundred. Enterprise Customers refers to customers who have been engaged by Zoom's direct sales team, channel partners, or independent software vendor (ISV) partners. All other customers are referred to as Online Customers.

²We calculate net dollar expansion rate as of a period end by starting with the annual recurring revenue (ARR) from Enterprise customers as of 12 months prior (Prior Period ARR). We define ARR as the annualized revenue run rate of subscription agreements from all customers at a point in time. We calculate ARR by taking the monthly recurring revenue (MRR) and multiplying it by 12. MRR is defined as the recurring revenue run-rate of subscription agreements from all Enterprise customers for the last month of the period, including revenue from monthly subscribers who have not provided any indication that they intend to cancel their subscriptions. We then calculate the ARR from these Enterprise customers as of the current period end (Current Period ARR), which includes any upsells, contraction, and attrition. We divide the Current Period ARR by the Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12 months calculation, we take an average of the net dollar expansion rate over the trailing 12 months.

Double-Digit Americas growth but macro headwinds in ROW

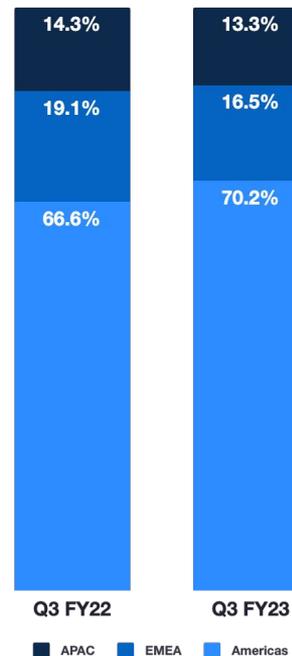
Revenue¹
(in millions)



YoY Growth



Revenue Share by Region²



^{1,2}Subtotals revenue have been rounded.

Q3 FY23 expenses and margins

		GAAP Results		Non-GAAP ¹ Results	
			Yr/Yr		Yr/Yr
	Revenue	\$1,102 million	5%	\$1,102 million	5%
As a % of Revenue	Gross Profit	75.4%	+122 bps	79.5%	+356 bps
	R&D Expense	17.8%	+841 bps	9.8%	+335 bps
	S&M Expense	38.8%	+1,087 bps	27.3%	+469 bps
	G&A Expense	12.8%	+369 bps	7.9%	+9 bps
	Operating Profit	6.0%	(2,164 bps)	34.6%	(457 bps)
	Effective Tax Rate	11.7%	(535 bps)	14.1%	(307 bps)
	EPS - Diluted	\$0.16	-86%	\$1.07	-4%

¹ See appendix for a reconciliation of non-GAAP to GAAP financial measures.

Growing future revenue under contract

Total RPO¹
(in millions)



YoY Growth



Current² & Non-Current RPO
(in millions)



YoY Growth

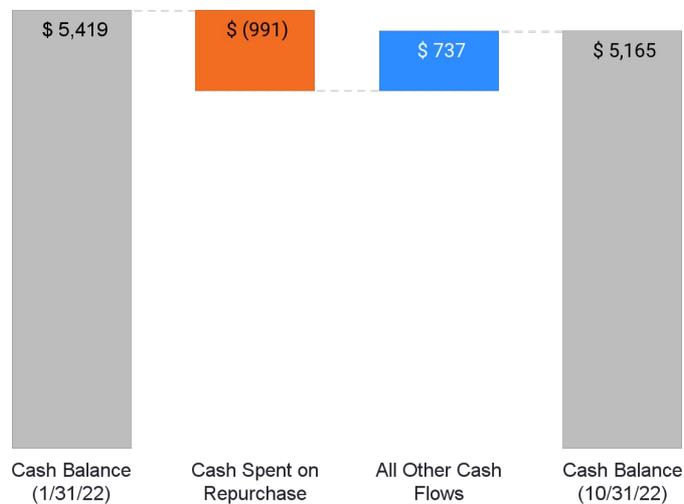


¹ Remaining performance Obligations (RPO) consists of both billed considerations and unbilled considerations that we expect to recognize as revenue. Subtotals have been rounded.

² Current RPO refers to the portion of total RPO which we expect to recognize as revenue over the following 12 months period.

Strong cash flow and position in Q3

YTD Cash Balance Bridge¹
(in millions)



Operating Cash Flow
OCF Margin

\$295M
26.8%

Free Cash Flow
FCF Margin²

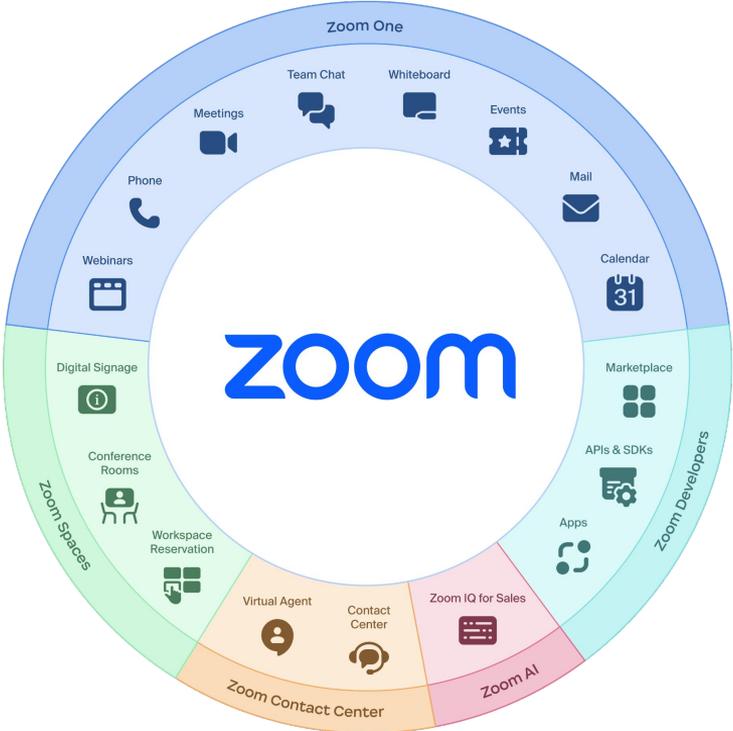
\$273M
24.7%

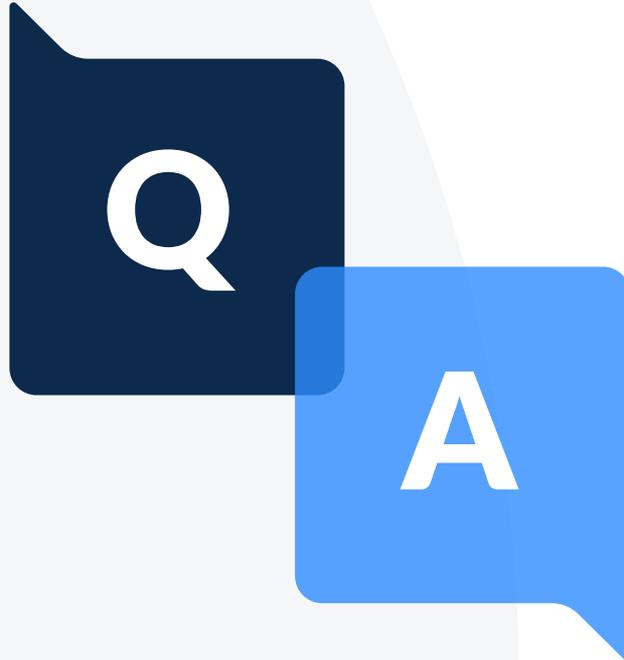
Q4 and Fiscal Year 2023 outlook

		Q4 FY23	FY23
Outlook ¹	Revenue	\$1,095 - \$1,105 million	\$4,370 - \$4,380 million
	Total Revenue (Constant Currency)	\$1,120 - \$1,130 million	\$4,442 - \$4,452 million
	Non-GAAP Operating Income	\$316 - \$326 million	\$1,490 - \$1,500 million
	Weighted Average Share Count	301 million	304 million
	Non-GAAP EPS	\$0.75 - \$0.78	\$3.91 - \$3.94

¹ 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.

One Platform To Connect





Thank You



zoom

Appendix

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q3 FY22	Q3 FY23	Q1-Q3 FY22	Q1-Q3 FY23
Gross Profit				
Total Revenue	\$1,050,756	\$1,101,899	\$3,028,488	\$3,275,157
GAAP Gross Profit	\$779,799	\$831,234	\$2,231,281	\$2,469,060
(+) Stock-based compensation expense and related payroll taxes	\$17,772	\$41,848	\$49,973	\$112,022
(+) Acquisition-related expense	\$642	\$3,170	\$2,088	\$7,019
Non-GAAP Gross Profit	\$798,213	\$876,252	\$2,283,342	\$2,588,101
GAAP Gross Margin	74.2%	75.4%	73.7%	75.4%
Non-GAAP Gross Margin	76.0%	79.5%	75.4%	79.0%
R&D Expenses				
GAAP R&D	\$98,508	\$195,946	\$245,994	\$512,801
(-) Stock-based compensation expense and related payroll taxes	\$(28,181)	\$(83,512)	\$(73,434)	\$(210,302)
(-) Acquisition-related expense	\$(2,692)	\$(4,592)	\$(9,439)	\$(11,974)
Non-GAAP R&D	\$67,635	\$107,842	\$163,121	\$290,525
S&M Expenses				
GAAP S&M	\$293,698	\$427,747	\$810,544	\$1,191,004
(-) Stock-based compensation expense and related payroll taxes	\$(56,320)	\$(126,100)	\$(171,216)	\$(335,730)
(-) Acquisition-related expenses	-	\$(1,058)	-	\$(1,834)
Non-GAAP S&M	\$237,378	\$300,589	\$639,328	\$853,440
G&A Expenses				
GAAP G&A	\$96,736	\$141,033	\$362,971	\$389,939
(-) Stock-based compensation expense and related payroll taxes	\$(16,435)	\$(53,798)	\$(45,202)	\$(122,658)
(-) Litigation settlements, net	-	-	\$(66,916)	\$4,226
(-) Acquisition-related expense	\$1,621	\$(299)	\$(6,790)	\$(1,623)
Non-GAAP G&A	\$81,922	\$86,936	\$244,063	\$269,884

GAAP to Non-GAAP Reconciliation

(\$ in Thousands except EPS)

	Q3 FY22	Q3 FY23	Q1-Q3 FY22	Q1-Q3 FY23
Operating Profit				
Total Revenue	\$1,050,756	\$1,101,899	\$3,028,488	\$3,275,157
GAAP Operating Profit	\$290,857	\$66,508	\$811,772	\$375,316
(+) Stock-based compensation expense and related payroll taxes	\$118,708	\$305,258	\$339,825	\$780,712
(+) Litigation settlements, net	-	-	\$66,916	\$(4,226)
(+) Acquisition-related expense	\$1,713	\$9,119	\$18,317	\$22,450
Non-GAAP Operating Profit	\$411,278	\$380,885	\$1,236,830	\$1,174,252
GAAP Operating Margin	27.7%	6.0%	26.8%	11.5%
Non-GAAP Operating Margin	39.1%	34.6%	40.8%	35.9%
Net Income				
GAAP net income attributable to common stockholders	\$340,271	\$48,353	\$884,568	\$207,744
(+) Stock-based compensation expense and related payroll taxes	\$118,708	\$305,258	\$339,825	\$780,712
(+) Litigation settlements, net	-	-	\$66,916	\$(4,226)
(+) Acquisition-related expenses	\$1,713	\$9,119	\$18,317	\$22,450
(+) Undistributed earnings attributable to participating securities	\$112	-	\$430	\$17
(+) (Losses) gains on strategic investments	\$(122,421)	\$6,898	\$(154,497)	\$78,014
(-) Tax effects on non-GAAP adjustments	-	\$(46,442)	-	\$(122,254)
Non-GAAP net income	\$338,383	\$323,186	\$1,155,559	\$962,457
Earnings Per Share				
GAAP net income per share - diluted	\$1.11	\$0.16	\$2.89	\$0.68
Non-GAAP net income per share - diluted	\$1.11	\$1.07	\$3.78	\$3.15
Weighted Average Shares				
GAAP and Non-GAAP weighted-average - diluted	305,939,624	301,986,341	305,726,733	305,273,812

GAAP to Non-GAAP Reconciliation

(\$ in Thousands)

	Q3 FY22	Q3 FY23	Q1-Q3 FY22	Q1-Q3 FY23
Free Cash Flow				
Cash Flow from Operations	\$394,556	\$295,314	\$1,395,870	\$1,078,674
(-) Purchases of PPE	\$(19,767)	\$(22,698)	\$(111,816)	\$(75,568)
Free Cash Flow	\$374,789	\$272,616	\$1,284,054	\$1,003,106
Operating Cash Flow Margin	37.5%	26.8%	46.1%	32.9%
Free Cash Flow (non-GAAP) Margin	35.7%	24.7%	42.4%	30.6%
Net Cash Used in Investing Activities	\$(1,002,916)	\$447,748	\$(2,367,098)	\$(60,613)
Net Cash Provided by (Used in) Financing Activities	\$(44,219)	\$(559,866)	\$20,885	\$(948,687)

(\$ in Thousands)

	Q3 FY23	Y/Y growth	Q1-Q3 FY23	Y/Y growth
Revenue in Constant Currency				
GAAP revenue	\$1,101,899	5%	\$3,275,157	8%
Add: Constant currency impact	\$24,194	2%	\$47,674	2%
Revenue in constant currency (non-GAAP)	\$1,126,093	7%	\$3,322,831	10%

Historic Metrics

(\$ in millions)

	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Revenue	\$882.5	\$956.2	\$1,021.5	\$1,050.8	\$1,071.4	\$1,073.8	\$1,099.5	\$1,101.9
<i>Y/Y growth</i>	369%	191%	54%	35%	21%	12%	8%	5%
GAAP Operating Income	\$256.1	\$226.3	\$294.6	\$290.9	\$251.8	\$187.1	\$121.7	\$66.5
Stock-based compensation, related payroll taxes, charitable donation of common stock, acquisition-related expenses, and litigation settlements, net	\$104.8	\$174.6	\$130.1	\$120.4	\$168.5	\$212.6	\$272.0	\$314.4
Non-GAAP Operating Income	\$360.9	\$400.9	\$424.7	\$411.3	\$420.3	\$399.6	\$393.7	\$380.9
Operating Cash Flow	\$399.4	\$533.3	\$468.0	\$394.6	\$209.4	\$526.2	\$257.2	\$295.3
Capital Expenditures	\$(21.5)	\$(79.1)	\$(13.0)	\$(19.8)	\$(20.8)	\$(25.0)	\$(27.8)	\$(22.7)
Free Cash Flow	\$377.9	\$454.2	\$455.0	\$374.8	\$188.6	\$501.1	\$229.4	\$272.6
RPO	\$1,750.9	\$2,073.4	\$2,346.3	\$2,456.5	\$2,647.6	\$2,990.0	\$3,213.0	\$3,245.9
<i>Y/Y growth</i>	190%	94%	66%	51%	51%	44%	37%	32%
Customers >\$100K TTM Revenue	1,644	1,999	2,278	2,507	2,725	2,916	3,116	3,286
<i>Y/Y growth</i>	156%	160%	131%	94%	66%	46%	37%	31%
Enterprise Customers¹	141,100	160,300	173,000	183,700	191,000	198,900	204,100	209,300
<i>Y/Y growth</i>		109%	73%	50%	35%	24%	18%	14%
Revenue % from Enterprise Customers	44%	45%	46%	49%	50%	52%	54%	56%
TTM Net \$ Expansion Rate for Enterprise Customers	152%	153%	147%	139%	130%	123%	120%	117%
Online Average Monthly Churn	4.4%	3.7%	4.3%	3.7%	3.8%	3.6%	3.6%	3.1%
Previous Metrics								
Customers >10 Employees¹	467,100	497,000	504,900	512,100	509,800	502,400	492,500	488,000
Revenue % from Customers >10 Employees	63%	63%	64%	66%	67%	68%	69%	70%
TTM Net \$ Expansion Rate for Customers >10 employees	> 130%	> 130%	> 130%	> 130%	129%	119%	115%	112%

¹ Enterprise Customers and Customers >10 Employees are rounded down to the nearest hundred.