

zoom

Video Communications

Q1 FY20 Earnings | June 6, 2019

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.

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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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How Zoom Delivers Happiness

Legacy Approaches

-  Multiple, Duplicative Systems
-  Expensive, Complicated Hardware
-  Limited Global Availability
-  Weak Mobile Experience
-  Closed System

Zoom's Solution

-  Single, Easy-to-Use Platform
-  100% Cloud-Native, Hardware Agnostic
-  Global Quality of Service
-  Robust Mobile Functionality
-  Developer-Friendly Open APIs

Business and Technology Highlights

✓ FedRAMP authorization

- Sponsorship from US Department of Homeland Security
- Allows US Federal Agencies and contractors to securely use Zoom meeting and API integrations

✓ Best of breed partnerships with HP, Salesforce and Slack

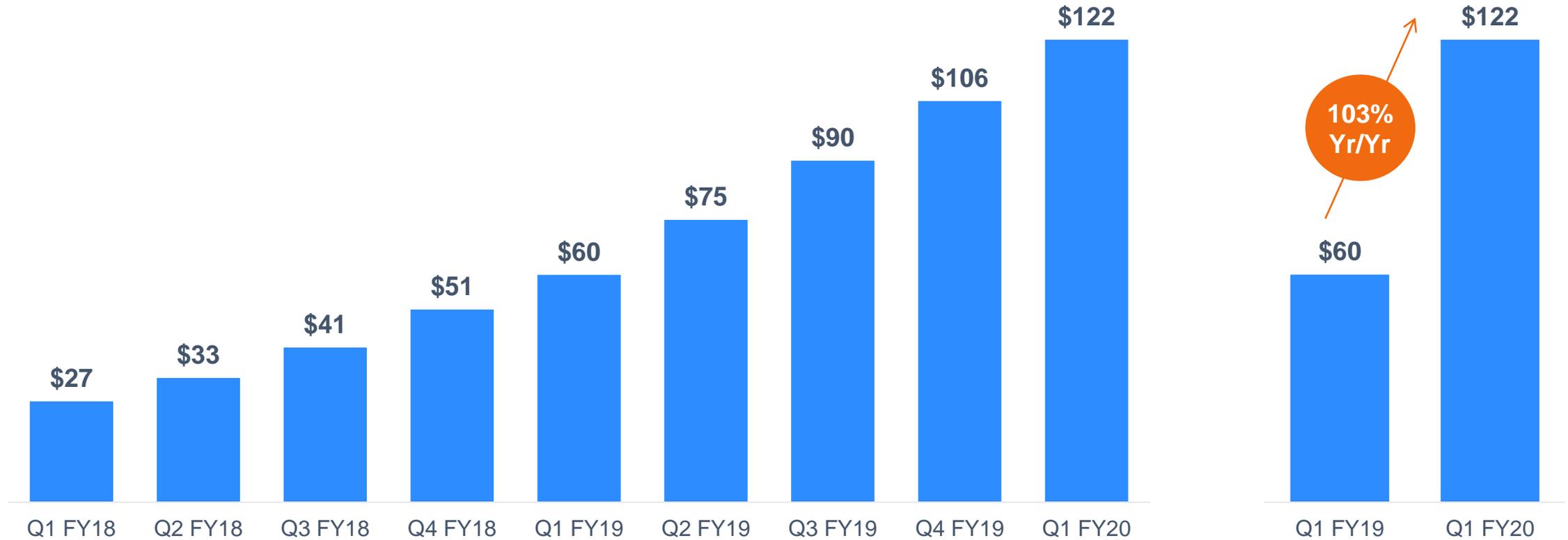
✓ New smart features added to Zoom meetings

✓ Zoom Phone enhancements and capabilities

- Elevate calls on Zoom Phone to Zoom Video Meetings
- “Bring your own carrier” service
- Zoom Phone beta launched in the UK and Australia

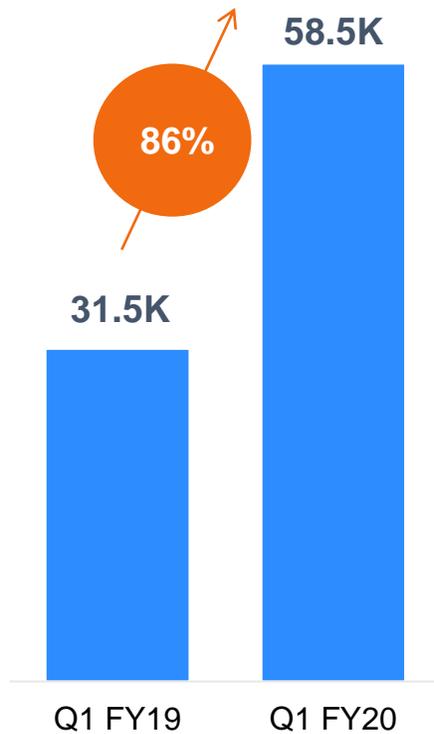
Rapid Revenue Growth

Revenue
(in millions)

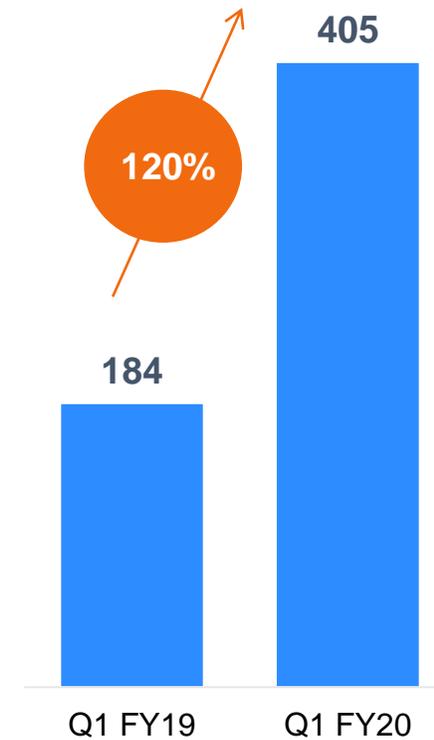


Rapidly Growing Customer Base and Gaining Enterprise Traction

Customers with Greater Than 10 Employees¹



Growth in Customers with >\$100K in Trailing 12-month Revenue



¹The number of customers are rounded down to the nearest hundred

Strong Q1 Net Dollar Expansion Rate

TTM Net Dollar
Expansion Rate¹

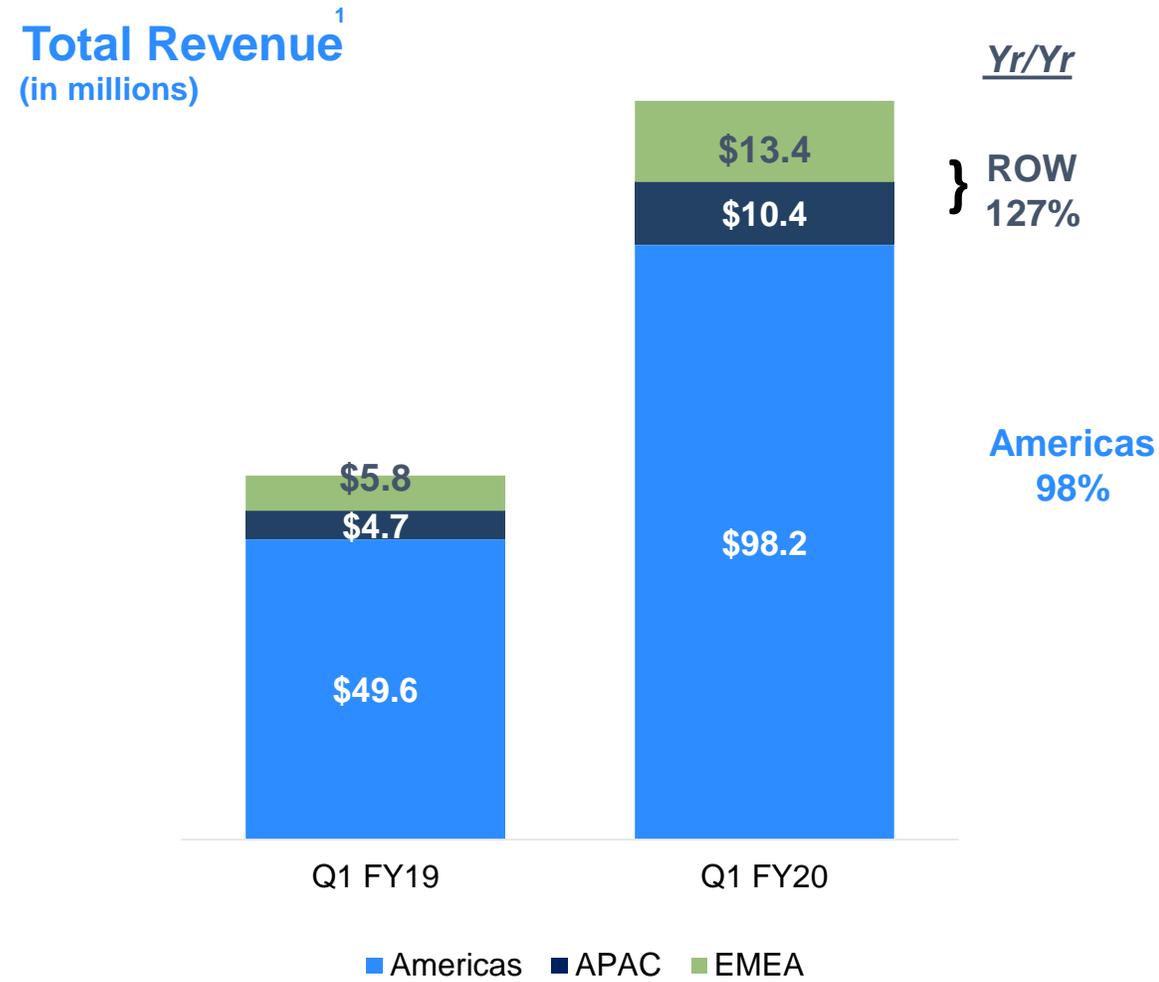
130%+

In Q1 FY20

- Demonstrated Ability to Land and Expand
- Reflects Trust and Loyalty with Existing Customers
- Net Promoter Score (NPS) 70+

¹We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with greater than 10 employees as of the 12 months prior to such period end (Prior Period ARR). We then calculate the ARR from these customers as of the current period end (Current Period ARR). The calculation of Current Period ARR includes any upsells, contraction and attrition. We then divide the total Current Period ARR by the total Prior Period ARR to arrive at the net dollar expansion rate. For the trailing 12-months calculation, we take an average of this calculation over the trailing 12 months.

Growing International Presence



¹Subtotal revenue has been rounded

Q1 Expenses and Margins

	GAAP Results	Yr/Yr	Non-GAAP Results	Yr/Yr
Revenue	\$122 million		\$122 million	
Gross Margin	80.2%	(35bps)	80.9%	+17bps
Research & Development	11%	+87bps	10%	+13bps
Sales & Marketing	53%	(787bps)	50%	(936bps)
General & Administrative	15%	+257bps	13%	+128bps
Operating Margin	1.3%	+408bps	6.7%	+813bps

As a % of Revenue¹

¹Note – See appendix for GAAP to non-GAAP reconciliation

Growing Future Revenue Under Contract

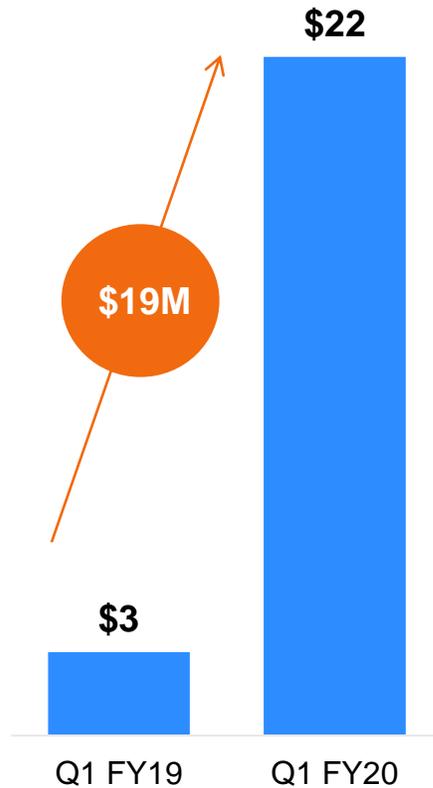
Total RPO¹
(in millions)



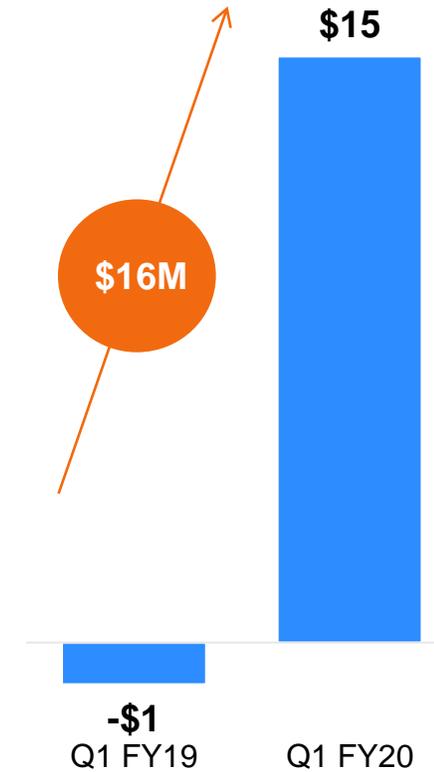
¹ Remaining performance Obligations (RPO) which consists of both billed considerations and unbilled consider we expect to recognize as revenue. Subtotal revenue has been rounded

Rapid Cash Flow Growth

Operating Cash Flow (in millions)



Free Cash Flow¹ (in millions)



Q2 FY20 and Full Year Outlook

	Q2FY20	FY20	
Non-GAAP Outlook ¹	Revenue	\$129 - \$130 million	\$535 - \$540 million
	Non-GAAP Operating Income	\$2.0 - \$3.0 million	\$0.0 - \$3.0 million
	Weighted Average Share Count	301 million	301 million
	Non-GAAP EPS	\$0.01 - \$0.02	\$0.02 - \$0.03

Questions

Thank You

Appendix

GAAP to Non-GAAP Reconciliation

Gross Margin

(\$ in thousands)

Q1FY19

Q1FY20

Total Revenue	\$60,070	\$121,988
GAAP Gross Profit	\$48,410	\$97,884
(+) Stock Based Compensation	\$95	\$830
Non-GAAP Gross Profit	\$48,505	\$98,714
Non-GAAP Gross Margin	81%	81%

R&D Expenses

(\$ in thousands)

Q1FY19

Q1FY20

GAAP R&D	\$6,264	\$13,783
(-) Stock Based Compensation	(\$129)	(\$1,164)
Non-GAAP R&D	\$6,135	\$12,619

S&M Expenses

(\$ in thousands)

Q1FY19

Q1FY20

GAAP S&M	\$36,261	\$64,041
(-) Stock Based Compensation	(\$396)	(\$2,627)
Non-GAAP S&M	\$35,865	\$61,414

G&A Expenses

(\$ in thousands)

Q1FY19

Q1FY20

GAAP G&A	\$7,569	\$18,503
(-) Stock Based Compensation	(\$229)	(\$2,041)
Non-GAAP G&A	\$7,340	\$16,462

GAAP to Non-GAAP Reconciliation

Operating Margin

(\$ in thousands)

Q1FY19

Q1FY20

Total Revenue	\$60,070	\$121,988
GAAP Operating Profit	(\$1,684)	\$1,557
(+) Stock Based Compensation	\$849	\$6,662
Non-GAAP Operating Profit	(\$835)	\$8,219
Non-GAAP Operating Margin	(1%)	7%

Free Cash Flow

(\$ in thousands)

Q1FY19

Q1FY20

Cash Flow from Operations	\$2,759	\$22,236
(-) Purchases of PPE	(\$3,850)	(\$6,897)
Free Cash Flow	(\$1,091)	\$15,339