

## **Zoom Q3 FY26 Earnings - Prepared Remarks**

### **Slide 1 – Zoom Q3 FY26 Earnings**

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

Thank you, Megan.

Hello everyone, and welcome to Zoom's earnings video webinar for the third quarter of fiscal year 2026. 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](https://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 fourth 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, who is giving his prepared remarks via Zoom Custom Avatar.

#### ***Slide 4 – Elevating Workplace with AI***

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

Thank you Charles.

We delivered strong results this quarter, with broad momentum across products, industries and customer segments, from Online to our largest enterprise accounts. This performance reflects the durability of our business, driven by the growing value we are delivering for customers as we evolve from a communications leader to an AI-first platform for work and customer experience.

Our vision is to be the AI-first work platform for human connection. As we march towards this vision, we are focused on three priorities: elevating Workplace with AI, driving growth of new AI products, and scaling AI-first Customer Experience.

Pivoting to our first priority, at Zoomtopia, we unveiled AI Companion 3.0, our next-generation agentic AI that's transforming how work gets done. We're evolving Zoom into an AI-first system of action, going beyond summarization to be your agent to proactively prepare for meetings, follow up on tasks, and drive work forward.

AI Companion runs on our federated AI architecture, which lets customers use Zoom's models alongside their own or trusted third-party models, unlike closed systems elsewhere. Spanning Meetings, Phone, Chat, Whiteboard, and soon the web, Zoom brings intelligent assistance wherever work happens across major platforms. And customers are responding: AI Companion adoption continued to surge more than four times year over year, underscoring demand for smarter, more seamless ways to work.

In tandem with AI Companion growth, we saw continued strength across Zoom Workplace. Team Chat Monthly Active Users rose 20% year over year. As the canvas for asynchronous work, Chat turns meetings into persistent workspaces, and with AI Companion, it provides summaries, composition tools, and easier search capabilities so customers can keep work in context, reduce app sprawl, and take action faster.

Our Employee Experience offering continued to shine, even as we lap the strong momentum of our previous Meta partnership. Workvivo logos grew nearly 70% year over year to 1,225, with customers spanning mid-market up to the Fortune 10.

Last, Zoom Phone surpassed 10 million paid seats early in Q3, marking a major milestone and reinforcing its leadership in unified communications. It continues to perform well with consistent ARR growth in the mid-teens and numerous sizable wins in financial services and healthcare. For example, Rothman Orthopaedics, Platinum Dermatology and a reputable clinic adopted Zoom Phone for its unified platform, advanced AI capabilities, and healthcare-specific integrations and compliance tools, enabling seamless collaboration and better patient care.

### ***Slide 5 - Driving growth of new AI products***

AI isn't just bolstering our core, it's opening new revenue streams and deeper customer value through customization and automation. Two quarters in, Custom AI Companion is scaling with several Fortune 200 wins and broad interest.

Oracle, already a major Zoom Workplace and Contact Center customer, chose to deepen its partnership with us this quarter. As one of the world's leaders in AI and enterprise technology, Oracle adopted Zoom Custom AI Companion to create powerful AI-powered assistance across its global workforce, helping employees turn everyday conversations into actionable insights.

We were also delighted to see Salesforce deepen its partnership with Zoom by adding Custom AI Companion.

Alongside horizontal momentum, we're extending AI into collaboration-adjacent verticals as well. In Q4, we agreed to acquire BrightHire, a leading AI-powered hiring intelligence platform that elevates every stage of the hiring process, enhancing one of the most critical business workflows while also strengthening our collaboration platform.

### ***Slide 6 – Scaling AI-first Customer Experience***

The same AI innovation powering how teams collaborate is also transforming how companies engage their customers, and Zoom is at the center. Customer Experience is one of our fastest-growing businesses and an important long-term growth vector for Zoom. In Q3, Customer Experience delivered a phenomenal

quarter with ARR continuing to grow in the high double digits. And early in the quarter, we were honored to be included in the 2025 Gartner Magic Quadrant for Contact Center as a Service only three years after launching Zoom Contact Center.

Within Customer Experience, AI has become a clear differentiator, creating additional monetization opportunities. Nine of our top ten CX deals involved paid AI, such as Zoom Virtual Agent or AI Expert Assist, as enterprises use Zoom to deliver faster, more personalized service. For example, SolarWinds, LegalShield and Bromcom, chose Zoom to replace fragmented legacy systems with one unified, AI-first platform. They turned to Zoom for its integrated approach across Workplace, Phone, and Contact Center, and for the innovation of Virtual Agent 2.0, which helps simplify operations and enable faster, more intelligent customer engagement.

We're encouraged by the rapid momentum of our CX portfolio, reflected in external recognition and customer wins, and driven by our AI differentiation and deep Workplace integration. This progress advances our platform strategy to deliver a unified solution and expand long-term growth.

In summary we're executing a clear plan: AI-led innovation, platform expansion, and disciplined, durable growth. We're pairing innovation with financial rigor, delivering strong profitability and cash flow while investing for long-term growth. With accelerating adoption and marquee enterprise partnerships, we're turning our AI momentum into measurable value for customers and shareholders.

Now, let me turn it over to Michelle to take us through the financials. Michelle?

***Slide 7 – Revenue progress continues; Online churn at all-time low***

***Michelle Chang, CFO***

Thank you Eric, and hello everyone.

I'm excited to share Zoom's Q3 FY26 financial performance today. In Q3, total revenue grew 4.4% year over year to 1.23 billion dollars, or 4.2% in constant currency. This result was \$15 million dollars above the high end of our guidance.

Our Enterprise business grew 6.1% year over year, representing 60% of our total revenue, up 1 point year over year.

Our Online business continues to show signs of stabilizing. In Q3, Average Monthly Churn was 2.7%, in line with Q3 of last year and an all-time low.

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

In our Enterprise business, we saw 9% year-over-year growth in the number of customers contributing more than \$100,000 dollars in trailing twelve month revenue. These customers make up 32% of our total revenue, up 1 point year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q3 continues to hold steady at 98%.

Pivoting to our growth internationally; our Americas revenue grew 5% year over year, EMEA grew 3%, and APAC grew 4%.

***Slide 9 – Improving profitability in Q3 FY26***

Moving to our non-GAAP results, which exclude stock-based compensation expense and associated payroll taxes, acquisition-related expenses, net gains on strategic investments, net litigation settlements, and all associated tax effects.

Non-GAAP gross margin in Q3 was 80%, up 117 basis points from Q3 of last year primarily due to cost optimization efforts. We remain focused in the near term around balancing investments in AI with cost efficiencies.

Non-GAAP income from operations grew 11% year over year to \$507 million dollars, exceeding the high end of our guidance by \$37 million dollars.

Non-GAAP operating margin for Q3 was 41.2%, up 234 basis points from Q3 of last year. The operating margin improvement was driven by ongoing cost management and timing of spend.

Non-GAAP diluted net income per share in Q3 increased to \$1.52 on approximately 305 million non-GAAP diluted weighted-average shares outstanding. This result was 8 cents above the high end of our guidance and 14 cents higher than Q3 of last year.

The EPS growth reflects strong business performance, effective cost management as well as anti-dilution, driven by our buyback program and disciplined stock compensation management.

### ***Slide 10 – Growth in Deferred Revenue and RPO***

Turning to the balance sheet.

Deferred revenue at the end of Q3 grew 5% year over year to 1.44 billion dollars, towards the high end of our previously provided range. For Q4, we expect deferred revenue to be up 4 to 5% year over year.

Looking at both our billed and unbilled contracts, our RPO increased 8% year over year to over \$4 billion dollars. We expect to recognize 60% of the total RPO as revenue over the next 12 months, down 1 point year over year.

### ***Slide 11 – Strong Cash Flow, ~\$7.9B cash balance, continued execution of share buyback in Q3***

Operating cash flow in Q3 grew 30% year over year to \$629 million dollars, representing an operating cash flow margin of 51.2%. Free cash flow in the quarter grew 34% year over year to \$614 million dollars, representing a free cash flow margin of 50%, up 11 points year over year. The year-over-year increase in free cash flow margin was driven by improvements in the collections process as well as stronger billings.

We ended the quarter with 7.9 billion dollars in cash, cash equivalents and marketable securities, excluding restricted cash.

Under the pre-existing 2.7 billion dollar share buy-back plan, in Q3 we repurchased 5.1 million shares for \$414 million dollars. As of the end of Q3, we repurchased 32.5 million shares for 2.4 billion dollars.

### ***Slide 12 – Q4 & raised fiscal year 2026 outlook***

Turning to guidance.

For Q4, we expect revenue to be in the range of 1.23 to 1.235 billion dollars. This represents approximately 4.1% year-over-year growth at the midpoint. We expect non-GAAP operating income to be in the range of \$477 to \$482 million dollars, representing an operating margin of 38.9% at the midpoint. Our outlook for non-GAAP earnings per share is \$1.48 to \$1.49 based on approximately 305 million shares outstanding.

For the full year FY26, we are excited to raise both our revenue and profitability guidance. We now expect revenue to be in the range of 4.852 to 4.857 billion

dollars, which at the midpoint represents approximately 4.1% year-over-year growth. We now expect our non-GAAP operating income to be in the range of 1.955 to 1.96 billion dollars, representing an operating margin of 40.3% at the midpoint. In addition, our outlook for non-GAAP earnings per share in FY26 is increasing to \$5.95 to \$5.97, based on approximately 308 million shares outstanding. As a reminder, future share repurchases are not reflected in Share Count and EPS guidance.

With the strong free cash flow results in Q3 and increased outlook for operating income in FY26, we now expect free cash flow to be in the range of 1.86 to 1.88 billion dollars for the full year, which at the midpoint represents approximately 3.4% year-over-year growth.

As indicated in our earnings press release today, we are also excited to announce our board has authorized an incremental 1 billion dollar 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 returns.

In closing, we've made progress improving top-line growth, we've sustained best-in-class profitability, and we've reduced dilution. We're executing on our three priorities with discipline and momentum, and remain committed to building on this success to deliver lasting value for our shareholders.

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

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