

# Analyst Day

October 14, 2020

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Zoom Video Communications



# Agenda

## 11:00 am Welcome

- Tom McCallum, Head of Investor Relations

## 11:05 am – 11:20 am Future of Work and Future of Zoom

- Kelly Steckelberg, Chief Financial Officer

## 11:20 am – 11:40 am Zoom Phone and Zooms Presentation

- Graeme Geddes, Head of Zoom Phone and Rooms

## 11:40 am – 12:10 pm Customer Fireside Chat

- Ryan Azus, CRO, Jill Porubovic, SVP Technical Workforce of Discovery Inc., and Kevin Atkin, Director of IT of Gilead

## 12:10 pm - 1:00 pm Executives Q&A

- Eric Yuan, Founder and CEO, Kelly Steckelberg, and Ryan Azus



# 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 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.

# Future of Work Future of Zoom

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Kelly Steckelberg,  
Chief Financial Officer

**“We're in a new digital world, in an all digital world. The past is gone, it's not coming back... We need to rebuild our companies, our organizations and ultimately we need to rebuild ourselves to be successful in this new digital future... Zoom is not the future. Zoom is the present. This is our present reality.”**

**— Marc Benioff, Salesforce CEO on CNBC September 27, 2020**

# Zoom as a driving force enabling communication and collaboration worldwide

Work anywhere  
Learn anywhere  
Connect anywhere



# Future of Work and Collaboration at Zoom

Safe hybrid workplace with the best inclusive and immersive virtual experience for both in-office and remote workers

- ★ Touchless voice commands and virtual reception
- ★ Better face-to-face interaction smart gallery
- ★ Shared meeting wallpapers and scenes
- ★ Zoom for Home

# Scaling with Demand

Annualized Meeting Minutes Run-Rate\*



\* Annualized meeting minute run-rate is calculated by multiplying the quarter ending month's exit meeting minutes by 12. Q3FY21 QTD data is as of Sept 30, 2020.

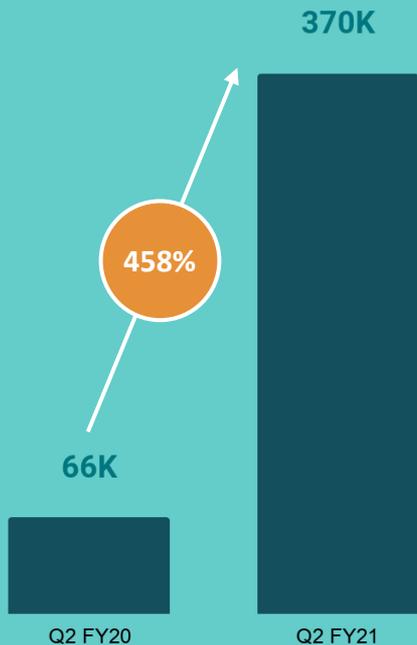
**355%**Q2FY21  
YoY Revenue Growth**\$2.6B+**Annualized Revenue  
Run-Rate  
(Q2FY21)**130%+**TTM Dollar-Based Net  
Expansion Rate\*  
for 9 straight quarters  
(as of July 31, 2020)**64/36**Revenue split between  
Customers >10 Employees and  
Customers <10 employees  
(Q2FY21)**\$1.5B**Cash, Cash Equivalents and  
Marketable Securities,  
Excluding Restricted Cash  
(Q2FY21)**19x**Increase in YTD FCF\*\*  
(YoY Q2FY21 vs Q2FY20)

\* We calculate net dollar expansion rate as of a period end by starting with the ARR from customers with more 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.

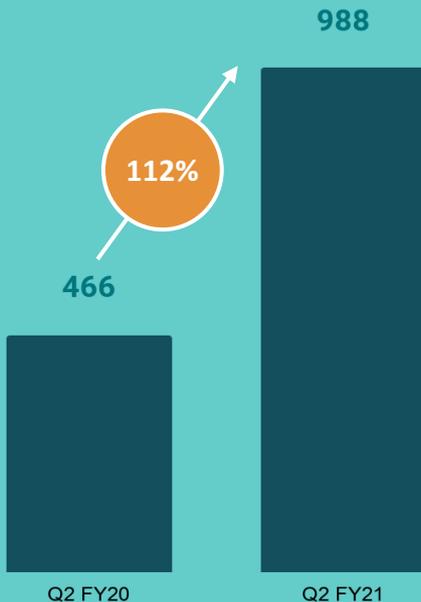
\*\* See appendix for a reconciliation of non-GAAP to GAAP financial measures. We define FCF as GAAP net cash provided by operating activities less purchases of property and equipment.

# Explosive Customer Growth

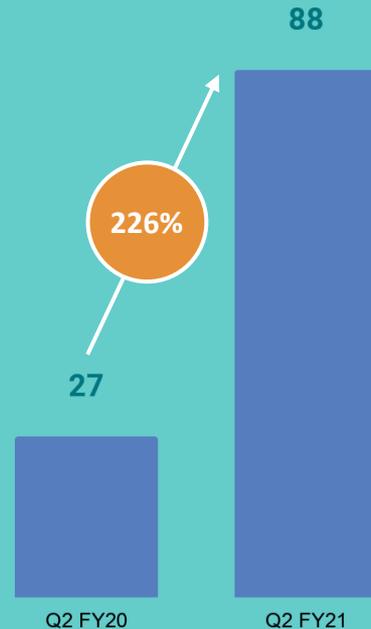
Customers with more than 10 employees



Customers with >\$100K TTM Revenue



Customers with >\$1M ARR





# Upmarket Movement with Room for Significant Growth

Global 2000 (G2K) Penetration Rate by ARR Threshold

**54%**

**>\$1K ARR**

26% Q2 FY20

**29%**

**>\$10K ARR**

14% Q2 FY20

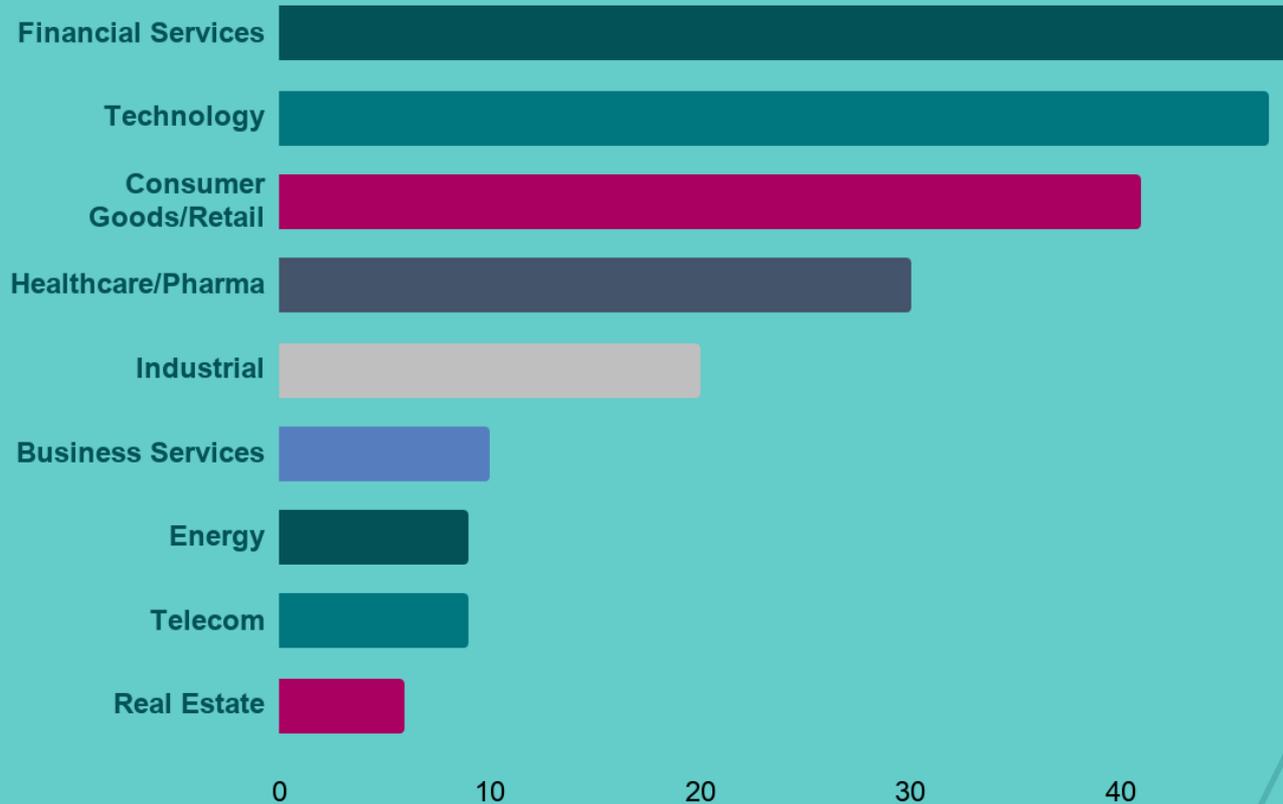
**12%**

**>\$100K ARR**

6% Q2 FY20

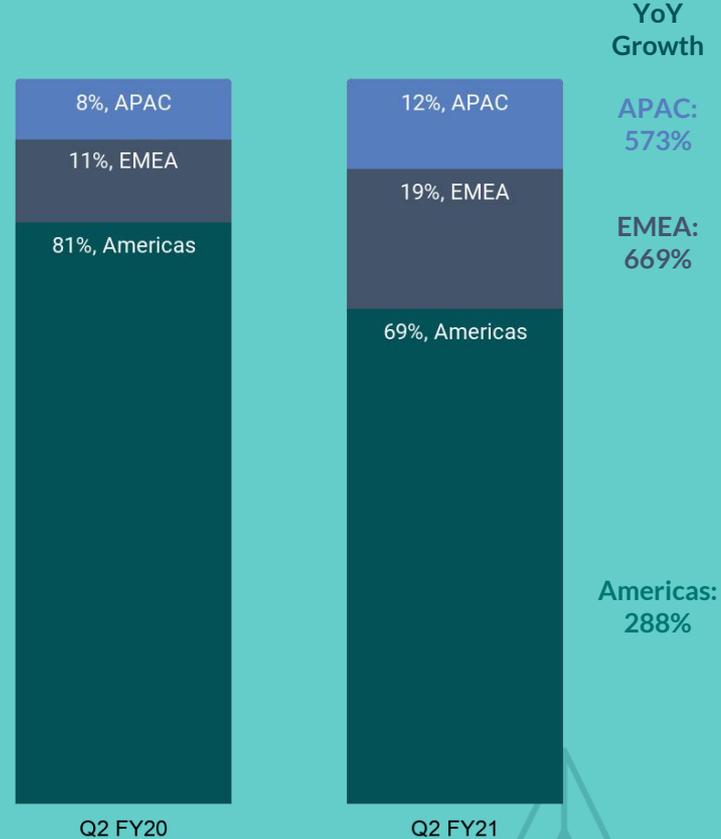
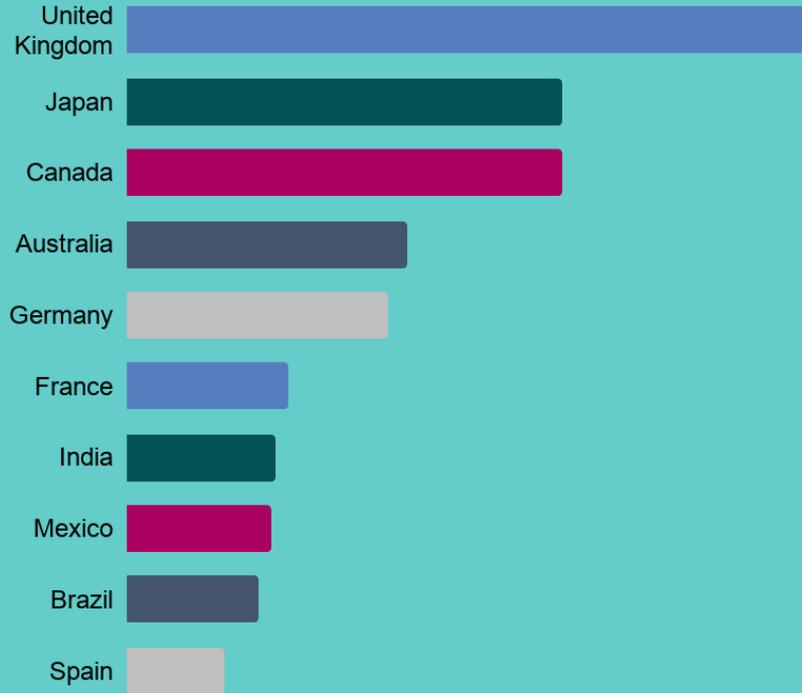
# Global 2000 segments spending >\$100K ARR

Number of Customers



# International leads with 629% YoY growth

Top International Countries by Revenue (Q2FY21)



Subtotal revenue percentage has been rounded.

# Tremendous Opportunity: Zoom Phone

**43+**

Countries & Territories  
where Zoom Phone in  
GA

**\$23B+**

Total Addressable  
Market by 2024\*

**7 Master  
Agent Partners  
and 2000+  
Sub-Agents**

**500K+**

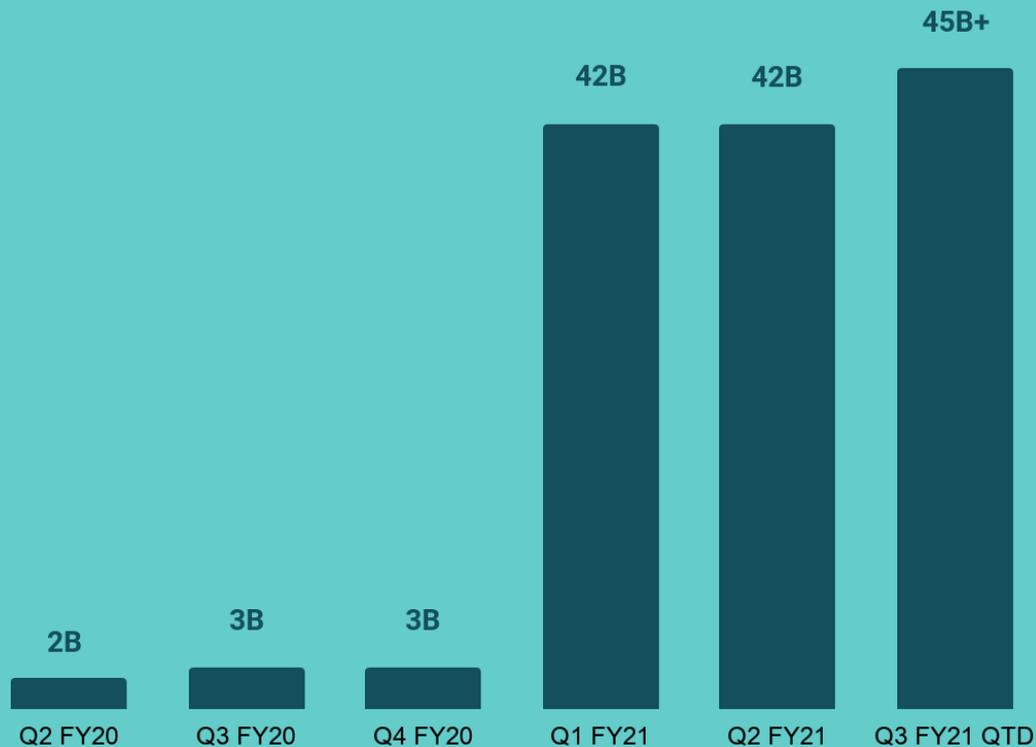
ZP Seats Sold TTM

**5,800+**

ZP customers with more  
than 10 employees

# High Demand for Large Virtual Events

Annualized Webinar Minutes Run-Rate



\* Annualized webinar minute run-rate is calculated by multiplying the quarter ending month's exit webinar minutes by 12. Q3FY21 QTD data is as of Sept 30, 2020.



## Financial Framework (Non-GAAP)

		Actual Q2FY21	Previous Long-Term Profile	Updated Long-term Profile
<b>As a % of Revenue</b>	<b>Gross Margin %</b>	72%	~80-82%	~80%
	<b>Research &amp; Development</b>	4%	~10-12%	~10-12%
	<b>Sales &amp; Marketing</b>	19%	~40-42%	~30-35%
	<b>General &amp; Administrative</b>	8%	~8-10%	~8-10%
	<b>Operating Margin</b>	42%	20%+	~25%

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. The above financial framework should not be construed to be guidance.

# The Zoom ESG Pledge

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Zoom cares for the long-term benefits of our community, our customers, our company, our teammates and ourselves. We strive to make a positive impact by delivering virtual connections to the global community and committing to build a sustainable future for our environment and society.

# Leadership Role in the new WFA world

- ❖ Proven ability to scale
  - ❖ Global brand and awareness
  - ❖ Innovation and security focus
  - ❖ Well positioned for growth
  - ❖ Strong financial profile combination of revenue, profit & FCF
  - ❖ Culture focused on customer and employee happiness
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# Zoom Phone & Zoom Room Presentation



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Graeme Geddes,  
Head of Zoom Phone & Rooms

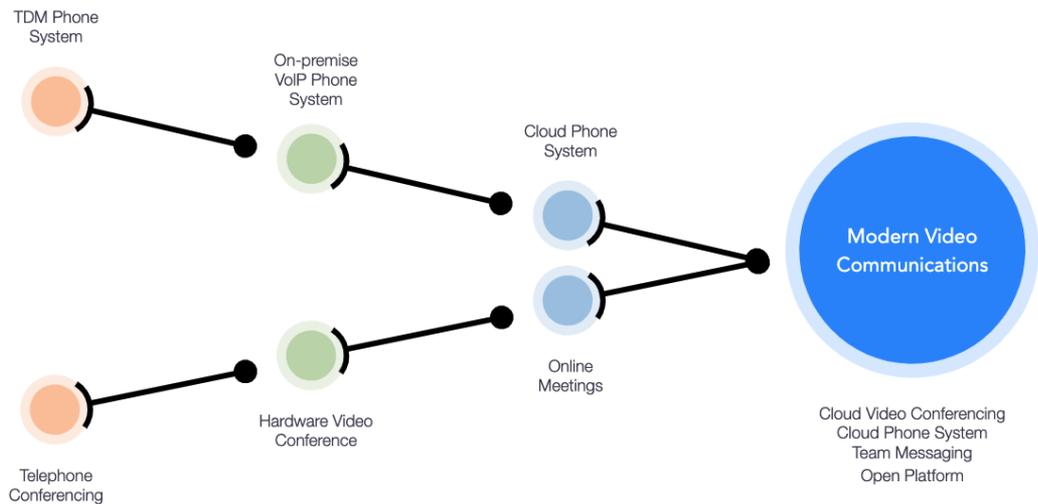
# Zoom Phone

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# Last Year at Zoomtopia...

## Evolution of Communications Technology





# Zoom Phone



## Modern Phone Solution

- Seamlessly integrated phone features
- Domestic & international calling
- Seamlessly elevate calls to a Zoom Meeting



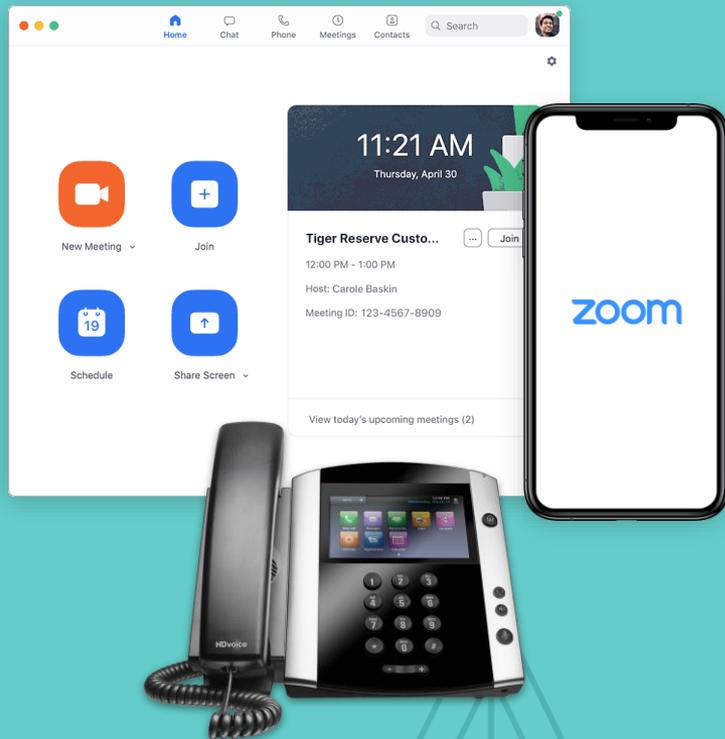
## Centralized Management

- Single point administration
- Single unified app experience
- Call detail reporting & quality monitoring



## Secure & Reliable

- Secure HD Voice
- QoS delivered by adaptive rate codecs
- Globally distributed datacenters



# Zoom Phone a year in review...

## 400+ Platform Features Delivered

### Nov-Oct 2020

Continued feature acceleration including: Nomadic e911, FedRAMP certification, Transfer to Meeting, 256bit GCM encryption, Proximity Handoff (iOS), Barge/Monitor/Whisper, and more.



## Master / Agent Program Launch

### Mar 2020

Launched Master/Agent channel program with Avant, Intelisys, Pax8 and Telarus in March. In September expanded internationally with Nuvias, Scansource, and Tradewinds.

## International Expansion

### Aug 2020

Expanded international footprint to provide local numbers in 43 countries & territories globally



## Global Telephony SIMPLIFIED

### Global Select Plan

### Aug 2020

Introduced Global Select Plan, a simplified way to purchase and manage Global Telephony. A single license, at a single price for Unlimited Domestic Calling.

# International Expansion





## Zoom Phone growth...

**500K+**

Seats Sold in TTM

**5,800+**

Paid customers  
w/10 or more  
employees

**8X+**

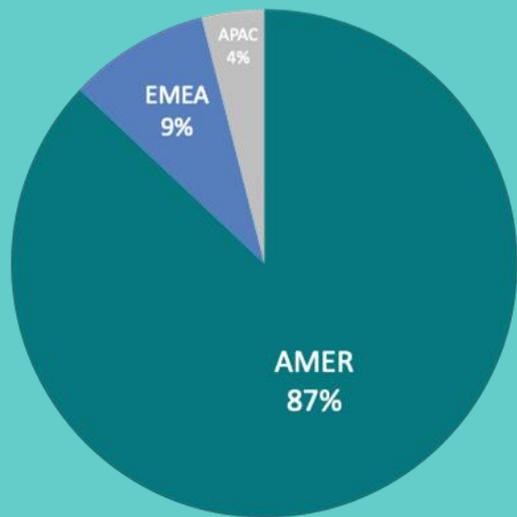
Traffic increase  
TTM

**22%**

Customers new  
to Zoom



## Geography



## Customer Size



## Top Verticals

- Technology
- Financial Services
- Professional Services
- Manufacturing
- Retail
- Healthcare
- BioTech/Pharma

# Zoomtopia Announcements...

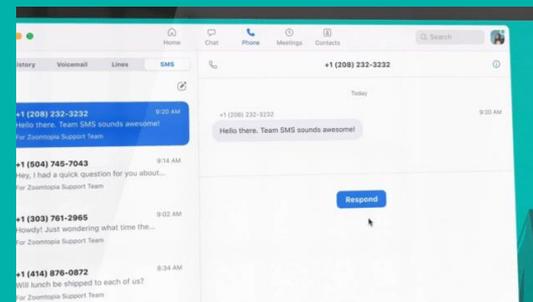
- Nomadic e911
- Team MMS
- AI Spam Blocking
- International Expansion: South Africa
- MSFT Teams Integration
- Zoom Phone Appliance

## Nomadic E911



\*Beta in Q4 CY20

## Team MMS



\*SMS/MMS GA Q4 CY20  
\*Team SMS Q1 CY21

# Zoom Phone & Work from Anywhere

Helping our customers respond to the demands of WFA

ZOOM PHONE CUSTOMER TESTIMONIAL

“ We implemented this solution right before COVID hit the US. Zoom Phone has made it possible for our firm to transition its employees to a remote work environment within 24 hours.

— IT Manager, Medium Enterprise Financial Services Company

Source: IT Manager, Medium Enterprise Financial Services Company



ZOOM PHONE CUSTOMER TESTIMONIAL

“ Zoom Phone has allowed us to operate remotely for the past 6 months without any impact to the company

— CIO, Small Business Pharmaceuticals Company

Source: CIO, Small Business Pharmaceuticals Company



TechValidate

ZOOM PHONE CUSTOMER STATISTIC

97% of surveyed organizations rated Zoom Phone's remote workforce enablement as better than the competition.



Source: TechValidate survey of 245 users of Zoom Phone

 Validated Published: Oct. 5, 2020



TechValidate  
by Forrester

# Zoom Phone Breakout Sessions

## Simplify Your Business Communications with Zoom Phone

October 14, 2020  
10:00 AM Pacific Time

Host: Mark Scarpelli  
Zoom Phone Manager

### PANELISTS



Chris Harvey  
Asst Vice President - IT  
Brotherhood Mutual



Paul Wilch  
IT Manager  
Hawley Troxell



Keith Ward  
Director, Technology Solutions  
National Wildlife Federation



Dusty Harkleroad  
Director of IT  
Environmental Lights

## Zoom Phone and UCaaS in the Enterprise

October 14, 2020  
1:00 PM Pacific Time

Host: Colby Nish  
Zoom Phone, North America Leader

### PANELISTS



Venkat Lakshminarayanan  
Sr Dir, IT Infrastructure  
Engineering and Operations  
ServiceNow



John Scott  
Executive Director of  
Technology Infrastructure  
Quinnipiac University



Sue Delaney  
IT Director  
Global Connectivity & MnA  
Ebay, Inc.



Meng Li  
Director of Systems  
Engineering  
Viacom CBS

# Zoom Rooms

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# Zoom Rooms & Devices a year in review...

## Zoom Rooms Appliances

Oct 2019

Turnkey room solutions to streamline deployment and management experience.



## First to market features

Dec 2019

- Native room control integration
- One-click to join 3rd party meetings (BJN, Webex, GTM, LogMeIn, Teams, S4B)
- Support up to 10 controllers
- Companion whiteboard

## Zoom HaaS

July 2020

Launched Zoom HaaS in the US for rooms and phones with Neat, DTEN, Poly, and Yealink devices



## Zoom for Home

Aug 2020

Launched new device category for remote working use cases. Launched with Zoom for Home - DTEN ME and have since announced smart display partnerships



# New hardware solutions for 2021

**DTEN**



DTEN ON TV

**hp**



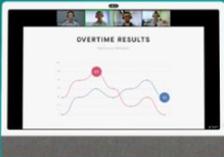
HP Collaboration G6 24/27  
All-in-One with Zoom Rooms

**Lenovo**



Lenovo ThinkSmart View

**neat.**



Neat Frame



Neat One

**Yealink**



Yealink A20

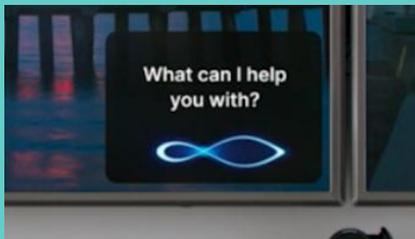


# New features helping enable re-entering the office\*

Virtual Receptionist  
(Zoom Rooms Kiosk)



Enhancing Voice Commands  
(and adding support for Alexa  
native integration)



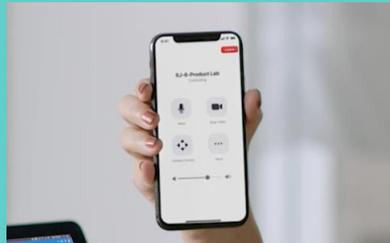
Zoom Rooms Smart Gallery to better enable face-to-face  
collaboration with in-room and remote participants.



Scheduling Display with  
people counting



Control room from mobile  
or desktop device



And more enhancements around reporting &  
remote administration...



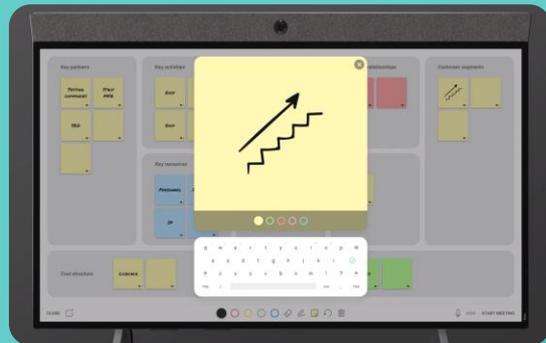
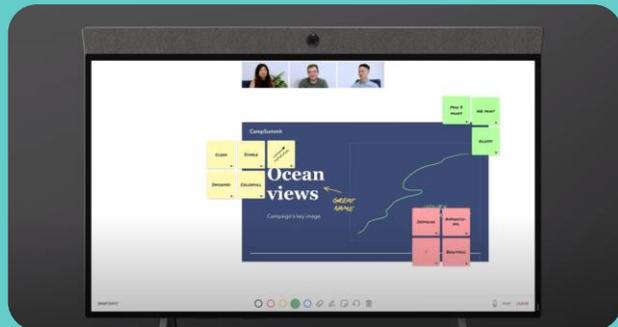
# New whiteboarding enhancements



Sticky notes & infinite canvas



Persistent whiteboarding & whiteboard templates





# Zoom Rooms breakout sessions...

Adapting Rooms and Workspaces for the Post-Pandemic Workplace	Oct 15 11a - 11:45a PT
Native Room Control Integrations: A Guide to Custom Network-Based Controls Within Zoom Rooms	Oct 14 1p - 1:30p PT
Pushing the Limits of Zoom Rooms: Beyond the Traditional Conference Room	Oct 15 10a - 10:45a PT
Interoperability in the Conference Room: Leveraging Existing Investments to Connect to the Zoom Cloud	Oct 15 1p - 1:45p PT
Zoom for Home and Your Next Great In-Home Workspace	Oct 15 10a - 10:45a PT
How to Design Environments That Optimize Blended Learning	Oct 14 10a - 10:45a PT



# Customer Fireside Chat

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Ryan Azus,  
Chief Revenue Officer



**Ryan Azus**

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**Chief Revenue Officer**

Zoom Video Communications, Inc.



**Kevin Atkin**

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**Director of IT - Real Time Collaboration**

Gilead



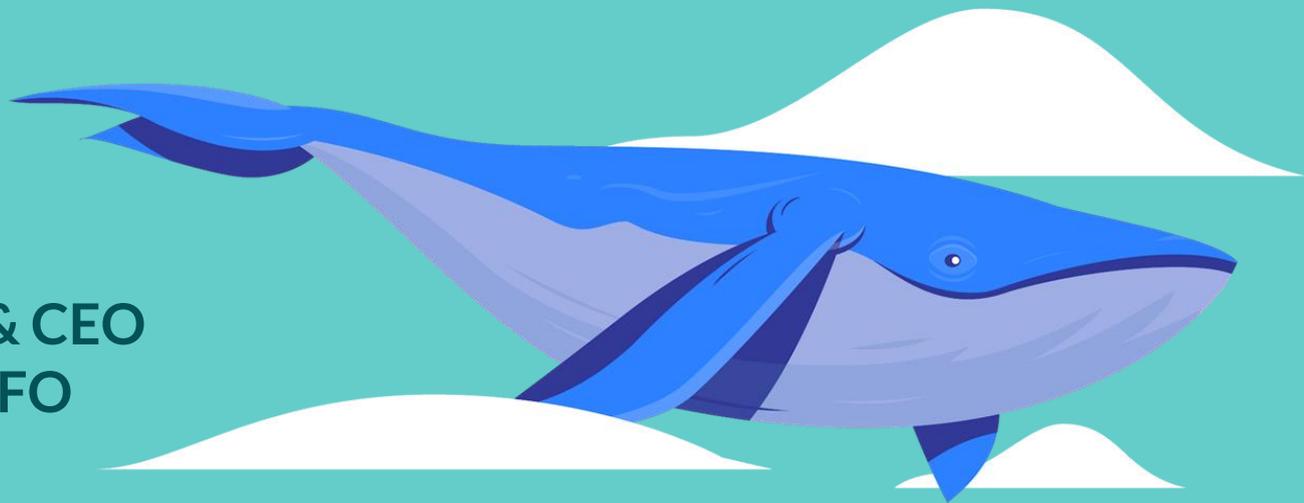
**Jill Porubovic**

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**SVP Technical Workforce**

Discovery Inc.

# Executives Q&A

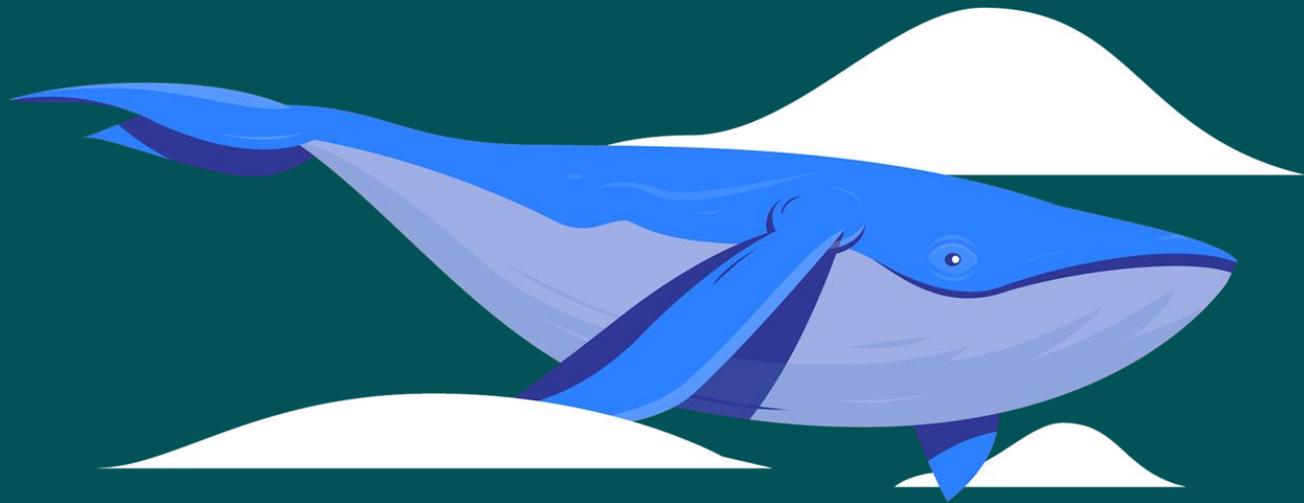


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Eric Yuan, Founder & CEO  
Kelly Steckelberg, CFO  
Ryan Azus, CRO

# Thanks!

#Zoomtopia



# Appendix

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# GAAP to Non-GAAP Reconciliation

Gross Profit				
(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Total Revenue	\$145,826	\$663,520	\$267,814	\$991,687
GAAP Gross Profit	\$117,926	\$471,249	\$215,810	\$695,709
(+) Stock-based compensation expense and related payroll taxes	\$1,922	\$8,059	\$2,752	\$11,441
(+) Acquisition-related expenses	-	\$154	-	\$154
Non-GAAP Gross Profit	\$119,848	\$479,462	\$218,562	\$707,304
Non-GAAP Gross Margin	82.2%	72.3%	81.6%	71.3%
R&D Expenses				
GAAP R&D	\$15,054	\$42,734	\$28,837	\$69,123
(-) Stock-based compensation expense and related payroll taxes	\$2,510	\$10,166	\$3,674	\$15,569
(-) Acquisition-related expenses	-	\$4,006	-	\$4,006
Non-GAAP R&D	\$12,544	\$28,562	\$25,163	\$49,548
S&M Expenses				
GAAP S&M	\$79,652	\$159,173	\$143,693	\$280,729
(-) Stock-based compensation expense and related payroll taxes	\$10,813	\$36,429	\$13,440	\$54,454
Non-GAAP S&M	\$68,839	\$122,744	\$130,253	\$226,275
G&A Expenses				
GAAP G&A	\$20,955	\$81,238	\$39,458	\$134,368
(-) Stock-based compensation expense, and related payroll taxes	\$3,224	\$6,948	\$5,265	\$10,384
(-) Charitable donation of common stock	-	\$22,312	-	\$23,312
(-) Acquisition-related expenses	-	\$782	-	\$782
Non-GAAP G&A	\$17,731	\$51,196	\$34,193	\$99,890

# GAAP to Non-GAAP Reconciliation

Operating Margin				
(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Total revenue	\$145,826	\$663,520	\$267,814	\$991,687
GAAP operating profit	\$2,265	\$188,104	\$3,822	\$211,489
(+) Stock-based compensation expense and related payroll taxes	\$18,469	\$61,602	\$25,131	\$91,848
(+) Charitable donation of common stock	-	\$22,312	-	\$23,312
(+) Acquisition-related expenses	-	\$4,942	-	\$4,942
Non-GAAP operating profit	\$20,734	\$276,960	\$28,953	\$331,591
Non-GAAP operating margin	14.2%	41.7%	10.8%	33.4%

Free Cash Flow				
(\$ in thousands)	QTD – Q2FY20	QTD – Q2FY21	YTD – Q2FY20	YTD – Q2FY21
Cash flow from operations	\$31,172	\$401,346	\$53,408	\$660,311
(-) Purchases of PPE	\$14,040	\$27,981	\$20,937	\$35,253
Free cash flow	\$17,132	\$373,365	\$32,471	\$625,058

# G2K Industry Segment Mapping

## Technology

Software & Programming  
 Computer Hardware  
 Computer Services  
 Semiconductors  
 Electronics  
 Electrical Equipment  
 Computer & Electronics  
 Retail  
 Security Systems  
 Computer Storage  
 Devices

## Financial Services

Major Banks  
 Investment Services  
 Diversified Insurance  
 Regional Banks  
 Consumer Financial  
 Services  
 Life & Health Insurance  
 Property & Casualty  
 Insurance  
 Trading Companies  
 Thrifts & Mortgage  
 Finance  
 Rental & Leasing

## Healthcare/Pharma

Medical Equipment &  
 Supplies  
 Pharmaceuticals  
 Biotechs  
 Managed Health Care  
 Healthcare Services  
 Precision Healthcare  
 Equipment

## Consumer Goods/Retail

Beverages  
 Discount Stores  
 Auto & Truck  
 Manufacturers  
 Internet & Catalog Retail  
 Apparel/Accessories  
 Apparel/Footwear Retail  
 Recreational Products  
 Household/Personal Care  
 Consumer Electronics  
 Specialty Stores  
 Food Retail  
 Drug Retail  
 Department Stores  
 Tobacco  
 Home Improvement Retail  
 Household Appliances  
 Furniture & Fixtures

# G2K Industry Segment Mapping contd.

## Government

Aerospace & Defense

## Telecom

Telecommunications  
services

Communications  
Equipment

## Media

Telecommunications  
services

Communications  
Equipment

## Energy

Oil & Gas Operations

Electric Utilities

Natural Gas Utilities

Diversified Utilities

Oil Services & Equipment

## Business Services

Business & Personal  
Services

Transportation

## Hospitality/ Travel

Hotels & Motels

Casinos & Gaming

Restaurants

## Advertising/ Printing

Printing & Publishing

Advertising

## Real Estate

Real Estate

## Other

Unknown

## Transportation

Air couriers

Other Transportation/Logistics

## Energy

Diversified Chemicals

Conglomerates

Food Processing

Other Industrial Equipment

Construction Materials

Construction Services

Heavy Equipment

Business Products &  
Supplies

Specialized Chemicals

Containers & Packaging

Iron & Steel

Diversified Metals &  
Mining

Environmental & Waste

Paper & Paper Products

Aluminum

Forest Products