

Zoom Q1 FY26 Earnings - Prepared Remarks

Slide 1 – Zoom Q1 FY26 Earnings

Charles Eveslage, Head of IR

Thank you, Megan.

Hello everyone, and welcome to Zoom's earnings video webinar for the first 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. 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 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 will be debuting his new Custom Avatar for Zoom Clips.

Slide 4 – Rapid AI innovation expands customer value

Eric Yuan, Founder and CEO

Thank you, Charles. Thank you everyone for joining us. Today, I'm using our new Custom Avatars for Zoom Clips with AI Companion to share my part of the earnings report. I'm proud to be among the first-ever CEOs to use an avatar in an earnings call.

It's just one example of how Zoom is pushing the boundaries of collaboration and communication. At the same time, we know trust and security are essential. We take AI-generated content seriously and have built in strong safeguards to prevent misuse, protect user identities, and ensure avatars are used responsibly.

Now, let's get into it...

We delivered another solid quarter, showcasing the power of our platform and innovation engine in helping customers navigate short-term challenges with greater efficiency while positioning them for long-term success. Through AI-powered innovation, Zoom is redefining modern work and delivering major cost savings and productivity gains for our customers.

We had a tremendous quarter of innovation and launched several agentic AI innovations that advance our vision of intelligent productivity.

- Zoom Tasks helps surface, manage and complete tasks across Zoom Workplace to get more done, bringing tasks together in a centralized management tab.
- Our new calendar manager allows you to ask AI Companion to schedule meetings on your behalf. Soon, it will be able to optimize scheduling by suggesting time slots, resolving conflicts, managing meeting updates, and proactively blocking focus time.
- We also made Custom AI Companion, Zoom Workplace for Frontline and Zoom Workplace for Clinicians generally available in Q1.

Adoption of Zoom AI Companion continues to grow, with monthly active users up nearly 40% quarter over quarter. Just last week, Raymond James shared in a press release how they are rolling out AI Companion meeting summaries firm

wide. Zoom's cutting-edge AI capabilities will enable financial advisors to offload time-consuming administrative work, allowing them to dedicate more time to what truly matters — nurturing client relationships and delivering strategic financial guidance.

AI Companion usage is quickly expanding far beyond summarizing your meetings to helping you answer questions, schedule and prepare for meetings, search through information, build content, and catch-up, freeing you up to focus on higher-impact work.

While we continue providing tremendous AI value at no additional cost to users with a paid license, we're now monetizing through Custom AI Companion. Though only weeks in market, we're seeing strong enthusiasm from several Global 2000 trial customers, who are especially excited about features like Bring Your Own Dictionary and Index, meeting summary templates, and our Jira integration. We're also rolling out Custom AI Companion internally to allow Zoomies to get immediate answers from our custom knowledge bases, and empower them across a range of skills specific to their function.

These milestones in our agentic vision exemplify how we're helping customers stay ahead through continuous innovation focused on delivering real business value.

Slide 5 - Full, Integrated Platform drives multi-product adoption

Zoom Workplace continues to drive value for customers and drive customers to adopt other solutions within our growing platform.

In Q1, the 2024 NBA Champion Boston Celtics doubled down on Zoom. As long-time Zoom Meetings users, the Celtics appreciated Zoom's unique balance between simplicity and rapid innovation and chose to upgrade to Zoom Workplace Enterprise Plus, including Zoom Phone. And the game didn't end there - in overtime, the Celtics decided to modernize their employee intranet with a custom-branded Workvivo employee experience solution, designed just for their organization.

And we also landed a leading financial institution who selected the Zoom collaboration experience platform in an over \$1 million ARR deal. This allowed them to simplify their tech stack and reduce costs by moving away from Teams and other third-party solutions. And beyond costs, they bought into our better

together vision that unites the customer experience and collaboration experience under one AI-first platform, and discussions are well under way to upsell them to the Zoom Customer Experience platform.

Zoom Phone continues to perform strongly, with revenue growing in the mid teens. It is also opening new markets for Zoom by integrating seamlessly with other productivity suites and delivering a best-in-class, AI-first voice experience. The adoption of Zoom phone integration with Microsoft Teams has grown significantly, showing how we can meet customers where they are and add value within their existing tech stack.

Slide 6 – Scaling High-Growth Department Solutions

We continue to drive encouraging results across our high growth products that are positioned to target lines of business.

Our Customer Experience offering has rapidly evolved since its launch just over three years ago, transforming how customer-facing teams engage with their end users. In Q1, the number of Zoom Contact Center customers grew 65% year over year and Zoom Virtual Agent landed its largest deal to date as an upsell to Contact Center - altogether Zoom Customer Experience is a triple digit million ARR business, growing in high double digits.

In Q1, we were pleased to see Mimecast, a leading cybersecurity company transforming the way businesses manage and secure human risk, expand their partnership with Zoom. Already Zoom Workplace and Phone users, Mimecast valued the simplicity and interoperability of our unified platform. They've now chosen the Zoom Contact Center Elite bundle with Quality Management to further modernize how they communicate and collaborate with their customers.

Zoom Revenue Accelerator, our AI-first sales enablement and conversational intelligence solution, continues to deliver strong results for revenue teams. In Q1, licenses grew 72% year over year, reflecting growing traction.

We landed Goosehead Insurance, a major U.S. insurance distributor with over 2,500 producing insurance agents. They started as a Zoom Phone customer in 2023. In Q1, they decided to add Zoom Revenue Accelerator in order to further empower their large team of insurance sales reps to dial into additional deal-focused AI features to drive higher win rates and faster deal cycles.

Our employee experience platform Workvivo transforms the way HR departments engage their employee bases and build culture. Total Workvivo customer count in Q1 grew 106% year over year, an acceleration from the past two quarters. This strong performance was driven in part by our Meta partnership.

Slide 7 - Strengthening the Zoom story and paths to market

Last month we welcomed Kim Storin as our new Chief Marketing Officer. With her extensive enterprise experience and proven track record of success, Kim will help us amplify Zoom's compelling value proposition and brand story to drive deeper resonance with customers.

We continue to see strong momentum as we expand our channel. Just yesterday, we announced a new strategic partnership with Bell Canada. In addition, we completed a major transformation of our channel systems and processes in Q1 - making it easier for partners to scale their businesses with us.

Our channel investments drove some amazing wins in Q1. DOCS Dermatology Group, a leading U.S. dermatology roll-up, came to us through a trusted channel partner, going all-in on the Zoom platform as a brand-new customer. DOCS chose the Zoom Contact Center Elite package for the ability to manage the complexities of their appointment management, billing, and inbound patient requests through our simple intuitive interfaces, and our team's ability to rapidly innovate a powerful integration to one of their key tools. And recognizing the importance of uniting their employee and patient experiences under one seamlessly integrated, modern platform, they also chose Zoom Phone along with Zoom Workplace.

As we look ahead, we continue to double down on driving value for customers, as they navigate an uncertain macro environment. Our AI-first strategy positions us to help customers stay ahead as technology evolves, while our platform approach delivers compelling TCO advantages.

Now, let me hand it over to Michelle to take us through the financial results.

Slide 8 – Revenue expansion in Q1; improved Online churn

Michelle Chang, CFO

Thank you Eric, and hello everyone.

I'm excited to be here with you today, let's dive into the financial results. In Q1, total revenue grew approximately 3% year over year to \$1.175 billion dollars. This result was \$8 million dollars above the high end of our guidance. As a reminder, Q1 of FY26 had one fewer day than Q1 of FY25.

Our Enterprise revenue grew approximately 6% year over year and represents 60% of our total revenue, up 2 points year over year.

We continue to see encouraging signs of stability in our Online business. In Q1, Average Monthly Churn was 2.8%, a 40 basis point improvement year over year, and our lowest ever churn rate for a first quarter.

Slide 9 – Continued growth in the up-market and internationally

In our Enterprise business, we saw 8% year-over-year growth in the number of customers contributing more than \$100,000 dollars in trailing twelve month revenue. These customers now make up 32% of our total revenue, up 2 points year over year.

Our trailing twelve month Net Dollar Expansion rate for Enterprise customers in Q1 held steady quarter over quarter at 98%.

Pivoting to our growth internationally; our Americas revenue grew 4% year over year, EMEA grew 1%, and APAC grew 2%.

Slide 10 – Q1 FY26 expenses and margins

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 79.2%, slightly lower than Q1 of last year, as we continued to invest in AI. We remain focused on driving efficiencies and delivering AI capabilities in a scalable, cost effective way, and continue to reiterate our goal of reaching an 80% non-gaap gross margin over the long term.

Non-GAAP income from operations grew 2% year over year to \$467 million dollars, exceeding the high end of our guidance by \$22 million dollars.

Non-GAAP operating margin for Q1 was 39.8%, down 23 basis points from Q1 of last year. The margin decline was in line with expectations and due to changes to our bonus structure and investments in AI.

Non-GAAP diluted net income per share in Q1 was \$1.43 on approximately 313 million non-GAAP diluted weighted-average shares outstanding. This result was 12 cents above the high end of our guidance and 8 cents higher than Q1 of last year. The EPS performance was due to strong business results as well as a reduction in diluted weighted average shares outstanding, driven by our focus on addressing dilution through our buyback and stock compensation efforts.

Slide 11 – Growth in Deferred Revenue and RPO

Turning to the balance sheet. Deferred revenue at the end of the period grew 5% year over year to 1.43 billion dollars, in line with the high end of our previously provided range. The growth was driven by business performance, as well as the continued refinement of our discounting strategy. For Q2, we expect deferred revenue to be up 4 to 5% year over year.

Looking at both our billed and unbilled contracts, our RPO increased 6% year over year to approximately \$3.9 billion dollars. We expect to recognize 61% of the total RPO as revenue over the next 12 months, up from 59% in Q1 of last year.

Slide 12 – Strong Cash Flow, ~\$7.8B cash balance, accelerated execution of share buyback in Q1

Operating cash flow in Q1 was \$489 million dollars, representing an operating cash flow margin of 41.6%. Free cash flow in the quarter was \$463 million dollars, representing a free cash flow margin of 39.4%. The declines on a year-over-year basis were due to the timing of tax payments.

We ended the quarter with approximately \$7.8 billion dollars in cash, cash equivalents and marketable securities, excluding restricted cash.

In Q1, we accelerated execution of our existing \$2.7 billion dollar share buyback plan, purchasing 5.6 million shares for \$418 million dollars, an increase of 1.3 million shares quarter over quarter. The increasing pace of our share repurchase activity over the course of our buyback authorization has reduced our common stock outstanding and underscores our ongoing commitment to delivering value to shareholders.

Slide 13 – Q2 & raised fiscal year 2026 outlook

As we pivot to the outlook, we are pleased to raise our Full Year revenue guidance by \$15 million dollars, or \$5 million dollars on a constant currency basis. We now expect revenue to be in the range of \$4.8 to \$4.81 billion dollars, which represents approximately 3% year over year growth at the midpoint, or 3.2% year over year growth on a constant currency basis.

This is the net result of increasing our Online outlook by \$10-15 million dollars due to a \$1 dollar price increase for monthly pro skus, reflecting increased product value to customers. This is offset by a more prudent outlook in our Enterprise business due to the more challenging and uncertain macroeconomic environment.

We are pleased to raise our profitability outlook for the full year of FY26 as well. We now expect our non-GAAP operating income to be in the range of \$1.865 to \$1.875 billion dollars representing an operating margin of 38.9% at the midpoint. We are also pleased to raise our outlook for non-GAAP earnings per share for FY26 to \$5.56 to \$5.59, based on approximately 312 million shares outstanding. We continue to expect free cash flow for FY26 to be in the range of \$1.68 to \$1.72 billion dollars.

For Q2, we expect revenue to be in the range of \$1.195 to \$1.2 billion dollars. This represents approximately 3% year over year growth at the midpoint, or 3.1% year over year growth on a constant currency basis. We expect non-GAAP operating income to be in the range of \$460 to \$465 million dollars, representing an operating margin of 38.6% at the midpoint. Our outlook for non-GAAP earnings per share is \$1.36 to \$1.37 based on approximately 310 million shares outstanding. As a reminder, future share repurchases are not reflected in Share Count and EPS guidance.

In closing, as Eric highlighted we are proud of our rapid pace of innovation towards our AI vision that is delivering real value to customers. At the same time, we remain focused on accelerating our growth while driving shareholder value through disciplined operations and responsible capital allocation.

Thank you to our incredible Zoom team, customers, community, and investors for your trust and support!

Megan, please queue up the first question.