



Zoom and Five9

Acquisition Presentation

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Company Characteristics

Zoom:

- San Jose, California
- Video conferencing and online chatting
 - Done via cloud based peer-to-peer software
- Over **200 million** users during height of COVID-19 pandemic
 - Customers are both individuals & organizations
- Approx. **2,700 employees**



2020 Sales - \$2.65 billion

Current Market Share - 48.7%

2020 Sales Growth - approx. 40%

Major Competitors - Microsoft, G Suite, Cisco, & Skype

Company Characteristics cont...

Five9:

- San Ramon, California
- Cloud contact center solutions
 - Powered by AI tools
- Over **2,000** customers worldwide
 - Customers are mainly organizations/call centers
- Over **1,500 employees**



2020 Sales - \$439.9 million

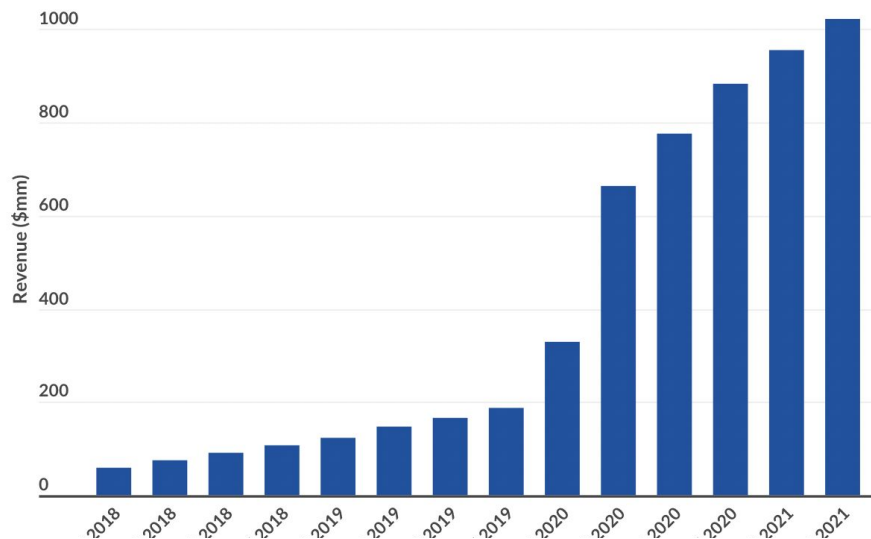
2020 Sales Growth - approx. 33%

Current Market Share - 12.13%

**Major Competitors - Zendesk, Genesys,
Noble Systems, & NICE**

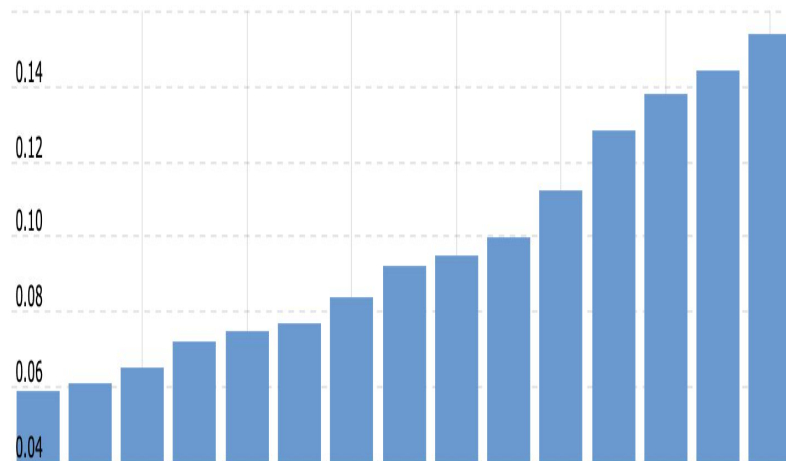
Company Characteristics cont...

Zoom Quarterly Revenue (millions) 2018 - 2021



Backlinko, 2021

Five9 Quarterly Revenue (billions) 2018 - 2021



Macrotrends, 2021

Deal Characteristics

- Merger agreement **executed** on **July 16, 2021**
- **Announced** on **July 18, 2021**
 - Zoom proposed all-stock purchase of Five9 for \$14.7 billion
- **Abandoned** on **September 30, 2021**
 - Five9 did not obtain stockholder support



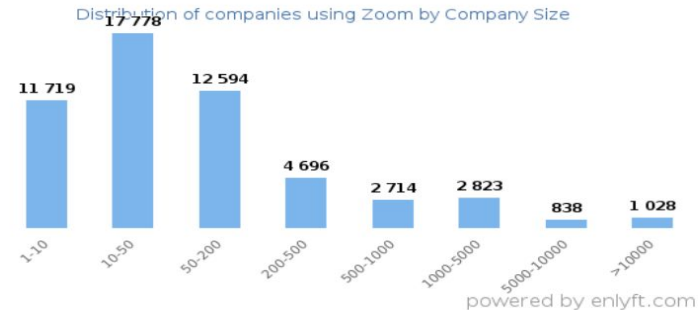
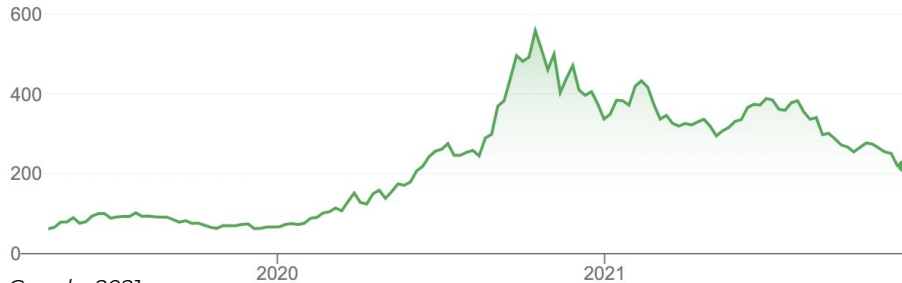
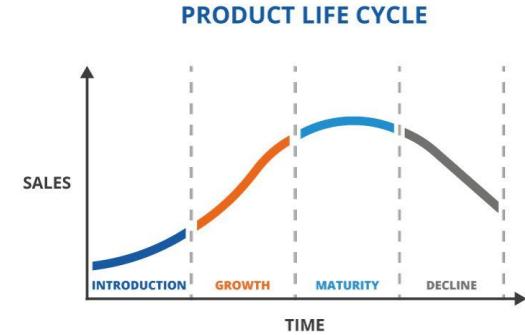
Deal Characteristics cont...

Creating Omnichannel Engagement Platform Offering



Zoom's Current Phase & Pursuit:

- **48.7% market share** in 2021
- Currently in **decline** phase as a software
- Aiming to:
 - Reduce dependency on their meeting softwares
 - New services or products
 - Accelerate long term growth goal by adding new markets



Zoom's Rationale Behind the Acquisition Deal

- Expansion via **related diversification**
- Zoom proposed the deal as a way to increase combined revenues & lower combined investments by:
 1. Transferring competencies across businesses
 - Zoom phone for customer contacting
 2. Leveraging competencies to start the new line of business
 - Potential new contact service/product towards certain customer segments
 3. Sharing resources across businesses
 - Five9 would provide customer contact services to Zoom
 - Zoom would provide online chat, video, and audio meeting platforms to Five9



Video call platforms market share 2020 vs 2021

Zoom



+22.3%

Google Meet



+20.2%

Microsoft Teams



+4.8%

Skype



-25.8%

Slack



-14.1%

Houseparty



+0.3%

Google Hangouts



-5.2%

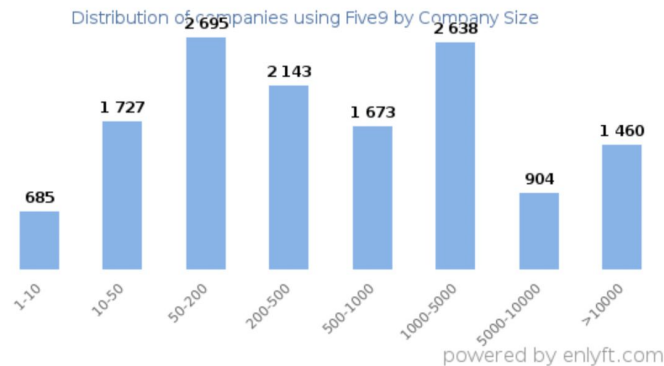
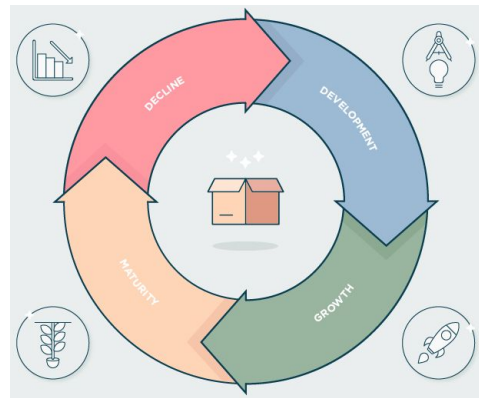
GoToMeeting



-2.5%

Five9's Current Phase & Pursuit:

- Pioneer in the market with **12.13% market share** in 2021
- Mature stage as a B2B product
- Aiming to:
 - Increase market share and competitive advantage
 - Build reputations
 - Expand services to different customers



Five9's Rationale Behind the Acquisition Deal

- By joining with Zoom would be able to provide their customers with access to more options to better their businesses
- Five9 stockholders would receive 0.5533 shares of Class A common stock of Zoom for each share of Five9.
- Goldman Sachs & Co. LLC serve as a financial advisors for Five9

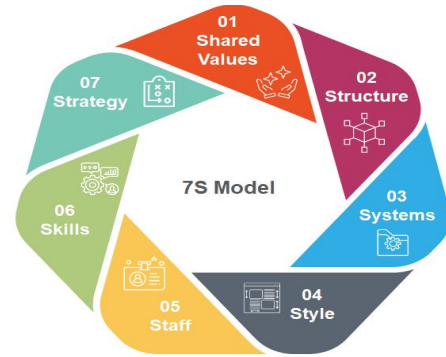


Our Analysis of Companies' Rationales



- Originally a good deal
 - Combined technologies would be able to better satisfy their customers demands
- When the deal was announced, Zoom's stock dropped **28%** while Five9's had only fallen **11%**
 - General population clearly not convinced of the profitability of the deal - led to stocks dropping
- Because they are swapping stock, Five9 Shareholders would then be receiving less than the agreed upon price
 - Five9's chief executive believed the offer was **no longer appropriately valuing their company**
 - Ultimately Five9 shareholders voted, decided that the *acquisition* offer from Zoom wasn't going to cut it, but the two companies still continue to collaborate

Strong Fit Between Strategy and Other 6Ss for Both Companies



Zoom:

- Reduce dependency on current services
- Penetrate new markets with new products/services
- Reduce investment risks
- Eliminate cost that would hypothetically be associated with an internal new venture
- Progress back towards growth/maturity stages

Five9:

- Attract more attention to the company
- Ability to offer more options to customers
- Penetrate new markets with new products/services
- 0.5533 shares of Zoom stock for each share of Five9

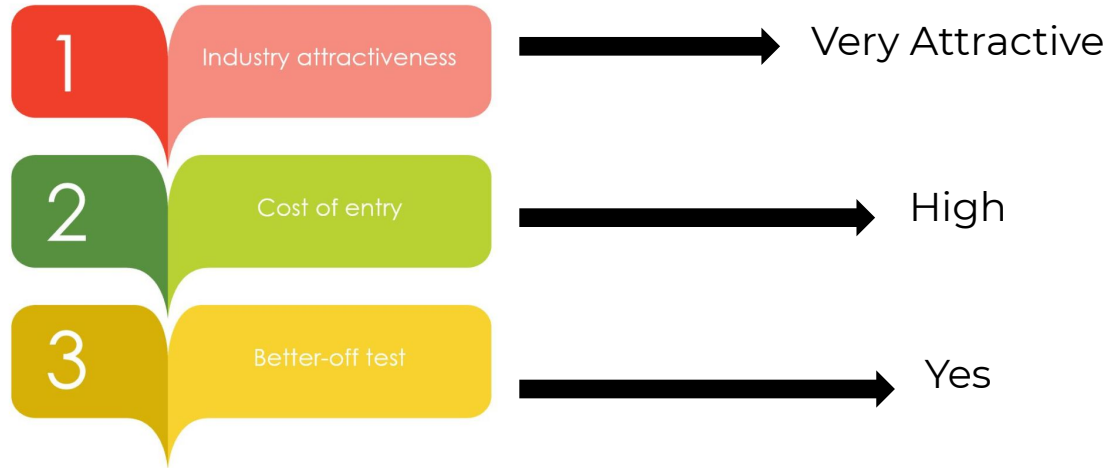
Was the Deal Successful?

No!



Porter's Three Tests

Diversification – *Porter's 3 essential tests*



Source: Michael Porter (1987)

Cash Flow Balance Test

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Fiscal year is February-January. All values USD Millions.

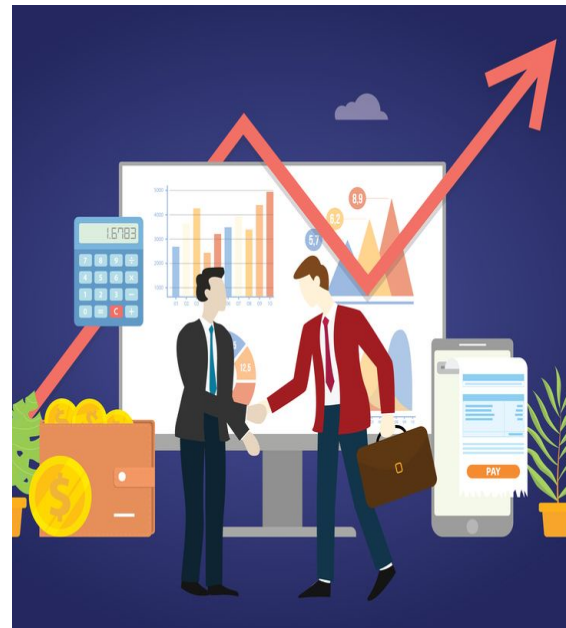
	2021	2020	2019	2018	2017	5-year trend
Net Income before Extraordinaries	672	25	8	(4)	(0)	
Net Income Growth	2556.85%	233.66%	298.43%	-27200.00%	-	
Depreciation, Depletion & Amortization	144	23	28	12	4	
Depreciation and Depletion	40	23	7	3	1	
Amortization of Intangible Assets	104	-	21	9	3	
Other Funds	335	116	11	11	1	
Funds from Operations	1,151	164	46	19	6	
Changes in Working Capital	326	(7)	5	0	4	
Receivables	(219)	(65)	(41)	(17)	(6)	
Accounts Payable	3	(2)	1	1	1	
Other Accruals	252	51	27	15	6	
Other Assets/Liabilities	290	9	18	1	3	
Net Operating Cash Flow	1,478	157	51	19	9	
Net Operating Cash Flow Growth	839.01%	206.54%	164.24%	107.52%	-	

[Wall Street Journal](#)



Did the Deal Meet Guidelines for Good Acquisition?

- Did it allow for a quick and safe acquisition?
 - Mix of antitrust and national regulatory issues that were not ironed out
 - After these got taken care of, the acquisition should have been quick
 - Each company's own optimization issues
- Identifying and screening potential acquisition candidates
 - Many potential contact management/centers candidates besides Five9:
 - Genesys Cloud CX
 - Talkdesk
 - NICE CXone
 - UJET
 - CloudTalk
- Bidding Strategy
 - As of September 2021, the bid was 13th most expensive on tech deals in history
- Integration
 - Related diversification



Conclusion

- Five9 Stockholders made a **mistake rejecting the deal**
- Would've **benefitted** both companies
 - Recognition and growth for Five9
 - Even with stock drop, stockholders still would have been increasing company value
 - New markets for Zoom and differentiation against competitors
 - Would have been able to beat out competitors as the service provider for several companies because of having contact cloud software when others do not
- Zoom did a really good job of both internal and external **environment scanning**
 - Saw weaknesses that were able to be improved upon
 - Saw opportunity for growth in being one of the first in the industry to combine video conferencing and cloud technologies



Questions?

Thank You!

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