



April 24, 2026

Zoom Communications, Inc.
55 Almaden Boulevard, 6th Floor
San Jose, California 95113
Attn: Eric S. Yuan, Chief Executive Officer and Chairman of the Board of Directors
CC: Board of Directors

Dear Mr. Yuan and Members of the Board:

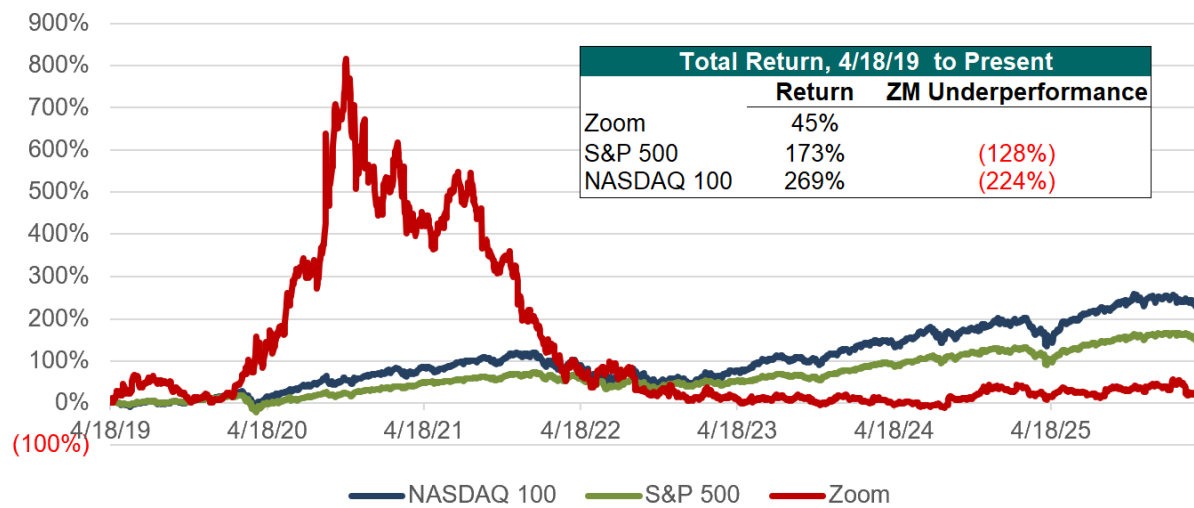
I am writing to you on behalf of Spruce Point Capital Management (“Spruce Point” or “we”). We are a New York-based investment management firm and are a shareholder of Zoom Communications, Inc. (“Zoom” or the “Company”). After spending months analyzing Zoom, we believe there exists a clear opportunity for the Company to take proactive steps to drive shareholder value creation. The purpose of this letter is to summarize our views and recommendations, and we direct you to our full presentation for greater detail (both attached and available at www.SprucePointCap.com).

After a Remarkable Start, Zoom’s Share Price Has Underperformed

Zoom stands as one of the great corporate growth stories. The timely confluence of a visionary founder, superior product, and insatiable pandemic-driven demand resulted in a dramatic 8x stock return in just ten months. The Company achieved almost universal name recognition and truly provided a societal, not just business, good during a challenging time globally. Almost as impressive has been the Company’s uninterrupted streak of YoY quarterly revenue growth even in the wake of post-COVID-19 normalization. Add to that retaining market leadership in a rapidly evolving marketplace and the achievement of best-in-class free cash flow margins, and the Zoom team should be lauded for all they have accomplished.

However, the market reality is that Zoom’s share price has dramatically underperformed since its initial public offering in April 2019. From its first day close, Zoom shares have returned just 45% compared to 173% and 269% for the S&P 500 and Nasdaq 100 indices, respectively. Moreover, the market is currently valuing Zoom shares at just 9.5x FY2027E Non-GAAP EBITDA, a level that is not just low relative to Zoom’s SaaS peers but a massive ~30% discount to other low-growth but high-margin companies across all technology industry sectors. In short, something is wrong; Zoom’s intrinsic value is not being fully captured in its share price.

Zoom Share Price Performance Since IPO Day Close Versus Major Indices



Zoom is an Underappreciated Asset

We acknowledge the market is in a period of unprecedented fear regarding the potential for artificial intelligence to impair the businesses of even the software industry’s established leaders. We have no doubt that AI will prove a disruptive force, but we believe Zoom has unique competitive advantages in its massive user base, valuable data trove, difficult to replicate tech stack, and global server infrastructure. We believe Zoom has adeptly complemented its industry-leading products with value-added AI capabilities. The early signs of Zoom’s AI monetization are promising, and we are confident in the Company’s AI vision and federated strategy. More broadly, we believe the market has failed to acknowledge Zoom’s remarkable transformation from narrow point solution to a comprehensive, highly integrated, and AI-first platform of productivity solutions that span the breadth of core enterprise workflows. Zoom’s new product execution has been exceptional. Video remains a market favorite and, defying all the skeptics, has held off the threat posed by Microsoft Teams. Phone has taken share, ramped to an approximate \$1 billion in ARR, and continues to grow at a mid-teens rate. Contact Center is a disruptive TAM-expander that is leveraging AI to grow at high-double-digit rates. These solutions and others have enabled Zoom to accelerate its enterprise market penetration. We also complement Zoom on its successful (albeit long overdue) engagement of channel partners, which has made a notable contribution to growth. On top of that, the Company’s Online segment is finally emerging from its post-pandemic business stabilization. As a result, we believe Zoom is poised to accelerate revenue growth beyond the current Wall Street consensus of just 4% for each of the next two years. Coupling a re-energized top line with Zoom’s exceptional financial model should drive much improved earnings growth.

Our Recommendations to Drive Shareholder Value Creation

Zoom is a great company, but investor sentiment toward its shares is clearly lacking. Based on our extensive research, we have identified nine recommendations for how Zoom can change investor perception and drive a re-rating of its shares. Our recommendations span capital allocation, organizational restructuring, and corporate governance.

- **Improve capital allocation:** Zoom has nearly \$7.8 billion of net cash (equaling 27% of its current market capitalization) and should generate close to \$2 billion a year in free cash flow going forward. While we laud its increased focus on share repurchases, the Company is clearly overcapitalized, and its recent buyback activity pales in comparison to its lower-growth, highly cash-generative peers. We highlight the recent buyback transactions executed by Salesforce and Wix as prime examples of the more aggressive actions Zoom should take. We recommend a \$4 billion modified Dutch auction tender as the most shareholder-friendly means of returning significant amounts of cash. Based on our assessment of other technology sector dividend payers, we also believe Zoom should initiate a \$1/share dividend, representing a 1.1% yield. Doing so would signal management's confidence in the Company's long-term earnings power, enforce financial discipline, and generate incremental demand for Zoom shares from long-term and income-seeking investors. Even after these actions, Zoom would likely finish its FY2027 with over \$5 billion in cash.
- **Reallocate and reduce operating expenses:** Relative to its peers, Zoom underspends on R&D relative to S&M, and the Company's sales investments are clearly generating questionable returns. Moreover, we find that Zoom has failed to rationalize its headcount post-COVID-19 to the same degree as other more aggressive peers. In fact, Zoom's revenue per average employee has declined 14% since FY2021. By contrast, peer and large cap SaaS medians grew 53% and 44%, respectively. Moreover, when we calculate an estimated revenue per average employee for Zoom's Enterprise segment, it falls consistently below peer medians. With AI already driving improved organizational efficiencies and the partner channel playing a larger role in go-to-market strategy, we see ample opportunity to pursue material headcount reduction outside R&D. We believe 11% headcount reductions over each of the next two years, coupled with a revenue growth acceleration, can drive an over 3x improvement in the Company's EBITDA growth rate.
- **Fix the international business:** Despite Zoom's universal popularity and exceptional performance with international video, the Company's international business has underperformed. Zoom's international revenue CAGR materially trails that of the US on both a 3- and 5-year basis (1% vs 5% and 11% vs 14%, respectively). As a result, Zoom has generated low and declining international revenue per average employee since FY2022. Also, Zoom's international revenue mix trails that of most SaaS peers at just 28% in FY2026. Our research suggests the "order-takers" who cleaned up during the pandemic are struggling to actually "sell". Troublingly, Zoom's commentary on its international business is rarely more than a recitation of unremarkable growth rates. Something is clearly broken with Zoom's go-to-market for the vast international opportunity. We recommend an assessment of sales personnel and a revamped go-to-market strategy.

- **Improve marketing:** Zoom could not have better name recognition, but we fear the Company is not adequately leveraging its brand equity. Unfortunately, the Zoom brand remains inextricably linked to its video conferencing application. The result has been an inability to shake a “consumer-only” perception, a failure to properly educate the market on the value delivered by (or even the existence of) its diversified enterprise platform, and suboptimal sales enablement. We believe this is a missed opportunity for the Company.
- **Avoid an M&A mistake:** We view Zoom’s failed Five9 acquisition as a cautionary tale. The Company violated its stated M&A strategy guidance and inked a \$15 billion all-stock deal, only to have Five9’s failed shareholder vote save Zoom from itself. We fear that a massive cash war chest and the current AI fervor will lead Zoom to be overly aggressive in an environment of inflated private company valuations.
- **Consolidate insider selling:** Zoom insiders are increasingly seeking liquidity. We would like to see Mr. Yuan and others consolidate their sales rather than creating a constant flow of shares coming to market. A marketed secondary offering or a structured sale to a financial partner would reduce pressure on the stock. In addition, we believe a financial investor could be a beneficial addition to a management team needing a push on capital allocation and a Board facing a host of strategic financial issues.
- **Collapse Zoom’s dual-class share structure:** Zoom’s Series B shares held by Mr. Yuan are subject to a 15-year sunset provision. Given Mr. Yuan’s 57% reduction in ownership since IPO and current 7% stake (which compares unfavorably to typical 10% sunset thresholds), we believe there is a strong case for Zoom to collapse all shares into common. The most common sunset term is 7 years (which implies an April 2026 expiry), and an accelerated collapse would address some of the moral hazard issues created in the lead up to its expiry.
- **Lobby for S&P 500 inclusion:** Zoom is a premier technology company with a ubiquitous global presence and a highly profitable business model. We believe it is an excellent candidate for the S&P 500 index, and the Company will be even more so if it can execute on our recommendations. We would like to see the Company proactively lobby for index inclusion. We highlight that previous technology company additions to the index have averaged 17% share price returns as a result.
- **Pursue a sale of the Company:** While we believe Zoom has work to do near-term to drive a re-rating, we see a sale of the Company as the ultimate desired outcome. We believe Zoom should pursue a sale transaction if management cannot drive shareholder value creation within a year.



We See Enormous Upside Potential in Zoom Shares

We believe Zoom is currently trading at a 30-40% discount to its intrinsic value, even based on consensus estimates we view as unindicative of Zoom's potential. A marginal revenue acceleration and overdue operating cost reductions can drive a meaningful improvement in earnings growth which, when coupled with a concomitant valuation multiple re-rating, supports over 80% share price upside. We believe each of our other recommended actions can also play a key role in driving Zoom's share price higher and catalyzing newfound investor excitement in the Zoom opportunity. Taken together, we see well over 100% upside in Zoom's share price.

We have tremendous respect for all Zoom has accomplished as a scaled technology leader and are excited about the Company's prospects. We look forward to discussing our recommendations and engaging in a collaborative dialogue on actions that can drive long-term shareholder value creation. Thank you for your time and consideration.

Sincerely,

Ben Axler
Managing Partner
Spruce Point Capital Management, LLC