



"ZOOMING TO SHARE PRICE UPSIDE"

/ STRONG BUY OPINION /

Zoom Communications, Inc. | NASDAQ: ZM



SPRUCE POINT  
CAPITAL MANAGEMENT

INVESTMENT RESEARCH REPORT



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## *Executive Summary*

## *Spruce Point Issues “Strong Buy” Opinion On Zoom Communications (Nasdaq: ZM) With 40% to Well Over 100% Upside Potential*

Over the past 17 years, Spruce Point has conducted deep forensic research of public companies across the world. Our mission has always been to present a variant viewpoint of companies which we feel are misunderstood by the market. Often, our work has led us to high conviction strong sell opinions. After all, we believe there is a structural bias on Wall Street towards overly rosy recommendations. However, today we present the opposite viewpoint - through our forensic research process we believe that we have identified a very attractive opportunity in a market leader trading well below intrinsic value with a roadmap for shareholder value creation. We are pleased to share with you this strong buy recommendation.

After conducting a forensic review of Zoom Communications, Inc. (Nasdaq: ZM, “Zoom” or “the Company”), we see material upside potential in the Company’s shares. Zoom is the leader in video communications and was a COVID-19 pandemic darling. However, a growth slowdown, persistent skepticism regarding its market opportunity and competitive position, and the current SaaS-pocalypse have, we believe unfairly, driven Zoom’s valuation to egregiously low levels, particularly considering the Company’s estimated \$1.2 billion stake in AI leader Anthropic. Beyond failing to find credible evidence to support the bear thesis, we have identified a broad set of recommendations for Zoom’s management and Board that we believe can drive a stock re-rating and significant share upside. Based on our research, we also believe management is open to our suggestions and will carefully consider our recommendations which we have shared with the Board.

### **Zoom Adeptly Managed Through A Revenue Explosion For The Ages and Emerged an Even Stronger Competitor**

Zoom was founded by former Cisco engineer Eric Yuan in 2011. The Company went public in April 2019 with \$330 million in LTM revenue. When the COVID-19 pandemic hit less than a year later, Zoom became one of the most spectacular growth stories in history. Zoom’s revenue grew \$3.5 billion over just two years, and the Company’s name achieved “verb” status. However, unlike many typical bubble companies, Zoom retained its revenue scale and market leadership. After achieving what might have been a decade of growth in just 18 months, normalizing topline growth and multiple compression were inevitable, yet remarkably, Zoom has never reported a YoY decline in quarterly revenue. Leading an organization through such extremes generally requires vastly different managerial skillsets. We believe CEO Yuan should be commended for not just landing the plane but continuing to grow and improve the business. Not only does Zoom remain the leader in video conferencing, the Company has also transformed its product portfolio into a unified platform, expanded its addressable market, and positioned itself to be an artificial intelligence (AI) beneficiary, all while generating over \$9.4 billion of cumulative free cash flow, achieving top-tier GAAP profit margins, and consistently beating Street consensus across all major metrics.

# *A Transforming Zoom Is Proving The Doubters Wrong; Revenue Growth Is Poised To Inflect*

## **Why Does the Opportunity Exist? A Tired Bear Thesis and the Unprecedented Bearishness of the SaaS-pocalypse**

Despite these accomplishments, Zoom is trading at a material discount to its intrinsic value, SaaS company peer multiples, and its own post-COVID-19 historical multiples. Today's AI fearmongering is founded on concerns that AI kills most enterprise software, either through vibe-coded apps or complete displacement by the developers of foundation models, and/or causes such extreme workforce reductions as to materially reduce paid seats. We have no doubt that AI will be a disruptive force across a range of industries, yet we can't shake the feeling that the SaaS-pocalypse is a fear bubble. As usual, Spruce Point finds itself playing devil's advocate. Our conversations with highly experienced software engineers suggest such solutions cannot easily meet the rigor, reliability, and legal requirements of incumbent SaaS solutions, and there is little evidence that enterprises are abandoning existing products. Foundation models are also not well-positioned to displace solutions such as Zoom given the underlying requirements and the Company's unique tech stack. In fact, consistent with Zoom's "federated" AI strategy, we believe the foundation model companies such as Anthropic are seeking to complement, not displace, incumbent SaaS products. Importantly, these fears overlook Zoom's substantial competitive advantages: its massive user base, unique data trove, and global server infrastructure. To the extent AI does cause worker displacement, enterprises will seek to supercharge the capabilities of remaining employees with the AI-enabled productivity tools that Zoom sells. And many employees leaving large companies are likely to land at small-to-mid-sized companies that are Zoom's bread and butter. To be honest, we don't see an end to human involvement in business any time soon, and for those who do, there are other areas of the economy that will suffer much worse and long before the SaaS sector. Even before the onset of AI worries, Zoom suffered from a bearish narrative that it will remain a niche video solution that will inevitably donate share to the Microsoft Teams boogeyman, thus harming both its prospects for broader enterprise penetration and constraining revenue growth. We believe there remains little evidence to support this view.

## **A Transforming Zoom is Proving the Doubters Wrong; We Believe Revenue Growth is Poised to Inflect**

We believe investors have failed to acknowledge the remarkable transformation occurring at Zoom. Product innovation, sound engineering execution, and a handful of well-conceived tuck-in acquisitions have enabled Zoom to create a comprehensive, highly integrated, and AI-first platform of productivity solutions that span the breadth of core enterprise workflows. Moreover, Zoom has adopted a coherent AI strategy to enhance platform value and drive effective monetization. Zoom's AI Companion has seen consistent 3-4x YoY monthly active user ("MAU") growth over the past year and is now enabling true agentic capabilities. Strong attach rates for premium AI customizations is proving out Zoom's monetization strategy. The Company's Zoom Phone offering surpassed 10 million seats in FQ3 2026, has likely reached \$1 billion in annual recurring revenue ("ARR"), is still growing at mid-

## *Despite This Improved Outlook, Zoom Trades At Depressed Levels*

Zoom's rates YoY, and has been the top share gainer in the unified communications as a service ("UCaaS") market. The contact center as a service ("CCaaS") market is a hotbed of AI innovation, and Zoom's Contact Center offering is seeing rapid adoption: deal size records are being broken, ARR is growing high double-digits, and >\$100K in ARR customer growth is ~100% YoY. In addition, the popular Workvivo solution is seeing explosive customer and ARR growth, albeit off a small base, while tapping into an incremental human resources opportunity. At the same time, Zoom's best-of-breed video conferencing solution is holding its own against Microsoft Teams. Its superior performance, reliability, and total cost of ownership advantage have caused the vast majority of enterprises to retain Zoom even if they are Microsoft 365 subscribers. Finally, much to the bears' chagrin, Zoom's Online segment has stabilized and returned to growth, completing a painful yet inevitable post-COVID-19 customer base normalization that was a material headwind over the past five years.

Current Street consensus calls for just 4% YoY revenue growth each of the next two years, yet we see the emergence of an improved growth algorithm at Zoom. The Company is proving it can drive deeper and accelerating enterprise penetration with an array of new products that are growing at double-digit rates far in excess of the Street's 4% target. Enterprise >\$100K customer and segment revenue growth reached 9% and 7%, respectively, in the recent FQ4, so as the segment contributes an increasing share of total revenue (61% in the recent FQ4), an overall growth inflection is inevitable. More broadly, Zoom's new platform approach is driving larger deal sizes, higher win rates, improved competitive positioning, and higher customer retention, enhancing all the factors that underlie SaaS model success. Finally, we believe Zoom can address the two boat anchors that have prevented the Company's enterprise success from being fully reflected in corporate results. The Online segment is in the midst of a turnaround, and we believe the Company's long underperforming international business can benefit from a restructuring, sales capability upgrade, and an improved go-to-market strategy. Taken together, we believe Zoom is poised to achieve mid-to-high single digit growth rates well above current consensus. Since Zoom's modest growth in recent years is arguably the primary driver of its depressed valuation, we believe this growth acceleration will drive a meaningful re-rating of Zoom shares.

### **Despite This Improved Outlook, Zoom Trades at Depressed Levels**

Based on current FY2027E Street consensus, Zoom trades at just 4.1x revenue, 9.5x EBITDA, and 16.1x free cash flow, levels that represent 13-31% discounts to its peers and that are not just low for a leading technology company but low on an absolute basis. This is despite Zoom's consistently high and improving GAAP gross margins (77% in FY2026), leading 39% GAAP net profitability (despite being a poster child for its once-excessive stock-based compensation expense), and rich 40% free cash flow margins. In fact, Zoom can check just about every box on the list of company attributes that typically drive the endowment of

premium valuation multiples. Zoom's valuation also seemingly ignores the fact that the Company owns an estimated \$1.2 billion stake in arguably the world's enterprise AI leader, Anthropic. Anthropic's growth has been mind-boggling, and we see value accruing to Zoom beyond just investment returns, as its Anthropic partnership should bolster its own AI innovation and credibility. To us, this begs the question whether investors need to rethink how they value more mature yet highly profitable SaaS companies, as we see little rationale for a company like Zoom to trade at a 22-32% discount to technology companies from other sectors with similar low-growth, high-margin financial profiles. Some may make the SaaS-pocalypse argument de jour that AI has destroyed the terminal value for all software companies. Yet even using conservative consensus forecasts, Zoom's valuation is well-supported by the present value of its rich cash flows. We, however, do believe Zoom's terminal value, absent a likely takeover scenario, "has value" and thus calculate its intrinsic value to be 40% above current levels just using consensus numbers.

## **We See Clear Opportunities to Accelerate Shareholder Value Creation: We Have Nine Core Recommendations**

Based on our conversations, we believe Zoom senior management is open to engaging with investors to consider value enhancing alternatives. Thus, we have written a letter to Zoom's management and Board of Directors outlining our recommendations for how the Company can increase shareholder value. Our recommendations span issues related to corporate governance, financial policies, and cost structure.

- **Improve capital allocation:** Zoom has nearly \$7.8 billion of net cash and should generate close to \$2 billion a year in free cash flow going forward. While we laud its increased focus on share repurchases, its recent 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 alternative. In addition, based on our assessment of other technology sector dividend payers, we believe Zoom should initiate a \$1/share dividend (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. Our recommended \$4 billion share repurchase would be 10% accretive to non-GAAP EPS. In addition, dividend initiations have typically resulted in 3-5% one-day returns, and that excludes the longer-term benefits of incremental investor demand from a new and broader investor base.
- **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, despite reducing headcount 15% in early 2023, 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 2020. By contrast, peer and large cap SaaS

## *Our Recommended Actions Can Drive Material Share Upside*

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. Given the growth rates associated with its newer products, increasing enterprise penetration, opportunities for improved marketing, and AI monetization, we believe Zoom can achieve 130bps and 300bps revenue upside over the next two years. Combining these impacts with our recommended operating expense reductions could increase Zoom's two-year EBITDA CAGR from 4.0% to 13.3%. Based on our analysis, this could drive an EV / EBITDA multiple re-rating from the current 9.5x to 19x. This multiple expansion coupled with \$172 million of incremental EBITDA could drive 83% share upside. In addition, it is well known that recent significant workforce reductions by companies such as Block, Meta, Salesforce, and Atlassian have been met with highly positive stock price reactions.

- **Restructure and refocus 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 US revenue 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 M&A mistakes:** 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 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 light on strategic financial sophistication. Based on our analysis, we suspect the sale of secondary shares to a credible financial investor could result in a 10%+ share price reaction, as well as provide valuable guidance to the Zoom Board on maximizing shareholder value going forward.

- **Collapse dual-class share structure:** Zoom's Series B shares held by CEO Yuan are subject to a 15-year sunset provision. Given Yuan's 57% reduction in ownership since IPO and current 7% stake (comparing 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. We acknowledge the debate around the extent to which dual-class share structures drive discounted valuations. However, research suggests that collapsing a dual-class share structure can result in 4-10% one-day stock returns.
- **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. That said, we wouldn't be surprised to see a private equity buyer act sooner to reap the benefits of some of our recommendations for themselves. We believe Zoom should pursue a sale transaction if management cannot drive shareholder value creation within a year. We view Zoom as a highly attractive acquisition target and believe there is a broad universe of potential strategic buyers with massive financial wherewithal. Our analysis of the largest software buyouts of the past five years suggests a 33% premium from private equity could set an M&A valuation floor.

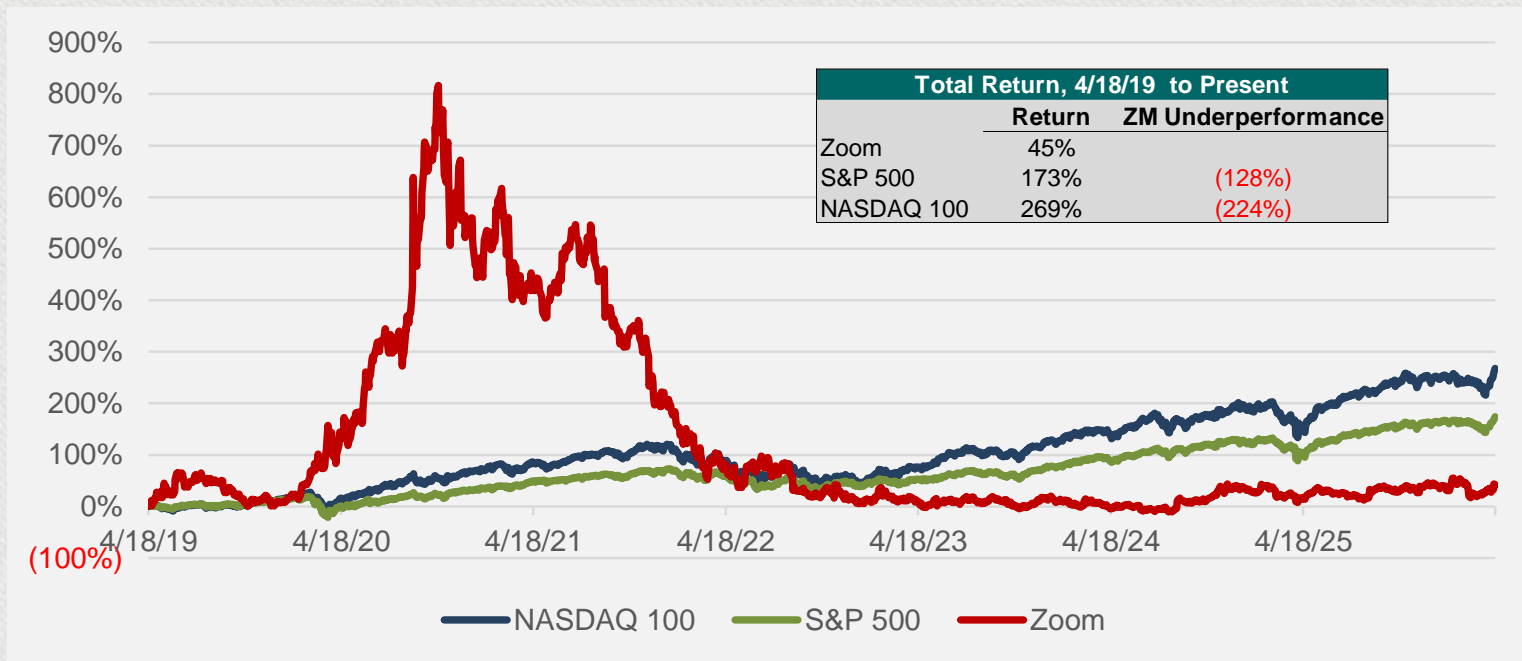
## **Our Recommended Actions Can Drive Material Share Upside For a Company Already Trading at a Large Discount to Its Intrinsic Value**

Our discounted cash flow analysis of Zoom using consensus estimates (and the FYE2026 valuation of the Company's Anthropic stake, which seems on track to double again soon) yields 40% upside. However, we believe our recommendations can play a central role in positively impacting investor sentiment and driving material shareholder value creation. We see a clear path to well over 100% upside in Zoom shares.

# Despite All Its Accomplishments, Zoom's Stock Has Materially Underperformed Since IPO

We think Zoom is a terrific company with enormous potential. However, the reality is that Zoom's share price has significantly underperformed both the S&P 500 and the NASDAQ 100 since the first day close following its initial public offering. We believe Zoom is trading far below intrinsic value, and so much more can be done to both change investor sentiment and drive additional share price upside. This is why we have delivered a letter to Zoom's Board of Directors outlining our recommendations for shareholder value creation and call on the Company to take action.

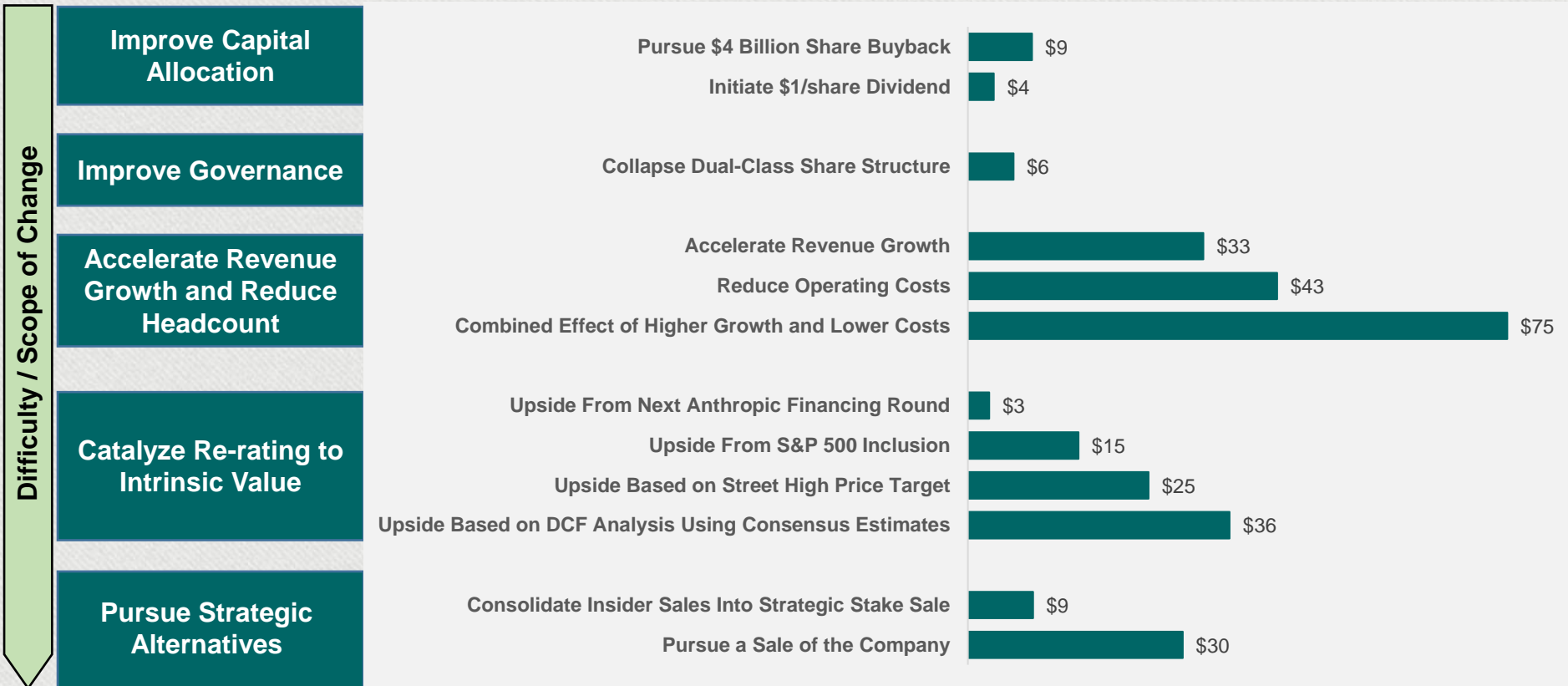
## Zoom's Relative Share Price Performance Versus the S&P 500 and NASDAQ 100 Since 4/18/2019



# We Propose A Menu Of Actions Zoom Can Take To Drive A Re-rating And Material Share Price Upside

We believe Zoom should be far more aggressive in addressing capital allocation and governance issues, which could catalyze 10-15% share upside and signal constructive change. The most significant stock re-rating could come from sound enterprise market execution coupled with material cost reductions. Ultimately, we believe Zoom should pursue a sale of the Company.

## Zoom Per Share Upside From Recommended Spruce Point Actions and Stock Re-Rating





## *Ignore The FUD: The Zoom Bear Thesis Doesn't Hold Water*

# *We Believe Zoom's Transformation Has Been Obscured By A Tired Bear Thesis And Investor Dogmatism On AI*

Zoom shares have traded largely flat for over 3.5 years despite continued revenue growth off its pandemic peak and a business transformation. Now, intense AI fearmongering has exacerbated a largely disproven bear thesis, causing the market to overlook both the positive changes in Zoom's business and the unique advantages that position the Company to be a long-term winner.

## **Core Tenets of the Zoom Bear Thesis**

- **The SaaS-pocalypse: AI eats software and/or destroys seats through massive labor disruption. In short, Zoom is an "AI loser."**
- **Zoom is a one-trick pony with a narrow application focus: video communications.**
- **Zoom is destined to succumb to the weight of Teams given the ubiquity of Microsoft 365 and their aggressive bundling.**
- **Zoom lacks the rigor and credibility to ever achieve meaningful enterprise penetration.**
- **Zoom's Online segment is a melting ice cube and management has no answer to arrest its decline.**
- **As a niche communications infrastructure company competing against many larger companies, Zoom will face gross margin compression.**
- **There is no longer a growth element to the Zoom story.**

## **Spruce Point Perspective**

- **We question the ability of vibe-coded apps to cost-effectively meet the rigor, reliability, and legal requirements expected of enterprise software. Zoom's stack is uniquely difficult to copy.**
- **Even if AI results in material worker displacement, even more will be asked of the employees who remain, which should drive the adoption of the exact productivity tools Zoom offers.**
- **Work patterns change, but the need for and value of human communication is universal and not going away any time soon.**
- **The bear thesis overlooks Zoom's true competitive advantages: its massive user base, unique data trove, and global server infrastructure. Strong incumbents will be AI beneficiaries.**
- **Foundation models are not presenting as strong competition to SaaS incumbents; they are complements. They are not designed for collaboration, lack incumbents' proprietary data and workflow integration, and have not prioritized replicating apps.**
- **The software industry isn't stupid. They will increasingly migrate to usage-based models when the economics dictate a change. Zoom has already begun to do so.**
- **Investors have lost sight of Zoom's growth opportunity and are not properly giving credit for its massive cash flow.**

# Zoom Has Undergone A Remarkable Transformation From Point Solution Provider To Unified Platform

We believe there remains a perception gap among investors, if not Zoom’s target market, about what Zoom has become today and what leveraging AI can deliver in the future. Zoom has become a system of action for both internal and external workflows. Dramatically increased solution breadth and capabilities are driving real platform value.

## Zoom’s Vision: AI-First Platform For Human Connection



- Comprehensive suite of productivity solutions that drives deeper penetration of core enterprise workflows.
- Compelling platform capabilities that enable bundling, greater competitiveness, improved monetization, and increased customer retention.
- Unrivaled breadth of third-party integrations and ecosystem scope.
- AI-first innovation that delivers real value. Zoom’s AI is more than just a feature; they are driving the agentic evolution.
- Agnostic “federated” AI strategy that avoids walled gardens.
- Reputation as best-of-breed solution offering reliability and ease-of-use.

**Zoom is positioned for improved revenue growth, diversification, and retention in an AI-centric marketplace.**

# Zoom Has Demonstrated Strong Traction For Its AI Companion And Growing AI Monetization

Zoom's AI-first strategy has successfully bolstered solution capabilities throughout its product portfolio. The Company is seeing rapid AI adoption both for vertical functional applications as well as horizontal implementations that span entire enterprises.

## Zoom's AI Companion Adoption

Period	AI Companion Adoption Highlights
FQ1 25	Over 700,000 customer accounts enabled in 8 months
FQ2 25	Reached 1.2 million customer accounts enabled
FQ3 25	MAUs grew 59% QoQ
FQ4 25	MAUs grew 68% QoQ
FQ1 26	MAUs grew nearly 40% QoQ
FQ2 26	MAUs grew over 4x YoY
FQ3 26	MAUs grew over 4x YoY
FQ4 26	MAUs more than tripled YoY

## More Powerful AI Capabilities Driving Broader Use Cases and Increasing Value Add

### The evolution of ZOOM AI

From meeting summaries to agentic AI

#### Enhances your capabilities

Captures takeaways, next steps, and Meeting Summaries

AI Companion 1.0

#### Helps you get more done

Surfaces important information, prioritizes what matters most, and turns interactions into action

AI Companion 2.0

#### Gets you to quality results faster

Dynamic insights and assistance across your day so you can do your best work

**Zoom Agentic AI**  
AI Companion 3.0

## FQ4 2026 AI Monetization Highlights

- **Contact Center ARR grew high double-digits YoY.**
- **10 largest Contact Center deals all included paid AI.**
- **4 of 10 largest Contact Center deals also included advanced Zoom Virtual Assistant.**
- **Zoom Phone MAUs using AI grew 35% QoQ.**
- **Zoom Revenue Accelerator customers grew 50% YoY.**
- **AI Companion is driving adoption of a broader set of offerings as well as enhancing renewal rates.**

## Zoom's AI Monetization Strategy

We believe Zoom has a coherent and forward-thinking AI monetization strategy that assumes basic AI capabilities are a “must-have” included in base pricing and that customers will pay for industry/company-specific customizations and advanced capabilities.

**Zoom CFO Chang, 3/2/26**

*“It's very clear that AI monetization is inflecting our growth rates.”*

**Zoom CEO Yuan, 2/25/26**

*“I cannot be more excited than before because of AI and because of our monetization strategy for AI.”*

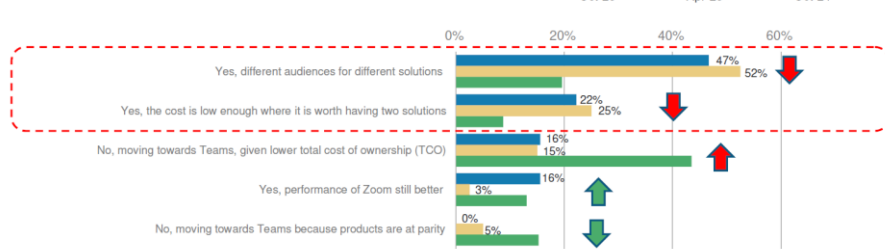
# Share Loss To Teams Is Not A Forgone Conclusion; Zoom Is Simply The Better Product Favored By Users

Zoom's user base values the product's superior performance and reliability. Thus, even companies using/adopting Microsoft 365 retain Zoom to appease employees. Also, investors should not overlook that Zoom dominates two major verticals, education (over 90,000 customers) and healthcare (>30% share in [telehealth](#)), that should provide durable long-term growth.

## Morgan Stanley CIO Survey: Most CIOs Are Keeping Zoom

### Exhibit 12: 84% of CIOs Deploying Teams and Zoom Intend To Keep Both Solutions

Planning to Keep Both Zoom and Teams (Among those who have both)



Source: AlphaWise, Morgan Stanley Research. n=45 (US and EU data) \*Please note that we changed our domain panel vendor during the first half of 2024, which means comparisons with prior domain surveys could face possible comparability issues.

## Morgan Stanley CIO Survey Results Discussed in Zoom Note, 10/21/25

*"Additionally, Teams appears to be screening less well relative to Zoom from a TCO perspective, and no CIO's indicated that Teams has achieved feature parity."*

## We've All Been There...

**WIRED**

JEREMY WHITE GEAR APR 2, 2026 11:59 AM

## Even Artemis II Astronauts Have Microsoft Outlook Problems

The mission commander's email inbox failed during the journey to the moon.  
Have they tried turning the computer off and back on again?

## The Enterprise Reality: Zoom Is the Best-of-Breed Product

- Value pricing and low deployment costs driving superior ROI and TCO
- Best-of-breed reliability, performance, and ease of use
- Breadth of integrations
- Superior AI accuracy and other capabilities

# Zoom Is Rapidly Penetrating The CCaaS Market With Disruptive AI

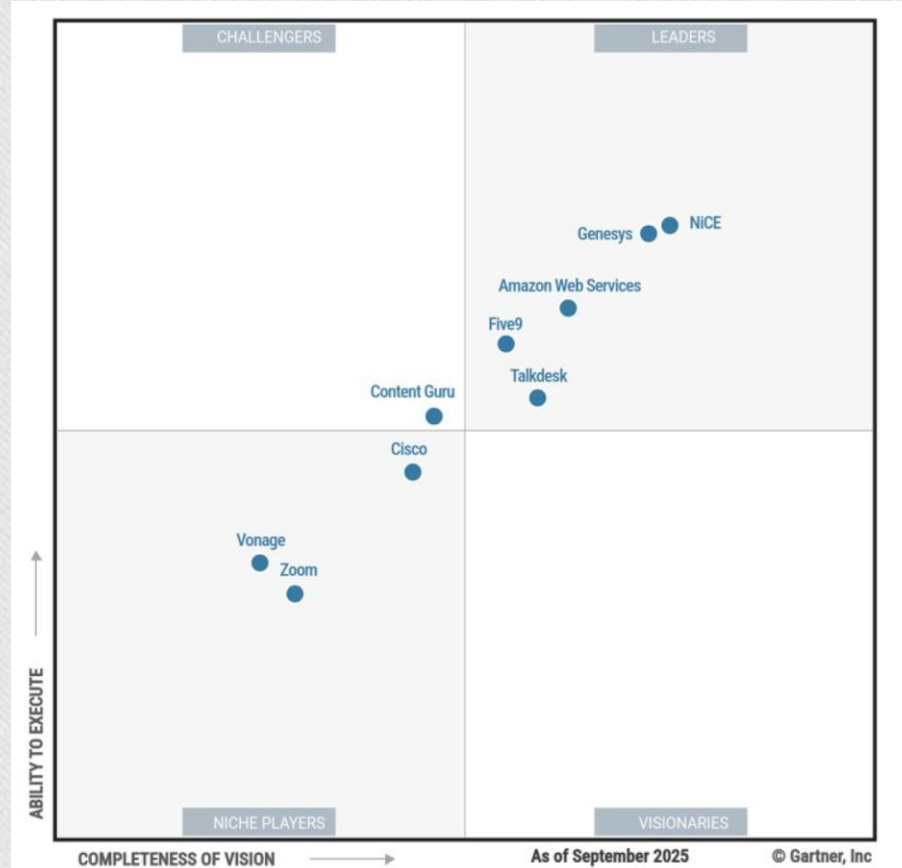
The CCaaS market is seeing rapid AI adoption, as companies seek to reduce costs or supercharge agent capabilities. Zoom's internally developed Contact Center solution has achieved enterprise credibility and is experiencing rapid uptake. Deal size records are being broken, ARR is growing high double-digits, and >\$100K in ARR customer growth is ~100% YoY.

## Zoom Contact Center Traction

Period	Contact Center Adoption Highlights
FQ1 25	90 customers with >\$100K in ARR (up 246% YoY)
FQ2 25	Surpassed 1,100 total customers (up >100% YoY)
FQ3 25	Surpassed 1,250 total customers (up >82% YoY); secured largest ever deal of 20,000 seats
FQ4 25	Customers with >\$100K in ARR grew over 100% YoY; secured largest ARR deal for 15,000 seats; majority of deals are now higher tier elite or premium packages
FQ1 26	Total customers grew 65% YoY; ARR in triple-digit millions and growing high double-digits
FQ2 26	229 customers with >\$100K in ARR (up 94% YoY)
FQ3 26	ARR continuing to grow high double-digits
FQ4 26	ARR accelerating, continuing high double-digit growth

**Zoom has seen particularly strong traction in mid-market enterprise, while the Zoom Virtual Agent offering was part of 4 of the 10 largest Contact Center deals in FQ4 26 just a few quarters after its launch. The Company launched its next-generation Zoom Virtual Agent 3.0 in February, offering true agentic AI capable of handling complex multi-step workflows.**

## Zoom Added to the 2025 Gartner Magic Quadrant for CCaaS



# Zoom Is Poised For Accelerated Enterprise Penetration And Growth

Zoom is defying the naysayers and increasing its enterprise penetration with a laser focus on innovation, platform value, product diversification, leveraging the partner channel to improve go-to-market, enhancing enterprise direct sales execution, and driving AI monetization. With Enterprise as the primary engine and now accounting for over 60% of revenue, Zoom is poised for higher overall revenue growth rates.

## Zoom Key Enterprise Metrics

	FQ1 2026	FQ2 2026	FQ3 2026	FQ4 2026	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Business Metrics</b>									
Enterprise Customers (1)	182,600	184,000	185,100	186,400	191,000	213,000	220,400	192,600	186,400
Customers >\$100K Revenue	4,192	4,274	4,363	4,468	2,725	3,471	3,810	4,088	4,468
YoY Growth	8%	9%	9%	9%	66%	27%	10%	7%	9%
Percent of Revenue From >\$100K Customers	32%	32%	32%	33%	22%	27%	29%	31%	33%
<b>Financial Metrics</b>									
Enterprise Revenue (\$mm)	\$705	\$731	\$741	\$757	\$1,947	\$2,409	\$2,619	\$2,754	\$2,934
YoY Growth	6%	7%	6%	7%	62%	23%	9%	5%	7%
Enterprise Revenue / Period Average Customer	\$3,874	\$3,986	\$4,017	\$4,077	\$11,725	\$11,926	\$12,086	\$14,263	\$15,964
YoY Growth	12%	12%	10%	11%	-5%	2%	1%	18%	12%
Enterprise Revenue / Total	60%	60%	60%	61%	48%	55%	58%	59%	60%

Throughout FY2026, Zoom's improved channel engagement drove material improvements in large deal win rates. In FQ2, channel-led deals represented a record percentage of total Enterprise revenue, and in FQ4, 9 of the 10 largest Contact Center deals were won through the channel.

We believe Zoom does not get enough credit for its enterprise product success. Everyone knows Zoom Video's breathtaking ramp, but Zoom Phone has also grown into an approximate \$1 billion ARR business in just over five years, and the Company sees Contact Center following a similar ramp to Phone up to \$500 million in the coming few years.

(1) 26,800 and 11,400 enterprise customers were reallocated to online in FQ1 2025 and FQ1 2026, respectively.  
 Source: Spruce Point research

# The Online Business Is Poised For Improved Performance

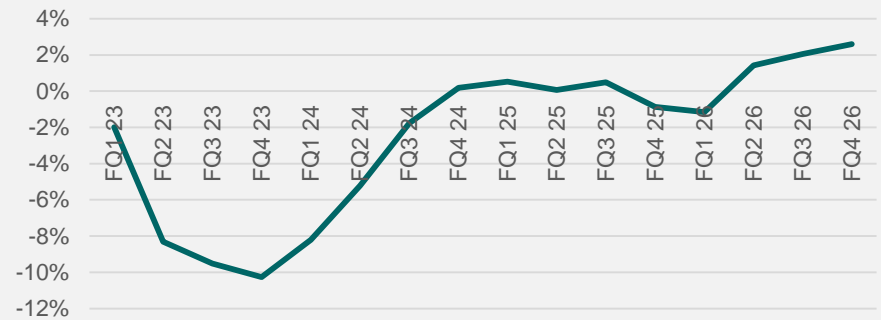
The Online business shrank YoY in FY2023 and FY2024, which has fueled a bear thesis that it will remain a boat anchor. We see it differently. It was inevitable that Zoom’s customer base would go through a normalization post-COVID-19, after which inherently in-person micro-businesses would revert to pre-COVID-19 practices and reduce Zoom usage. Nothing was going to change that. We believe that churn has largely played out and that Zoom management has managed it adeptly. Growth has turned positive and average monthly churn is at all-time lows, both despite the segment’s “best” customers graduating to Enterprise status.

## The Evidence For and Importance of an Online Recovery

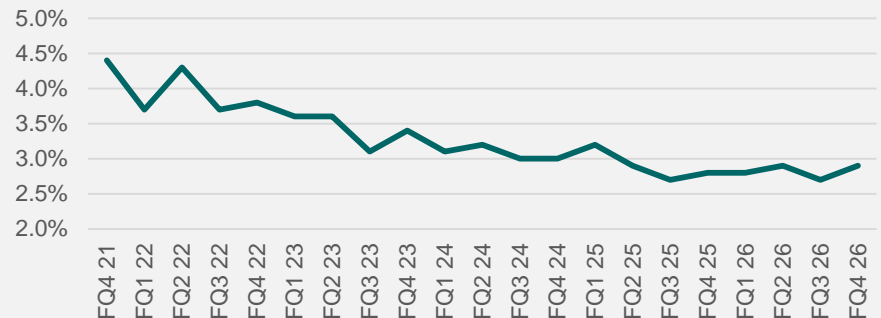
- Online revenue has grown YoY each of the past three quarters, with growth reaching 2.6% in FQ4 2026.
- Online churn has stabilized.
- As Zoom disclosed at the 2025 Zoomtopia, Online customers with >16 months tenure increased from 69% in FY2023 to 75% today.
- Looking forward to FY2027E, Zoom is expecting Online revenue to grow YoY at a rate similar to that seen last year (+1.2%).

Online revenue trends have acted as a headwind to total topline growth since FY2022. With Online expected to achieve LSD growth, the prospects for revenue outperformance are greatly improved. In addition, given the fact that most organizational resources are directed at the Enterprise business, we believe Online is extremely profitable.

## Online Revenue YoY Growth



## Online Average Monthly Churn



# The Zoom Growth Algorithm Is Improving: Zoom Is Likely To Outperform Consensus

Consensus calls for just 4% revenue growth over each of the next two years. We believe this is far too conservative given the multiple enterprise growth engines becoming more influential, improving underlying revenue fundamentals, and the opportunities for even modest gains in underperforming areas. Our assumptions of just 130bps and 300bps increases in FY2027E and FY2028E revenue growth rates, paired with proactive operating cost reductions, can drive a massive uplift in EBITDA growth.

## Zoom's Roadmap to Revenue Acceleration

Strategy	Solution / Opportunity	Catalysts	Growth Profile
<b>High-Growth Solutions Contributing a Larger Portion of Revenue</b>	Phone	Increasing displacement of legacy vendors with narrow offerings Continued PBX replacement and shift to UCaaS telephony	Mid-teens
	Contact Center	Growing credibility with Gartner Magic Quadrant inclusion Improving solution capabilities and AI-first approach	High double-digits
	Workvivo	Popular solution benefiting from Zoom sales engine and pull-through	142% (1)
	Revenue Accelerator	ROI enhancer benefiting from Zoom sales engine and pull-through	50% (2)
	BrightHire	Entry into conversational AI for recruiting and hiring Benefiting from Zoom sales engine and pull-through	Nascent
<b>Improving Fundamental Revenue Drivers</b>	Improving deal win rates	Energized partner channel Increasing competitiveness with platform value + AI	90% of largest CCaaS deals won through channel
	Improving AI monetization	Delivering value with customized AI capabilities	MAUs up 3-4x YoY
	Increasing deal sizes	Bundling of broader solution portfolio	1.2x to 3.4x uplift (3)
	Increasing competitiveness	Compelling platform value + AI	Increasing frequency of large displacements
<b>Addressing the Problem Children</b>	Improving retention / renewals	Stickiness of AI, Phone; coexistence with Teams	Reduced churn
	Online segment	Return to growth and reduced churn Becoming a smaller percent of total revenue	From -MSD to +LSD
	International	Improving go-to-market (sales execution, pricing, marketing)	From -LSD / +LSD to +MSD (>corporate average)

(1) >\$100K customer YoY growth in FQ2 26.

(2) Customer YoY growth in FQ4 26.

(3) Customer case studies in Zoomtopia 2025 presentation.

Source: Spruce Point research

<b>Achievable Zoom Revenue Growth Rate:</b>	<b>MSD to HSD</b>
<b>Consensus YoY Revenue Growth For FY2027E and FY2028E:</b>	<b>4%</b>



## *Zoom Is A Cash Machine*

# While We Acknowledge Zoom's Growth Slowdown, The Company's Profitability Remains Robust

Zoom's profitability remains best-in-class. Gross margins are over 400bps above peer average, and Zoom's cash flow profile, even adding back stock-based compensation, remains among best-in-class. Zoom has achieved the Rule of 40 the past two fiscal years.

## Zoom Historical Financial Highlights: From Phenomenal to Merely Excellent

(FYE Jan; \$mm)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	\$61	\$151	\$331	\$623	\$2,651	\$4,100	\$4,393	\$4,527	\$4,665	\$4,869
YoY Growth		149%	118%	88%	326%	55%	7%	3%	3%	4%
<b>GAAP Margins</b>										
Gross	79%	80%	82%	81%	69%	74%	75%	76%	76%	77%
Operating	0%	(3%)	2%	2%	25%	26%	6%	12%	17%	23%
Net	(24%)	(5%)	0%	3%	25%	34%	2%	14%	22%	39%
FCF	7%	6%	6%	18%	52%	36%	27%	33%	39%	40%
FCF Less SBC	6%	(0%)	4%	7%	42%	24%	(3%)	9%	19%	24%
Rule of 40		155%	125%	107%	378%	90%	34%	36%	42%	44%

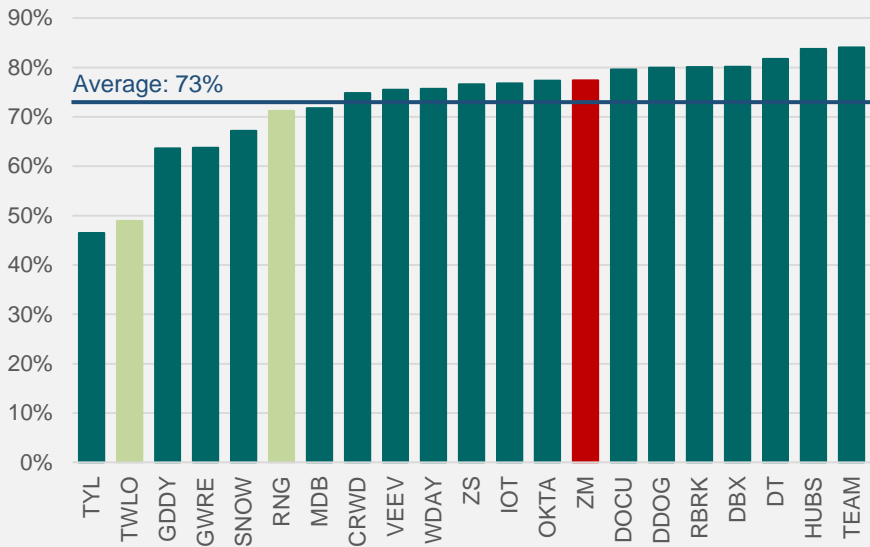
Zoom's FY2026 GAAP net margin was bolstered by a \$970 million gain on strategic investments, largely driven by the Company's stake in Anthropic. However, even excluding this gain, Zoom's adjusted net margin would be 23%. This represents not only a healthy increase over FY2025's 19% (also excluding investment gains), but it would be the second highest GAAP net margin among its peers (second only to Veeva at 28%) and significantly above the peer average of just 3%.

**We believe Zoom's GAAP profitability is underappreciated in a world where analysts embrace adjusted metrics.**

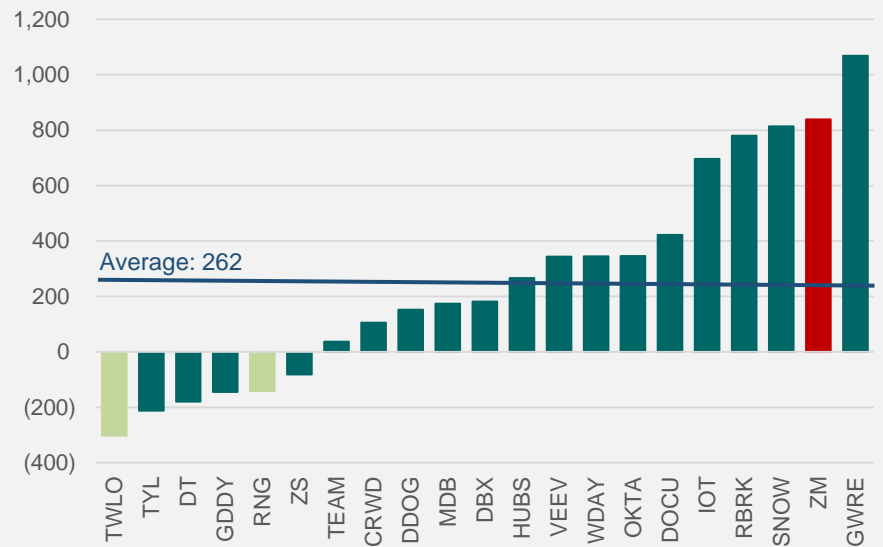
# Despite Persistent Competitive Concerns, Zoom Has Maintained Attractive Gross Margins

The bear thesis on Zoom, focused on competitive pressures and the challenges of enterprise traction, would suggest the Company has faced margin pressures. In fact, the opposite is true. Zoom's LTM gross margins are nearly 400bps above the peer average and are materially higher than those of other communications infrastructure companies RingCentral and Twilio (highlighted below). Moreover, we believe investors may be surprised to learn that Zoom has driven among the highest gross margin expansion over the past five years.

**LTM Gross Margin Versus Peers**



**Change in Gross Margin From CY2020 to CY2025 (bps) Versus Peers**

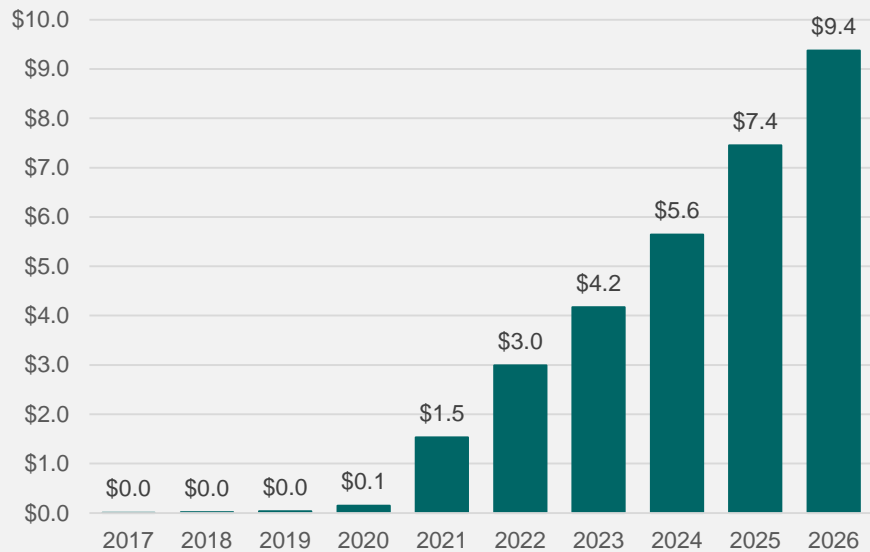


**Zoom's strong and improving gross margin profile is inconsistent with fears of competition pressuring profitability.**

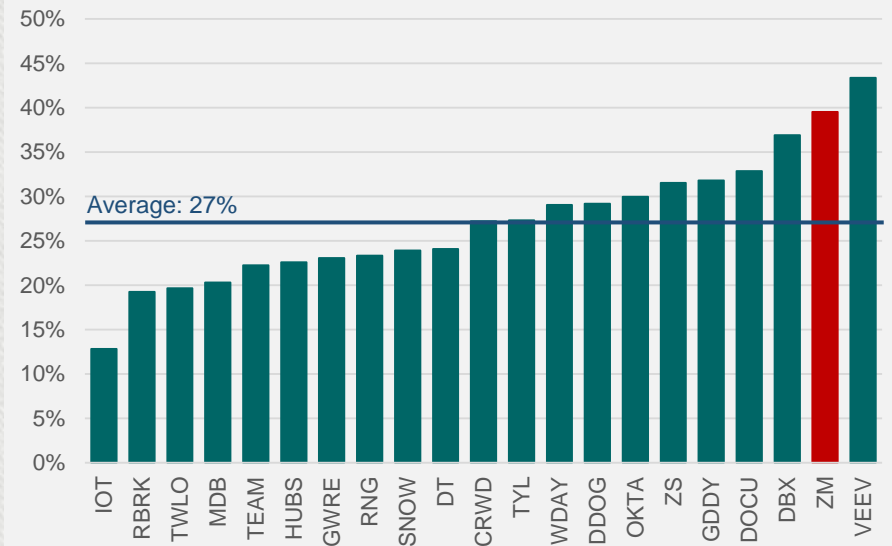
# Zoom Has Reached Free Cash Flow Nirvana

Zoom generated nearly \$2 billion of free cash flow in FY2026 and has generated a remarkable \$9.4 billion in free cash flow just over the past six years. Zoom's 40% free cash flow margins are dramatically higher than its peer average of just 27%. We believe Zoom's rich free cash flow margins are overlooked by bears on the stock.

**Zoom Cumulative Free Cash Flow (\$bn)**



**LTM Free Cash Flow Margin Versus Peers**



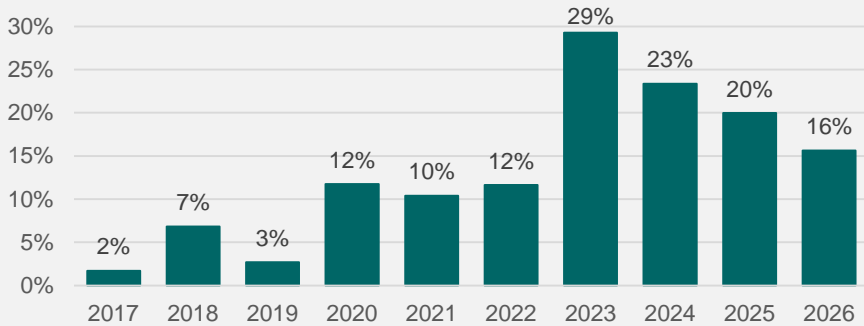
**Of note, Zoom paid \$247 million in FY2026 on taxes related to the net share settlement of equity awards. However, we are encouraged that the Company is taking seriously the need to reduce stock-based compensation going forward, and this appears to be a one-time event.**

**In the next five years, Zoom should generate about 35% of its current market capitalization in cash.**

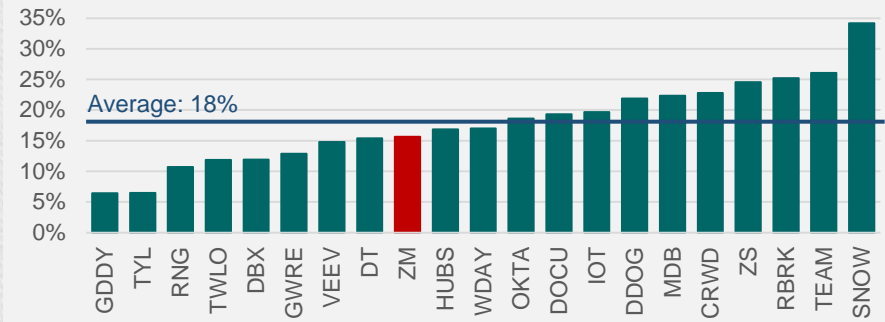
# A Word On Zoom's Stock-Based Compensation

Anyone who has read Spruce Point research over the past decade knows we take a dim view of excessive stock-based compensation expense. While it is true that Zoom once had elevated levels of stock-based compensation, we note that (1) SBC as a percent of revenue has declined to reasonable levels versus peers, (2) Zoom has managed to zero net common share growth over the past five years (though we would like to see the reductions achieved by some peers), and (3) most importantly, we highlight that Zoom's GAAP profitability and free cash flow adjusted for SBC remain outstanding.

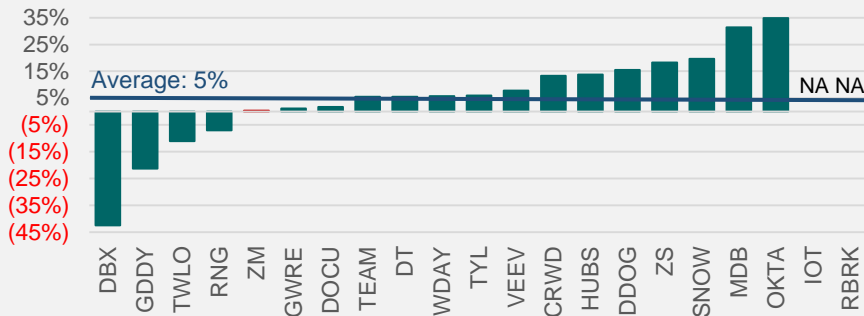
### Zoom Historical SBC / Revenue



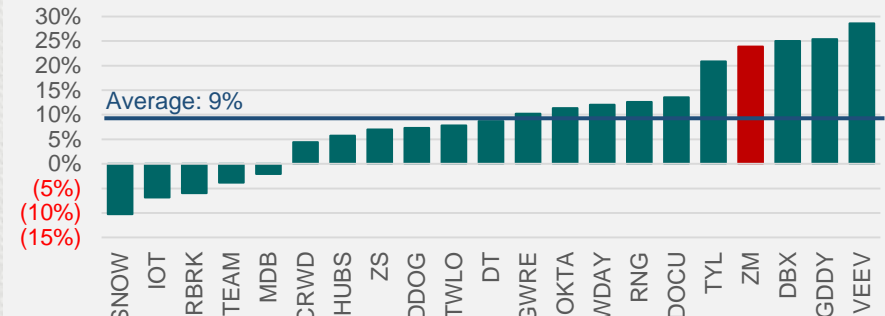
### LTM Stock-Based Compensation / Revenue Versus Peers



### Five-Year Change in Basic Common Shares Outstanding Versus Peers



### LTM Free Cash Flow Less SBC Margin Versus Peers



# Zoom's Consistent Ability To Beat Consensus Expectations Has Gone Unrewarded

Despite managing through the post-COVID-19 revenue slowdown, Zoom has demonstrated a remarkable track record of beating consensus estimates, only missing on a single major metric over the past three fiscal years. We believe this admirable performance should have been better appreciated by investors, yet Zoom shares have fallen after 8 of the past 12 reports.

## Zoom Percentage Beat / (Miss) on Major Reported and Guided Financial Metrics and Associated One-Day Stock Price Performance

	FQ1 2024	FQ2 2024	FQ3 2024	FQ4 2024	FQ1 2025	FQ2 2025	FQ3 2025	FQ4 2025	FQ1 2026	FQ2 2026	FQ3 2026	FQ4 2026
<b>Reported Results</b>												
Revenue	1.9%	2.2%	1.6%	1.4%	1.3%	1.1%	1.2%	0.4%	0.7%	1.6%	1.4%	1.1%
EBITDA	10.9%	11.8%	10.0%	6.2%	10.5%	9.2%	4.5%	5.0%	4.9%	8.5%	7.5%	2.0%
GAAP Net Income	123.1%	179.5%	110.0%	243.8%	66.2%	53.4%	14.5%	107.5%	33.4%	62.0%	149.7%	164.0%
Non-GAAP EPS	17.2%	26.4%	19.4%	23.5%	13.5%	13.9%	5.3%	7.6%	9.2%	10.9%	5.6%	(3.4%)
Free Cash Flow	12.9%	5.8%	68.7%	52.0%	62.4%	39.2%	25.1%	70.6%	2.0%	27.4%	46.1%	16.4%
<b>Guidance</b>												
Revenue	2.1%	2.4%	1.7%	1.7%	1.4%	1.3%	1.3%	0.6%	0.9%	1.7%	1.4%	1.2%
Stock Price Reaction	(8.1%)	(2.1%)	(0.1%)	8.0%	(0.0%)	13.0%	(6.3%)	(8.5%)	(0.2%)	12.7%	9.9%	(11.6%)

**Zoom's execution and quality of financial disclosure has been high.**

# Zoom's Business Is Inflecting

Zoom reported a strong FQ4 2026 in late February. Most notable were signs of a revenue growth acceleration. A rich array of business drivers fueled the improving performance.

## Zoom Quarterly Metrics and YoY Growth

(FYE Jan; \$mm)	FQ1 2025	FQ2 2025	FQ3 2025	FQ4 2025	FQ1 2026	FQ2 2026	FQ3 2026	FQ4 2026
Revenue	\$1,141	\$1,163	\$1,178	\$1,184	\$1,175	\$1,217	\$1,230	\$1,247
YoY Growth	3.2%	2.1%	3.6%	3.3%	2.9%	4.7%	4.4%	5.3%
Estimated Billings (1)	\$1,223	\$1,217	\$1,150	\$1,159	\$1,246	\$1,271	\$1,195	\$1,227
YoY Growth	5.2%	6.5%	6.2%	5.3%	1.9%	4.4%	3.9%	5.9%
Remaining Performance Obligation	\$3,666	\$3,778	\$3,741	\$3,802	\$3,877	\$3,976	\$4,022	\$4,185
YoY Growth	5.3%	7.8%	4.7%	6.4%	5.8%	5.2%	7.5%	10.1%
United States Revenue	\$819	\$836	\$846	\$851	\$848	\$874	\$887	\$900
YoY Growth	4.3%	3.4%	3.9%	3.5%	3.5%	4.6%	4.8%	5.8%

## Zoom Recent Revenue Drivers

- **Improved AI product monetization:** AI Companion seeing strong uptake from medium and large enterprise customers, and all of the top 10 deals in Q4 included paid AI.
- **Enterprise segment momentum:** customers generating >\$100K in revenue grew 9% YoY, and Zoom won several large competitive displacements during the quarter.
- **Improved channel execution:** 9 of the 10 largest Contact Center deals came through channel partners.
- **Multi-product pull through:** product bundling, such as Phone with Contact Center, is driving larger deals, as 6 of the 10 largest Contact Center deals also included Phone.
- **Online segment stabilization:** Online posted its highest quarterly YoY growth in four years and returned to growth for the year, the first time since FY2022.

(1) Estimated billings equals period revenue plus change in deferred revenue  
 Green shading denotes positive QoQ change; red shading denotes negative QoQ change.  
 Source: Spruce Point research



## *The Market's Valuation Of Zoom Is Far Too Punitive*

# Zoom Currently Trades At Depressed Absolute Profit Multiples

Based on current FY2027E Street consensus, Zoom trades at just 4.1x revenue and 9.5x EBITDA, levels that are not just low for a leading technology company but low on an absolute basis. The primary driver of the current valuation is the Street expectation for just 4% revenue growth over the coming two years.

## Zoom Summary Financials and Valuation

Valuation		Historical and Consensus Financials and Multiples							
(\$ millions, except per share figures)		(FYE Jan; \$ millions)	2022	2023	2024	2025	2026	2027E	2028E
Stock Price (as of 4/23/26)	\$90.01	Revenue	\$4,100	\$4,393	\$4,527	\$4,665	\$4,869	\$5,071	\$5,272
Shares Outstanding	295	YoY Growth	22%	7%	3%	3%	4%	4%	4%
Dilutive Shares (1)	21	Non-GAAP EBITDA	\$1,705	\$1,661	\$1,879	\$1,961	\$2,100	\$2,184	\$2,270
Fully Diluted Shares Out.	316	Margin	42%	38%	42%	42%	43%	43%	43%
<b>Market Capitalization</b>	<b>\$28,453</b>	GAAP Net Income	\$1,376	\$104	\$637	\$1,010	\$1,900	\$1,064	\$1,194
Less: Cash (2)	(\$7,817)	Margin	34%	2%	14%	22%	39%	21%	23%
Plus: Debt (3)	\$58								
<b>Enterprise Value</b>	<b>\$20,695</b>	<b>EV / Revenue Multiple</b>				<b>4.4x</b>	<b>4.3x</b>	<b>4.1x</b>	<b>3.9x</b>
		<b>EV / EBITDA Multiple</b>				<b>10.6x</b>	<b>9.9x</b>	<b>9.5x</b>	<b>9.1x</b>
		<b>P / E Multiple</b>				<b>28.2x</b>	<b>15.0x</b>	<b>26.8x</b>	<b>23.8x</b>

### Wall Street Analyst Perspective

The Wall Street high price target for Zoom shares implies 28% upside. By contrast, the two analysts with underperform ratings on the stock see an average of 22% downside from current.

### Historical Multiples

Zoom is trading at three-year trough price / NTM free cash flow multiples.

(1) Includes 1.542m options with an average \$11.81 exercise price and 20.106m unvested RSUs

(2) Includes \$6.5 billion of marketable securities

(3) Represents operating lease liabilities

Estimates from S&P Capital IQ consensus as of 4/23/26

Source: Spruce Point research

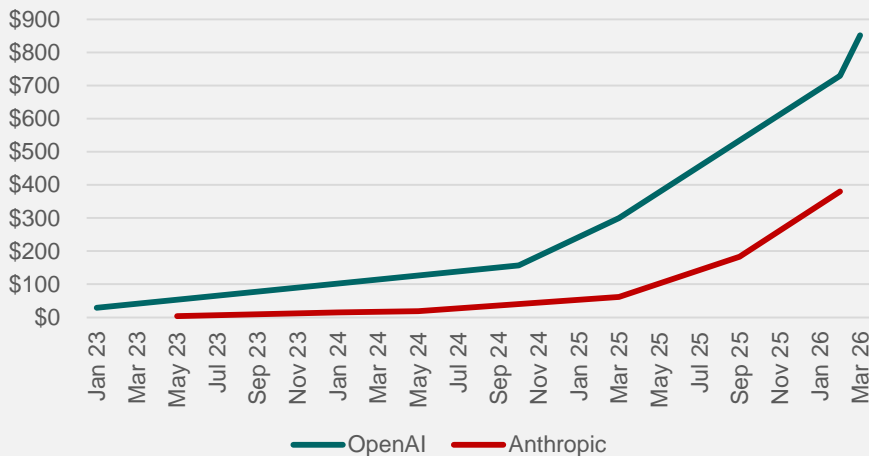
# Zoom's "Hidden" Asset, Its Stake In Anthropic, Means Its True Valuation Multiples Are Even Lower

Zoom Ventures was launched in April 2022 to drive growth of the Zoom ecosystem. In May 2023, Zoom Ventures invested as much as \$51 million in Anthropic's \$450 million series C financing that valued the company at ~\$4.5 billion. While we do not know the specifics of Zoom's subsequent investments and stake dilution, we estimate Zoom's Anthropic stake is worth at least ~\$1.2 billion. We note that inactive past Zoom Ventures investments also included Perplexity and CoreWeave.

## Zoom's Financial Disclosures Regarding Equity Investments Mapped to Anthropic Financings

(\$ in millions)	Equity	Period	Est.			Anthropic
ZM Period	Purchases	Gain / (Loss)	Anthropic Stake (1)	Strategic Investments	Anthropic Round	Post-\$ Valuation
FQ1 2024	(\$51)	\$2	\$50	\$452	Series C	\$4,500
FQ4 2024	(\$18)	\$101	\$151	\$409	Series D	\$15,000
FQ4 2025	(\$5)	\$150	\$302	\$591	Series E	\$61,500
FQ3 2026	\$0	\$406	\$708	\$1,053	Series F	\$183,000
FQ4 2026	(\$71)	\$532	\$1,240	\$1,579	Series G	\$380,000

## Historical Growth in OpenAI and Anthropic Post-Money Valuation (\$bn)



## Anthropic's Rapidly Rising Valuation is Driving Lower Effective Multiples For Zoom Shares

Based on Anthropic's last four financing rounds, the company's post-money valuation has approximately doubled every 3 to 6 months. Based on its superior uptake among enterprise customers, we believe it is highly likely that the value of Zoom's stake in the company doubles again by the end of 2026. Adjusting Zoom's enterprise value by the current and future estimated values of its Anthropic stake shows that investors are paying a healthy discount to imputed multiples for Zoom shares.

(\$ in millions)	Value	EV / CY2026E	
		Revenue	EBITDA
Current Enterprise Value	\$20,695	4.1x	9.5x
Est. Current Anthropic Stake	(\$1,240)		
Adjusted Enterprise Value	\$19,455	3.8x	8.9x
<i>Discount From Current</i>			(6%)
Est. CYE26 Anthropic Stake	(\$2,173)		
Adjusted Enterprise Value	\$18,522	3.7x	8.5x
<i>Discount From Current</i>			(10%)

**We believe Zoom represents an attractive vehicle for gaining exposure to Anthropic.**

(1) Estimate assuming all period gains attributable to Anthropic.

Source: Zoom [blog post](#), Zoom [press release](#), Anthropic [press release](#), Spruce Point research

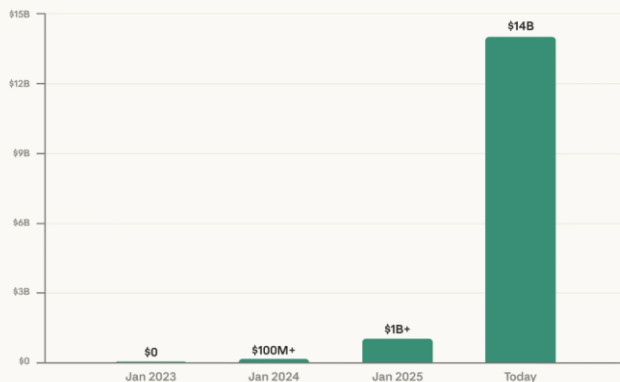
# Anthropic Is Clearly An AI Winner, Suggesting Massive Future Upside To Zoom

While OpenAI's ChatGPT was the first LLM to achieve mass adoption, Anthropic's Claude has experienced a rapid uptake with a reputation for superior performance. As a result, ChatGPT is moving toward becoming a consumer-focused "super app", while Claude is becoming the solution of choice for enterprise or professional applications that require a more specialized tool. This has massive implications for Anthropic's growth ramp, and it also suggests that Zoom is perfectly aligned with the AI company best positioned to influence the future of work in Zoom's core enterprise market. Beyond delivering value to Zoom in the form of investment returns, the two companies' partnership will continue to facilitate the incorporation of enhanced AI capabilities into Zoom products, bolstering Zoom's AI credibility, product innovation, and competitiveness.

**Anthropic has received interest at an \$800 billion valuation, which would about double the value of Zoom's stake.**

## Anthropic's Impressive Growth: From \$0 to \$14bn in Three Years

Anthropic run-rate revenue growth



**10X+**  
growth each of the past  
three years

**\$14B**  
run-rate  
revenue today

## Anthropic's Incredible Rise

- The number of customers spending over \$100,000 annually on Claude (as represented by run-rate revenue) has grown 7x in the past year.
- The number of customers spending over \$1 million on Claude has grown from 12 to over 500 over the past two years.
- Anthropic's agentic coding solution Claude Code's revenue run-rate is now over \$2.5 billion, more than doubling since the beginning of 2026.
- Business subscriptions to Claude Code have grown 4x since the start of 2026, and enterprise use comprises over half of all Claude Code revenue.
- Claude remains the only frontier AI model available to customers on all three of the world's largest cloud platforms: Amazon Web Services (Bedrock), Google Cloud (Vertex AI), and Microsoft Azure (Foundry).

# Zoom Trades At Depressed Multiples Relative To Its SaaS Peers

We compare Zoom to other SaaS companies with \$1-10 billion of LTM revenue, excluding Palantir due to its outlier valuation and business model and Figma due to its limited historical financial information. Zoom trades at a 13-31% discount to peer medians, even before taking into account the value of the Company's stake in Anthropic.

## Zoom Comparable Company Analysis

(\$ in millions) Company	Stock Price	Enterprise Value	LTM Revenue	LTM Gross Margin	LTM EBITDA Margin	CY25-26 YoY Rev. Growth	CY2026E			Non-GAAP P / E
							EV / Revenue	EV / EBITDA	P / FCF	
CrowdStrike	\$445.39	\$109,022	\$4,812	75%	27%	23%	18.5x	62.7x	63.7x	89.7x
Dropbox	\$23.90	\$8,252	\$2,521	80%	47%	(1%)	3.3x	7.3x	6.1x	8.1x
Datadog	\$127.86	\$42,048	\$3,427	80%	24%	20%	10.2x	42.7x	42.2x	56.0x
DocuSign	\$45.02	\$8,066	\$3,220	80%	33%	8%	2.3x	6.5x	7.8x	10.1x
Dynatrace	\$34.29	\$9,125	\$1,932	82%	30%	15%	4.1x	13.5x	16.8x	18.4x
GoDaddy	\$84.77	\$14,037	\$4,951	64%	32%	6%	2.7x	8.1x	6.0x	9.5x
Guidewire	\$131.25	\$10,897	\$1,342	64%	22%	15%	7.1x	30.7x	30.5x	34.4x
HubSpot	\$214.69	\$9,881	\$3,131	84%	23%	18%	2.7x	11.2x	15.4x	17.5x
Samsara	\$29.28	\$15,839	\$1,619	77%	19%	22%	8.0x	39.0x	63.0x	42.2x
MongoDB	\$258.11	\$18,420	\$2,464	72%	19%	18%	6.4x	32.0x	39.6x	40.6x
Okta	\$76.04	\$11,349	\$2,919	77%	27%	9%	3.6x	13.7x	15.4x	19.2x
Rubrik	\$51.03	\$9,994	\$1,316	80%	2%	27%	6.2x	NM	38.8x	NM
RingCentral	\$38.63	\$4,606	\$2,515	71%	27%	8%	1.8x	6.4x	5.6x	7.7x
Snowflake	\$146.40	\$48,508	\$4,684	67%	15%	26%	8.2x	53.4x	37.5x	74.8x
Atlassian	\$67.62	\$17,483	\$5,760	84%	27%	26%	2.5x	9.3x	8.9x	13.1x
Twilio	\$141.59	\$20,064	\$5,067	49%	22%	12%	3.5x	17.5x	20.5x	25.1x
Tyler Technologies	\$335.74	\$13,799	\$2,332	46%	28%	8%	5.5x	18.6x	21.0x	26.0x
Veeva Systems	\$156.15	\$19,039	\$3,195	76%	46%	13%	5.3x	11.7x	16.6x	17.2x
Workday	\$114.67	\$27,854	\$9,552	76%	33%	12%	2.6x	7.9x	9.3x	10.7x
Zscaler	\$132.97	\$19,734	\$3,001	77%	26%	21%	5.4x	20.2x	22.4x	29.2x
<b>Median</b>		<b>\$14,938</b>	<b>\$3,066</b>	<b>76%</b>	<b>27%</b>	<b>15%</b>	<b>4.7x</b>	<b>13.7x</b>	<b>18.7x</b>	<b>19.2x</b>
<b>Zoom Communications</b>	<b>\$90.01</b>	<b>\$20,695</b>	<b>\$4,869</b>	<b>77%</b>	<b>43%</b>	<b>4%</b>	<b>4.1x</b>	<b>9.5x</b>	<b>16.1x</b>	<b>15.9x</b>
<b>Zoom Adj. For Anthropic Stake Value</b>							<b>3.8x</b>	<b>8.9x</b>	<b>15.4x</b>	<b>15.2x</b>

Ignoring Zoom's membership in the enterprise SaaS sector and the concomitant baggage of the current SaaS-pocalypse, Zoom has many of the business and financial attributes traditionally associated with premium valuation multiples. The notion that all these value-enhancing attributes should be overshadowed by modest revenue growth strikes us as unfairly punitive.

## **Zoom Has Most of the Attributes Associated With Premium Valuations**

### **Business Model and Industry Position**

- **Industry leadership**
- **Strong brand**
- **Reputation for product innovation and superiority**
- **Increasing breadth of product portfolio**
- **High customer retention rates**
- **Very low customer concentration**
- **Talented and visionary founder / CEO**
- **Track record of sound engineering execution**
- **Leveraging AI to enhance product functionality**
- **Large addressable market**
- **Large international expansion opportunity**

### **Financial Model and Performance**

- **Multi-billion dollar revenue scale**
- **Recurring subscription revenue model**
- **Very high gross margins**
- **Very low capital intensity**
- **Industry-leading free cash flow margins**
- **Industry-leading GAAP net profitability**
- **Pristine balance sheet**
- **Increasing capital returns to shareholders**
- **Credible finance functional leadership**
- **Consistent outperformance versus market forecasts**
- **Management with significant equity stake**

# High EBITDA Margin, Low Revenue Growth Companies In Other Tech Sectors Trade At Richer Multiples

We understand the importance of revenue growth in SaaS: companies must grow the top line in order to fund high customer acquisition costs that may only be recovered after future contract renewals. However, Zoom has already reached revenue scale with consistent 98% net revenue retention rates. Therefore, Zoom's underlying economics are sound, and its financial model is no worse than those in other technology sectors (and is arguably better than those lacking any sort of recurring revenue component). However, technology companies outside traditional enterprise SaaS with >30% LTM Non-GAAP EBITDA margins that are expected to grow revenue less than 10% YoY in 2026 trade at 28-47% premiums to Zoom.

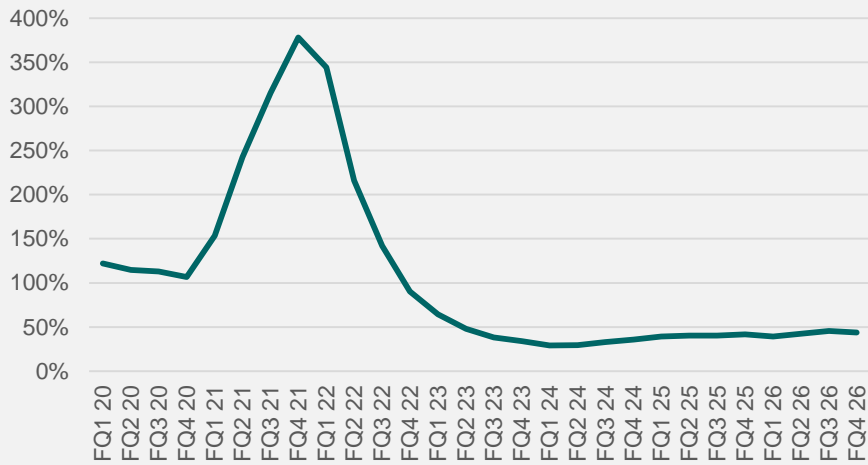
## Comparable Company Analysis: Technology Companies With >30% LTM Non-GAAP EBITDA Margins and <10% 2025-2026E Expected Revenue Growth

Company	Stock Price	Enterprise Value	LTM Revenue	LTM Gross Margin	LTM EBITDA Margin	CY25-26 YoY Rev. Growth	CY2026E			
							EV / Revenue	EV / EBITDA	P / FCF	Non-GAAP P / E
Apple	\$273.43	\$3,959,978	\$435,617	47%	35%	9%	8.4x	24.4x	29.6x	32.1x
InterDigital	\$359.45	\$8,482	\$834	89%	71%	(16%)	12.0x	20.5x	25.8x	27.9x
Jack Henry & Associates	\$150.60	\$10,909	\$2,465	44%	33%	5%	4.2x	13.0x	23.5x	23.0x
Motorola Solutions	\$443.17	\$82,274	\$11,682	52%	32%	9%	6.5x	19.2x	26.3x	26.1x
NetApp	\$108.40	\$21,110	\$6,709	70%	32%	6%	3.0x	9.2x	11.3x	12.9x
PTC	\$135.83	\$17,335	\$2,860	84%	50%	(7%)	6.5x	12.9x	18.6x	18.4x
QUALCOMM	\$133.95	\$145,920	\$44,867	55%	38%	(5%)	3.4x	10.0x	12.4x	12.8x
Roper Technologies	\$363.76	\$47,330	\$8,115	69%	40%	8%	5.6x	14.2x	13.9x	16.4x
Skyworks Solutions	\$61.55	\$8,882	\$4,054	41%	31%	(8%)	2.4x	9.0x	11.0x	13.6x
Universal Display	\$97.87	\$4,031	\$651	75%	45%	4%	6.0x	13.9x	20.7x	20.3x
VeriSign	\$276.95	\$26,452	\$1,657	88%	75%	5%	15.2x	20.5x	26.6x	29.4x
<b>Median</b>		<b>\$21,110</b>	<b>\$4,054</b>	<b>69%</b>	<b>38%</b>	<b>5%</b>	<b>6.0x</b>	<b>13.9x</b>	<b>20.7x</b>	<b>20.3x</b>
<b>Zoom Communications</b>	<b>\$90.01</b>	<b>\$20,695</b>	<b>\$4,869</b>	<b>77%</b>	<b>43%</b>	<b>4%</b>	<b>4.1x</b>	<b>9.5x</b>	<b>16.1x</b>	<b>15.9x</b>

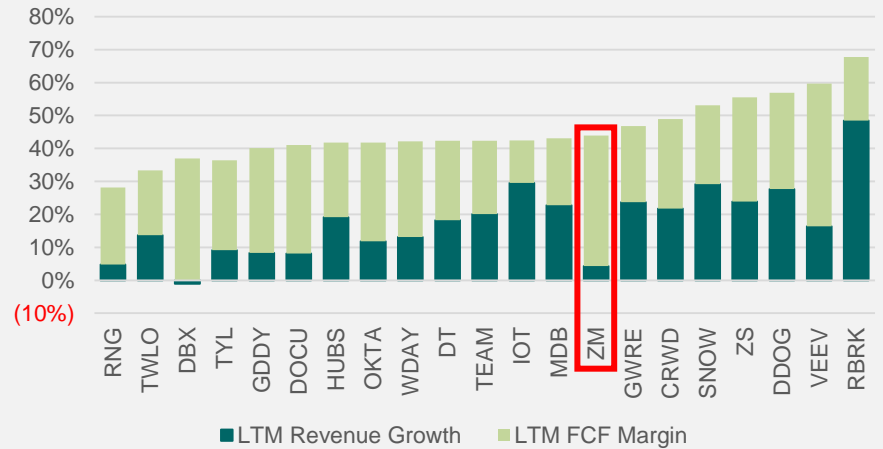
# We Believe Investors Need To Reassess How They Value Profitable Mature SaaS Companies

Zoom once posted some of the most remarkable financial results in the technology industry. And we get it, growth is king. Reviewing the valuations of 72 public SaaS companies, our analysis indicates that the metric most highly correlated with EV / 2026E revenue multiple is 2025-2026E revenue growth at 0.72, compared to 0.56 for LTM revenue growth and 0.24 for LTM free cash flow margin. However, we can't help but think the market is overlooking traditional valuation drivers as it embraces a more skeptical view of SaaS industry prospects.

## Zoom Historical Quarterly Rule of 40



## Peer Company Rule of 40 With Revenue Growth and FCF Margin Components Highlighted



It's not "Rule of 300", but it is still quite impressive.

Zoom achieves a Rule of 40 result far in excess of lower growth SaaS peers.

# There Is A Methodology Suited To Illuminate Zoom's Intrinsic Value: Discounted Cash Flow

Assuming current conservative Street consensus, guarded growth projections, and the FYE2026 valuation of its Anthropic stake (which ignores rumors of another doubling in valuation), there is 40% upside in Zoom shares. While we are confident Zoom can accelerate revenue growth and reduce operating expenses, our analysis shows that neither is necessary given its rich cash flows.

## Zoom Discounted Cash Flow Analysis

(FYE Jan; \$ in millions)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Revenue	\$5,071	\$5,272	\$5,462	\$5,680	\$5,907	\$6,144	\$6,389	\$6,645	\$6,911	\$7,187
EBIT	\$1,200	\$1,270	\$1,315	\$1,363	\$1,418	\$1,474	\$1,533	\$1,595	\$1,659	\$1,725
Income Tax Expense	(\$258)	(\$273)	(\$283)	(\$293)	(\$305)	(\$317)	(\$330)	(\$343)	(\$357)	(\$371)
Earnings Before Interest After Tax	\$942	\$997	\$1,032	\$1,070	\$1,113	\$1,157	\$1,204	\$1,252	\$1,302	\$1,354
Plus: Depreciation & Amortization	\$137	\$142	\$147	\$153	\$159	\$166	\$173	\$179	\$187	\$194
Plus: Amort. of Def. Contract Acq. Costs	\$304	\$316	\$328	\$341	\$354	\$369	\$383	\$399	\$415	\$431
Plus: Stock-Based Compensation	\$634	\$527	\$437	\$454	\$473	\$491	\$511	\$532	\$553	\$575
Less: Capital Expenditures	(\$76)	(\$79)	(\$82)	(\$85)	(\$89)	(\$92)	(\$96)	(\$100)	(\$104)	(\$108)
Less: Inc./(Dec.) in Working Cap.	(\$254)	(\$264)	(\$273)	(\$284)	(\$295)	(\$307)	(\$319)	(\$332)	(\$346)	(\$359)
Unlevered Free Cash Flow	\$2,195	\$2,167	\$2,136	\$2,217	\$2,306	\$2,398	\$2,494	\$2,594	\$2,698	\$2,806
Present Value of Unlevered FCF	\$2,097	\$1,891	\$1,702	\$1,614	\$1,533	\$1,456	\$1,382	\$1,313	\$1,247	\$1,184

Valuation		WACC Derivation		Forecast Assumptions
Terminal Value	\$38,379	Risk-free Rate (10yr T-Note)	4.3%	Revenue: Consensus through
PV of Terminal Value	\$15,479	Equity Beta	0.95	FY2029E, 4% growth thereafter
PV of Cash Flows	\$15,419	Equity Risk Premium	5.5%	GAAP EBIT: Consensus through
Enterprise Value	\$30,897	Cost of Equity	9.5%	FY2029E, 24% margin thereafter
Less: Total Debt	(\$58)	Cost of Debt	4.8%	Tax Rate: 21.5%
Plus: Cash and Anthropic Stake (1)	\$9,057	Marginal Tax Rate	21.5%	D&A: 2.7% of revenue
Equity Value	\$39,896	After-tax Cost of Debt	3.8%	Contract Costs: 6% of revenue
Fully Diluted Shares Outstanding	316	Target Percent Equity	99.8%	SBC: trend to 8% of revenue
<b>Price Per Share</b>	<b>\$126.21</b>	Target Percent Debt	0.2%	CapEx: 1.5% of revenue
Current Price	\$90.01	WACC	9.5%	ΔNWC: -5% of revenue
Premium/(Discount) to Current	40%	Terminal Multiple (LTM EBITDA)	20.0x	

**Unlike most SaaS DCFs, we estimate half of Zoom's value comes from cash flows versus the terminal value.**

(1) Values Anthropic stake at \$1.24 billion  
Source: Spruce Point research



## *Spruce Point Recommendations To Create Shareholder Value*

# *We Believe The Following Actions Can Drive Substantial Shareholder Value Creation*

Zoom is a sector-leading company that not only generates tremendous cash flow but is also positioned for a growth acceleration. As it stands today, we believe Zoom is dramatically undervalued. What will change investor perception from here? We believe our nine recommendations summarized below will further catalyze a change in investor sentiment.

## **Spruce Point Summary Recommendations**

<b>(1) Improve Capital Allocation</b>	Zoom is overcapitalized. We would like to see a material return of capital to shareholders and believe recent aggressive SaaS company share purchases provide instructive case studies.
<b>(2) Reduce Operating Costs</b>	Zoom has yet to fully normalize its organization and cost structure since its extreme COVID-19-era growth ramp. We believe AI-driven efficiencies can facilitate improved R&D returns, yet the biggest returns could come from sales and marketing cost reductions.
<b>(3) Fix International</b>	Zoom's international business is both slower growth and less efficient than the US. We believe a strategic reset is badly needed.
<b>(4) Improve Marketing</b>	Based on our research, there remains room for significant improvement in Zoom's communications of its newly expanded platform capabilities and value-add.
<b>(5) Avoid an M&amp;A Mistake</b>	Zoom barely avoided huge shareholder value destruction when the Five9 deal broke. We urge management to avoid any "own goals" in an AI-euphoric, overpriced private company landscape.
<b>(6) Coordinate Equity Sales</b>	CEO Yuan and other senior executives clearly want liquidity. We believe more coordinated sales, perhaps to an additive strategic financial partner, would be more shareholder friendly.
<b>(7) Collapse Dual-Class Share Structure</b>	Zoom's dual-class share structure is subject to a 15-year sunset provision. We believe a 7-year term, which would expire in mid-April, is more reasonable and defensible. Thus, we call for the proactive conversion of Zoom's B shares into common A shares.
<b>(8) Lobby For S&amp;P 500 Inclusion</b>	We believe Zoom is an excellent candidate for the S&P 500 index and will be particularly well-positioned if they execute on our recommendations.
<b>(9) Pursue a Sale of the Company</b>	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 outcome. We wouldn't be surprised to see a private equity buyer act sooner to reap the benefits of some of our recommendations for themselves.

# Zoom Is Overcapitalized With A Suboptimal Capital Structure

Zoom has nearly \$7.8 billion in net cash, equating to 159% of LTM revenue and 27% of its current market capitalization, levels that are 5x larger than peer metrics. Street consensus calls for another \$1.8 billion of free cash flow in the current fiscal year. Moreover, most of Zoom's peers have raised long-term debt to optimize their capital structure. While Zoom's LTM share repurchase activity compares favorably to the peer average, we note it materially lags that of lower growth, highly cash-generative SaaS peers Dropbox, DocuSign, GoDaddy, RingCentral, and Workday. Notably, none of Zoom's peers pays a dividend.

## Analysis of Peer Company Balance Sheets and Capital Allocation

(\$ in millions) Company	Stock Price		Net (Debt) Cash	Capitalization			LTM Capital Allocation			
	% Above 52W Lo	% Below 52W Hi		Net Cash /		CY2026E FCF	Debt / Cap	Share Repo	Share Repo / Mkt Cap	Cash Acquisitions
				LTM Revs	Mkt Cap					
CrowdStrike	30%	(21%)	\$4,410	92%	4%	\$1,780	15%	\$0	0%	\$382
Dropbox	10%	(26%)	(\$2,549)	(101%)	(45%)	\$931	200%	\$1,865	33%	\$13
Datadog	35%	(37%)	\$3,196	93%	7%	\$1,073	26%	\$0	0%	\$118
DocuSign	12%	(52%)	\$681	21%	8%	\$1,124	9%	\$1,139	13%	\$0
Dynatrace	8%	(40%)	\$1,102	57%	11%	\$607	3%	\$320	3%	\$0
GoDaddy	16%	(56%)	(\$2,733)	(55%)	(24%)	\$1,882	95%	\$1,602	14%	\$0
Guidewire	14%	(52%)	\$214	16%	2%	\$365	32%	\$148	1%	\$60
HubSpot	15%	(69%)	\$1,441	46%	13%	\$736	11%	\$522	5%	\$88
Samsara	25%	(40%)	\$761	47%	4%	\$270	5%	\$0	0%	\$0
MongoDB	59%	(42%)	\$2,324	94%	11%	\$524	2%	\$499	2%	\$2
Okta	21%	(40%)	\$2,102	72%	16%	\$874	6%	\$265	2%	\$56
Rubrik	21%	(50%)	\$508	39%	5%	\$270	180%	\$6	0%	\$21
RingCentral	64%	(12%)	(\$1,159)	(46%)	(36%)	\$576	143%	\$347	11%	\$21
Snowflake	24%	(48%)	\$1,289	28%	3%	\$1,347	59%	\$1,546	3%	\$179
Atlassian	21%	(72%)	\$351	6%	2%	\$1,997	43%	\$977	5%	\$1,238
Twilio	61%	(8%)	\$1,389	27%	6%	\$1,049	12%	\$869	4%	\$61
Tyler Technologies	18%	(46%)	\$455	19%	3%	\$679	15%	\$175	1%	\$84
Veeva Systems	5%	(50%)	\$6,465	202%	25%	\$1,532	1%	\$263	1%	\$0
Workday	4%	(58%)	\$1,622	17%	6%	\$3,161	33%	\$3,511	12%	\$2,079
Zscaler	16%	(61%)	\$1,646	55%	8%	\$953	46%	\$0	0%	\$673
<b>Median</b>	<b>20%</b>	<b>(47%)</b>	<b>\$1,196</b>	<b>33%</b>	<b>5%</b>	<b>\$942</b>	<b>21%</b>	<b>\$333</b>	<b>3%</b>	<b>\$58</b>
<b>Zoom Communications</b>	<b>30%</b>	<b>(8%)</b>	<b>\$7,758</b>	<b>159%</b>	<b>27%</b>	<b>\$1,762</b>	<b>1%</b>	<b>\$1,621</b>	<b>6%</b>	<b>\$120</b>

# Recent Large Share Repurchase Transactions By SaaS Peers Provide A Template For Zoom

We believe Zoom should move aggressively to execute a material share repurchase. Recent transactions, an accelerated share repurchase by Salesforce and a modified Dutch auction tender by Wix, are instructive examples of more proactive, timely, and shareholder-friendly actions. Both announcements resulted in a positive stock price reaction.

## Recent SaaS Large Share Repurchase Transactions (\$mm)

Company	Salesforce	Wix
Ticker	CRM	WIX
<b>Financial Profile</b>		
Market Capitalization	\$141,769	\$4,197
LTM Revenue	\$41,525	\$1,993
LTM Free Cash Flow	\$14,402	\$574
Cash and Equivalents	\$34,565	(1) \$1,430
Debt	\$42,711	(1) \$1,587
Net Cash	(\$8,146)	(\$156)
<b>Share Repurchase Overview</b>		
LTM Repurchases	\$12,947	\$575
Total Authorization	\$50,000	\$2,000
Percent of Market Cap	35%	48%
Percent of Cash	145%	140%
<b>Recent Transaction</b>		
	Accelerated Share Repurchase	Modified Dutch Auction Tender
Announcement Date	3/16/2026	3/5/2026
Size	\$25,000	\$1,750
Percent of Unaffected Market Cap	14%	38%
Multiple of 6-Month ADTV	58.7x	9.5x
1-Day Share Price Reaction	3%	11%

## Implied Zoom Repurchase Sizing Based on Peer Company Transaction Metrics (\$mm)

	At CRM Metrics	At WIX Metrics
Zoom LTM Repurchases	\$1,621	\$1,621
Zoom Current Authorization	\$1,000	\$1,000
<b>At Peer Metrics</b>		
Authorization		
Percent of Market Cap	\$10,035	\$13,559
Percent of Cash	\$11,308	\$10,929
Repurchase Transaction		
Percent of Market Cap	\$3,997	\$10,865
Multiple of 6-Month ADTV	\$19,264	\$3,104

**Applying these transaction metrics to Zoom highlights both the conservatism of Zoom's current authorization and the potential scale of a similarly structured repurchase transaction. We believe a \$4 billion repurchase would be supportable. We favor the modified Dutch auction tender as the most shareholder-friendly structure for a large Zoom repurchase.**

(1) Pro forma for Salesforce \$25 billion senior notes offering completed 3/13/26; Wix pro forma for \$250 million private placement led by Durable Capital Partners.  
 Source: Salesforce [press release](#), Wix [press release](#), S&P Capital IQ, Spruce Point research

# We Believe Zoom Should Initiate A Dividend

There are at least two dozen technology companies of Zoom's size that pay a dividend. Notably, few are net cash positive or have the free cash flow scale of Zoom. The group median dividend yield and payout ratio, 1.19% and 32%, respectively, would suggest a \$1.00/share dividend for Zoom, which would equate to an approximate annual payout of ~\$300 million.

## Analysis of Technology Dividend Payors: Market Cap Between \$5-30 Billion and Revenue <\$10 Billion

(\$ in millions)	Capitalization			LTM Capital Allocation						
	Net (Debt) Cash	Net Cash / LTM Revs	Mkt Cap	CY2026E FCF	Debt / Cap	Share Repo	Share Repo / Mkt Cap	Dividend Yield	Payout Ratio	Cash Acquisitions
Amdocs Limited	(\$704)	(15%)	(10%)	\$701	22%	\$553	8%	3.5%	40%	\$224
Amkor Technology	\$325	5%	2%	(\$1,472)	27%	\$0	0%	0.5%	22%	\$0
Bentley Systems	(\$1,161)	(77%)	(11%)	\$537	52%	\$157	2%	0.8%	31%	\$93
Broadridge Financial	(\$3,002)	(42%)	(16%)	\$1,292	54%	\$284	2%	2.4%	40%	\$56
Clear Secure	\$588	65%	11%	\$448	35%	\$139	3%	1.4%	44%	\$0
Cognex	\$260	26%	3%	\$238	5%	\$152	2%	0.6%	48%	\$0
Entegris	(\$3,452)	(108%)	(15%)	\$437	49%	\$11	0%	0.3%	26%	\$0
ESCO Technologies	(\$107)	(9%)	(1%)	\$226	12%	\$0	0%	0.1%	3%	\$477
Gen Digital	(\$7,858)	(166%)	(69%)	\$1,558	78%	\$487	4%	2.5%	52%	\$960
Global Payments	(\$13,854)	(180%)	(74%)	\$3,428	48%	\$1,231	7%	1.4%	17%	\$352
InterDigital	\$751	90%	8%	\$358	31%	\$147	2%	0.7%	15%	\$9
Jack Henry & Associates	(\$40)	(2%)	(0%)	\$462	3%	\$151	1%	1.6%	33%	\$42
Littelfuse	(\$321)	(13%)	(3%)	\$339	27%	\$28	0%	0.8%	NA	\$408
Logitech International	\$1,726	36%	12%	\$916	4%	\$411	3%	1.6%	33%	\$0
MKS	(\$3,803)	(97%)	(20%)	\$331	62%	\$45	0%	0.4%	20%	\$0
NetApp	\$281	4%	1%	\$1,900	70%	\$1,143	5%	1.9%	34%	\$0
Paychex	(\$3,233)	(51%)	(10%)	\$2,331	56%	\$371	1%	4.6%	95%	\$2,968
Paycom Software	\$280	14%	5%	\$484	5%	\$370	6%	1.2%	19%	\$0
Pegasystems	\$402	24%	7%	\$572	9%	\$567	10%	0.3%	5%	\$0
Qnity Electronics	(\$3,610)	(76%)	(12%)	\$498	38%	\$0	0%	0.2%	2%	\$0
Sensata Technologies	(\$2,350)	(63%)	(39%)	\$452	51%	\$126	2%	1.2%	225%	\$0
Skyworks Solutions	\$366	9%	4%	\$845	17%	\$875	9%	4.6%	108%	\$0
SS&C Technologies	(\$7,232)	(115%)	(43%)	\$1,662	53%	\$1,115	7%	1.5%	32%	\$1,052
VeriSign	(\$1,218)	(73%)	(5%)	\$948	NA	\$893	4%	1.2%	NA	\$0
<b>Median</b>	<b>(\$513)</b>	<b>(14%)</b>	<b>(4%)</b>	<b>\$518</b>	<b>35%</b>	<b>\$220</b>	<b>2%</b>	<b>1.2%</b>	<b>32%</b>	<b>\$0</b>

# Recommendation (1): Improve Capital Allocation By Returning Excess Cash To Shareholders

A large share repurchase would be materially accretive to Zoom earnings per share and provide investors a tax-efficient means of capital return. In addition, the initiation of a dividend would go far to signal Zoom management's confidence in the Company's long-term financial stability and create incremental demand for Zoom shares from a new shareholder population. We believe the dividend should be sized conservatively enough to accommodate consistent increases over time, which provides an attractive quantitative signal to the market.

## Zoom Share Repurchase EPS Accretion/Dilution Analysis (\$mm)

### Assumptions

Repurchase Amount	\$4,000
Stock Price	\$90.01
Implied Shares Repurchased	44
Interest Rate on Cash	3.5%
Tax Rate	21.5%

### EPS Accretion / Dilution

GAAP	FY2027E	Adjustments	FY2027E
	Consensus		Pro Forma
GAAP Net Income	\$1,064	(\$110)	\$954
Implied Shares O/S	301	(44)	257
GAAP Earnings Per Share	\$3.53		\$3.71
		<b>Accretion \$</b>	<b>\$0.18</b>
		<b>Accretion %</b>	<b>5%</b>
<b>Non-GAAP</b>			
Non-GAAP Net Income	\$1,795	(\$110)	\$1,685
Implied Shares O/S	306	(44)	261
Non-GAAP Earnings Per Share	\$5.87		\$6.45
		<b>Accretion \$</b>	<b>\$0.58</b>
		<b>Accretion %</b>	<b>10%</b>

## Benefits of a Zoom Dividend Initiation

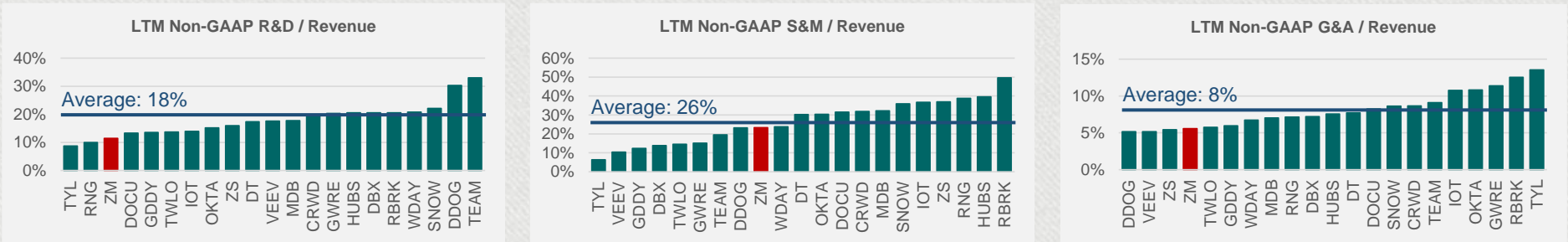
- Embrace a reasoned and holistic capital allocation strategy.
- Return what is clearly excess cash to shareholders.
- Signal confidence in the long-term earnings power of the business.
- Acknowledge the maturity of Zoom's business.
- Expand the Zoom shareholder base to include stable long-term investors and those seeking yield.
- Differentiate Zoom's capital allocation strategy from that of its SaaS peers.
- Enhance financial discipline.
- Avoid the temptation of value-destructive M&A.

**Our research suggests a dividend initiation can drive a 3-5% one-day stock price return and other longer-term benefits.**

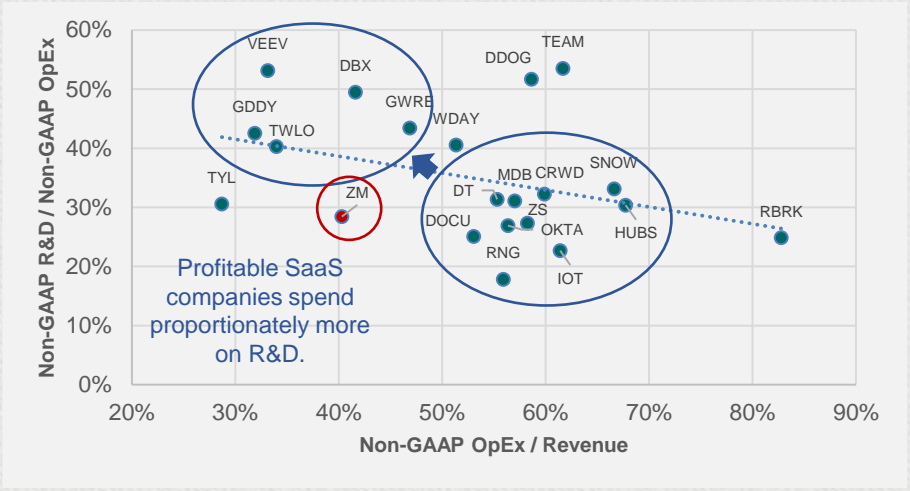
# We Believe Zoom Outperforms On The Wrong Operating Expense Line

Zoom's non-GAAP operating expenses screen low, yet we find that its SaaS peers with lower OpEx / revenue spend proportionately more on R&D. Moreover, Zoom's non-GAAP S&M expense, while below the peer average, is clearly yielding an inferior return. We would like to see relative resource allocation shift to R&D and innovation and away from sales.

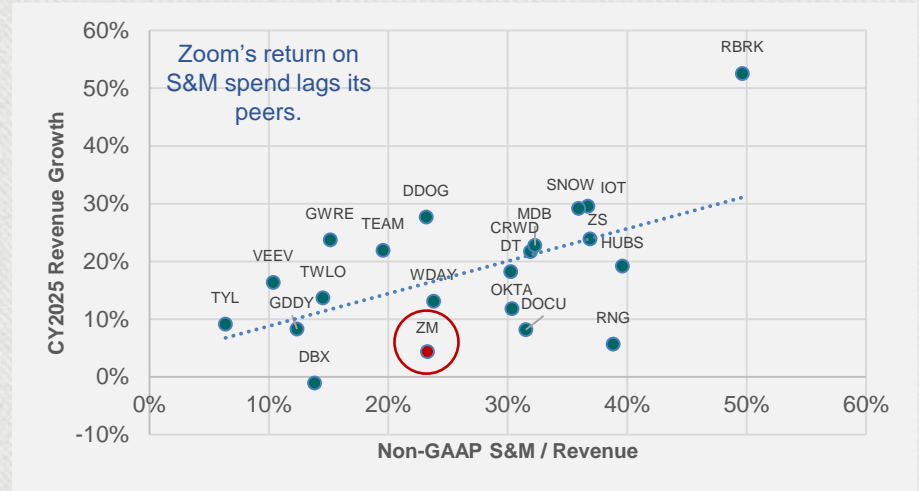
## Zoom LTM Non-GAAP Operating Expenses as a Percent of Revenue Versus Peers



### Non-GAAP OpEx / Revenue vs Non-GAAP R&D / Non-GAAP OpEx



### Non-GAAP S&M / Revenue vs CY2025 Revenue Growth



# Zoom Has Not Sufficiently Rationalized COVID-19-Era Headcount

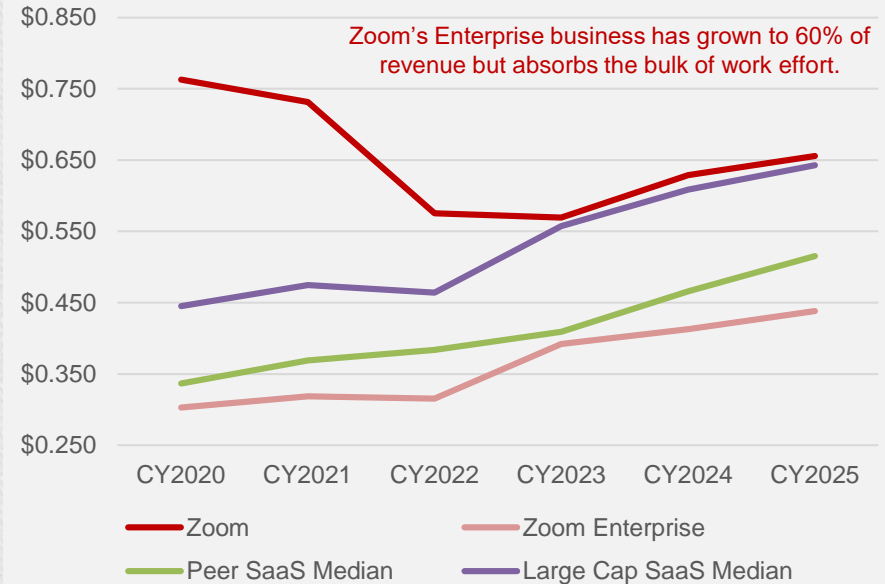
We acknowledge that Zoom required large headcount additions to support its historic growth. Despite a 15% reduction in early 2023, we believe Zoom's headcount remains heavy. We point to Twilio and Shopify as prime examples of aggressive headcount normalization. Twilio and Shopify reduced headcount -31% and -34% from 2022 to 2025, driving 91% and 184% growth in revenue per employee to \$911K and \$1.472M, respectively, almost 40% and 125% higher than Zoom at \$656K.

## Pre- and Post-COVID-19 Headcount Change Relative to Post-COVID-19 Revenue Growth

Company	Employee Growth		Revenue Growth
	2019-22	2022-25	2022-25
DDOG	242%	69%	105%
ZS	236%	59%	123%
<b>ZM</b>	<b>235%</b>	<b>(12%)</b>	<b>11%</b>
CRWD	215%	47%	115%
TWLO	181%	(31%)	32%
OKTA	167%	6%	57%
MDB	155%	22%	92%
HUBS	119%	19%	81%
TEAM	115%	57%	84%
VEEV	93%	18%	48%
DOCU	88%	(4%)	28%
RNG	65%	1%	29%
WDAY	45%	19%	54%
GWRE	39%	17%	54%
TYL	34%	8%	26%
DBX	11%	(32%)	8%
RBRK	NA	36%	174%
DT	NA	44%	76%
SNOW	NA	54%	127%
IOT	NA	81%	148%
GDDY	(2%)	(15%)	21%

The top COVID-19-era headcount growers either maintained explosive revenue growth or cut headcount more aggressively than Zoom.

## Zoom Historical Revenue Per Average Employee (\$mm) Versus Peer and Large Cap SaaS Medians (1) (2)



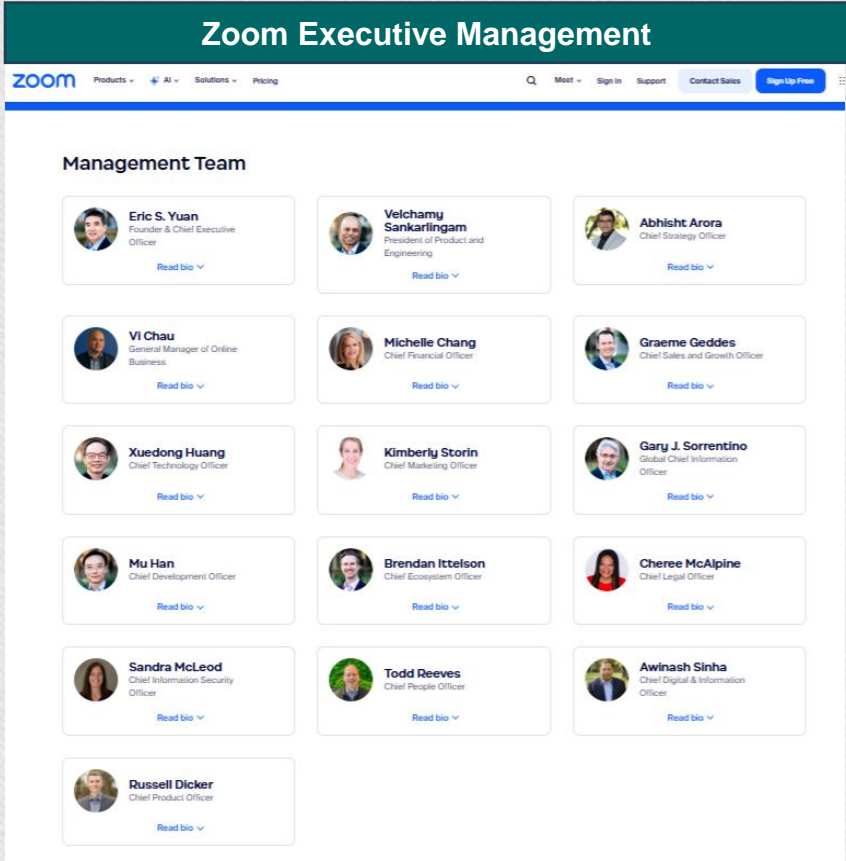
Zoom's revenue per average employee has declined 14% since 2020. By contrast, peer and large cap SaaS medians grew 53% and 44%, respectively. Moreover, we believe Zoom's employee productivity lags its peers when looking at just the Enterprise business.

(1) Large cap SaaS includes ADBE, CRM, INTU, NOW, SHOP, and SAP. (2) Assumes 90% of total headcount allocated to Enterprise. Source: S&P Capital IQ, Spruce Point research

# Zoom Has A Clear Opportunity To Rationalize Its Executive Team To Reduce Costs

Spruce Point believes the case for Zoom to rationalize headcount and its organizational structure can be made simply by observing that it lists 16 executives as part of its management team when its peer industry average is just 8 executives. In fact, Zoom has three named executives referencing information which are roles that can likely be consolidated: Chief Information Officer, Information Security Officer, and Chief Digital & Information Officer. Moreover, Zoom is the only public company we can identify that has a Chief Ecosystem Officer which is also a role that can likely be consolidated.

### Zoom Executive Management



The screenshot shows Zoom's Management Team page with 16 executives listed in a grid. Each entry includes a profile picture, name, title, and a 'Read bio' link.

Name	Title
Eric S. Yuan	Founder & Chief Executive Officer
Velchamy Sankarlingam	President of Product and Engineering
Abhisht Arora	Chief Strategy Officer
Vi Chau	General Manager of Online Business
Michelle Chang	Chief Financial Officer
Graeme Geddes	Chief Sales and Growth Officer
Xuedong Huang	Chief Technology Officer
Kimberly Storin	Chief Marketing Officer
Gary J. Sorrentino	Global Chief Information Officer
Mu Han	Chief Development Officer
Brendan Ittelson	Chief Ecosystem Officer
Cheree McAlpine	Chief Legal Officer
Sandra McLeod	Chief Information Security Officer
Todd Reeves	Chief People Officer
Awinash Sinha	Chief Digital & Information Officer
Russell Dicker	Chief Product Officer

### Industry Peer Executive Management Titles

	Adobe	Salesforce	Microsoft	RingCentral	Cisco
<b>Total Executives</b>	<b>7</b>	<b>12</b>	<b>7</b>	<b>10</b>	<b>6</b>
CEO	X	X	X	X	X
COO				X	
Chief Administrative				X	
Vice Chair			X		
CTO		X		X	
Systems & Technology				X	
Legal	X	X			X
CFO	X	X	X	X	X
Chief Accounting				X	
HR/People	X	X	X		
Marketing	X	X	X		
Revenue		X			X
Strategy		X			
Impact		X			
Customer Experience	X	X		X	
Product		X			X
Business Unit Mgmt.			X	X X	
Creativity/Productivity	X				

# Recommendation (2): Zoom Should Aggressively Reduce And Reallocate Operating Expenses

Zoom has acknowledged that AI is improving its own employee efficiency, and increased channel partner engagement should impact sales resource requirements. Even though Zoom benefits from its lower cost Chinese engineering footprint, we still believe Zoom should reallocate dollars to R&D from its underperforming sales & marketing activities. We believe improved innovation cadence and operating cost rationalization can drive material shareholder value creation.

## Sizing Zoom Cost Reductions Assuming Consensus Revenue

(\$ in millions)	Actual	Objective / Implied	
	FY2026	FY2027E	FY2028E
<b>Consensus Revenue</b>	\$4,869	\$5,071	\$5,272
<b>International Percent of Total</b>	28%	29%	31%
US Revenue	\$3,508	\$3,601	\$3,638
International Revenue	\$1,361	\$1,471	\$1,634
<b>Revenue / Employee</b>			
US	\$0.999	\$1.075	\$1.150
International	\$0.348	\$0.450	\$0.600
<b>Average Employees</b>			
US	3,513	3,349	3,163
International	3,913	3,268	2,724
<b>Headcount Reduction</b>			
US		163	186
International		644	544
<b>Operating Expense Reduction</b>			
US (@ \$275K Per Employee)		\$45	\$51
International (@\$160K Per Employee)		\$103	\$87
Total		\$148	\$138

(\$ in millions)	Actual	Spruce Point Estimate	
	FY2026	FY2027E	FY2028E
<b>Consensus Non-GAAP OpEx</b>		\$2,070	\$2,200
<b>Operating Expenses</b>			
Non-GAAP R&D	\$550	\$590	\$650
Non-GAAP S&M	\$1,121	\$1,031	\$946
Non-GAAP G&A	\$265	\$242	\$221
Total	\$1,937	\$1,863	\$1,817
Percent Reduction		(10%)	(17%)
<b>Percent of Revenue</b>			
Non-GAAP R&D	11%	12%	12%
Non-GAAP S&M	23%	20%	18%
Non-GAAP G&A	5%	5%	4%
Total	40%	37%	34%
R&D / Total OpEx	28%	32%	36%

Target revenue / employee of top performers, resulting in ~11% total headcount reductions per year.

Bring sales & marketing expense more in-line with mature, low-growth peers in mid-to-high teens.

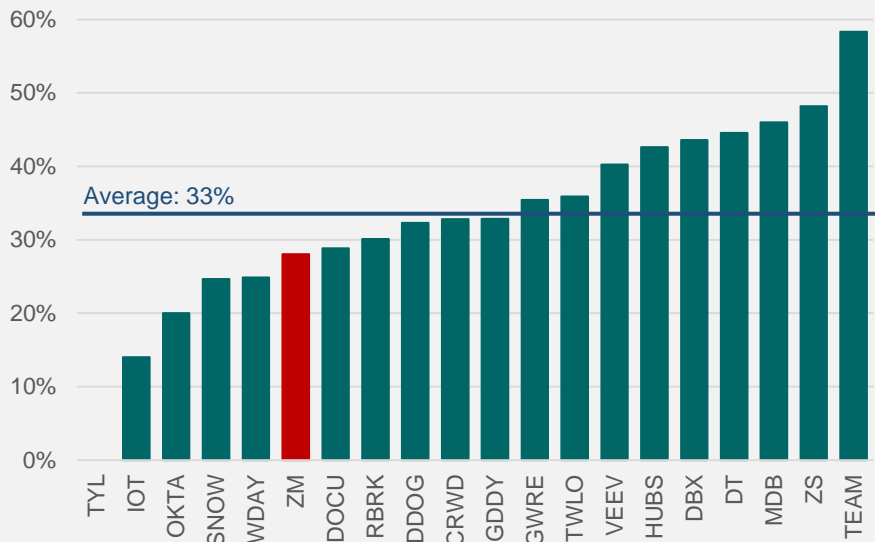
Increase R&D as a percent of total operating expenses with the goal of reaching 40% in FY2029.

Assumes 80% of non-GAAP expense is personnel costs, 2.5% YoY growth in S&M and G&A before cuts, and 80% / 20% of workforce reduction allocated to S&M and G&A, respectively.  
Source: Spruce Point research

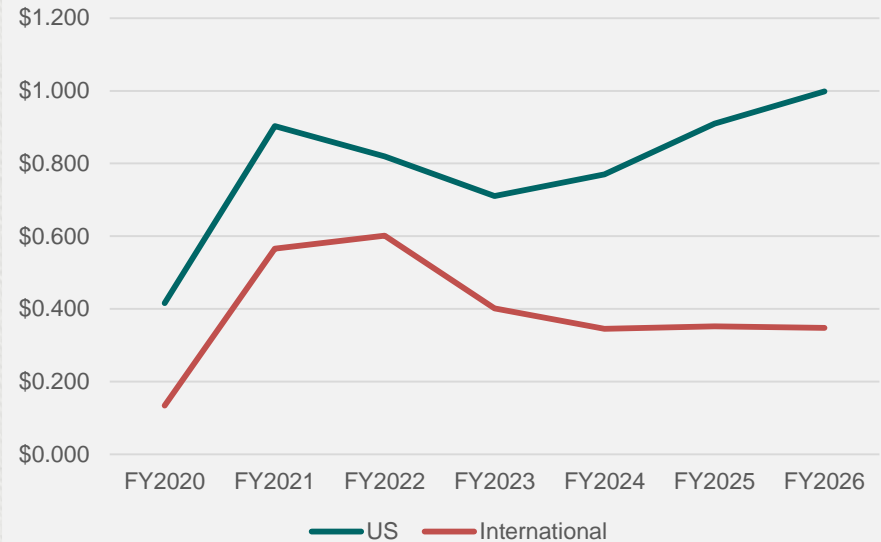
# Recommendation (3): Zoom Should Restructure And Refocus Its Go-To-Market Strategy Overseas

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 US revenue on both a 3- and 5-year basis (1% vs 5% and 11% vs 14%, respectively). As a result, Zoom has generated a 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. While Zoom’s Chinese R&D operation may impact these metrics, something is clearly broken with Zoom’s go-to-market for this vast opportunity. Troublingly, Zoom’s commentary on its international business is rarely more than a recitation of unremarkable growth rates. Our research suggests the “order-takers” who cleaned up during the pandemic are struggling to actually “sell”.

**LTM International Revenue as a Percent of Total Versus Peers**



**Zoom Historical Revenue per Average Employee (\$K): US Versus international**



**Zoom YoY Revenue Growth by Geography**

**Neither APAC nor EMEA has distinguished itself over the past four years.**

	FY2023	FY2024	FY2025	FY2026
APAC	5%	(3%)	(0%)	3%
EMEA	(7%)	(3%)	2%	4%

## Recommendation (4): Zoom Needs To Improve Corporate Marketing

Zoom should benefit from the tremendous advantage of having near-ubiquitous brand recognition and a company name that has achieved “verb” status. Unfortunately, however, the Zoom brand is highly associated with only the Company’s dominant video conferencing application. Our research finds notable dissatisfaction among former Zoom employees and current technology partners with the effectiveness of Zoom’s corporate marketing, with many stating that Zoom has failed to communicate the breadth and value of its increasingly diversified solution platform. The result has been an inability to shake a “consumer-only” perception and suboptimal sales enablement. We believe this is a missed opportunity for the Company. We acknowledge the hiring of new Chief Marketing Officer Kimberly Storin in April 2025, but we would have liked to see greater progress on these issues over the past year. Having spent much of the past decade at Zayo and IBM, Ms. Storin arguably may not have the optimal marketing resume for this challenge. We believe the Zoom story keeps getting better and better, but the Company is missing a major opportunity to educate customers on the benefits to them.

### Feedback Related to Zoom’s Corporate Marketing

Spruce Point Interview  
With Former Zoom  
Finance Executive, April  
2026

*“I love the company, but **I’m going to bust on marketing for a minute. I think it’s horrible.** I think if you go survey a hundred people today and say, ‘Have you heard of Zoom?’ Probably all 100 will tell you, ‘Yeah, of course.’ If you say, ‘What products does Zoom have?’ I will bet you that 99 of them tell you, ‘Well, they’re the video conferencing company.’ Maybe if you’re lucky, one person is going to say, ‘Oh, they do video and phone’, or ‘they have video and chat’, but I guarantee you no one is going to be able to explain to you the entire product suite and features and functionalities and contact center and whiteboard. **I think their marketing is just atrocious** when it comes to that level, which is **they have done just a terrible job getting people to fully understand the communication, the collaboration, functionality of the Zoom suite and having people want to use it.**”*

Spruce Point Interview  
With Former Zoom Sales  
Executive, April 2026

*“...**nobody knows that Zoom does all these cool things.** I always say the brand, it’s a blessing and it’s a curse. The blessing is everybody knows Zoom. The curse is everybody knows Zoom for meetings and nothing else.”*

**Zoom has a great story to tell, that, when done effectively, can facilitate enterprise penetration.**

## *Recommendation (5): We Want Zoom To Adhere To Its M&A Guidance...This Time*

In recent months, Zoom has repeatedly guided investors that it will only seek “small to medium” sized M&A transactions that could enhance AI capabilities or acceleration. We are somewhat skeptical and would prefer Zoom exercise caution on M&A. Despite recent tuck-in successes such as Workvivo and BrightHire, we view the failed Five9 transaction as a cautionary tale.

### The Five9 Transaction: A Disaster Barely Averted?

**Prior to mid-2021, Zoom continually conditioned investors to believe that its corporate strategy was focused on internal product development versus inorganic growth and that any acquisitions would be smaller “tuck-ins”. At the same time, despite navigating its generational growth explosion, the Company faced investor inquiries about the potential use of its growing cash hoard. Zoom’s solution was to announce the \$15 billion all-stock acquisition of Five9, adding an established CCaaS offering despite Zoom’s touted efforts at an internally developed solution.**

**Hindsight is 20/20, and thankfully the deal broke when it failed to receive Five9 shareholder approval, but we believe the important takeaway concerns management commitments and judgement. While we are encouraged by the turnover in senior finance decision-makers, we also acknowledge that such decisions in founder-led companies come from the top. We are particularly concerned about what the combination of AI fervor and inflated private company valuations may bring.**

Five9 Market Capitalization: Unaffected Date to Current (\$bn)



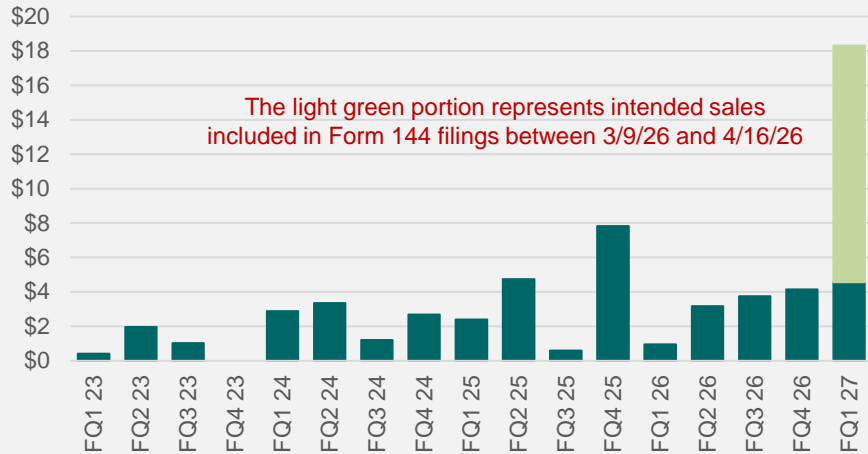
**Zoom spent \$2.2 billion in non-GAAP R&D expense from FY2022 through FY2025. Even if we assume the bulk of it went to develop enterprise CCaaS product, it still pales in comparison to the Five9 transaction value.**

**Fast forward to the present, and Zoom Contact Center is seeing tremendous success, with the vast majority of large deals representing competitive displacements.**

## *Recommendation (6): Zoom Should Consolidate Insider Sales In A Marketed Offering Or A Strategic Stake Sale*

We don't begrudge a founder seeking some liquidity after achieving as much as Eric Yuan has, yet we do believe that there is a better way to manage it. We would like to see Yuan and others coordinate or 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 light on strategic financial sophistication. There are numerous examples of such transactions in the technology industry.

### Zoom Insider Sales Since IPO by Quarter (\$mm) (1)



**Zoom insider sales have risen consistently over the past four quarters, and current LTM sales have reached a four-year peak.**

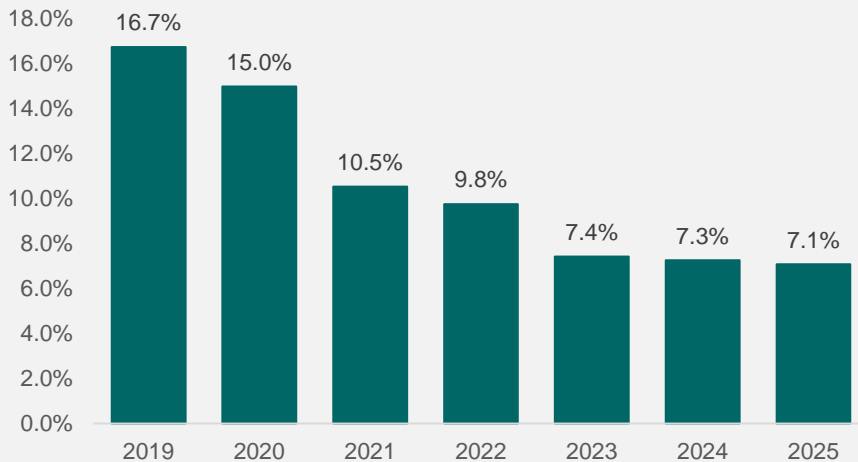
### Large Private Equity Investments in Public Technology Companies (\$mm)

Company	Investor(s)	Value	Year
Pinterest	Elliott	\$1,000	2026
<i>Proceeds used to repurchase Pinterest shares</i>			
Western Digital	Apollo, Elliott	\$900	2023
<i>Precursor to spin-off of SanDisk business</i>			
Unity Software	Silver Lake, Sequoia	\$1,000	2022
<i>Proceeds used to repurchase Unity shares</i>			
Splunk	Hellman & Friedman	\$1,400	2022
<i>Sheparded company through strategic transition and sale to Cisco</i>			
Coherent	Bain Capital	\$1,500	2021
<i>Proceeds used to reduce leverage</i>			

# *Recommendation (7): Zoom Should Proactively Collapse Its Dual-Class Share Structure*

Not unlike many leading founder-led technology companies, Zoom has a dual-class share structure wherein CEO Yuan holds super-voting Class B shares. Zoom's dual-class share structure is subject to a 15-year sunset provision (as well as specific events such as Yuan's death/incapacity or service termination). Although CEO Yuan has skillfully managed through periods of extreme growth to create a leading technology company and largely acted in shareholder interests, we believe shareholder interests would be better served by a collapse of the dual-class share structure.

## Eric Yuan CYE Ownership in Zoom Since IPO



**Research suggests that companies with dual-class share structures may trade at 10-20% discount and that a share-class collapse can result in a 4-10% one-day stock price return.**

## The Case to Collapse Zoom's Dual-Class Share Structure

- **CEO Yuan's economic ownership has declined by ~57% since Zoom's IPO. Although the continuance of the dual-class structure is not subject to an ownership threshold, we believe both the large percentage of his holdings sold and the current low ownership level (7%) more than justify the conversion of Yuan's Class B shares into Class A common. We believe the vast majority of sunset provisions containing an additional ownership threshold set that value at 10% or higher.**
- **While the value of both dual-class share structures and sunset provisions are up for debate, we believe 7-year terms (1) provide sufficient window to capture the benefits of founder leadership and (2) mitigate resultant agency costs and thus have become the most common term.**
- **Had a 7-year term been adopted, the sunset provision would have recently expired (April 2026). Accelerating the conversion would not only conform to more standard practice but also address the moral hazard issues created as Class B holders take actions influenced by the prospect of lost voting control.**

## *Recommendation (8): Zoom Is An Excellent Candidate For The S&P 500; We Would Like The Company To Lobby For Inclusion*

We believe a strong case can be made that Zoom should be included in the S&P 500 and that the Company should be advocating for itself with the S&P committee. We believe Zoom meets the basic requirements (a minimum market capitalization of \$22.7 billion, high liquidity, positive profitability, and a U.S. listing and headquarters), but more importantly, the Company is a technology sector bellwether with unique global mindshare. We believe its case will be even stronger if it adopts our recommendations and when revenue and earnings growth inflect higher. We believe Zoom compares favorably to recent technology industry additions to the index. For example, we find that EchoStar has negative revenue growth. Upon the announcement of being added to the S&P 500 index, a group of recent technology and communications related peers saw an average price appreciation of 17%.








### S&P 500 Recent Technology and Communications Related Additions

\$ in millions	Super Micro Computer SMCI	Dell Tech. DELL	Palantir PLTR	AppLovin APP	Ciena CIEN	Coherent COHR	Lumentum LITE	EchoStar SATS
Announced Date	3/1/2024	9/6/2024	9/6/2024	9/25/2025	2/4/2026	3/6/2026	3/6/2026	3/6/2026
Friday Before Monday Effective Date	3/15/2024	9/20/2024	9/20/2024	9/19/2025	2/9/2026	3/20/2026	3/20/2026	3/20/2026
Price At Announcement	\$90.58	\$102.00	\$30.33	\$490.24	\$253.50	\$235.72	\$558.44	\$106.24
Price on Friday Before Effective Date	\$106.88	\$117.50	\$37.20	\$649.59	\$271.32	\$253.63	\$706.35	\$109.84
\$ Appreciation	\$16.30	\$15.50	\$6.87	\$159.35	\$17.82	\$17.91	\$147.91	\$3.60
<b>% Appreciation</b>	<b>18%</b>	<b>15%</b>	<b>23%</b>	<b>33%</b>	<b>7%</b>	<b>8%</b>	<b>26%</b>	<b>3%</b>
<b>17% Average Price Appreciation Among Peers</b>								
LTM Revenues	\$9,250	\$91,839	\$2,479	\$4,951	\$5,124	\$6,294	\$2,105	\$15,005
Enterprise Value	\$15,570	\$93,010	\$80,220	\$245,094	\$35,900	\$67,715	\$66,000	\$66,500
Approx. Revenue Growth	103%	9%	27%	77%	33%	19%	48%	-5%
Gross Margin	16%	23%	81%	82%	44%	36%	36%	26%

# Recommendation (9): The Company Should Initiate A Sale Process Within A Year If Management Cannot Increase Shareholder Value

We believe Zoom is a highly attractive acquisition target. The Company sells a near-ubiquitous foundational enterprise communications and productivity platform, generates high gross margins, and throws off voluminous cash flow while trading at a heavily discounted valuation. Beyond clear strategic buyers, we believe a Zoom buyout would be attractive to private equity.

## Most Logical Strategic Buyers and Rationale For a Zoom Acquisition

Acquirer	Market Cap (\$bn)	Rationale
	\$4,093	Acquire cornerstone enterprise communications solution to enhance uptake/retention of productivity tools.
	\$2,743	Add core enterprise IT infrastructure offering and associated workloads.
	\$507	Drive Zoom customers to OCI (ala Teams and Azure) and expand infrastructure stack.
	\$350	Bolster declining Webex business and leverage corporate relationships to drive enterprise penetration.
	\$185	Add premier video communications platform; Verizon / Blue Jeans a deal comp.
	\$142	Complement Service Cloud by providing the communications layer for CRM's agentic AI vision.
	\$87	Integrate its autnomow workflows into the communications stream and further bolster customer experience.

## Ten Largest Private Equity Buyouts of Public Software Companies Over the Past Five Years (\$bn): 2-3x Higher Deal Multiples Versus Zoom Metrics and a Median 33% Premium

Target	Acquirer(s)	Announce Date	Trans. Value	Unaffected Premium	LTM EV /		NTM EV /	
					Revenue	EBITDA	Revenue	EBITDA
Electronic Arts (1)	Silver Lake, Saudi Arabia PIF, Affinity	9/29/2025	\$55.2	25%	7.4x	27.5x	6.9x	18.7x
McAfee	GIC, Advent, Abu Dhabi IA, CPPIB, Permira	11/8/2021	\$20.8	23%	11.0x	30.1x	NA	NA
Citrix Systems	Vista Equity	1/31/2022	\$16.2	30%	5.2x	26.1x	NA	NA
Dayforce	Abu Dhabi IA, Thoma Bravo	8/21/2025	\$12.7	32%	6.9x	47.4x	6.2x	19.1x
Qualtrics International	Silver Lake, CPPIB	3/12/2023	\$10.4	73%	7.5x	NA	6.6x	44.7x
Anaplan	Thoma Bravo	3/20/2022	\$10.1	46%	16.0x	NA	12.8x	NM
Zendesk	Hellman & Friedman, GIC, Abu Dhabi IA, Permira	6/24/2022	\$9.8	34%	6.9x	NA	5.5x	49.3x
Clearwater Analytics (1)	Warburg Pincus, Temasek, Permira	12/21/2025	\$8.4	47%	13.1x	90.8x	9.3x	26.6x
Avalara	Vista Equity	8/8/2022	\$8.4	27%	10.6x	NA	NA	NA
Coupa Software	Abu Dhabi IA, Thoma Bravo	12/12/2022	\$8.2	77%	10.0x	NA	NA	NA
<b>Transaction Median</b>				<b>33%</b>	<b>8.7x</b>	<b>30.1x</b>	<b>6.7x</b>	<b>26.6x</b>
<b>Zoom Multiples</b>					<b>4.3x</b>	<b>9.9x</b>	<b>4.1x</b>	<b>9.5x</b>

(1) Announced but not closed. Source: S&P Capital IQ, Spruce Point research



*We See 40% To Well Over 100%  
Upside In Zoom's Share Price*

# Modest Increases In Revenue Growth And Recommended Cost Reductions Could Materially Increase Zoom's FY2026 to FY2028E EBITDA CAGR

Given the growth rates associated with its newer products, increasing enterprise penetration, and AI monetization, we believe Zoom can achieve 130bps and 300bps revenue upside over the next two years. Combining these impacts with the previously sized operating expense reductions could increase Zoom's two-year EBITDA CAGR from 4.0% to 13.3%.

## Indicative Increase in FY2026 to FY2028E EBITDA CAGR Under Various Growth and Cost Reduction Scenarios

Consensus Revenue Growth and Expenses			
(\$ in millions)	Actual FY2026	Consensus	
		FY2027E	FY2028E
Revenue	\$4,869	\$5,071	\$5,272
Operating Expenses	\$1,937	\$1,972	\$2,049
EBIT	\$1,967	\$2,056	\$2,136
D&A	\$133	\$137	\$142
EBITDA	\$2,100	\$2,184	\$2,270
EBITDA Margin	43%	43%	43%
Revenue Growth	4.4%	4.2%	4.0%
EBITDA Growth		4.0%	4.0%
2026-28E EBITDA CAGR			<b>4.0%</b>

Consensus Revenue Growth / Reduced Expenses			
(\$ in millions)	Actual FY2026	Spruce Point Estimate	
		FY2027E	FY2028E
Revenue	\$4,869	\$5,071	\$5,272
Operating Expenses	\$1,937	\$1,863	\$1,817
EBIT	\$1,967	\$2,165	\$2,369
D&A	\$133	\$137	\$142
EBITDA	\$2,100	\$2,302	\$2,511
EBITDA Margin	43%	45%	48%
Revenue Growth	4.4%	4.2%	4.0%
EBITDA Growth		9.6%	9.1%
2026-28E EBITDA CAGR			<b>9.4%</b>

Higher Revenue Growth / Constant Expenses			
(\$ in millions)	Actual FY2026	Spruce Point Estimate	
		FY2027E	FY2028E
Revenue	\$4,869	\$5,137	\$5,496
Operating Expenses	\$1,937	\$1,972	\$2,049
EBIT	\$1,967	\$2,108	\$2,314
D&A	\$133	\$139	\$148
EBITDA	\$2,100	\$2,247	\$2,462
EBITDA Margin	43%	44%	45%
Revenue Growth	4.4%	5.5%	7.0%
EBITDA Growth		7.0%	9.6%
2026-28E EBITDA CAGR			<b>8.3%</b>

Higher Revenue Growth / Reduced Expenses			
(\$ in millions)	Actual FY2026	Spruce Point Estimate	
		FY2027E	FY2028E
Revenue	\$4,869	\$5,137	\$5,496
Operating Expenses	\$1,937	\$1,863	\$1,817
EBIT	\$1,967	\$2,217	\$2,547
D&A	\$133	\$139	\$148
EBITDA	\$2,100	\$2,356	\$2,695
EBITDA Margin	43%	46%	49%
Revenue Growth	4.4%	5.5%	7.0%
EBITDA Growth		12.2%	14.4%
2026-28E EBITDA CAGR			<b>13.3%</b>

Note: Assumes current consensus gross margin and 2.7% D&A as a percent of revenue.  
 Source: Spruce Point research

# Even Modest Increases In EBITDA Growth Can Drive Meaningful Multiple Expansion

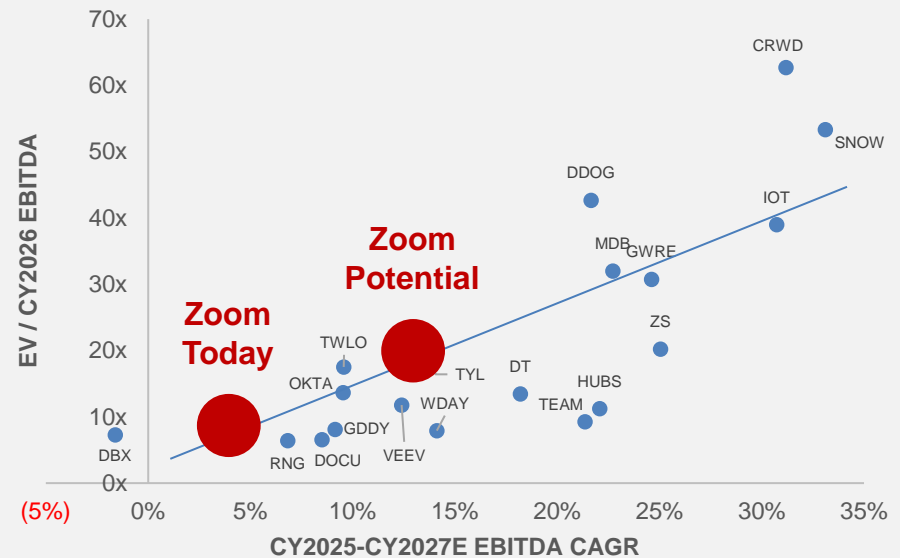
It isn't clear what level of incremental revenue or EBITDA growth will cause a material re-rating of Zoom shares. However, an analysis of peer company statistical relationships between various operating metrics (margins and growth rates) and their associated valuation multiples suggests a theoretical answer. When we analyzed the valuations of Zoom's peers, the highest correlation, at 0.96, was between EV / CY2026 EBITDA multiple and CY2025-CY2027E EBITDA CAGR. A simple linear regression suggests that each percentage point increase in EBITDA CAGR should yield an approximate 1x point increase in EBITDA multiple. We use this relationship to size the potential shareholder value creation from our scenarios assuming incremental revenue growth, reduced operating expenses, or both.

## Correlations Between Financial Metrics and 2026E Valuation Multiples For Zoom's Peers (1)

Financial Metric	CY2026		
	EV / Revs.	EV / EBITDA	P / E
CY2025 Revenue (Scale)	-0.07	-0.28	-0.25
CY2024-2025 Revenue Growth	0.43	0.78	0.83
CY2025-2026E Revenue Growth	0.49	0.48	0.11
CY2025-2027E Revenue CAGR	0.56	0.48	0.58
CY2025 EBITDA Margin	-0.26	-0.67	-0.71
CY2024-2025 EBITDA Growth	0.15	-0.68	-0.60
CY2025-2026E EBITDA Growth	0.50	-0.38	-0.25
<b>CY2025-2027E EBITDA CAGR</b>	<b>0.30</b>	<b>0.96</b>	0.95
CY2025 Net Income Margin	-0.14	-0.66	-0.68
CY2025-2026E Net Income Growth	0.48	0.65	0.68
CY2025-2027E Net Income CAGR	0.56	0.75	0.76
CY2025 FCF Margin	-0.17	-0.31	-0.34
CY2025-2026E FCF Growth	0.40	0.02	0.09
CY2025-2027E FCF CAGR	0.62	0.39	0.50

The highest correlation by far is that between CY2026E EV / EBITDA and the CY2025-2027E EBITDA CAGR. Thus, we focus on these metrics to assess the multiple expansion that Zoom could see from improved revenue growth and cost reductions.

## EV / 2026E EBITDA Versus CY2025-CY2027E EBITDA CAGR For Zoom's Peers



Executing on EBITDA growth acceleration can drive a re-rating in Zoom's EBITDA multiple to 19x.

# We See 40% To Well Over 100% Upside In Zoom Shares

Simply valuing Zoom using a DCF analysis with consensus estimates suggests 40% upside, while the incremental EBITDA and multiple expansion from increased revenue growth and operating cost reductions, taken together, could yield 83% upside. Our other capital allocation and governance recommendations could drive material additional share upside.

## Summary of Shareholder Value Creation Opportunities

Action	Value Creation	Equity Value Percent Gain	Equity Value Per Share Gain
<b>Improve Capital Allocation</b>			
Pursue \$4 Billion Share Buyback	Accretion to non-GAAP EPS (1)	10%	\$8.86
Initiate \$1/share Dividend	Positive investor reaction (2)	4%	\$3.60
<b>Improve Governance</b>			
Collapse Dual-Class Share Structure	Positive investor reaction (2)	7%	\$6.30
<b>Accelerate Revenue Growth Through Enterprise Success</b>			
Incremental EBITDA	Higher consensus estimates	3%	\$2.33
Multiple Expansion From Higher EBITDA CAGR	FY2027E EV / EBITDA from 9.5x to 13.8x (3)	34%	\$30.24
<b>Reduce Operating Costs</b>			
Incremental EBITDA	Higher consensus estimates	5%	\$4.56
Multiple Expansion From Higher EBITDA CAGR	FY2027E EV / EBITDA from 9.5x to 14.9x (3)	42%	\$38.22
Combined Total Effect of Both Higher Revenue Growth and Reduced Operating Costs		83%	\$74.58
<b>Catalyze Re-Rating to Intrinsic Value</b>			
Upside From Next Anthropic Financing Round	75% increase in value of Zoom stake (4)	3%	\$2.95
Upside From S&P 500 Inclusion	Required institutional buying on index rebalance (5)	17%	\$15.30
Upside Based on Street High Price Target	Performance versus expectations	28%	\$24.99
Upside Based on DCF Analysis Using Consensus Estimates	Proper valuation of unlevered FCF + Anthropic stake	40%	\$36.20
<b>Pursue Strategic Alternatives</b>			
Consolidate Insider Sales Into Strategic Stake Sale	Positive investor reaction (6)	10%	\$9.00
Sale of the Company	Control premium, minimum 33% from PE buyers (7)	33%	\$29.70

Note: Equity value impacts are not additive.

(1) Assumes \$90.01 acquisition price and 3.5% interest on cash. (2) Estimate based on Spruce Point review of relevant academic research and case studies. (3) Based on the slope coefficient for the relationship between 2025-2027E EBITDA CAGR and EV / 2026E EBITDA for Zoom peers. (4) Assumes 100% increase in post-\$ valuation yielding 75% increase in stake value as seen with previous round. (5) Estimate based on precedent technology company index additions. (6) Estimate based on Spruce Point analysis of comparable transaction price reactions. (7) Based on ten largest private equity buyouts of public software companies over the past 5 years.

Source: Spruce Point research