

# Can Zoom Make You...Happy? | The Motley Fool

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It's such a drag to go in for a meeting. But (**Zoom Video Communications** NASDAQ:ZM) is pleasing customers by making corporate conference rooms increasingly remote. Shakespeare said it best in *As You Like It*, "I had rather have a fool to make me merry than experience to make me sad and to travel for it too!"

The word "happy" is an unusual word to find when reading SEC filings. But if you peruse the ones from Zoom, you'll find them replete with that word. To illustrate, when Zoom filed its S-1 (the document all companies file before going public) it used happy and its derivatives 53 times. Just by comparison, recent IPOs like **Slack Technologies** only used the word twice in its S-1, and **Uber Technologies** didn't use the word at all. I don't mean to say that Slack and Uber are sad companies, but clearly, there is something distinctly *happy* about Zoom's business model.



Zoom's S-1 stated, "[o]ur culture of delivering happiness drives our mission, vision and values and is fundamental to everything we do at Zoom." Zoom's culture of delivering happiness sounds a lot like conscious capitalism, which benefits all stakeholders involved, not just one. In Zoom's case, relevant stakeholders include employees, customers, and investors.

## Happy employees

CEO Eric Yuan in the first quarter 2020 earnings call said, “[w]e do all we can to make sure every employee is happy every morning.” In Zoom’s S-1 it pointed out that Eric Yuan received Glassdoor’s top CEO award for a large company in 2018. This year, Zoom earned second place in Glassdoor’s Best Places to Work for a large company – and actually, it was the best *public* company to work at.

Also this year, Comparably ranked Zoom’s employees as the happiest (there’s that word again...) employees out there.

## Happy customers

In the second quarter 2020 earnings call Yuan said, “[w]e will continue to stay focused across the company on the happiness of customers and building trust with them.” While there are easily accessible metrics to assess employee happiness, assessing customer happiness is a little trickier. Zoom believes that its customers will be happy if Zoom’s products are “frictionless” and “just work”. To know if it’s accomplishing this goal, maybe we could think about it in opposite terms. What would happen if Zoom’s products came with *lots* of friction and *didn’t* work? In that scenario, I’d imagine the company would lose existing customers.

Net dollar expansion rate is just a fancy term for tracking existing customer spending. For five consecutive quarters now, Zoom’s net dollar expansion rate has been over 130%. This means that not only are Zoom’s customers staying, they are spending more on Zoom’s products than ever before. It’s probably safe to assume that Zoom’s customers are indeed happy.

## Happy investors?

It’s all well and good for Zoom to have happy employees and happy customers, but is there any data out there to indicate that this could make you a happy investor? Perhaps so. A University of **Warwick** study discovered that a group of employees produced 12% better than average employees, and another group that produced 10% less than average. The difference? Whether or not those employees were happy.

A more productive employee means a more productive company, and that looks like what is happening at Zoom. The first glimpse investors got of the business was in Q1 of this year, Zoom’s first as a public company. In that quarter management guided for \$129 million to \$130 million in Q2 revenue, and full year revenue of \$535 million to \$540 million.

Just three months later in Q2, Zoom crushed its own guidance by delivering \$146 million in revenue – a 12% revenue beat. Additionally the company had guided for non-GAAP earnings per share of \$0.01 to

\$0.02. It trounced that guidance by delivering \$0.08 per share. These strong Q2 results motivated the company to raise full-year revenue guidance by around 10%, between \$587 million and \$590 million.

The challenge going forward will be for Zoom to maintain or even further improve the corporate culture it has fostered thus far. Indeed, Yuan said this is something that “keeps me up at night...” The company’s employee base is growing incredibly fast — up over 10% quarter-over-quarter. It will certainly be a challenge to continue this happy workplace environment, but if successful, I like the company’s chances of grabbing the lion’s share of the \$43 billion video communications market.

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