ANALYSIS / ANALYSIS

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Everyone left the meeting early

Zoom is priced like a pandemic leftover. Its filings describe something else.

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Read online: https://traderange.net/analysis/zoom-everyone-left-the-meeting-early-y43ab9gi/



Zoom Communications traded at **$95.36** on 15 September 2026, up about 10% so far this year, inside a twelve-month range of $70.70 to $114.74. None of that is the interesting part. The interesting part is that very few people have updated their mental model of what this company now is.

The received version goes roughly like this: Zoom was a pandemic accident, Microsoft gave Teams away for free, the growth is gone, and what is left is a value trap with a famous logo. Most of that is defensible. The piece that has quietly stopped being true is the piece in the middle.

In the quarter ended 31 July 2026, Zoom's enterprise business grew **7.8%** — its fastest rate in three years — and now accounts for **61.7%** of revenue. The half of the company everybody argues about is the other half.

Where these numbers come from

Financial figures are taken from Zoom's results for the second quarter of fiscal year 2027,

announced on 25 August 2026, and the Form 10-Q filed with them. Market data is dated where it appears. Anything we have worked out ourselves is labelled as derived.

1. Two businesses wearing one ticker

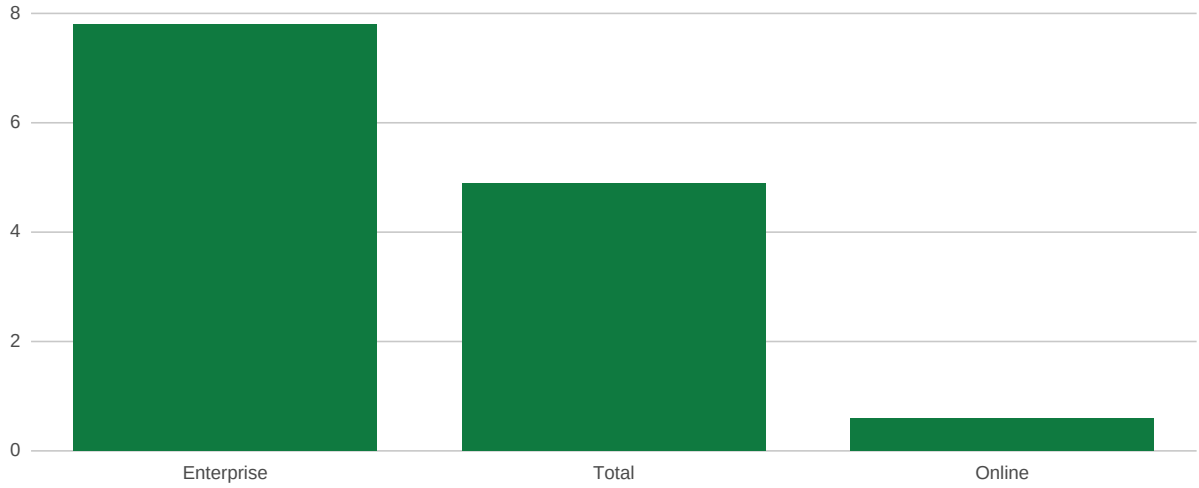
Zoom splits its revenue into Enterprise — customers sold to by a salesperson, a reseller or a partner — and Online, meaning anyone who signs up with a credit card on the website. They behave nothing like each other.

THE TWO HALVES OF ZOOM, QUARTER ENDED 31 JULY 2026

SEGMENT	Q2 FY2027 REVENUE	GROWTH YOY	SHARE OF TOTAL
Enterprise	$787.5m	7.8%	61.7%
Online	$489.7m	0.6%	38.3%
Total	$1277.2m	4.9%	100%

Year-on-year revenue growth by segment

THE HEADLINE GROWTH RATE IS AN AVERAGE OF TWO BUSINESSES THAT HAVE NOTHING IN COMMON.



Of the roughly $60 million Zoom added to quarterly revenue year on year, about **$57 million** came from the enterprise side. On our arithmetic that is around 95% of the growth.

This matters more than it first appears, because the slow half is shrinking as a proportion of the whole. Every year that enterprise grows and online does not, the drag on the blended number gets a little lighter. It is not a dramatic effect — we run that arithmetic properly in the companion deep-dive — but it points the wrong way for anyone assuming the growth rate only falls from here.

2. The profit line is theatre

Zoom reported GAAP net income of **$1,542.4 million** for the quarter, or $5.15 per diluted share, against $358.6 million and $1.16 a year earlier. Anyone reading that as a business quadrupling its profits has been misled by the accounting.

Sitting inside that figure is **$1,614.2 million** of net gains on strategic investments — an unrealised mark-up on private companies Zoom has invested in. It is larger than the entire reported profit. Strip it out, along with stock compensation and the rest, and the company's own adjusted net income was **$464 million**, slightly *down* from $471.3 million a year ago.

> ⚠ **The headline P/E on this stock is not real**
>
> A trailing price-to-earnings ratio calculated on Zoom's GAAP earnings is flattered by a one-off, non-cash, unrealised investment mark-up. It will look expensive again the moment that comparison rolls off. Use cash flow or the company's adjusted figures instead.

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3. What you are actually buying

Zoom finished the quarter with **$7.2 billion** in cash and marketable securities and no meaningful debt. It also holds $3,785.9 million of strategic investments, the bulk of which is a stake in the AI company Anthropic, carried at **$3,134.5 million** after a valuation round announced on 28 May 2026. Zoom's original cheque, written in 2023, has been reported at around $51 million.

VALUATION ARITHMETIC AT THE 15 SEPTEMBER PRICE

INPUT	VALUE
Share price (15 September)	$95.36
Shares outstanding at quarter end	292.3m
Implied market value (derived)	$27.9bn
Cash and marketable securities	$7.25bn
Implied enterprise value (derived)	$20.6bn
FY2027 free cash flow guidance	$1.78bn to $1.82bn
Implied EV / guided free cash flow (derived)	11.5x
FY2027 non-GAAP operating income guidance	$2.07bn
Implied EV / guided operating income (derived)	10x
Anthropic stake at carrying value	$3.13bn

Put the cash and that one private stake together and they come to roughly **37%** of the entire market value

of the company. The operating business — a platform guided to $5.09 billion of revenue this year at a **40%** adjusted operating margin — is what is left over, at about **10x** the operating income it is guiding to.

Meanwhile the share count is going down. Zoom bought back 3.7 million shares in the quarter for $353 million, taking the running total under the current programme to 44.2 million shares. The weighted average basic share count fell from 301.8 million to 292.9 million year on year, a reduction of **2.9%**. Adjusted earnings per share rose despite adjusted profits falling, and the buyback is the entire reason why.

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4. The number the optimists have to explain

None of the above makes this a comfortable holding, and one disclosed figure does more damage to the bull case than any competitor ever has.

Zoom's trailing twelve-month net dollar expansion rate for enterprise customers is **99%**. It improved — it was 98% a year ago — but it is still under **100%**. That means the enterprise customers Zoom had a year ago are, in aggregate, spending slightly *less* today. All of the enterprise growth is coming from customers it did not have before, not from the ones it did.

- Online average monthly churn is 2.9%. Compounded, that is close to 30% of that customer base leaving every year, and the segment is only holding flat by replacing them.
- Management cut its online outlook for the year from slight growth to flat, citing changes in how prospective customers find products in the first place.
- GAAP operating income fell 2.3% year on year and the GAAP operating margin narrowed from 26.4% to 24.6%.
- Free cash flow in the quarter was $472.4 million, down from $508 million a year earlier.
- The gap between a 24.6% GAAP operating margin and a 40% adjusted one is mostly stock-based compensation, which is a real cost to shareholders even when it is added back.

The customer count is the better half of that picture: customers spending more than $100,000 a year with Zoom reached **4,625**, up 8.2%. New logos are arriving. Whether they expand once they are inside is the whole question.

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5. What would settle the argument

Zoom is scheduled to report its third quarter on **24 November 2026**. Three numbers in that release matter more than anything management says around them.

1. Whether enterprise revenue growth holds near 7.8%, or whether the fastest quarter in three years turns out to have been the peak.
2. Whether net dollar expansion crosses back above 100%. That is the line between a company that grows by keeping customers and one that grows by finding new ones faster than it loses the old.

3. Whether the online business stays flat rather than turning negative. Flat is survivable arithmetic. Declining is a different company.

It is worth noting where the analyst community already sits: the consensus target across 25 analysts is **$118.24**, about 24% above the current price, with an average rating of buy. The disagreement here is not really between the sell side and the market. It is that the market is paying a low multiple for cash flows almost everybody agrees are real, because it does not believe they will still be there in five years.

That is a defensible thing to disbelieve. It is also, for once, a question the filings can eventually answer.

KEY TAKEAWAYS

- ✔ Zoom's enterprise business grew 7.8% last quarter, its fastest in three years, and is now 61.7% of revenue. The online half grew 0.6%.
- ✔ Reported GAAP net income of $1,542.4 million is mostly a $1,614.2 million unrealised mark-up on private investments. Adjusted net income actually fell slightly.
- ✔ Cash of $7.2 billion plus a stake in Anthropic carried at $3.13bn equals roughly 37% of the company's market value.
- ✔ The operating business is valued at about 10x the operating income it has guided to for this year.
- ✔ Net dollar expansion of 99% is the strongest evidence for the bears: existing enterprise customers are spending marginally less, so all growth is new customers.
- ✔ Third-quarter results are due 24 November 2026. Enterprise growth, net dollar expansion and the online line are the three figures that matter.

This article is analysis, not investment advice. Company figures are taken from Zoom Communications' second-quarter fiscal 2027 results announced 25 August 2026 and the accompanying Form 10-Q. Market prices, analyst targets and the earnings date are as of the dates stated and may have moved since. Figures marked derived are our own arithmetic on disclosed numbers.

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