

Zoom to layoff nearly 15% staff as pandemic wanes

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Zoom, which became a household name during lockdowns with its video-conferencing tools, has seen growth slow down.

New York, February 8 (RHC)-- Zoom Video Communications Inc has said it would cut about 1,300 jobs and take a related charge of up to \$68m as demand for its video conferencing services slows with the waning of the pandemic. The company's shares, which fell 63 percent last year amid a rout in technology shares, closed up 9.9 percent on the news but were down marginally in extended trading.

While announcing the layoffs on Tuesday, which will hit nearly 15 percent of its workforce, Chief Executive Officer Eric Yuan said he would take a pay cut of 98 percent for the coming fiscal year and forego his bonus. “We worked tirelessly ... but we also made mistakes. We didn’t take as much time as we should have to thoroughly analyze our teams or assess if we were growing sustainably, toward the highest priorities,” Yuan said.

Zoom will incur about \$50m to \$68m in charges related to the layoffs, according to a regulatory filing on Tuesday. The company said a substantial part of it will be spent in the first quarter of fiscal 2024. The company, which became a household name during lockdowns due to the popularity of its video-conferencing tools, has seen its revenue growth slow.

Analysts are forecasting Zoom’s revenue to have risen just 6.7 percent in fiscal 2022 after a more than four-fold jump in revenue and a nine-fold surge in profit in 2021. Profit is estimated to have fallen 38 percent in 2022.

“I would say incrementally, maybe this is telling us we shouldn’t expect reacceleration in the near-term on the revenue side, but we could see additional upside to margins for a company that is already profitable,” RBC Capital Markets analyst Rishi Jaluria said.

Zoom had bumped up hiring during the pandemic to meet surging demand but now joins US companies in reining in costs to brace for a potential recession. A raft of U.S. companies, from Goldman Sachs Group Inc to Alphabet Inc, have laid off thousands this year to ride out a demand downturn wrought by high inflation and rising interest rates.

The video conferencing software maker also said that its executive leadership team will reduce their base salary by 20 percent in the same period. Departing employees will receive 16 weeks of salary, healthcare coverage and a bonus for the year, Yuan said.

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