

Zoom, Zoom, Zoom! The Exclusive Inside Story Of The New Billionaire Behind Tech's Hottest IPO

Zoom CEO Eric Yuan cut an unlikely figure as he addressed the cheering [throng in the moments before ringing the opening bell at Nasdaq](#), his bashful grin giving way to a look of focus as he said, "A new game starts today." Sure, his startup wasn't as well-known as Lyft and Pinterest, two consumer companies that also just made their IPO debuts. But to anyone familiar with Yuan, the shock wasn't how he got there. It's that he was physically present at all.

As the founder of [Zoom](#), which provides video conferencing software over the internet, Yuan practices what he preaches. After Yuan hired hundreds of engineers in his native China, he went three years between in-person visits. When he raised money from top venture capital investors, he showed up just once, to make sure every investor in the room had downloaded the Zoom app. For his IPO road show, Yuan deigned to make the 50-mile trek from his San Jose headquarters to San Francisco for a single investor lunch—and then bolted back to work. Everyone else, money manager big or small, met with him virtually, over Zoom. When Yuan flew to New York for the IPO, it was just his eighth work trip in five years.

"Customers have always said, 'Eric, we'll become your very important customer, you've got to visit us,'" says Yuan. "I say, 'Fine, I'm going to visit you, but let's have a Zoom call first.'" That's usually enough.

It worked with Wall Street, where demand for Zoom (formally known as Zoom Video Communications) prompted the company to raise its IPO price to \$36 per share, valuing the company at \$9.2 billion—and making Yuan a new billionaire at age 49. The stock's 72% first-day pop boosted Zoom's market cap to \$15.9 billion and the net worth of Yuan, who owns 20%, to \$3.2 billion. All for video-conferencing tools that didn't reinvent the wheel, just made it a lot less painful to turn. An engineer-turned-founder who once ran engineering for Cisco's Webex video-conferencing business, Yuan set out to make tools that work equally well in a board room in Manhattan or from a kitchen table in China. Built in the cloud and priced using a "freemium" model that let anyone host a meeting of 40 minutes or less for free, Zoom now posts numbers that had Aaron Levie, CEO of Box (a customer), tweeting it could start a second business selling its "beautiful" financial numbers as a coffee table book.

With annual revenue of \$331 million, up 118%, Zoom was the ultra-rare tech unicorn to make its IPO debut [with a profit](#), boasting 50,000 corporate customers, including Samsung, Uber, Walmart and Capital One. Its sudden fame—emanating from its IPO—is a new feel for

a company that takes its cues from a CEO who not only shuns the spotlight, but is so frugal he insists on reimbursing Zoom when he gives a friend swag like a Zoom backpack. Beneath the belated buzz: a story of perseverance and better execution, proving that an unexpected challenger can sweep the field, even in a crowded market.

With hypergrowth comes risk, of course, and Zoom still must prove it can continue to best its competitors: massive companies, like Google and Microsoft, that scared off most venture investors in Zoom's early days eight years ago. Cisco, Yuan's former employer, may privately rue letting him leave, but it's not shying away from a fight. And while Zoom has the goodwill of much of the tech community, with partners like Atlassian, LinkedIn and Slack, its inevitable move beyond video means its list of competitors is likely to grow. Ringing the Nasdaq bell checks off one dream for Yuan. There are plenty more to go. "It's like a marathon," Yuan says of his ambitions to connect the working world like Facebook did with consumers—which would make Zoom even bigger than Cisco. "You're only 5 miles ahead of me, that's okay. I'll run faster than you, and I'll still catch up."

For Yuan's first entrepreneurial act, he burned down his neighbor's cottage. The son of mining engineers in China's eastern Shandong Province, in fourth grade Yuan started collecting construction scraps to recycle their copper for cash. When the young hustler discovered the facility needed only the metal, he tried to burn away the extra material in a chicken shack behind his neighbor's house. To his horror, firefighters had to come put out the blaze. Yuan says with typical understatement: "My parents were really upset."

At Shandong University of Science & Technology, Yuan studied applied mathematics and computer science and then, at age 22, got married while pursuing his Master's degree. Already convinced he'd start a company someday, and fascinated by entrepreneurs like Bill Gates, he set his sights on the U.S. tech boom. Easier said than done: After U.S. customs asked for an English-language version of his business card, it listed Yuan as a consultant, and he was misunderstood to be a part-time contractor. His visa was denied. For the next year and a half, the now-skeptical immigration services would deny him seven more times. But Yuan refused to give up. "I told myself, okay, great. I'll do all I can until you tell me that I can never come here anymore. Otherwise, I'm not going to stop."

In the summer of 1997, Yuan joined two-year-old Webex, based in Milpitas, California. As a young employee, Yuan would routinely code all night on a Friday, then go play a pickup soccer game on no sleep on Saturday afternoon. Riding the exuberance of the dot-com bubble and with video-conferencing tools taking advantage of faster internet speeds, Webex went public in July of 2000 and was acquired by Cisco for \$3.2 billion in 2007. Not long after, Cisco tapped Yuan to lead Webex's engineering group. But by 2010, Yuan was unhappy. The problem, according to Yuan: The service simply wasn't very good. Each time users logged on to a Webex conference, the company's systems would have to identify which version of the product (iPhone, Android, PC or Mac) to run, which slowed things down. Too many people on the line would strain the connection, leading to choppy audio and video. And the service lacked modern features like screen-sharing for mobile.

"Someday someone is going to build something on the cloud, and it's going to kill me," Yuan told Bill Tai, a venture investor who became one of the first backers of Zoom. After a year of pestering his bosses to let him rebuild Webex, Yuan gave up and decided to leave

Cisco in 2011. “Cisco was more focused on social networking, trying to make an enterprise Facebook,” he says. “Cisco made a mistake. Three years after I left, they realized what I said was right.”

The biggest hurdle: [convincing his wife](#), who saw him throwing away a lucrative job managing 800 people. “I told her, ‘I know it’s a long journey and very hard, but if I don’t try it, I’ll regret it.’”

First Yuan asked friends, including fellow investors in a consumer video app called Tango, to write him \$250,000 checks so he could pay 30 engineers (some in China) to work on a new idea: create better technology for video communications, then figure out what app to build on top. Mostly because of their faith in Yuan, the investors, including former Webex CEO Subrah Iyar, gave him \$3 million for his startup, which was then called Saasbee. “Everyone in venture capital thought it was a terrible idea,” says Jim Scheinman of Maven Ventures, who as one of Zoom’s first backers came up with its current name.

Within months, Yuan realized he wanted to target the video conferencing business again. The VCs had reason to be skeptical. With Microsoft owning Skype, Google in the market via Hangouts and Cisco still leading in market share, video conferencing had entrenched incumbents; there were also multiple startups, including the well-funded BlueJeans Network. “It would require flawless execution to win,” says one investor who passed on Zoom. Even at Qualcomm Ventures, which led Zoom’s \$6 million Series A investment in 2013 alongside Yahoo cofounder Jerry Yang, there was “lots of internal debate,” says partner Quinn Li.

From rundown offices in Santa Clara, with an oft-broken elevator and a mission-crucial video camera perched atop a cheap fridge, Yuan and the U.S. members of his team quietly worked on their product for nearly two years. When Zoom launched, it had several key differences from the crowd. Its lightweight Web client could figure out almost instantly what kind of device you were using, meaning Zoom didn’t need different versions for Mac or PC. It also provided a software layer that shielded any bugs that might be introduced when a browser like Chrome, Firefox or Safari pushed an update. Zoom could operate even at 40% data loss, so it would still work on a spotty or slow internet connection. And at \$9.99 per host per month (\$14.99 today), it undercut its rivals. Zoom customer service chief Jim Mercer was then working at competitor GoToMeeting when a colleague opened a Zoom account to see what the hype was about. “One click, we were in, and there were 25 feeds of participants at the same time,” he says. “We were like, ‘What is this voodoo? How are they doing it?’ ”

After raising another \$6.5 million from Li Ka-shing’s Horizons Ventures, Zoom raised a \$30 million round from Emergence Capital in 2015 (Li, Hong Kong’s richest person, remains a frequent user of the tool, a rep says). Soon after, Zoom began to target larger corporate clients. Yuan stunned partners at Emergence when he showed up for his pitch meeting and promptly insisted every investor download the Zoom app and join him for a live video conference of the presentation, partner Santi Subotovsky says. Yuan shocked them again when, approached by large corporations that year, he warned these potential customers Zoom’s features might not be ready for their business. But after scooping up many of the fast-growing companies in its backyard in Silicon Valley, like Box, Slack and Uber, Zoom broke out of tech in 2016, and now manages accounts such as Gap Inc. and Williams-

Sonoma.

At Phoenix Children's Hospital, staff attend meetings, host surgical case conferences and work with patients over Zoom. Annoyed with a more complicated predecessor, Phoenix Children's tested Zoom for nearly four years and now has 464 staffers registered on it. For kids who are facing long stays, the hospital has provided them Zoom accounts and iPads to meet with each other in virtual support groups and help them attend school without immunological risk. "Being out of school for too long, it can lead to them not graduating," says Rachel Dunagan, an A/V tech at the hospital. "With Zoom, they can be live in the room, interacting with the lesson and their class. It keeps them able to participate. It's been fantastic so far."

By the time Sequoia backed Zoom in a \$115 million Series D round in early 2017, [valuing the company at \\$1 billion](#), the famed venture firm had been fighting to get a piece of it for more than two years. "We were going through all the due diligence, and I remember saying there have to be a thousand Eric Yuans in the world, because everyone we spoke to, they knew Eric, big or small," says Sequoia partner Carl Eschenbach.

Yuan's secret for being everywhere: Zoom, of course. His habit of taking the most important meetings virtually started because of basketball. A diehard NBA fan since moving to the U.S., first of the Lakers' Kobe Bryant for his work ethic and then of his local Golden State Warriors, Yuan made a point of attending every one of his three kids' basketball games and gymnastics meets. One unique Zoom feature is a virtual background the user can change to show a logo or image, disguising where they really are. Last summer, his eldest son, now a graduating high school senior who set the local league record for three-point shots, had a tournament in Los Angeles. "I set the background as the Santa Barbara beach, and they all thought I'm there. After the meeting, I swipe," revealing a sweaty high-school gym. "And they all say, 'What?'"

Yuan's love of basketball led him to make room for a celebrity investor from his beloved Warriors last year, but it was veteran role player Andre Iguodala, not a flashier star like Steph Curry or Kevin Durant. "We had a great conversation on how my game relates to his business, doing the little things right," Iguodala says. The feeling, both say, is mutual: respect for a professional who wins by putting team before ego.

Two months before the IPO, Yuan walks through the sales and engineering departments of Zoom's newer San Jose headquarters. The elevators finally work in this one, but it's still somewhat dingy, the result of Yuan's decision to prioritize a space close to the Caltrain and lease it pre-furnished to save on costs. It's the Chinese New Year, and Yuan hands out little red envelopes to any employee who looks up, calling out most by name. "Don't open this," he tells one group with the smirk of a dad teasing his kids. "After we leave, then you open them. It's a lot of money!" For Zoom's 1,700 staffers today, many of whom became multimillionaires in Zoom's IPO, the payoff is a gag: one crisp, "lucky" \$2 bill.

Yuan's public-facing thriftiness serves a secondary message: What matters at Zoom is the product, not the perks. He shares his office with his product chief and old friend Oded Gal, a fellow Webex veteran he hired away from BlueJeans Network three years ago. But you'll seldom find Yuan there. A few times a year, the CEO takes a temporary desk with a team he wants to focus on by sitting side-by-side, marking his choice with two small family

portraits and a stack of books to give out. Yuan's been with the engineers since Zoom announced a voice product in October, now called Zoom Phone. It's one of several major product lines Zoom has touted in recent months, alongside an update to its conference room bundle called Zoom Rooms. Though an increasing number of Zoom's users log in via smartphone—one out of six today, Yuan says—many big firms still depend on hardwired conference rooms. Zoom provides the software; partners like Dell, Logitech and Polycom supply the TVs, cameras and speakers. It's a move Yuan thinks is strategic to winning over large-size customers whose CEOs spend lots of time in virtual meetings.

Though Zoom isn't making hardware, its bundle smacks of the stuff sold by Yuan's ex-employer, Cisco. There's some irony to that, as last year Cisco shook up its Webex unit—it now looks more like Zoom. It reorganized under a new leader, Microsoft veteran Sri Srinivasan. His mission: revitalize Cisco's collaboration products, with video conferences one of several factors. And he's happy to throw some shade. "Zoom is apples and oranges," Srinivasan says, and offers "fledgling" solutions beyond its core desktop-to-desktop video tools. "They've done a pretty good job in their own right, with a bunch of borrowed resources from Webex."

A revitalized Cisco—as well as Google, Microsoft and even potentially Apple and Amazon—threatens Zoom just as it did in its early days. While Zoom has claimed to work with at least 90 of the Cloud 100—*Forbes'* exclusive ranking of the top private cloud companies—some corporations like Sony have resisted the move to Zoom as too complicated to set up at large scale. At some corporations like GM and Verizon, teams use multiple solutions that don't include Zoom at all. Others like Ford use Zoom, but only for a handful of people. Even at Qualcomm, which owns a piece of the company, you'll find Cisco and Microsoft. "People just have a solution they already pay for," Qualcomm Ventures' Li says.

As Zoom adds features and larger accounts, with some companies simultaneously hosting thousands of people across multiple chats, the company will need to be careful not to cut corners and damage the product. In January, Zoom suffered a high-profile service outage, which it blamed on Amazon Web Services, but all people saw was that Zoom's app didn't work.

"It's like a restaurant," Yuan says about a similar glitch with a third-party vendor. "When a customer walks into a restaurant, until they leave, the entire experience needs to be great. You can't blame anything on anyone else."

But, of course, it can cut both ways. When Facebook went down in March, the New Zealand House of Representatives streamed its committee meetings over Zoom instead of Facebook Live. And per its regulatory filing with the SEC before going public, Zoom noted more than half of the 500 largest companies in America had at least one paid seat on Zoom, but few had signed large contracts, suggesting an avenue for significant sales down the road.

Then there's the international market, where Zoom did just 18% of its business in its last fiscal year. Expansion into markets with the most demand for Zoom—the United Kingdom, Japan, France, Germany and Australia—presents a natural future angle of attack. Zoom is furthest along in Canada and is studying it for its next phase of growth. And after Yuan, ever thrifty, spurned the chance to buy the Zoom.com address in the company's early days,

opting for the cheaper Zoom.us, Zoom quietly acquired it last year for \$2 million, a domain that could prove valuable in disassociating the company from the U.S. in touchy overseas markets.

China remains a wild card. Zoom has more than 500 engineers there, rare for a U.S. company. But China is an unproven market for the enterprise business, Yuan says. Still, Zoom's employee foothold in the country and Yuan's personal connections would suggest that if any company can make the jump, it would be Zoom—potential privacy concerns aside.

If Zoom hopes to become as big as [Cisco someday](#)—the San Jose-based company booked \$49 billion in sales last fiscal year, and its stock is trading near a 20-year high, generating a market capitalization of about \$250 billion—it will likely need to offer far more than video in the years to come. Voice-only calling was likely just the first in a range of features Zoom could add in more in communications, such as standalone messaging and file sharing products. One likely area for a bigger push: data. Zoom already connects customers to other services to record and transcribe its conference calls and help sales reps flag phrases or patterns of interaction that might suggest a deal is close, from an ideal time to chat or the duration of a call. Similar tools could help marketers, product developers and customer service reps learn from their Zoom meetings in the future, too. And Zoom has powerful friends for that push, so long as it doesn't compete too much. Enterprise software leaders Atlassian and Salesforce both have invested directly and others, like LinkedIn, have made it a preferred partner.

In the meantime, don't expect Yuan to let his newfound billionaire status go to his head. He may drive a Tesla, but only because he sees the company as a lot like Zoom—it's designed differently and it's faster under the hood (plus Tesla is a customer, too). Back in his cubicle the Monday after the IPO, he'll keep trawling the Zoom Twitter account for customer testimonials to retweet. And he'll expect employees, who turned out around the world for the IPO ceremony to wave to their boss over a live feed in Times Square using—what else?—Zoom to follow his lead. A mentor once told Yuan the IPO would be like graduating from high school. “You go celebrate one day, and that's it,” Yuan says. “You don't want high school to be the peak of your performance, right?”

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