Journal of Contemporary Research in Business Administration and Economic Sciences (JCR-BAES)

ISSN: 2777-7391
www.jcrbaes.press

The Financial Impact of COVID-19 on video communication sector

Lina Khalil Mustapha
Beirut Arab University
Lebanon

ABSTRACT

The purpose of this paper is to explore the financial impact of COVID-19 pandemic period on the communication sector, namely Zoom INC. Based on financial data, from 2018 till 2021, this study employed different financial proxies such as solvency, liquidity, profitability, and capital structure. These financial ratios showed how the pandemic influenced one of the well-known companies in the communication sector, namely Zoom INC. The results reveal that Zoom's success was affected enormously by the COVID-19 pandemic, and it has risen to fame owing to strict social distancing measures.

Keywords: technology; COVID-19; financial performance; solvency; capital structure.

1-Introduction

In early December 2019, an outbreak of coronavirus disease (COVID-19), caused by a completely unique severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), occurred in Wuhan City, China. Because of the outbreak's rapid spread across the globe, the World Health Organization declared it an International Public Health Emergency on January 30, 2020 (World Health Organization, 2020). This disease has swept across the globe, killing millions of people, shutting down economies, caused lockdowns, strict government restrictions and spread misery on a global scale. It placed a strain on healthcare services and employees to the brink. Owing it to these restrictions work from home became the norm in the wake of the COVID-19 outbreak, online meetings, online school lectures and many more became commonplace. Nobody could have guessed that friendly online chats would grow into boardroom meetings or online classes with the help of video conferencing software like Zoom.

The Zoom video conferencing app is a cloud-based video conferencing service that enables the user to virtually connect with others all around the world while conducting live chats, and it also includes the record feature for those who wants to review it later. Zoom provides one-on-one chat sessions which can be further extended into group calls, training sessions, webinars, and global video meetings. It was found by Eric Yuan in 2011 and launched in January 2013, grew in popularity and profitability over the years. Throughout the coronavirus outbreak, it became noticeable, and has seen a rise in usage with users under lockdown all around the world turning to the app to remain involved with others. Zoom began trading on NASDAQ stock exchange in April 2019. It was considered a freshly public tech firm with a rare occurrence at the time. One year later, the pandemic happened, and Zoom had developed from a specialized business software to a program well recognised and used by different stakeholders types.

This study aims to investigate and analyse the financial impact of the COVID-19 pandemic on zoom inc. It's structured as follows: within the first section we present a brief literature review which discusses the impact of COVID-19 on the economy and technology sector, and how cybercrime rose during these crucial times. The subsequent section discusses the background of zoom .The following section presents quantitative descriptions. Then we conclude with a short summary of the analysis and recommendation for the longer term.

2.Literature Review

2.1. The global impact of COVID-19 on the economy

Since December 2019, the COVID-19 pandemic has wreaked havoc on the world economy leading to a sharp deterioration of economic activity in a variety of ways and has disrupted lives across all countries and communities beyond anything experienced in nearly a century. It is likely that it will continue to stifle global economic activity for an undetermined period of time. It has thrown the entire world's political, social, economic, and financial systems into disruption.

A part of this economic downfall was due to the change in behaviour of individuals in response to the virus, people are not spending money and businesses are not getting revenue. Several industries have been adversely impacted such as airlines, import-export firms, tourism, merchants, along with many other non-essential services have all been heavily damaged. Another factor contributing to the fall was the government's decision to shut down huge parts of public life or any social interactions like restrictions on movement and gatherings, as well as mandates to stay at home in order to stop the virus from spreading(lockdowns). Millions of individuals were unable to travel outside their countries, or even leave their homes in certain circumstances, as a result of lockdowns, and were unable to purchase their daily consumable products on a regular basis. The demand and supply machinery for everyday consumable items, aviation, and transportation industries, as well as other major products and industries, were severely disrupted. As a result, the economic consequences of the pandemic were driven by both personal restrictions and government mandated lockdowns. In addition, these restrictions on economic activities have resulted in a sharp rise of unemployment rates due to companies not being able to pay their workers. All of these situations triggered large-scale effects on the world Gross Domestic Product "GDP"(table 1) of all the countries around the globe even the world's most powerful economies, including the United States, China, the United Kingdom, Germany, France, Italy, Japan, and many others.

Table 1: Comparing the world GDP

World GDP		
Year	GDP	Growth
2020	$84,705.57B	-3.60%
2019	$87,607.92B	2.33%
2018	$86,347.15B	3.03%
2017	$81,359.54B	3.28%

Source: (macrotrends world GDP, 2021)

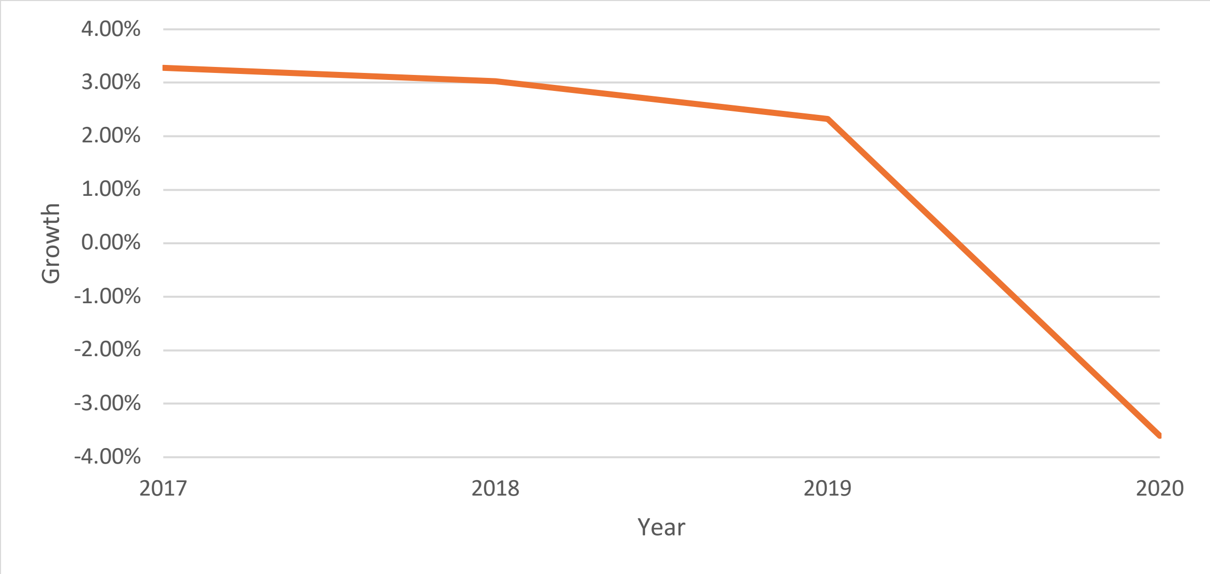

Figure 1. GDP Graph Representation

2.2. COVID-19 and Technology

Owing it to social distancing regulations and nationwide lockdowns, the Covid-19 pandemic has inevitably led in an increase in the usage of digital technologies. Lockdowns have been imposed in almost every region, closing down activities that involve human interaction and gathering, such as schools, universities, malls, offices, airports, train stations etc. People and organizations all around the world have had to adapt to new methods of working and living as a result of lockdowns. Authorities, businesses, and individuals utilized all available technologies to meet the massive challenges encountered by this highly transmissible disease.

COVID-19 has led to a situation in which internet access appears to have become necessary for survival, and we reached to a situation where anyone not connected to the internet faces absolute exclusion. Moreover, technological instruments are vital elements in such dreadful circumstance because they are the sole hope during the pandemic. As a result of the pandemic, the entire world has had to adjust and cope with telecommunications, all organizations have adapted the work-from-home strategies with employees conducting online meetings and doing all work-related matters from home. Along with schools, colleges, and universities all around the world have shifted and begun to teach their classes online using video conferencing platforms such as Zoom, Microsoft Teams, Google Hangouts, WhatsApp Video call and many more. As the use of video- and audio-conferencing tools rises, organizations are working on their IT infrastructure and developing their technologies to accommodate this increase of usage because internet services have seen rises in usage from 40 % to 100 % (Impact of digital surge during Covid-19 pandemic: A viewpoint on research and practice, 2020), compared to pre-lockdown levels. Hence, the IT industry is expected to grow at a far faster rate than many other industries because of the increased demand and need for software and social media platforms. (Market data forecast, 2020).

2.3. Cybercrimes on the rise during the coronavirus pandemic

We are currently seeing an increase in online fraud, scams, invasions, and security breaches as a result of the increased usage of digital technology due to coronavirus crisis. Everyone is relying more than ever on computer systems, mobile devices, and the Internet to work, communicate, shop, and receive information, practically trying to mitigate the impact of social distancing. Together with, organizations and businesses promptly implementing remote systems and networks to support staff working from home, criminals are taking advantage of increased security vulnerabilities to steal data, generate profits and cause disruption. Although digital technologies helped in coping with the pandemic, it also has a dark side. For instance, cybercrime, spyware, harmful online misinformation (fake news) has spread even faster than the virus itself.

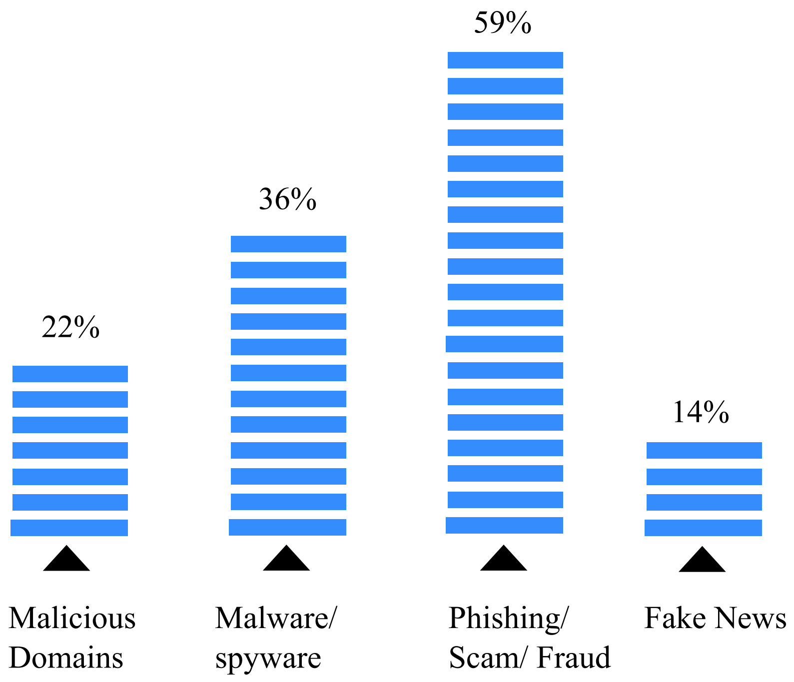

Figure 2. * (INTERPOL, 2020)

Consequently, the pandemic has created an environment of insecurity. Many people, some for the first time, are beginning to rely heavily on digital resources, not ensuring their cyber defences are up to date so, they are becoming targets for fraud and scams. Therefore, fraudsters are making beneficial use of the situation and the percentage of online attacks are increasing ever since the pandemic.

These invasions and frauds are expected to increase in intensity, and as a result, businesses will implement significant security measures, as well as government departments will conduct substantial information campaigns. Leading to the fact that, security innovations and firms that offer security services will rise. However, organizations and governments are becoming aware of the problem and are taking steps to mitigate it. Certain countries, for example, have taken a hard line against Zoom meetings for educational purposes, forcing the platform operators to strengthen and improve its security.

3. Case study: Zoom's INC

3.1. Zoom's INC Background

Zoom's mission is very simple: "deliver seamless video communication" and "Make video communications frictionless and secure" (Zoom, 2021). Recently, Zoom launched the new end-to-end encryption (E2EE) features and promised to enhance communication and data security for all of its customers.

At the start of the COVID-19 pandemic, everyone from individuals, organizations to prime ministers signed up for a Zoom account. Zooms customer base spans numerous industry categories including education, entertainment, enterprise infrastructure, finance, government, and health care. Zoom has 504,900 business customers, over 3.3 trillion annual meeting minutes, 300 million daily meeting participants, 45 billion minutes of webinars are hosted on Zoom every year and has a Net Promoter Score (NPS) that is above 70((zoom user stats, 2022)

In early April 2020 zoom faced a lot of backlashes concerning its security and privacy concerns, and a lot of security flaws have been reported . Furthermore, countless lawsuits have been filed against zoom concerning this matter. In spite of these concerns, people never stopped using the videoconferencing app, in fact more people are using it. Zoom's growth continues persistent as more people are turning towards the service to keep connected during the ongoing coronavirus pandemic.

Figure 3. Customers who switch to Zoom Video Communications report an increase in (zoom Executive Summary, 2020):

companies saw an 85% increase invideo usage after switching to Zoom

92% report an increase in performance

87% report that zoom is more reliable than the competition

91% report a greater sense of engagement

3.2. Financial Analysis of Zoom before and during the pandemic period

To reveal the impact of the COVID-19 pandemic period on Zoom corporation, several financial proxies were used, namely, liquidity, Solvency, Profitability and capital structure. The definition of each proxy is presented in Table 2.

Table 2: Description of financial proxies

Liquidity		
Current Ratio	Current assets/current liabilities	Describes the company's solvency, or its capacity to meet its commitments when they become due
Quick Ratio	(Current Assets-Inventory)/current liabilities	capacity of a company to satisfy short-term obligations with its most liquid assets
Cash Ratio	Cash and cash equivalents/Current liabilities	Capability of a company to repay short-term debt with cash or near-cash resources
Operating Cash Flow Ratio	Operating Cash Flow/Current Liabilities	Identifies if a company's regular operations are sufficient to meet its short-term obligations.
Solvency		
Debt to Assets Ratio	Total Debt/Total Assets	A ratio that illustrates how much debt a corporation has utilized to finance its assets
Equity Ratio	Total shareholders' Equity/Total Assets	explains the quantity of assets that have been produced through the issuance of equity shares rather than debt
Debt to Equity Ratio	Total Debt/Total Equity	This term refers to the total debt owed to shareholders' equity, and it can be used to determine how much leverage a company is using
Financial Leverage	Total Assets/Total Equity	It represents the ratio of the company's total assets owned by shareholders
Profitability		
Return on Assets (ROA)	Net Income/Total Assets x100	The profitability of a company as a percentage of its total assets
Return on Equity (ROE)	Net Income/Shareholders equity x100	An estimate of a company's profit-generating efficiency
EBITDA	EBITD/Revenue	Analyze the profitability and efficiency of a business
Profit Margin	net income /revenue x100	Evaluate the amount of net income earned as a percentage of total revenue
Operating Margin	operating income/revenue x100	calculating revenue after covering operating and non-operating expenses of the company
Gross margin	Gross Profit(revenue-COGS)/Revenue	Calculates the amount of profit left after subtracting revenue from COGS
Basic Earning Power	EBIT/Total Assets	Evaluates a company's ability to generate profit before interest and taxes by utilizing its assets.
Pre-Tax Margin	EBT/Sales	Examine a company's operations' standalone profitability, which does not include tax expenses
Capital structure		

Total Debt to Capitalization Ratio	Total Debt/ (Total Debt+ shareholders' equity)	Calculates the total amount of outstanding corporate debt as a percentage of the total capitalization of the company
Long Term Debt to Equity Ratio	Long Term Debt/Shareholder's Equity	The link between long-term debt and equity
Long Term Debt to Capitalization	Long Term Debt/ (Long term Debt + shareholders equity)	To determine the level of control exercised by a firm and compare it to that of other companies in order to assess the company's overall risk exposure
Long Term Debt to Assets	Long Term Debt/ Total Assets	Gives a broad picture of a company's long-term financial position, including its capacity to satisfy its financial commitments for existing loans
Debt Ratio	Total Debt/ Total Assets	The amount to which a company's leverage is measured

Table 3: Liquidity Ratios

Ratios	2018	2019	2020	2021
Current Ratio	169/68.53= 2.47	250.27/152.34= 1.64	1.05/333.83= 3.15	4.66/1.26= 3.70
Quick Ratio	169/68.53= 2.47	250.27/152.34= 1.64	1.05/333.83= 3.15	4.66/1.26= 3.70
Cash Ratio	139/68.53= 2.03	177/152.34= 1.16	904/333.83= 2.71	4295/1.26= 3.41
Operating cash Flow	19.43/68.53= 0.28	51.33/152.34= 0.33	157.35/333.83= 0.47	1.48/1.26= 1.17

The current ratio refers to a company's current assets, which include the most liquid assets like cash and cash equivalents, and its ability to pay short-term debt. The above statistics demonstrate that the firm was able to cover its short-term debt in 2018 due to the ratio being above 2 which indicates a company can cover its current liabilities two times over. Afterward, in 2019 the ratio is above 1; the company can pay its obligations. In 2020, 2021 the ratios show that they are above 3 which means that they could cover their current liabilities three times over.

Except for inventories, the quick ratio is like the current ratio. This ratio can be used to determine whether the firm will be able to pay down its short-term debt without selling its inventories. There is a slight deterioration in the quick ratio in 2019 compared to 2018, but in 2020 and 2021, it improves and becomes more satisfactory.

The cash ratio is solely concerned with cash, determining if zoom INC has sufficient cash to meet its short-term obligations. The results are 2.03, 1.16, 2.71, 3.41, in 2018, 2019, 2020, and 2021, as shown in the table above. The outcomes show that all the ratios are above 1, and when the company has more cash and cash equivalents than current liabilities it has the ability to cover all its obligations and still have cash left.

Because there is less possibility to manipulate results, cash flow from operations is preferable over net income. A higher ratio indicates that a company has generated more cash in a given period than was required to pay off current liabilities. A high number, more than 1, shows that a company generated more cash in a given time than was required to pay off its current liabilities, whereas a low number, less than 1, suggests that the company did not create enough cash to meet its current liabilities. A low ratio may indicate that the company requires more capital, according to investors and analysts. As shown in table 3, Zoom's operating cash flow for years 2018, 2019, 2020 were less than one, so this indicates that the firm needs to generate more cash to cover its current liabilities. Then in year 2021, the ratio increased above 1 which tells us that the company has more than enough capital to cover its current liabilities.

The results of the liquidity ratios are presented in the following Figure:

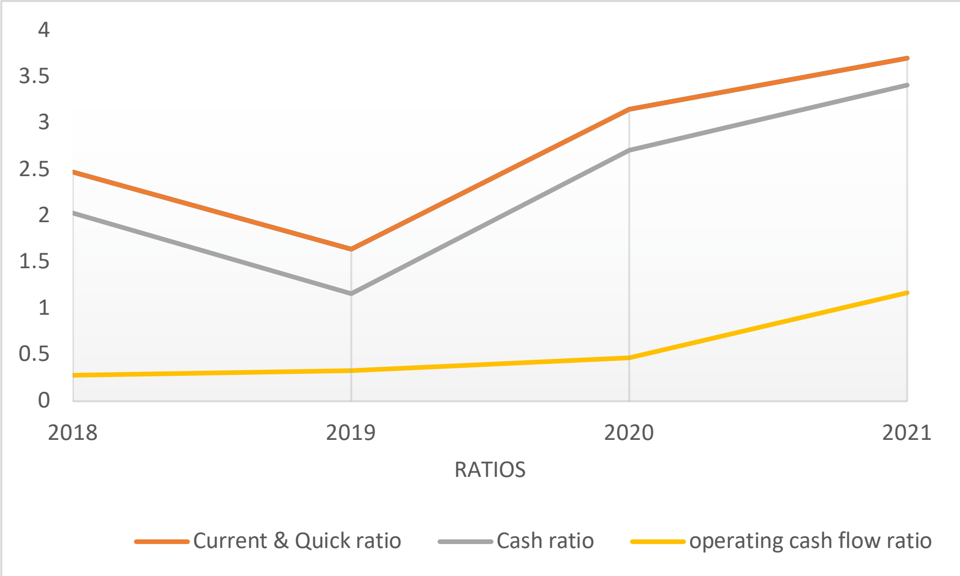

Figure 4. Liquidity Ratios Representation

Table 4: Solvency Ratios calculation

Ratios	**2018**	**2019**	**2020**	**2021**
Debt-to-Assets Ratio	0/215.02 M	0+14.86M/ 354.57M= 0.0419	7.68M+64.79M/ 1.29B= 0.056	15.6M+90.42M/5.3B= 0.0200
Equity ratio	132.88M/ 215.02M= 0.618	152.11M/354.57M= 0.429	833.94M/1.29B= 0.6465	3.86B/5.3B= 0.728
Debt-to-equity ratio	0/132.88M	0+14.86M/152.11M= 0.0976	7.68M+64.79M/ 833.94M= 0.0869	15.6M+90.42M/3.86B= 0.0274
Financial leverage	215.02M/ 132.88M= 1.618	354.57M/152.11M= 2.331	1.29B/833.94M= 1.546	5.3B/3.86B= 1.373

Debt to Assets Ratio shows how much the company's assets are financed through debt. It measures the need for funds or assets used to guarantee debt. The financial risk is greater if the percentage of this ratio is high, consequently, the higher the risk of investing in that company. According to Figure 5, the ratio is zero in year 2018. In 2019&2020, the ratio increased to 0.0419 and 0.056, which means that zoom is increasing the risk and must repay the debt by utilizing a small asset base. It then decreased in 2021 to 0.0200. The lower the debt to asset ratio, the more secure the company becomes.

Equity ratio is a way for the company to measure how much debt have taken on relative to assets. Having a high equity ratio indicates that the company isn't highly leveraged, which means that the company did not rely on a ton of debt to finance its asset requirements, and it is important because it shows that the company is stronger financially and have a greater position of solvency than companies with lower ratios. As represented in Figure 5, the ratio is 0.618 in 2018, then decreased to 0.429 in 2019. The ratio then increased from 0.429 to 0.6465 to 0.728 through years 2020 & 2021.

The debt-to-equity ratio represents the degree of financial leverage of the company. It illustrates how much of the business is financed via equity and how much is financed via debt. A high debt-to-equity ratio is usually associated with high risk since it suggests that a company has relied on debt to fund its expansion. As shown in Figure 5, we have a ratio of zero. In 2019, the ratio jumped to 0.0976, then decreased a little to 0.0869 in 2020. For year 2021, the ratio is 0.0274. The company zoom used debt to finance its growth in the years 2019 & 2020 which is considered risky, but for the following year (2021) the ratio decreased and that shows a good sign.

The financial leverage ratio is used to determine the impact of debt on a company's overall profitability; a high ratio indicates that the fixed costs of running the business are high, but while a low ratio indicates that the fixed costs of running the business are low. In simple terms, it shows how reliant a firm is on the debt it has issued, as well as how the organization uses debt as part of its financing plan and its reliance on borrowings. Excessive borrowing might result in default and bankruptcy. In year 2018, the ratio was 1.618, then it increased to 2.331 in 2019. And for 2020 & 2021, the ratios decreased to 1.546 and 1.373.

The results of the solvency ratios are presented in the following Figure:

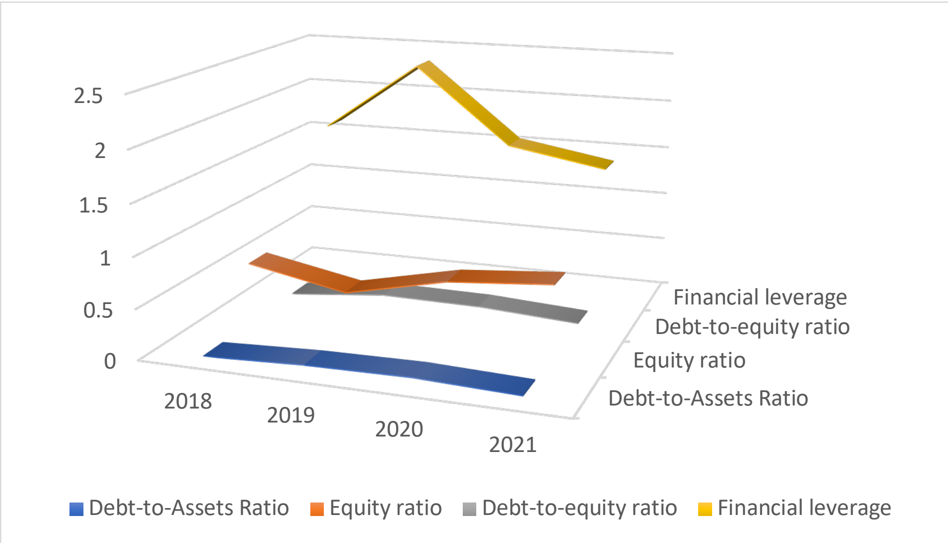

Figure 5. Solvency Ratios Representation

Table 5: Profitability Ratio Calculation

Ratios	2018	2019	2020	2021
ROA	(8.23M)/215.02M x 100=(3.827%)	0/354.57M x 100= 0	21.75M/1.29B x 100=1.686%	671.53M/5.3B x 100=12.67%
ROE	(8.23M)/132.88M x 100= (6.1935%)	0/152.11 x 100 = 0	21.75M/833.94M x 100=2.608%	671.53M/3.86B x 100= 17.397%
EBITDA margin	6.98M/151.48M =4.60%	34.01M/330.52M =10.2%	36.03M/622.66M =5.7%	803.9M/2.65B =30.33%
Profit margin	(8.23M)/151.48M x 100= (5.433%)	0/330.52M x 100 = 0	21.75M/622.66M x 100= 3.493%	671.53M/2.65Bx 100= 25.340%
Operating margin	(5K)/151.48M =(3.190%)	6167K/330.52M = 1.865%	13K/622.66M = 2.087%	660k/2.65B = 24.8871%
Pre-tax margin	(3.52M)/151.48M= (2.32%)	8.35M/330.52M = 2.52%	26.36M/622.66M =4.23%	678.03M/2.65B = 25.5%
Gross margin	111.68M/151.48M= 73.72%	248.68M/330.52M= 85.23%%	507.26M/622.66M= 81.46%	1.73B/2.65B = 65.28%

BEP	(5K)/215.02M = (2.325%)	6167K/354.57M =1.692%	13K/ 1.29B =1.007%	660K/5.3B =12.45%

Zoom's profit margin is calculated by dividing net income by sales. The profit margin compares a business's performance to that of its market competitors. There is no such thing as a good profit margin ratio since they vary widely by industry and company size, although a profit margin ratio in the range of 5-10 % net profit margin is considered desirable and 20 % margin is considered high. As shown in Table 5, the profit margin for year 2018 is negative 5.433% which is considered a bad situation and needs improving. In needed, the company tried to improve and in year 2019 the profit margin is zero, then in 2020 it increased to 3.49%, and 25.34% in 2021. The profit margin for 2021 is considered really a really high percentage.

The return on assets (ROA) is a metric used to measure how much money a company can make from its assets. It also evaluates the company's ability to generate income from its assets. When the return on assets (ROA) is greater than 5%, the company is performing well. According to Table 5, the ROA ratio for year 2018 is negative 3.827%, this can tell us that the performance of the company is not good and needs improving. For 2019, the ratio is zero, and for 2020 its 1.686%. The firm has improved its performance by increasing the ROA in 2021 to 12.67%.

Return on Equity (ROE) is a metric used to evaluate Zoom's profitability in terms of its equity. ROE ratios that are relatively high or low will differ significantly from one industrial group or sector to another. However, a reasonable return on equity is between 15% and 29%.The table above(5) demonstrate that in 2018, the ratio is negative 6.1935 which can be thought of as poor performance. In 2019 the ratio is zero. As for 2021, it increased to 2.608, Zoom did better in 2021 by staying inside the range with a 17.397%.

The pre-tax margin ratio informs us how much profit the company made for every dollar of sales. A greater ratio suggests a corporation that is profitable in its operations. The smaller the ratio, the lower the operational profitability. This indicates that the company's profitability is increasingly reliant on a low-tax environment. Looking at the numbers in Table 5, we can see that the outcomes for years 2018, 2019, 2020 is extremely low, but they are increasing gradually from year to year. In 2018, it was negative 2.32%, then increased to 2.52%, and 4.23% in 2020. For the year 2021, the outcome jumped to 25.5% which tells us that Zoom is profitable in its operations.

After paying off its COGS, a company's gross margin ratio reflects how much profit it produces. The ratio indicates how much of each dollar of sales is kept in the form of gross profit by the firm. It's always better to have a higher ratio. Going back to Table 5, the ratios for years 2018, 2019, 2020, 2021 are 73.72%, 85.23%, 81.46%, 65.28%. All the ratios for these 4 years are high, but for the year 2021 it decreased by approximately 19.95% from 2020.

The operational margin is a metric used to assess a company's efficiency. A high operating margin is better as it indicates that a company is able to control its expenses. As shown in Table 5, the ratio was negative 3.190% in 2018 then is increased to 1.865% in 2019, then to 2.087% in 2020 and then to 24.8871% in 2021.

This ratio is frequently used to assess the efficiency of operations. Because interest and taxes are not considered, Basic Earning Power evaluates the basic profitability of assets. The higher the BEP Ratio, the better. Going back to Table 5, the ratio is negative 2.325% for 2018. It increases from a negative ratio to a positive ratio of 1.692% in 2019, then it decreased a bit in 2020 to 1.007%. For 2021 it went back up to 12.45%.

EBITDA margin represents earnings before interest, taxes, depreciation, and amortization as a percentage of revenue for a company. A low EBITDA margin indicates that a company's profitability and cash flow are both at risk. But on the other hand, high EBITDA margin , indicates that the company's earnings are stable. Looking back to Table 5, EBITDA increased from 2018 to 2019 from 4.60% to 10.2%. Then for the following year in 2020 it decreased to 5.7% then increased again to 30.33% in 2021. It can be concluded that Zoom's earnings are stable for 2021.

The results of the profitability ratios are presented in the following Figure:

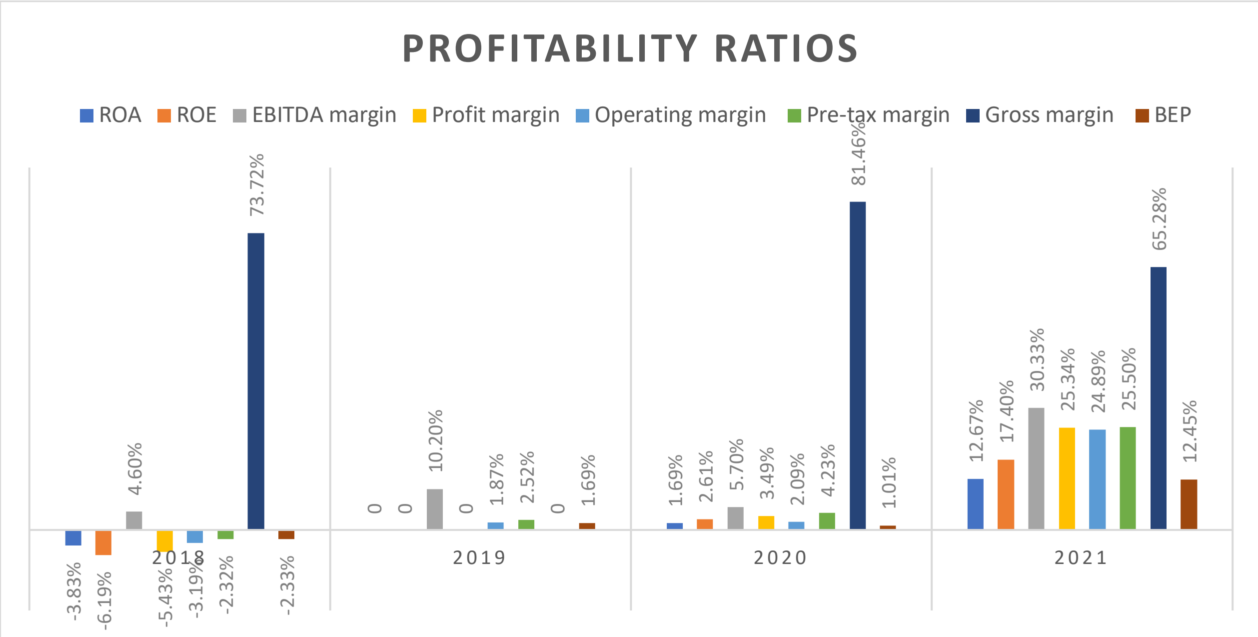

Figure 6. Profitability Ratios Representation

Table 6: Capital Structure Ratio calculation

Ratios	2019	2020	2021
Total Debt-to-capitalization	14.86M/(14.86M +152.11M)= 0.0889	72.47M/(72.47M+833.94M)= 0.0799	106.02M/(106.02M+3.86B)= 0.0267
Debt ratio	0+14.86M/354.57M= 0.0419	7.68M+64.79M/1.29B= 0.056	15.6M+90.42M/5.3B= 0.0200
Long term debt to equity	14.86M/152.11M= 0.0976	64.79M/833.94M= 0.0776	90.42M/3.86B= 0.0234
Long term debt to total capitalization	14.86M/(14.86M+152.11M)= 0.0889	64.79M/(64.79M+833.94M)= 0.0720	90.42M/90.42M+3.86B= 0.0228
Long-Term Debt to Assets	14.86M/354.57M= 0.0419	64.79M/1.29B= 0.0502	90.42M/5.3B= 0.0170

The debt-to-capital ratio compares how much debt a company uses to finance its operational and functional costs to how much cash it has on hand. The higher a firm's overall debt-to-capitalization ratio is, the riskier it is. This implies that the company's debt exceeds its capital, or profit. More debt than capital is risky for a company since it indicates it will have less money to maintain itself during a downturn. Looking at Figure 7, the ratio for 2018 is zero. In 2019 its 0.0889 and for 2020 its 0.0799, this indicates that the capital structure consists of increased debt for these two years, and it is considered risky. For the year 2021, the ratio decreased to 0.0267.

The debt ratio is a calculation of how much of an asset's value is funded via debt. The ratio can be used to determine whether or not a company is solvent. A high ratio implies that the majority of company funding is coming from debt; this is considered a risky financial structure, since the borrower risks not being able to repay the loan. A low debt ratio indicates a careful financing strategy of paying for assets with just equity. The debt ratio is used by lenders and creditors to determine the amount of loan risk they will take on by granting credit to a company. They are further willing to lend when the debt ratio is closer to 0 percent, than when it is closer to 100 percent. Zoom shows a debt ratio closer to zero percentage which is desirable for investors and creditors to see and considered a good financial strategy. It also implies that they have more assets than debts, which proposes that they are financially healthy. The debt ratio increased from zero in 2018 to 0.0419 or 4.19% in 2019. 2020 was the year that Zoom had experienced its highest debt ratio of 0.056 or 5.6% within the 4 years. However, it has fallen from 5.6% to 2% or 0.200 in 2021. This is a favourable sign for Zoom's financial stability because they don't appear to be substantially reliant on debt to support its assets.

Long-term debt refers to the relationship among long-term debt and equity. The long-term debt-to-equity ratio can be used to assess a company's riskiness. Understanding the amount of debt a firm has, particularly long-term debt, may help investors and creditors decide whether or not a company can be trusted to conduct a profitable operation. The higher the debt-to-equity ratio, the more debt the company is taking on. As a result, they are more vulnerable to financial risk. A reasonable long-term debt to equity ratio should be less than 1 and preferably less than 0.5, putting the organization in a stronger financial position. If the ratio is more than one, the firm's long-term debt exceeds its equity, placing the company at risk. Referring to Figure 7, the long-term debt to equity ratio for the year 2018 is zero. For the year 2019 its 0.0976, 2020 is 0.0776 and for 2021 is 0.0234.

Long-term debt to capitalization is a ratio that measures the connection between a company's long-term debt and its assets. It's an important ratio since it assists in the calculation of a company's total financial risks. Corporations should keep their long-term debt to capitalization ratio under control to keep debt under control, since an out-of-control debt would pose difficulties for the firm as a whole. Lower values are preferable since they suggest that the firm is in good health, has no financial issues, and has a debt burden that is manageable. Higher values indicate that the firm has more debts than capital, which is not a good thing because it can cause financial problems as well as limit the organization's capacity to take on further debt. The long-term debt to capitalization results for years 2018, 2019, 2020, 2021 were 0, 0.0889, 0.0720, 0.0228. The ratios for year 2018 & 2021 are low indicating that for those two years the company is not having any major financial difficulties.

The ratio of long-term debt to total assets is used to measure a company's dependency on debt. These ratios are used to represent a company's capability to satisfy its financial obligations. Long-term debt to total assets is often assessed once a year, with the results compared year to year to see if the firm is aiming to reduce rather than increase long-term liabilities. Even though the ratio result believed to show a healthy firm varies by industry, a ratio result of less than 0.5 is usually considered acceptable. For year 2018 the ratio of long-term debt to assets is zero. Year 2020 witnessed the increase of the ratio from 0.0502 to 0.0419, comparing to 2019. This indicates that the company has become more reliant on debt. In 2021, the ratio decreased to 0.0170 which indicates that 0.0170 of the company's assets are funded via debt. The results of the profitability ratios are presented in the following Figure:

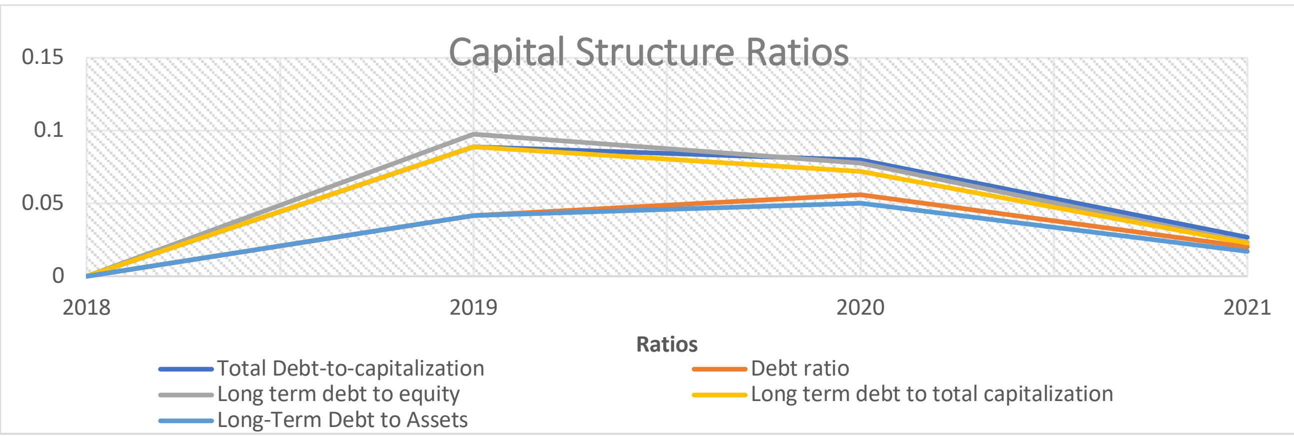

Figure 7. Capital Structure Representation

4.Conclusion

Individuals from all sorts of backgrounds were affected by the COVID-19 pandemic, with people being encouraged to self-quarantine in their homes to prevent the virus from spreading. The lockdown had a significant impact on mental health, resulting in psychological issues such as frustration, stress, and despair as well as distributing all our movements, businesses, and our daily lives. As Covid-19 lead to quarantined cities and shut-down of schools and forced all organizations to let their employees work remotely, organizations tried to seek out video communication solutions like zoom to keep employees as productive as possible. Zoom has become one of the most popular tools for keeping businesses operating and students learning. Zoom helped mitigate the impact of the coronavirus.

To bring Zoom's overall analysis to a close. The company values were reviewed first, followed by a financial analysis using financial ratios. After all the analysis that was made, Zoom's success was aided enormously by the COVID-19 pandemic, and it has risen to fame owing to strict social distancing. In the past, the performance of the company has been relatively poor. Due to the pandemic, however, the majority of individuals were obliged to work or study from home. Zoom was one of the apps that enabled these folks to cooperate and coordinate their activities.

Zoom's financials mirrored the company's rapid growth. It witnessed a massive rise of 151.48 million which is approximately 118.19% from 2018 to 2019 making a total of 330.52 million, 88% over the $330.52 million the company made in 2020 making 622.66 million, and 325.81% which is 2.65 billion in 2021 (WSJ MARKETS, 2022). The majority of the analysis anticipate the company will raise its sales even more in the following years. In 2019, Zoom went public through an initial public offering (IPO). At the end of the first day of trading, the business was valued at $16 billion. The company's value had risen dramatically since then, reaching about $160 billion at one point. This is considered exceptional considering the fact that the company is only nine years old.

While the company zoom has experienced a major increase in customers and revenue due to the pandemic, it caused several challenges. The number of participants increased and there were approximately 30 times more growth in usage at the end of 2019. In order to meet the needs of the users, an increase of the services provided , expansion the network as well as the capacity of the platform is necessary . Naturally, all of these factors have driven the company’s operating costs to increase which resulted in having more debt to cover these costs. The debt increased more in 2019 & 2020. Even though Zoom’s debt increased through these two years, the debts were reasonable. In 2021 the company managed its debts well and decreased them to an acceptable percentage that will not put the company in a difficult financial position besides to having sufficient liquidity to survive any potential downturns in accordance with the liquidity ratios analysis. Before interest, taxes, depreciation and amortization, the company's margins are particularly high in addition to having high return margins, thereby supporting business profitability. Zoom has nearly outperformed the market by enduring high ratios and profit margins for the past year. As a result of its above-average revenues, the company has a bright future. The company's overall performance is favourable.

After examining Zoom's financial ratios. We can see that the company is doing quite well. However, several issues must be addressed. Zoom's success can be attributed to a variety of factors; yet, in the world of technology, inventions have a limited lifespan. However, if Zoom wants to stay at the top of the video conferencing heap, the first thing that must be done is dealing with increased competition from even bigger tech rivals suchlike Google, and Microsoft. The company’s debt situation is manageable, so it is possible to take on more debt to be able to compete with these big firms and create more services to satisfy customers and further expand the company. In addition, I suggest diversification and introducing new features. Zoom currently only offers a limited number of services. It exclusively offers online meeting and collaboration tools. It has the opportunity to diversify even further with these services, which is already a success and profitable for the company. To boost its revenue, it may, for example, develop a modest social media platform, chat app, and even instant Smart Gallery for its registered users.

References

1- Williams N. (2021). Working through COVID-19: 'Zoom' gloom and 'Zoom' fatigue. Occupational Medicine (Oxford, England), kqab041. https://doi.org/10.1093/occmed/kqab041

2- Baalbaki, H. , Harb, H. , Zaki, C. , Alakoury, Y. , Tannoury, L. and Nabaa, M. (2021) CRISE: Toward Better Understanding of COVID-19 Psychological Impact during Lockdown. Journal of Computer and Communications, **9**, 13-31. doi: 10.4236/jcc.2021.98002.

3- Nicola M, Alsafi Z, Sohrabi C, Kerwan A, Al-Jabir A, Iosifidis C, Agha M, Agha R. The socio-economic implications of the coronavirus pandemic (COVID-19): A review. Int J Surg. 2020 Jun;78:185-193. doi: 10.1016/j.ijsu.2020.04.018. Epub 2020 Apr 17. PMID: 32305533; PMCID: PMC7162753.

4- De', R., Pandey, N., & Pal, A. (2020). Impact of digital surge during Covid-19 pandemic: A viewpoint on research and practice. International journal of information management, 55, 102171. https://doi.org/10.1016/j.ijinfomgt.2020.102171

5- Corporate finance institute. (2022). Retrieved from Financial Ratios: https://corporatefinanceinstitute.com/resources/knowledge/finance/financial-ratios/

6- Wsj Markets. (2022). Retrieved from Zoom Video Communications Inc.: https://www.wsj.com/market-data/quotes/ZM/financials/annual/income-statement

7- MarketWatch. (2022). Retrieved from Zoom Video Communications Inc.: https://www.marketwatch.com/investing/stock/zm/financials/cash-flow

8- Interpol. (2020, August 4). Retrieved from INTERPOL report shows alarming rate of cyberattacks during COVID-19: https://www.interpol.int/en/News-and-Events/News/2020/INTERPOL-report-shows-alarming-rate-of-cyberattacks-during-COVID-19

9- Amanda, R. I. (2019). The Impact Of Cash Turnover, Receivable Turnover, Inventory Turnover, Current Ratio And Debt To Equity Ratio On Profitability. JOURNAL OF RESEARCH IN MANAGEMENT, 2(2). https://doi.org/10.32424/jorim.v2i2.66

10- CNBC. (2021, May 31). CNBCTV. Retrieved from COVID impact on meeting apps: Google Meet, Zoom, Microsoft Teams never had it better: https://www.cnbctv18.com/smart-tech/covid-impact-on-meeting-apps-google-meet-zoom-microsoft-teams-never-had-it-better-9493981.htm

11- Dean, B. (2022, Jan 6). BACKLINKO. Retrieved from Zoom User Stats: How Many People Use Zoom in 2022?: https://backlinko.com/zoom-users

12- Impacts of COVID-19 on the Information Technology (IT) industry. (2020, April 8). Retrieved from https://www.marketdataforecast.com/blog/impacts-of-covid19-on-information-technology-industry

13- Maverick, J. (2022, Feb 16). What Is the Best Measure of a Company's Financial Health? Retrieved from https://www.investopedia.com/articles/investing/061916/what-best-measure-companys-financial-health.asp

14- Molla, R. (2020, Dec 4). massive. Retrieved from The pandemic was great for Zoom. What happens when there's a vaccine?: https://massive.news/2020/12/04/the-pandemic-was-great-for-zoom-what-happens-when-theres-a-vaccine/

15- Almansoori, M. S., Almansoori, M. H., Almansoori, M. M., Almansoori, A. R., Alhammadi, A. A., Alnuaimi, S. M., & Nobanee, H. (2021). Financial Analysis of ADNOC. SSRN Electronic Journal. Published. https://doi.org/10.2139/ssrn.3895246

16- Aisha Sultan Al Ali, H. M. (2021, Nov). Research Gate. Retrieved from Financial Ratio Analysis of Aramco: https://www.researchgate.net/publication/356190471_Financial_Ratio_Analysis_of_Aramco

17- Wsj Markets. Retrieved from https://www.wsj.com/market-data/quotes/ZM/financials/annual/income-statement

18- Hayes, A. (2021, August 31). Investopedia . Retrieved from Solvency Ratio: https://www.investopedia.com/terms/s/solvencyratio.asp

19- Laitinen, E. (2018) Financial Reporting: Long-Term Change of Financial Ratios. American Journal of Industrial and Business Management, **8**, 1893-1927. doi: 10.4236/ajibm.2018.89128.

20- World GDP Growth Rate 1961-2022. (n.d.). Retrieved from https://www.macrotrends.net/countries/WLD/world/gdp-growth-rate

21- World Health Organization. (2020). Retrieved from Coronavirus disease (COVID-19): https://www.who.int/

22- Neha. (2021). Retrieved from Zoom Executive Summary : https://www.neha.org/sites/default/files/Zoom%20Executive%20Summary%202019.pdf

23- Zoom. (2022). Retrieved from Annual Report and Proxy: https://investors.zoom.us/financial-information/annual-reports

24- Zoom. (2021). Retrieved from zoom annual report: https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007