TechCrunch

Zoom video conferencing service raises $100 million from Sequoia on billion-dollar valuation

Ron Miller@ron_miller / 7:30 am EST•January 17, 2017
Comment

Image Credits: John Fedele (opens in a new window)/ Getty Images

Zoom, the cloud video conferencing service, announced a $100 million Series D round, entirely funded by Sequoia. The company now boasts a $1 billion valuation, putting it in the vaunted unicorn club.

It also announced a significant update to the product that includes the ability for customers and third parties to build applications on top of the **Zoom** platform.

The company, which was cash-flow positive last quarter, had previously raised $45.5 million. It actually wasn't even looking for funding, according CEO Eric S. Yuan, when Sequoia came knocking. Sequoia had been looking for a company in the video conferencing space when it heard about Zoom from its portfolio clients.

"We had been watching the video conferencing space for many years because we were convinced that it was a huge market primed for innovation. But we couldn't find a product that customers loved to use. That changed when our portfolio companies started raving to us about Zoom," a Sequoia spokesperson told TechCrunch.

As for Yuan, he said when Sequoia approached him, he decided to go for a large sum as a proactive measure. Instead of coming up with an idea, and trying to get budget, he wanted cash on hand — and he found a willing partner in Sequoia. In fact as part of the deal, Sequoia partner Carl Eschenbach, who led the investment, will be joining the Zoom board.

What Sequoia saw in Zoom, was an experienced founder, who helped launch WebEx before selling the company to Cisco for an impressive $3.2 billion in 2007. Yuan candidly states that he made a mistake when he sold it to Cisco, in spite of the huge acquisition price.

That's because back in 2007, Cisco was purely a networking hardware company. He says the Cisco team never understood his company or SaaS for that matter, and eventually tried to fold it into a social networking product. It's worth noting that since that time, Cisco has moved hard into software via an aggressive acquisition strategy, but those were early days in that approach, and he said that he struggled with the company to make changes to the software.

He decided to start his own company in 2011 to address some of the issues he was hearing about from customers. He says part of the problem was with WebEx's core code, which he had written 1998. He wanted to create a new video service on top of a modern cloud architecture. WebEx remains a big rival for Zoom with a huge installed base.

As for the update, it's a classic cloud platform play. The dream of most cloud providers is to offer more than a service. It's to become a platform on top of which companies build products. Salesforce was the first company to try this approach when it launched Force.com in 2008, and pretty much every SaaS company since has wanted to become a platform. The trouble is getting to sufficient scale, but with 450,000 businesses, including 5800 educational institutions, Zoom certainly has that scale.

Zoom, which has over 400 employees, will likely expand with the massive new investment, but Yuan wasn't going to commit to anything just yet. He describes himself as "a conservative entrepreneur" and he will bank the money and invest in the parts of the company that require it, as the time is right.