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EDITED TRANSCRIPT

██████.OQ - Q3 2025 ██████ Inc Earnings Call

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CORPORATE PARTICIPANTS

Inc - Vice President, Investor Relations

Inc - Chief Executive Officer, Director

Inc - Chief Financial Officer

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CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Operator

Greetings. Welcome to [REDACTED] Q3 fiscal year 2025 earnings call. (Operator Instructions) Please note that this conference is being recorded. I will now turn the conference over to your host, [REDACTED] Vice President, Investor Relations. Thank you. You may begin.

Inc - Vice President, Investor Relations

Good afternoon. On the call today, we have [REDACTED] our Founder and CEO; and [REDACTED], our Chief Financial Officer. I'll lead off with our safe harbor statement and then on to the call. Our press release was issued after the market closed and is posted on the Investor Relations section of our website, where this call is also being webcast.

Statements made on this call include forward-looking statements related to our business under federal securities laws. These statements are subject to a variety of risks, uncertainties, and assumptions. These include, but are not limited to, statements about our future and prospects, our financial projections and cash position.

Statements regarding the potential of our consumption model, statements about our sales team and technology, our expectations for new business opportunities, transactions, and initiatives. Statements regarding our channel of communication and upcoming events, statements regarding the potential of artificial intelligence and its impact on our business, and statements regarding the impact of macroeconomic and other conditions on our business. For a discussion of these risks and uncertainties, please refer to documents we filed with the SEC.

In particular, today's press release, our most recently filed annual report on Form 10-K, and our most recently filed quarterly report on Form 10-Q. These documents contain and identify important risk factors, and other information that may cause our actual results to differ materially from those contained in our forward-looking statements.

In addition, during today's call, we will discuss non-GAAP financial measures, which we believe are useful as supplemental measures of performance. Other than revenue, unless otherwise stated, we will be discussing our results of operations on a non-GAAP basis. These non-GAAP measures should be considered in addition to and not as a substitute for or in isolation from our GAAP results.

Please refer to the tables in our earnings press release for a reconciliation of our non-GAAP financial measures to their most directly comparable GAAP measure, which we have posted to the Investor Relations section of our website [REDACTED] investors.com.

With that, I'll turn it over to

Inc - Chief Executive Officer, Director

Thank you, Pete. Hello, everyone, and thanks for joining us on the call today. In Q3, we exceeded our billings, revenue, and non-GAAP EPS guidance, and I'm particularly excited to report that we grew our subscription RPO by 3% year-over-year, and our subscription RPO beyond 12 months grew 14% year-over-year. This is an exciting acceleration from last quarter and from Q3 last year, which we believe is the leading indicator of progress from our strategic priorities.

And astoundingly, in just one quarter across our entire book of business, our average contract length increased by 13%, demonstrating the long-term commitments our customers are making to [REDACTED]. When you see contract lengths increase across the entire customer base, RPO increase, and our customers making strategic long-term commitments in a difficult macro environment, it truly highlights the strength of the relationships we have with our customers.

In fact, we now have 19 customers with over 5,000 unique users and over 100 customers with over 1,000 unique users, further reinforcing this point. It seems like the headwinds we have navigated are shifting to our backs and filling our sales. I feel more confident than ever that our continued focus on ecosystem-led growth, consumption pricing, and AI is absolutely the right direction for [REDACTED].

Let me give you more detail on the promising momentum we saw with ecosystem partners in Q3. Although nascent our partner-sourced contribution to billings was up more than 20% from Q2. As a sign of things to come the number of partner opportunities in our current North America pipeline is up more than 90% compared to Q2. Almost half of our partner-sourced new logos were both created and closed in Q3.

Overall, partner-sourced new logos closed in 80 days versus over 100 days for our non-partner-sourced deals. And the close rate for these deals was also much higher than for non-partner-sourced deals. We're seeing more and more signal of partner success throughout the business, and we're finding our AI solutions make [REDACTED] an even more compelling partner. Thanks to how quickly we can help our shared customers turn AI and data into products that deliver measurable returns.

We've been highly attuned to the lead flow coming in from partners and it has been picking up considerably. A few weeks ago, I asked the team how many partner leads we had received that week. They told me two. Then the following week, I asked the same question. The answer was six. Then the next week, same question, and they reported 11 partner-sourced leads including six from just one CD partner alone.

With that same CD partner -- CDW partner, we've identified over 250 common customers and have over 150 new logo opportunities in our pipeline. We also have closed 15 deals that we jointly sold and all that since we kicked off the partnership less than six months ago. That's just one of our partners. We currently have close to 400 partner-related opportunities in our pipeline representing over 80 unique partners, 30 of which are new partners in the last six months.

As we look at our partner ecosystem, we're seeing higher average contract sizes as these tend to be larger enterprise customers. The deals are bigger, faster, convert at a higher percentage and are also higher quality. By virtue of the way that they were sourced, we believe they will be more stable and retain at a higher rate.

We are continuing to invest in our partnership strategy to capitalize on this opportunity and have redirected sales capacity from our traditional go to market motion. This means we may see some impact on our near-term billings, but ultimately would be irresponsible of us to ignore the opportunity to build a durable, repeatable, efficient growth engine, which is clearly in the best long-term interest of our company and shareholders.

As we said last quarter, we are more focused on optimizing for next year and beyond versus optimizing for last quarter and this quarter. We don't know precisely when next year all of this is going to start having a meaningful impact on our numbers. But the momentum is very real as I indicated. It's happening now and we couldn't be more excited about it.

By the time we report earnings for Q4, we think that we'll have a much better feel for how and when we'll see this partner momentum play out specifically and we look forward to giving you that color and update. I'm also happy to report that we reached our goal of converting the majority of our customers to consumption by the end of the year, a quarter early.

In Q3, 100% of our new logo deals were structured as consumption contracts, which now represent 55% of our ARR. This is almost an unbelievable transformation of our business model that in a little over 18 months we've gone from 5% to what we expect to be over 60% by year end.

I'd like to congratulate the entire [REDACTED] team on their trainings and efforts, and look forward to seeing this approach 90% over the next year. We discussed this on our Q2 call, but as a reminder consumption aligns pricing with value delivered, facilitates more rapid adoption, allows wider deployment, encourages customers to include [REDACTED] as a part of their global data strategy, enables product led growth and aligns with our partners' pricing models.

We've definitely seen a recent trend of consumption encouraging vendor consolidation in our favor. Consumption more naturally exposes customers to our entire platform which is much broader than many realize.

Once they see everything we can do, they often discover our solutions are superior to their existing vendors. What's more the transparency of consumption lets them quickly do the math, and see that [REDACTED] is a more cost-effective solution compared to some of the other vendors they have.

So with value and performance landing on our side, they've replaced their other solutions with [REDACTED]. I want to share a couple of times we saw this vendor consolidation in Q3. First, was a significant upsell with a Fortune 500 Entertainment company that migrated to consumption last year, thanks to the influence of a new CDW partner and the appeal of increased product access as we roll out our AI roadmap.

As a result, we are helping this customer achieve vendor consolidation as they now can replace hundreds of data analyst seats from a legacy competitor, and we're in discussions about replacing another competitor in a different division as well. What started as a marketing use case and under a contract that was under six figures has now grown 10x across multiple use cases.

Another example from a significant legacy replacement happened with a retail analytics company that initially chose [REDACTED] to gain insights about consumer behaviors, preferences, and trends. After seeing what was available under consumption, the company converted its contract to include unlimited expansion for internal reporting and to replace its legacy embedded analytics vendor with [REDACTED] everywhere, which lets the company share insights with its retail customers and its suppliers.

Consolidation and expansion opportunities like these are happening more and more since we started our shift to consumption, and it will be an even more powerful opportunity as customers begin to discover [REDACTED]'s advantages with AI.

We've been working on AI for a long time, and we see early insights into features customers need to really capitalize on AI. It has inspired many capabilities in our platform like workflows, which have set us up perfectly for this time when AI is emerging as a priority for businesses everywhere.

Now customers are rapidly adopting [REDACTED]'s AI solutions which early investments are having a meaningful impact on our business. I'm really excited about this, so I want to tell you more about how we get -- we got into this advantageous position with AI.

My vision for [REDACTED] started with the belief that businesses can and should get more value from their data. So we built [REDACTED] as an independent mobile first cloud native data platform on which you could build various data products.

Ideas that were completely new and gave us the agility, scale and speed we needed to continuously add new capabilities that time and time again proved to be ahead of the game. That's why as businesses pursue an ROI from practical applications of AI. They're learning they can do that right now with [REDACTED]. It starts with AI readiness, which is a critical need for every business today.

Thanks to our history and the unique strengths of our platform, [REDACTED] makes it easy for customers to get all their data in one place with the tools they need to get it ready for AI. We also launched [REDACTED] Workflows engine more than two years ago to help our customers automate business processes with low-code tools anyone could use to harness human and artificial intelligence to drive results.

Next, the proliferation of LLMs inspired our AI service layer, which lets customers use any AI model they choose in our well-governed, secure environment. Now we're entering a new wave of artificial intelligence, and our innovations have converged into a critical framework that gives us the edge in delivering value from Agentic AI, which is available today for [REDACTED] customers.

Our customers are creating and deploying AI agents in [REDACTED] that produce results so quickly, they're telling us it's almost unbelievable. One customer builds an agent to deliver an analytics report that was so complex, historically would have taken his team four weeks to complete.

The agent worked across [REDACTED]'s AI service layer and Workflows' engine to analyze several datasets with all the required guardrails, and it delivered accurate, reliable, and verifiable results in under 2.5 minutes. This is nothing short of remarkable.

While some companies are planning seven-figure investments in competitive offerings to build an AI agent over the next 6 months to 12 months, our customers are already getting meaningful and measurable outcome outcomes from [REDACTED]'s agentic AI capabilities.

We're also leveraging AI agents in [REDACTED] for our own business and have saved our support team 1,000 of hours by creating an agent that automates customer support requests. All of this is possible because we had the foresight to know that AI would reshape the future of business intelligence. AI is only as good as the data you put in.

In most cases, it's garbage in garbage out. So we built a complete tightly integrated platform with connectors ETL, CDW integrations, governance, lineage, usage, view frequencies, and data products. We pioneered building this stack.

Microsoft smartly followed the same strategy and other competitors have spent billions lashing together components of our stack. It's proving we were right. We have it all and it makes AI smoking good. In other words, [REDACTED] was built for this AI moment.

Now let me share some specific real-world examples we're hearing from customers that validate our leading position in AI. An insurance company that compared us against many of our common competitors concluded that [REDACTED] was absolutely the partner to keep their data safe in a secure environment. An IT services company shared that utilizing [REDACTED] has enabled them to integrate AI seamlessly across all their data warehouses.

A professional association told us that the transparency of [REDACTED]'s AI solutions, which show all the steps it took to arrive at results, is critical in their regulatory environment. An education services company told us that they save money by using [REDACTED] as a centralized solution instead of paying multiple vendors for AI add-ons. A media agency told us they accomplished more with [REDACTED] in two weeks than with one of our competitors in a whole year.

A real estate development company said they saw more functionality and features they need from AI with [REDACTED] than any other competitor. A marketing agency told us [REDACTED] has all the easy to use features they need to execute the AI roadmap.

A marketing software company told us that it's the actions and behaviors they can drive with that data that translates into success and also reinforce that they like the path [REDACTED] is heading on with AI. And people tell us we are one of the top two companies with market ready AI.

Earlier this week, we hosted an agentic AI launch event showcasing how our customers use [REDACTED] AI to provide unparalleled efficiency and insights across their business. I encourage you to visit [REDACTED].ai to learn more.

We feel really optimistic about our momentum and the opportunities ahead of us. Our customer relationships are very strong. Our average contract length is dramatically improving. The conversations about products and use case expansion are increasing as our AI capabilities are bringing tremendous value to our customers and our ecosystem led opportunities are driving substantial new growth in our pipeline. In summary, we believe we're in a very strong position to capitalize on this moment that [REDACTED] was made for.

And with that, I'll hand it over to our Chief Financial Officer, [REDACTED], for his inaugural earnings call script.