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DOMO.OQ - Q1 2024 Domo Inc Earnings Call

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**Owen Hobbs** *JMP Securities LLC, Research Division - Research Analyst*

## PRESENTATION

### Operator

Hello, and welcome to the Domo Q1 Fiscal Year 2024 Earnings Call. (Operator Instructions)

I will now turn the conference over to Peter Lowry, Domo Vice President of Investor Relations. Please go ahead.

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**Peter Caldwell Lowry** - *Domo, Inc. - VP of IR*

Good afternoon, and welcome. On the call today, we have Josh James, our Founder and CEO; and David Jolley, our Chief Financial Officer. I'll lead off with our safe harbor statement and then onto 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 include statements about future and prospects or financial projections, our cash requirements plans and expectations for our pricing go-to-market strategy, product adoption and product impact. Our expectations for our sales team and new business opportunities and initiatives, the potential of AI and its impact on our business and the impact of macroeconomic and other conditions on our business.

These statements are subject to a variety of risks, uncertainties and assumptions. For a discussion of these risks and uncertainties, please refer to documents we file with the SEC, including 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 Domo's 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.

With that, I'll turn it over to Josh. Josh?

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**Joshua G. James** - *Domo, Inc. - Founder, CEO & Director*

Thank you, Pete, and thank you, everyone, for joining the call today.

I'm going to touch on some of my key priorities in getting back to growth, highlight a few Q1 customer wins, give some product updates, including how we're thinking about recent developments in AI.

In Q1, total revenue growth was 7%. Our subscription revenue growth was 10% and billings declined 4%. These metrics highlight the fact that 3 months ago, we walked into a situation where there were disturbing trends and trajectories. We feel good as a team that we have been able to stabilize things and reenergize the organization and get poised for the future. My top priority as CEO is to get our growth rate up and to do so in a financially responsible manner.

What's going to bring us back to growth is a relentless focus on our customers, and a motivated and aligned sales team. I also think there's a lot of potential upside in how we price and go to market, which I will also talk about today. Focusing on our customers is exactly what I've been spending my time on since my return. It was a very productive quarter, and I couldn't be more excited about the feedback we're getting from customer interactions.

As I visited with some of our largest customers and prospects, it's clear we are providing tremendous value to some of the best brands in the world. I heard numerous examples of how companies are using Domo to foster a data-driven culture that transforms curiosity into business impact.

For example, the Chief Data Officer of one of our largest customers in Japan told me to expect broad adoption of Domo in the business. When I asked her why? She said, it's simple. I tell them if you want to use our legacy solution that's bundled with other stuff and come to me for reports, you can do that or you can just use Domo. This is an example of where our differentiation as a data experience platform really stands out. It frees IT and data professionals just like this customer from a backlog of data requests while equipping broader employees with information that will make their work more impactful.

We had another Fortune 100 company user demonstrate how much faster we add value with data integrations and no-code apps built in 3 or 4 hours where our top 2 competitors didn't work after 18 months of trying. We expect a large upsell there. We also had great customer interactions at our annual user conference, Domopalooza where we heard how companies like Ford, UHG, TaylorMade and Sephora are transforming their companies with data.

We launched our on-the-road customer connections tour and our Domo Central customer community hub with great success, and we're thrilled to see some of our largest international customers host their first annual Domo Day to rally their entire companies around the possibilities of our platform. And in Q1, we had a number of notable wins, all of which showcase our ability to unseat some significant competitors.

First was a new logo win with a U.S.-based construction manufacturing holding company. The company was challenged to combine the disparate data across its multiple subsidiaries through its existing provider. They chose Domo thanks to our ability to bring it all together under 1 master parent account with complete visibility through the ease of a mobile app. We also won business with a private equity firm that chose Domo to replace its existing BI solutions because they could not integrate all the data sources they needed to report on the performance of their portfolio companies.

With Domo's robust connector library, the company is able to provide reporting across new and existing portfolio companies. And we've already started Q2 with an exciting new logo win, the Fortune 500 multinational lodging vendor chose Domo to share data with its hotel franchisees in a platform that is scalable, easy to use and cost-effective.

Domo replaced a technology from one of our most significant competitors. All of this shows the tremendous momentum we're seeing with customers around the world as we deliver agile data experiences that spark both curiosity and enable exponential business impact.

Beyond a relentless focus on our customers, another growth driver is going to be an aligned and motivated sales force. We entered this year with much more stability in our sales force than we had last year, and I feel even more confident after Q1. I've been spending a lot of time with our sales force, and I can tell you that they are incredibly motivated to go execute against the targets we have all outlined, and that includes customers of all sizes. We've aligned the sales force very closely to how we were structured when we were executing consistently well in fiscal year '21 and '22.

In Q1, we had just 5 sales reps leave the company in what is a seasonally high rep attrition quarter. We think it reflects a committed sales force. We also have a much tighter alignment between marketing and sales. The top of the funnel continues to grow. And although deals are taking longer in this environment, our pipeline is building.

And then finally, I think we have upside in how we price and go to market with our products. We've been increasing our ability to provide access to Domo on a consumption pricing basis because we believe this will remove many of the barriers to adoption and better align our pricing to the value delivered to our customers. This allows us to offer our seat licenses to our customers for free. Our visualization and seats are free and we just charge for consumption. We think this will dramatically alter our outcomes positively. We currently have over 150 customers on our consumption pricing model, which represents over 5% of our customer base and over 11% of our ARR. Initial feedback has been positive.

The consumption model enables PLG, or product-led growth, where adoption drives upsell without the need to negotiate around seats. It makes the product more discoverable because a customer has access to the entire platform, and they only pay for what they use.

In Q1, we have already seen significant upsells from companies wanting to take advantage of more premium Domo features by moving to a consumption model. For example, we are seeing our consumption customers expanding in areas like data science, whereas before they either didn't know it existed in our platform or they weren't willing to pay for it without trying it first. We've been very deliberate and careful about how we have tested and rolled it out, but we have almost a year's worth of data around it, and we are ready for prime time.

At Domopalooza in March, we also announced a variety of product updates that allow users of any skill level to unlock new data, create new content, drive action and expand their impact on the business. As a result, we're seeing a significant rise in adoption as customers realize the value of our expanding product suite. Among these products are solutions that enhance our pro-code capabilities to increase Domo's appeal to data and IT professionals, most notably, Jupyter workspaces.

We also shared several updates to low to mid-code features, including our Microsoft Office Suite integration and our variable solution, which are seeing rapid adoption across our customer base. All of these investments work together to make our customers even more successful sharing data that is actionable for everyone regardless of data acumen. The impact of our data experience platform is also earning us recognition from the industry analyst community.

This quarter, Domo was named a leader in the Nucleus Research 2023 Analytics Technology Value Matrix for the third consecutive year. And for the seventh consecutive year, we were ranked the #1 vendor in the Dresner Advisory Services 2023 Cloud Computing and BI Market Study, beating out 17 other contenders. This type of recognition opens the door to new potential for increased opportunity with business and data leaders who want natural working environments that make data sharing effortless. All these investments make our customers even more successful at creating data experiences that are actionable for everyone. Clearly, it's an exciting time in our industry with emerging tech like large language models, accelerating the proliferation of AI and ML.

It has been incredible to see ChatGPT become a household resource in a matter of months and has highlighted the tremendous potential of these technologies. At Domo, we've always been excited about the promise of AI and are focused on integrating it in ways that add tangible value to our customers' data environments. True to our business, we tailor our AI solutions to benefit everyone across an organization from data scientists and app developers to business users and leaders and AI is only as powerful as the data connected to it. We happen to have the most end-to-end connected data stack in the world, opening up numerous possibilities with workflows, alert-based actions and automated apps. Businesses recognize the transformative potential of AI, but many grapple with how to optimally integrate and manage the diverse range of AI models available without being locked into a single one such as [ChatGPT] or Google Bard.

Although these large language models has significant power, enterprise use cases are still nascent compared to the outcomes driving the hype cycle. What's different about our AI service layer is that it gives businesses the freedom to select and integrate models securely. And by simplifying and infusing flexibility into the process, businesses can take advantage of the power of AI without being bogged down by the complexities of the AI ecosystem. The result is that our customers have control over which models are used, how and when, it's easy to manage, deploy and optimize and let users host their own models and solutions right in our data experience platform to support real-world use cases that matter to everyone, technical and business teams alike.

And I'm excited to announce here today that our AI service layer will be available in June. I'm also excited to announce that our AI Text to SQL, our AI text to Beast Mode and our AI text generation are available now, access via a Domo Brick in the Domo app store. We believe we will be a powerful player in the AI field, as it develops.

In closing, I've been back for a quarter. We have turned the ship around and are building momentum in the right direction. Over the next 2 to 3 quarters, I anticipate we will see these efforts start to show in renewed increasing growth rates. We have the right products, we have the market opportunity, and we have the sales capacity we need to grow. The entire company is energized to execute for the remainder of the year, and I'm very confident in our future.

All right. Over to you, David.

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**David Jolley** - Domo, Inc. - CFO

Thanks, Josh. I'm also very bullish about Domo's prospects after having been in the seat now for almost 3 months. In Q1, we posted 10% subscription revenue growth and 7% total revenue growth. We slightly exceeded the billings guidance we provided at the beginning of the quarter. We delivered Q1 billings of \$70.3 million, a year-over-year decrease of a little under 4%.

In reviewing the metrics that will impact the remainder of the year, our current RPO of \$237.5 million grew 6% year-over-year, and our total RPO grew 1% to \$356.7 million, our ARR grew in line with our subscription revenue growth. An area where we saw continued success was multiyear contracts, on a dollar-weighted measure, we now have 65% of our customers in our multiyear contracts at the end of Q1, up from 64% a year ago. Our gross retention improved from Q4 and approach nearly 90%, and our net retention was just above 100%, down slightly from Q4. Excluding the impact of foreign currency fluctuations, our NRR would have been about 2% higher.

Q1 total revenue was \$79.5 million, a year-over-year increase of 7%. Subscription revenue represented 89% of total revenue and grew at 10% year-over-year. International revenue in the quarter represented 21% of total revenue consistent with Q1 of last year. Our subscription gross margin was 85.9%, up 1.3 percentage points from Q1 of last year and up 0.3 percentage points from Q4, reflecting continued optimization of our third-party hosting services.

In Q1, our non-GAAP operating margin was up 2.7 percentage points from a year ago, non-GAAP operating margin primarily excludes stock-based compensation as well as executive severance, which was related to the transition of C-level executives.

Our net loss was \$6.1 million, down from \$7.6 million a year ago, and our net loss per share was \$0.17. This is based on 35.2 million weighted average shares outstanding, basic and diluted. In Q1, cash provided by operations was \$800,000. In total, our cash balance declined just \$0.5 million from last quarter to \$66 million. We expect second quarter cash flow from operations to be slightly negative. However, we continue to expect full year fiscal '24 forecast from operations to be positive.

We believe we've got adequate cash in order to continue to pursue our business objectives. While we're pleased that our actual results for Q1 came in better than our original model expectations for sales rep attrition and gross retention our Q2 and full year guidance reflects continued conservatism about how the macro may impact conversion rates and timing and resulting new business. For Q2, we are guiding to billings of about \$69 million to \$70 million, which is relatively flat sequentially, consistent with the trend we've seen over the past 3 years and down 5% year-over-year.

For full year billings growth, we are providing a range of about \$335 million to \$353 million, representing a range of 4% to 9% growth. Looking ahead to the second half of the year, we continue to believe we're in a good position to accelerate our billings over the first half outlook as we expect growth in our ramped sales capacity to accelerate.

Now to guidance for our GAAP metrics. For the second quarter of FY '24, we expect GAAP revenue to be in the range of \$78.5 million to \$79.5 million. We expect non-GAAP net loss per share basic and diluted of \$0.07 to \$0.11. This assumes 35.9 million weighted average shares outstanding, basic and diluted.

For the full year of fiscal '24, we expect GAAP revenue to be in the range of \$323 million to \$330 million, representing year-over-year growth of 5% to 7%. We expect non-GAAP net loss per share basic and diluted of \$0.27 to \$0.39. This assumes 36.1 million weighted average shares outstanding, basic and diluted. Our EPS guidance implies a positive operating margin in Q2 and for the full year. Our annual guidance is consistent with the guidance we provided last quarter.

In closing, we were able to achieve our Q1 results that were in line to slightly better than expectations as outlined in our guidance last quarter. We believe we have great alignment between sales and marketing and a sales force that is reenergized to hit their quotas and we believe we're in a good position to accelerate our billings in the second half of the year as the sales reps we have on board continue to ramp.

With that, we'll open the call for questions. Operator?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from the line of Derrick Wood with TD Cowen.

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**James Derrick Wood** - TD Cowen, Research Division - MD of TMT - Software & Senior Software Analyst

Josh, I know one of the initiatives you plan to focus on was rebuilding the large deal pipeline. I just -- just wondering if you could shed some light on what that looks like? Is that reengaging with C-level folks at existing customers? Is that identifying some larger new prospects. Just wondering how those efforts have gotten off the ground and when you are thinking about kind of how that translates into dividends and closed deals in the quarters ahead.

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**David Jolley** - Domo, Inc. - CFO

Sorry, can you repeat that first question?

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**James Derrick Wood** - TD Cowen, Research Division - MD of TMT - Software & Senior Software Analyst

Yes. Can you hear me?

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**David Jolley** - Domo, Inc. - CFO

Yes.

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

Yes, we can now. We had to change to rooms. We had a technical issue on our side. So yes please repeat.

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**James Derrick Wood** - TD Cowen, Research Division - MD of TMT - Software & Senior Software Analyst

Okay. Yes. So Josh, I was asking about the efforts in building large deal pipelines and I know that was going to be a big focus for you. Just was hoping to kind of hear what some of those initiatives look like? Is that trying to reengage with C-level folks at existing customers? Is that building

up new large prospects. Just wondering how those efforts have gotten off the ground and how you're thinking about the sales cycles and when the dividend should start to pay off?

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

Yes, Great. I mean it's not so much about the big deal pipeline is just reengaging with customers anywhere and everywhere. So any of the reps that have interesting relationships from conversations with customers and prospects, definitely trying to go out and see them. I'm sure I'm talking to at least 1 or 2 customers a day and a lot of travel. And just again, like I mentioned in the prepared remarks, trying to reengage the sales force, get everyone excited and make sure the whole company sees that we're leaning in, doing anything and everything we can to close the deals and then upsell.

And I would say in terms of the big deal pipeline, that's probably been the biggest difference maker is going into our current accounts where we already have established relationships where they are already thinking positively and they're predisposed to want to do more business with us. and finding the senior level executives there, facilitating conversations, and that's worked.

And we have found a bunch of opportunities, definitely increase the pipeline meaningfully for the enterprise business in particular. And in terms of when that will come to fruition when we'll start seeing those dollars. I think there's a chance that we could see some of that this quarter. Definitely, we'll see those things in Q3 and Q4 playing out.

But yes, a lot of great conversations, a lot of customers leaning in. The macro is certainly not as positive as it has been historically as we all know. But one thing that we've seen with our customers because we do help them save money, we do help them find revenue. If we already have a relationship, we're already -- relationship, we're already an established vendor we can find deals intra-quarter that aren't on their project list. And because they trust is we can do a quick proof-of-concept and away we go. So I think we're going to find some contracts that way.

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**James Derrick Wood** - TD Cowen, Research Division - MD of TMT - Software & Senior Software Analyst

Yes, that's great to hear. On the consumption push, it sounds like there's a little bit of a change in focus here. Maybe stepping on the pedal a little bit more. Can you just talk about how broad you're going to try to push this, when you do flip customers to consumption, is it kind of net neutral initially? And then do you see stronger expansion motions once you kind of get customers on board?

And then just kind of a third part to that, is that a way to monetize some of the stuff you're doing with generative AI, it seems like that could be an easier way to monetize LLM and some of the things that come with that.

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

For sure, for sure. Yes, it helps us -- there's a lot of functionality we've added into the platform over the years. But when you're charging per seat, every single time they want to try something, you have to go out and they have to get approval for it internally. And then we have to get them into some kind of a trial and now with the way we're doing things with consumption, it's all just sitting there at the fingertips.

And so they can try it out and pay for it for the day that they use it or 2 days that they use it and it just really provides a lot more flexibility. One of the things that we've seen already is with our data science, our data science efforts that we have, which leads us right into the AI conversations. The take rate from our consumption customers is more than double than it is for our regular customer base. And that's -- our consumption customers have only been with us for a year. So it's -- that's something that we're seeing is the take rate on the addition of products and services is dramatically different.

In terms of -- I think you asked a couple of different parts of your question. In terms of the pace, yes, we are definitely speeding it up. The more data we get, the more excited we get. And so that gives us the confidence to be able to lean into it. I was -- I tried to be very thoughtful in the remarks

that we made that we've been very judicious and deliberate about evaluating this change. And as people internally are quoting, it's not just a change in pricing, it's a change in approach.

We get to go and interact with our customers and help them find ways to improve their business without having any conversations about seats. We get to be more consultative in terms of the relationships that we have with them. And this is definitely also in response to Power BI. There's -- I've had conversations with CIOs of Fortune 100 companies that tell me that Power BI is free. I'm like, "Oh, that's great. So are we". And they look at me kind of funny, I'm like, yes, we're exactly free, exactly the same way that Power BI is free. And they're like, what do you mean? I'm like will you pay for Power BI. Every time you use it, you pay for it. You have an Azure account that you pay for. And they're like, "Oh, yes, I guess that is true, but they're free. So are we". We're free. free99, baby, we are free.

And I think that resonates really well with customers. And by definition, if we don't have site-wide license, then they're using our competitors. So this will help us shore up all the relationships that we have, I think, in a more meaningful way and then provide a lot more opportunities for growth because you're not limited to the use cases that they got approval for beforehand to purchase. Now there's use cases that are popping up and there's people all over the organization that are trying things. So we've definitely noticed that when we sign up a customer via consumption compared to seat licenses, that after 12 months, we have a higher contract value, a meaningfully higher contract value from our consumption model than we do from the traditional user-based licensing. So I don't know if you want to add anything, David, to that.

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**David Jolley** - Domo, Inc. - CFO

Yes. I guess the thing that's impressed me is just, again, to reiterate what Josh said, how judicious we've been on the front end to really be careful about -- it's not just a change in pricing, it's a change in philosophy of how we engage with our customers. It becomes then more about helping them identify those solutions that drive further adoption. And so it requires our AEs to think a little bit differently as well. And we've been very careful about that on the front end, and all the indicators have been very positive. So I think compounding what Josh said, I think the plan is to continue to accelerate that. Still some things that we need to do from an internal standpoint to make sure we've got all the right controls and process from an accounting perspective. But those are things that we'll just lean in to get focused on and then go much broader with our account base.

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**Operator**

Your next question comes from the line of Sanjit Singh with Morgan Stanley.

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**Unidentified Analyst**

Perfect. This is (inaudible) on for Sanjit. Greatly the announcements around AI and obviously, with consumption pricing that starts to make a lot of sense. I want to ask sort of 2 questions on it. One, strategically, how are you thinking about distributions and particularly the world of partnerships as it relates to AI on a go-forward basis? And then tactically, what are you seeing on the ground sort of today with customers? Is there any sense that customers are kind of pausing and evaluating the environment? Or are customers already sort of leading into this?

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

Yes. Customers are definitely already leading into this. I think the biggest highlight for Domo is anybody out there that's trying to use data with artificial intelligence. To the extent that AI can be effective, it's limited by the data that it's connected to, the systems that it's connected to. And we happen to have the stack that's tightly integrated, and we would contend as the most integrated data stack in existence. And it's been a [double with shortest] . It's been very difficult to build what we've built, but at the same time, the -- we have all the metadata about the data that's inside our system. We know what connectors it came from. We know what's stored, where it's stored, how it's connected, how the data interplays and can take that all the way into data science, machine learning and AI. And we do have customers leaning in quite a meaningful way.

And I think true to form, we've been pretty agnostic and we'll be agnostic about AI as well. So we'll integrate with the entire ecosystem and if you want to come in and you found that there is a specialized AI focusing on, let's say, for instance, pricing or focusing on optimization of your supply chain, focusing on inventory levels, whatever it is that you find this AI model and you want to integrate and use that with the data that you have in Domo, we'll definitely facilitate that. So we're very excited about the prospects. We think it's going to help really leverage the uniqueness of what we have built here at Domo.

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**Operator**

Your next question comes from the line of Patrick Walravens with JMP Securities.

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**Owen Hobbs** - *JMP Securities LLC, Research Division - Research Analyst*

This is Owen Hobbs on for Pat. So I was wondering if you guys could just give some commentary on what you're seeing in the demand environment for different geographies.

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**Joshua G. James** - *Domo, Inc. - Founder, CEO & Director*

In the demand environment through different what?

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**Owen Hobbs** - *JMP Securities LLC, Research Division - Research Analyst*

Different geographies.

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**Joshua G. James** - *Domo, Inc. - Founder, CEO & Director*

Okay. Right now, most of the geographies are pretty much the same. We've got -- I think the biggest thing that we've noticed is if you have an established relationship, with a customer, you have an ability to get in there and sell additional products. If you have an established relationship with the prospect and you've been working with them for a quarter or 2 and they've identified a project internally it's important. And they've had time internally to lay out their case for why they should make this investment in Domo, then those are the deals that are still getting done.

The deals that aren't getting done in any geo is, we could call into your accounts and maybe we've met you once or twice at different conferences or in webinars, and we call in and you have no project identified trying to create that project from scratch right now and getting that approved is next to impossible.

And so it's -- that's what's dried up, people are just pausing and we're not losing deals. We're still getting the leads and they're just going and pipeline is just building for customers that aren't ready to make a decision. So hopefully, as the macro returns at some point, we'll have a whole bunch of opportunities and projects where we've been talking with prospects. But in terms of geo, Japan continues to be successful for us. We made investment there early, actually it was the first country that we went to before we even went to London, and that continues to be a good business for us. And internationally, again, the rest of the international geos, I would say, just mostly focused on where we have customers, where we have references.

And then the #1 type of new deal that we get is a Domo customer that was a user at one of our previous customers and they go to a new account, and then they call us and say, "I want to do exactly the same thing". And those are the deals that we'll get intra-quarter.

**Owen Hobbs** - JMP Securities LLC, Research Division - Research Analyst

Great. And Josh, one for you. So this is your first full quarter back, I guess, kind of in general, retrospectively, how do you feel you guys performed versus expectations coming in?

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

Well, I think you walk in, you kind of -- the hands has already been built. So you look at the hands, you try to play it the best you can and you set yourselves up for the next round, and that's what we're really trying to do. We're trying to play the hand that we have the best we can. And we mentioned everybody that -- we weren't sandbagging last time around. It was like hold on through dear life and try to make sure that we optimize this thing, we get it to cash flow breakeven and net operating margin positive within those constraints, then get the assets moved in the right places, get this swagger back, get the relationships with the customers, get some deals closed, get some momentum, get some juice because it's infectious. And I think that confidence is here.

I had a conversation with our sales consultants -- sales engineers yesterday. And I asked the question, I'm like, okay, there's a bunch of stuff going on that's not so positive in the macro, and we've had to make those adjustments here internally as well. How are you all doing with that. I kind of get a bunch of dumb looks in return, like why are you asking us that question. Yes, we get. We -- of course, we get it. Let's go. We're rallying. We're not in a pessimistic negative situation here. Let's go win some accounts. So it is really refreshing to kind of take the temperature of the team. And I think everyone here is excited about what we're doing.

Consumption is going to be a game changer for us, being able to tell the world and tell customers when they're sitting there looking at Power BI for "free" and knowing that our visualization layer is free as well, our seats are free as well and moving all of our accounts over to consumption as quickly as we can is something that's energizing, knowing that we've got a freemium right on the heels of that, we generate over \$10 million in freemium last year which is not a number that we're going to continue to provide, but just to help people understand the significance of that opportunity for us. And that's something that we're really focused on optimizing and improving and consumption makes that conversation a whole lot easier.

So I think there's a lot of people here that are really excited about the prospects of the future. AI couldn't happen to a better company because we're so integrated top to bottom. We don't have 95 partners in order to make data platform and your data experience work. We are that data platform, we are that data experience. So AI really facilitates and dramatically improves the speed at which you can do things. So we're very excited about those prospects as well.

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**Operator**

(Operator Instructions) And your final question comes from the line of Eric Martinuzzi with Lake Street Capital Markets.

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**Eric Martinuzzi** - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst

Yes. I just wanted to confirm the billing guide for Q2 is that \$69 million to \$70 million?

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**David Jolley** - Domo, Inc. - CFO

Yes, that's right.

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**Eric Martinuzzi** - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst

Okay. So assuming we come in at the midpoint of that, we'd have kind of a down 4% for the front half of the year. In order to get to that full year kind of midpoint range, we need to be coming in double digits on the billings growth in Q3 and Q4. And I'm just -- I'm wondering what you guys are seeing in the pipeline that gives you that confidence to reiterate the year given the Q2 billings outlook.

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**David Jolley** - Domo, Inc. - CFO

Yes. So a couple of observations there. Going back, if you look at our historical results over the last 3 years, Q1 and Q2 are very close from a billing standpoint. So that's pretty consistent with what we've seen over the last several cycles. And there is a bit of seasonality in the buying patterns of our clients. And so we've historically seen just a natural increase. I think the thing that adds to that for us this year is we added a lot of new sales reps in the third quarter and fourth quarter of last year, and it takes some time for those reps to ramp.

And so we see a natural or full ramping of those reps in Q3 and Q4. And as a result -- and that's really how we evaluate their performances once they've been ramped, and they're really familiar with the product, the offerings, the accounts. And so as they become fully ramped in Q3 and Q4, there is a natural acceleration. And so that's what's -- that's built into the model. So that was a -- that's a conscious that's not just to push everything back to the back end of the year. It truly is based on how we've built our sales executives.

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**Eric Martinuzzi** - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst

Okay. And then, Josh, maybe if you could speak for changes that have been made on the, I guess, maybe a sales management question. I don't know if Jeff is available or not, but the CRO changes since taken over 90 days ago, everything from training, mentorship, travel, demos, what changes have been made with the new hires here versus how they were handled before.

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**Joshua G. James** - Domo, Inc. - Founder, CEO & Director

Yes. I think Jeff's really known quantity. He had the majority of the team working for him before. He had relationships with the international folks because they'd go to sales kickoffs together. They'd go to sales trainings together. So [his] very known quantity was very well respected, and there's just different ways of doing things. And we think for the time and place that we're at right now, we're going to see some positive momentum from that. The team certainly energized and excited, and there's highly competitive spirits, and there's definitely a lot of rallying together and so it definitely feels like 1 team here across all the organization I'd say, more than probably it ever has in my 13 years here.

So maybe the first couple of years when we're -- when we don't know what we're doing, yes, everyone is pretty excited. But in terms of the last 7 or 8 years, it feels like we're more unified than we've been. So in that sense, I think Jeff plays a part in that certainly, and there's a lot of rigor in the way that Jeff does things and there's really high expectations in the way that Jeff does team -- does things.

All the managers across the board for the most part came from his organization at this point. And then there's a few other people that he's brought in and a few people that have just kind of made it through all these years. So it just -- it feels really good. The team is really excited. The reps are really excited. And I think with the changes that we're making, that we're seeing with AI, that we're seeing with consumption, with the ability to get all these different products out to our customers so that they can try them out and use them and the upsells that come from the customer successes, not because we're trying to convince you that maybe you should look at something, but truly because they're having success already and it's spreading inside the organization, that's a really fun way to be a rep. So I think people are pretty excited about the future in that regard.

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**Eric Martinuzzi** - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst

Okay. And then if I could just get some insight on the ramped sales capacity, is it where you expected it to be? I know you talked about almost a record low turnover here in Q1, but there's 2 parts to it. There's the new hires and then there's also retention of your installed base of reps -- or are we getting -- or what we're expecting as far as the total headcount versus ramped sales capacity.

**David Jolley** - *Domo, Inc. - CFO*

Yes, I'll take that one. The answer -- the short answer is yes. The folks that we brought in, in the latter half of last year, I think they're continuing to ramp nicely. And we haven't -- we haven't had really what we call any sort of regrettable turnover in the first quarter. We feel really good about where we're at. And we've got some more hires out there on the horizon, but we're bringing those in sort of in an orderly way. And the other thing I'd add is we've had QBRs over the last couple of weeks. And so we've had most of the different reps here at headquarters and hearing a lot about the experiences that they're having and the discussions they're having is all very positive.

And to reiterate, Josh brings a certain amount of just excitement and energy back to the organization. And that is especially true in the sales organization. And you can feel it in talking with them. They're really excited about the opportunity about some of these new things that we've got on the horizon, whether it's a pricing model or they're really excited and anxious to lean in on those things. So I think those are all working out as we had hoped.

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**Joshua G. James** - *Domo, Inc. - Founder, CEO & Director*

I'd add also, it's not just Jeff Skousen that's new here, right? We've got Mark Maughan in the new role, but he's been here forever. So very similar to Jeff, very well respected across the organization. And very -- one of the highest rated folks that we had here in management and now he's got a lot more responsibility. So he gets to prove himself, but that's exactly the kind of situation that you want, and everyone in this organization has been really excited. So it's been fun to get all that feedback.

Daren Thayne, he was responsible for the entire product and then he -- we had an opportunity to get Catherine and he wanted to shift over to more of engineering services and spending a lot of time with customers because we really didn't understand the market at that time. But now he's back in that role where he has entire responsibility for the product and it's a new style and it's invigorating. And he's really excited and his team is really excited and the pace of innovation is definitely different. So I think that brings a new amount of energy.

And then David Jolley being new as well. That's a new amount of energy. So really across the whole organization, Wendy's on the newish front still. It's a new team that we all get to prove to each other what we can do into our organization, what we can do. And it feels like a new start-up in a lot of senses, but we just happen to have \$300 million of recurring revenue and a great customer base and a huge platform that we spent a lot of money investing into. So it feels like we're poised really well for the future, really the macro to pick up a little bit. But with the sales capacity that's coming, we think there's still an opportunity to get back to some good growth.

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**Operator**

This concludes today's conference call. We thank you for your participation. You may now disconnect your lines.

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**Joshua G. James** - *Domo, Inc. - Founder, CEO & Director*

All right. Thanks so much. Appreciate it.

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