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DOMO.OQ - Q4 2024 Domo Inc Earnings Call

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CORPORATE PARTICIPANTS

Peter Lowry *Domo Inc - Vice President, Investor Relations*

Joshua James *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

David Jolley *Domo Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Patrick Walravens *JMP Securities, LLC - Analyst*

Max Michaelis *Lake Street Capital Markets, LLC - Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Domo fourth-quarter fiscal year 2024 earnings call. (Operator Instructions) As a reminder, this conference is being recorded. And it is now my pleasure to introduce to you Peter Lowry, Vice President of Investor Relations.

Thank you, Peter, you may begin.

Peter Lowry - *Domo Inc - Vice President, Investor Relations*

Good afternoon. On the call today we have Josh James, our Founder and CEO; and David Jolley, our Chief Financial Officer. I'll lead off their 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 statements are subject to a variety of risks, uncertainties, and assumptions.

These include, but are not limited to, statements about our future end 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 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 file 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 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 at domoinvestors.com.

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

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

Thank you, Pete. Hello, everyone, and thanks for joining us on the call today. I'll start with our quarterly results, including some positive financial results and positive improvements in our financial position despite a challenging macro environment. We exceeded guidance for key top-line metrics in Q4, including revenue, subscription revenue, and billings.

We had record positive free cash flow in the quarter, and for the first time, we were operating margin positive for the full fiscal year. Importantly, we have also extended the maturity of our debt, and we are bullish on closing a more economically advantageous longer-term refinancing option.

Now looking ahead, of course, my top priority is getting Domo back to growth. I started Domo 14 years ago to disrupt practices that were limiting the potential of data in business. Previously as the co-founder and CEO of a category leading, publicly-traded web analytics platform, I just didn't understand why couldn't also access the online and offline data that all live digitally and that I needed to answer all my questions about the business. I wondered how much more could I do if I had all the data I needed at my fingertips, on my phone with alerts and the ability to get the whole company rallied around real-time information. In fact, how much more could all of us do with better access to data?

Innovation starts with questions like these, but how often do we dismiss our curiosity just because we don't have a way to explore it, or because we've been beaten up for so many years with massive costs, inaccurate data, late data, siloed data, or data that was only accessible through gatekeepers. And then just being told over and over and over it just wasn't possible. That's why at Domo we're building AI-driven data solutions that are so intuitive that everyone can explore their ideas with AI doing all of the work, and then turning them into automated actions leading to substantial impact.

Today with the new possibilities for data and AI proactively guiding your whole experience, I see more potential of this vision than ever before. Businesses must free data from central organizations if they want to compete using AI. And Domo lets our customers extend their intelligence, their expertise, and governance into solutions that work for everyone.

Now, when I started Domo, it was about democratizing data. Now with AI, we are democratizing intelligence. And with our broad app platform, we are even democratizing taking actions on that intelligence.

I've spent the last year in the field as much as possible, and the response to this vision is incredibly validating. I hear time and time again, Domo is game-changing for customers who fully embrace us. That's why this year, our strategic priorities are focused on making it quicker and easier for customers to unlock the full value of Domo.

Now in turn, we expect these initiatives to improve sales cycles, drive user growth, and scale our business faster. Today, I'm going to focus on the progress of three key priorities. PLG, or product-led growth, our rapidly growing efforts in place in the ecosystem and democratizing AI, while governing it in a very unique way for enterprises.

So I want to start with product-led growth, PLG, which contains three foundational components to how Domo operates and lubricates the entire customer adoption lifecycle. First, the consumption model, which we fully embraced enables everything else. Second, a low cost and effective customer acquisition model through our freemium offering. And third, discoverability of the breadth of our platform shown entirely in line, while customers are using the product.

We do this by displaying use cases, demos, and data-driven pathways based on the customer's behavior that ultimately lead them towards optimal success. Of course, this will correlate high net revenue retention and will drive ROI, for both Domo and our customer. Both sides are completely aligned in a PLG model. And I know every Domo Sapien is excited to stand behind our ability to have our product speak for itself.

Why do I know that? Because we attend events like our upcoming Domopalooza or our 20 connection tours that we did last year or -- I was definitely reminded of this just last week over and over again, when I travel to see customers in eight cities across the globe that we truly have raving super fans who love to tell us how we have changed their entire businesses. Our job now is to efficiently drive as many of these customers as possible to our product and to a new relationship with Domo. All roads lead to consumption-driven, freemium enabled highly discoverable product-led growth.

And allow me a moment to share some details in each of these areas. Consumption makes it easier for Domo customers to put their data to work across the entire organization, with all of their users being included, being free, they can now prove value before adding to their investment. And they can expand immediately without delays like lengthy contract renegotiation or seeking approval around IT restrictions on new users for products without budgets allocated beforehand. Now, already, consumption is proving its potential to open doors to new and exponential growth for Domo.

I'm going to share some great examples when I talk about our wins later, but I want to start with the momentum we're seeing as a result of this new consumption effort. Over the last two quarters, our consumption customer base has doubled; just two quarters doubled. In Q4, consumption deals accounted for over 90% of the dollar value of our new logo deals.

Very significantly, of our consumption customers that have already been on the consumption model for at least six months, around half of them are already pacing to use more credits than what they originally contractually purchased. Now, we anticipate this number will increase meaningfully as that time span increases from 6 months to 9 months and 12 months. And we believe this will lead to many more upsell opportunities in the year.

And again, our interests are aligned with our customers. They are getting more value, as their credits are being consumed. And we believe this is a fantastic leading indicator that we just recently discovered.

These results showcase compelling indicators of future revenue growth. And we are even more committed and even more poised to move the majority of our customers onto the consumption model this year.

Now the second leg of the PLG stool, if you will, is freemium. Freemium, in fact, is possible because of consumption because of that model. And we can now offer a free version of our products that lets even more users experience the power of Domo with no time limit, and the natural path to becoming consumption customers as they expand usage and find value.

Importantly, customers do not start paying until after they are receiving value. Coupled with this freemium experience, discoverability is a critical investment in our product navigation that will let us capitalize on the user growth we gain from both freemium and consumption.

Today, the sheer volume of data and apps we all deal with demands new and better organization. Now, especially as we continue to drive more users to leverage Domo, it's important that we offer an intuitive experience that makes it easy for users to explore Domo and to discover all the ways we help them put their data to work for their entire organization.

And with this improved discoverability, last fall, we switched to a freemium model based on credits used from a previous free trial model that had a short and expiring timeframe. And already, four months later, our free users were actively connecting data about their business and exploring Domo have more than doubled, a meaningful increase in the top of the freemium funnel, and we are just getting started. That's only four months in. And we believe this is an incredible signal of the PLG potential.

As we continue this momentum, we're leaning into freemium as a strategic lever for sales. Our sales teams are actively offering it to keep them long lead customers engaged, and to convert cold customers faster. Not only that, but with a growing pool of active users, we're improving our sales and marketing strategies with more tailored messaging based on the user activity data that we're gaining. We have not seen a material impact on our financials yet from these initiatives, but extrapolating these numbers out and understanding the improvements that we believe we're going to see as we continue to refine the process, we think this is going to be a very top cost effective customer acquisition vehicle with a meaningful impact on our long-term growth.

Now, our next strategic priority is to make 2024 the year of the ecosystem, the year of the partner. We've declared it internally, and we are intensely focused on scaling our ecosystem with efforts towards four different types of partners: technology partners, app partners, data partners, and system integrators. Willingly, the changes we made to drive more product-led growth, also in line us to be effortlessly equipped for success in the ecosystem, particularly given the breadth of our end to end data solutions.

Historically, most companies in the ecosystem considered us as competitors in one form or another. Now, we have mutually beneficial relationships where we typically drive the business of our partners by extending technologies that drive data ingestion and compute, and also by extending access to a partner's product to a much broader base of users who were previously unreachable.

I'll give you some examples. We now work with cloud hyperscalers to run Domo, while keeping compute in their own environments, and that wasn't possible before. Hyperscalers now keep that revenue and gain valuable business user growth, Domo gets more scale, and also a much improved impression from the IT organization and CIOs as we are more aligned to their major current IT initiatives.

Another example, technology partners can now use Domo to develop apps on our platform, combining multiple technologies automatically and out of the box, so they can provide incredibly valuable data solutions to their customers. Especially with AI being a critical component of most customer strategies, we are leading in this realm as our partners are incorporating artificial intelligence through predictive data science models and LLM-driven insights that make it intuitive for users to take action. In fact, we're now working with a major e-commerce platform to deliver an app that will help customers keep inventory levels and geographical locations down-to-the-box accurate. Clean inventory data provides operational benefits and will allow this e-commerce platform to deliver AI predictive analytics to its customers through the app.

Lastly, on the partnering ecosystem front, Domo Everywhere is central to many data partnerships and is gaining even more momentum, as many of our customers' customers are now adopting Domo. This has also been substantially unlocked by allowing our customers and partners to offer their customers a freemium version of Domo to trial apps that they make that have prefilled and pre connected data from that partner. What a fantastic first freemium experience for our potential customers of Domo.

And I mentioned the hyperscalers earlier. Our fairly unique independence in the market makes our ecosystem opportunities pretty intriguing to multiple large hyperscalers. We now have budding relationships with most everyone of size and ecosystem. In fact, in Q4, we became available in the Microsoft Azure Marketplace, where customers can now purchase Domo using their Azure consumption commitment. We have numerous interesting partnership announcements and updates coming over the next few months and at our annual user conference, Domopalooza, later this month.

Speaking of Domopalooza, the most significant advancements we will be announcing at our user conference center around our very innovative and unique investments in data-related AI technologies. I want to take a moment to preview some of our new offerings. Already, Domo excels at accessing data and delivering intelligence at the right place in the right time, which positions us to be a long-term strong player in AI.

It's been said that fantastic AI eliminates the need for UI. For instance, envision a prompt that guides a business user to view their sales data or any other data and any anomalies or interesting trends.

Now, there are other companies who can do that, but what about doing that just for the data that has already been determined for just your access based on your job, or your title, or your geo? Now, what if you want to deliver that insight regularly to others that are in your organization? Where's the governance around the access and around the sharing? Where's the data that informs the private LLM in the first place?

What if you want to change from, let's say, OpenAI to another AI service, or to one of the thousands of new models available on Hugging Face and elsewhere? Then what happens to your data governance, to your access, to the data integrity? And how do you extend that to customers in data distribution apps or in automated workflow apps?

There needs to be a conductor and guarantor of this governance and of this data quality, and we happen to be perfectly and uniquely positioned for this. And as we've highlighted and previewed our efforts to customers, we are receiving very encouraging responses. We're leaning into these strengths and letting customers bring Domo's AI into the environments where they need it.

It's a new kind of modular AI that lets customers piece together unstructured data and host governance around it with the flexibility to use any AI model they need. This foundation lets us think broadly about how we can bring AI to life, and we'll have some exciting new AI products to share soon.

Now, let me share some of our notable wins from the quarter starting with several new logo customers. I'll start with a new enterprise customer in diversified manufacturing that was looking to expand from tax to other finance use cases, including FP&A and inventory planning.

The company considered using its legacy BI and ETL providers, but after a proof-of-concept with us, they chose to use Domo for a few reasons. First, after seeing the breadth of our capabilities, the company recognized Domo has a superior solution that combines both BI and ETL into a unified platform. It made Domo easier to use for them, better serving its business users, and expansion was a tenth of the cost of expanding with the legacy vendors. The consumption model absolutely facilitated this deal, and we're optimistic it will continue to open doors with this customer to expand as they roll out use cases across the finance department and other departments in the future.

Next example, a large healthcare company hired Domo to provide an integrated patient data network across multiple systems, a requirement for a business transition the company that was undergoing. The consumption models helped us strategically map anticipated costs, as the company scales their use cases across the organization. We won this deal against a healthcare-focused BI company, because in addition to delivering this need, we were able to solve a more horizontal business challenge and leveraged the expertise of an ecosystem partner; ecosystem for the win.

Now, let's move on to another customer. We also had a significant win with a Fortune 50 healthcare company that stores sensitive materials in climate-controlled environments delivered to and stored at thousands of pharmacies. The initial use case incorporates a data reporting app, an automated workflow app, and alerts to help identify and provide a data-driven action plan when the temperature ranges are outside of an acceptable boundary.

The company chose Domo after a brief proof of concept showed how stunningly quickly we could combine data from disparate sources, including IoT devices with our automated workflow apps to develop a superior solution to solve this problem versus a non-working kludgy combination from a wide variety of the usual competitors. The customer also liked the flexibility of Domo's platform and our fast time-to-value. We are in dialogue about a variety of additional use cases without the typical timing of giant budget conversations, RFPs, and procurement approvals; thanks to our ever-enabling consumption contract, again, good for both parties.

An additional example is an industrial equipment company that chose Domo to replace their legacy vendor, which couldn't effectively provide performance metrics, like cost of delivery and on-time performance to their hundreds of suppliers. Domo provided the enterprise-level support they needed to integrate data from multiple systems and create their supplier performance scorecards.

In another example, we won business with a marketing agency that was using a homegrown analytics solution, making it difficult for business users to answer their own questions. The company chose Domo because our platform seamlessly integrates multiple marketing systems for cross-channel analytics. So customers have a single source of truth for marketing data. They also preferred Domo's easy-to-use self-service analytics and our ability to quickly activate additional use cases.

Now, those were the new logo examples, and I also wanted to share some exciting upsell examples. So with a meaningful expansion in usage in Q4, we have reached about \$1 million in ARR with another Fortune 100 global shipping and logistics customer. The company initially chose Domo, because we replaced a manual process by connecting to over a dozen disparate systems to create a daily checklist of key priorities for the company's global freight forwarding teams. Prior to Domo, the company spent hours a day assembling the checklist manually.

The expansion this quarter included a variety of use cases that its incumbent providers couldn't deliver, including a unified data experience for its customers. The company chose to expand its usage of Domo partly because of our self-service capabilities that allowed its citizen developers to solve use cases without the additional resources required by legacy solutions.

In another example, we had an upsell with another Fortune 100 retailer this quarter. We already had a small footprint providing salvage and returns data and had been looking for opportunities to expand the relationship. In Q4, we got the opportunity to connect to data sources from its hundreds of salvage vendors, and provide them with real-time recovery rate metrics in a portal. A report that used to take three analysts a day to pull together is now completely automated in the Domo platform.

As a result, we doubled our contract size. Consumption is unlocking a much broader audience with this customer and facilitating many discussions for additional use cases across the organization.

Before closing, I want to say that I'm very excited about our aforementioned Domopalooza user conference, which will be held in person, yay (laughter), in Salt Lake City later this month, from March 26 to March 29. We have some amazing customer stories and new data plus AI product developments to share on stage. I hope to see many of you there.

As we look ahead to FY25, with our responsible financial posture as the backdrop, I am very excited about positioning Domo to take great advantage of our future growth potential. I feel optimistic that with the substantial transformations that we've made, our strategic initiatives will create meaningful momentum and let us bring the full value of Domo to customers at a much more rapid pace. I look forward to updating you about our progress throughout the year.

And with that, I'll turn it over to Mr. David Jolley. David?

David Jolley - *Domo Inc - Chief Financial Officer*

Thanks, Josh. Like you, I'm excited about the growth initiatives we have laid out for fiscal '25. Before I get into the details, let me provide some of the highlights for the quarter. We exceeded our billings guidance, generated record free cash flow, and for the first time, we were operating margin positive for the full fiscal year.

Before I get into more details on these metrics, let me give you an update on our debt refinancing. We've extended the maturity of our debt with BlackRock to April 2026, a little over two years from now. Additionally, we're currently considering options to refinance this debt on more favorable terms with a longer-term facility to improve our overall financial position. While we're still seeing a challenging macro environment, we were able to exceed the billings guidance we provided at the beginning of the quarter.

We delivered Q4 billings of \$105.4 million, a year-over-year increase of 1%. Total revenue was \$80.2 million, also a year-over-year increase of 1%. Subscription revenue represented 90% of total revenue and grew at 2% year over year. In reviewing the metrics that will impact fiscal year 2025, current RPO was \$243.4 million, consistent with last year and our total RPO grew 1% to \$380.1 million as of January 31, 2024.

On a dollar-weighted measure, we continue to have approximately two-thirds of our customers under multi-year contracts. As we had anticipated, in Q4, we had some down-sells at three enterprise customers that, combined with more normal churn, led to gross retention of 82% and net retention of 91%.

Moving on to margins and profitability, our subscription gross margin was 83.9%, down 1.8 percentage points from Q4 of last year, due primarily to costs associated with new product features and functionality. We expect these costs to stabilize and our gross margin to improve slightly during fiscal 2025.

Non-GAAP operating margin was 4%, up 0.6 percentage points from a year ago. Net loss was \$1.9 million, compared to a net loss of \$0.8 million a year ago. Net loss per share was \$0.05, based on 36.8 million weighted average shares outstanding basic and diluted.

In Q4, cash flow from operations was a record \$5.4 million, while free cash flow was \$2.9 million and our cash balance increased \$3.6 million from last quarter to \$60.9 million. For the full fiscal year, we generated positive cash flow from operations of \$2.6 million.

Now, let me highlight our expectations for Q1 and fiscal 2025. In establishing our fiscal 2025 financial plan, we've not assumed any improvement in the IT spending environment or meaningful contribution from some of our newer growth initiatives. To be clear, we continue to be very optimistic about the longer-term impact of these initiatives, including consumption, partners, and freemium. We believe we could see some impact in the back half of the year, but we feel it's prudent to see how these play out before including projected growth in our guidance.

At the beginning of last year, we'd committed to be operating margin positive with positive operating cash flow, both of which we were able to achieve. Looking forward to fiscal 2025, again, we expect to have positive operating margin, and leveraging what we've been able to achieve in Q4, our objective is also to be free cash flow positive for the full year. With that as a foundation, our plan is to invest our resources in the growth initiatives that Josh just outlined to reignite growth at Domo.

While we could focus on margin expansion, we believe that consistent with the rule of X theory promoted by Bessemer Ventures, investing in these growth initiatives will provide a higher return over time. That said, we intend to invest prudently, such that we remain operating margin and free cash flow positive for fiscal 2025. With that, we are initiating guidance for fiscal 2025 as follows. For Q1 topline metrics, we are expecting billings of about \$70 million and expect GAAP revenue to be in the range of \$79 million to \$80 million.

We expect Q2 billings to be relatively flat from Q1. For the full year of fiscal 2025, we expect billings to be in the range of \$324 million to \$334 million, and we expect GAAP revenue to be in the range of \$315 million to \$323 million.

Also, as a reminder, in Q1, we are hosting our annual user conference, Domopalooza, as an in-person event for the first time in five years, which will result in higher sales and marketing expenses. We are extremely excited to be back in person for Domopalooza to share our developments in AI, product discoverability, and other features with our customers. This investment always yields great returns.

As a result, we expect non-GAAP net loss per share, basic and diluted, of \$0.21 to \$0.25 for Q1. This assumes 37.4 million weighted average shares outstanding, basic and diluted. For the full year, we expect non-GAAP net loss per share, basic and diluted, of \$0.36 to \$0.46. This assumes 38.5 million weighted average shares outstanding, basic and diluted.

In addition, we expect cash flow from operations to be slightly positive in Q1. And as I mentioned, for the full year of fiscal 2025, we expect to be a free cash flow positive.

In conclusion, we posted slightly better than expected topline results with record cash flow, and I believe we're setting the right foundation for sustainable long-term growth.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Patrick Walravens, JMP Securities.

Patrick Walravens - JMP Securities, LLC - Analyst

Great. Thank you. Josh, two for you. But the first one is, what are these investments that you're planning on making and it seems like more so in the beginning of the year than the rest of the year?

Joshua James - Domo Inc - Chairman of the Board, Chief Executive Officer, Founder

Well, first half of the year, we have Domopalooza, so that's a meaningful expense that's going to hit this quarter.

Patrick Walravens - JMP Securities, LLC - Analyst

Okay. Got it.

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

And then beyond that, the investments that we're making around building out our ecosystem and the go-to-market component of that, there's some marketing dollars and obviously, some people associated with all the opportunities that we're seeing in the ecosystem. And then just some additional investments in AI and some spiffs and other incentives around transitioning our customers to the consumption model throughout the CSM organization and the sales organization. That's a big part of the focus as well.

Patrick Walravens - *JMP Securities, LLC - Analyst*

And when you say like investments in AI, does that basically mean hiring people with those skill sets or is it something else?

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah. A bunch of engineers focused on -- a bunch of our best engineers focused on that and some backfills as they've transitioned from other areas.

Patrick Walravens - *JMP Securities, LLC - Analyst*

Okay. Great. And then where would you say that Domo has the best product-market fit today?

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

I would say there's two components. The biggest is just understanding of you look at that full stack, it's really a modular full stack. And if you're looking at your different AI opportunities that you have, how are you going to be able to take advantage of those AI services? Once you -- let's say you go into -- let's say you're an OpenAI, you're an enterprise OpenAI. And we had a customer just tell us this, you can upload, you can drag and drop your data files and start asking questions, but there's zero governance around it.

There's zero ability to distribute that out. There's zero ability to say, I want to start receiving these weekly, and we have that infrastructure and that governance in place. So whether it's extending AI intelligence or building an app and taking action off of that data that you have inside your organization, that's where we really fit in distributing that information, governing that information, and then taking action on that information.

Patrick Walravens - *JMP Securities, LLC - Analyst*

All right. Awesome. And then David, a quick one for you and then a longer one for you. The quick one was, I think last quarter you told us consumption was 20% of ARR.

Did I miss it? Did you give us a new number for that?

David Jolley - *Domo Inc - Chief Financial Officer*

No. I don't think we did, but actually, we're a little over 25% at this point.

Patrick Walravens - *JMP Securities, LLC - Analyst*

Okay. Great. And then on the debt, I think you mentioned that you're bullish about closing on more advantageous terms. Can you just give us a little more color on that, roughly -- I mean, I realize it's hard to predict a deal, but roughly what timeframe are we talking about, and what's the risk that it doesn't happen?

David Jolley - *Domo Inc - Chief Financial Officer*

I'll just say broadly in process. So we're looking at some opportunities right now relatively near-term, but looking at opportunities currently. And the terms look to be, I would say, a little improved in what we have in place today.

Patrick Walravens - *JMP Securities, LLC - Analyst*

All right. Great. Thank you very much.

Operator

Max Michaelis, Lake Street Capital Markets.

Max Michaelis - *Lake Street Capital Markets, LLC - Analyst*

Hey, guys. Thanks for taking my question. First one on the -- related to the consumption model. I know you mentioned around half of your customers on the consumption model have already, I think, approached or surpassed the contracted credits. Maybe if we look at that other half of the customers there, maybe what have you done or what are you doing to drive greater usage out of that other half of the customer base on the consumption model?

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah. I think the biggest component of that and what's interesting to us about it is, they're only six months into it. So a lot of those are new customers. And so they're working through the installation, they're just rolling it out to people, they're just connecting the data for the first time. So we were surprised that already at six months, there were people that were already trending above where they had contracted with us.

And it's what we were hoping for. And frankly, why we've been pushing so hard consumption because we think the long-term net revenue retention is going to be much higher than we've ever had here before.

And then what we're doing is, now, instead of focusing on trying to go and pitch a use case to a customer and hoping that they can get budget allocation for a concept, now we're going into our customers and saying, hey, we're not coming in to try to get any dollars for you or get any additional contracts, but let us come and show you some use cases and you can try them out.

And you can click on these buttons, and it might cost you \$5, but go try it out and see if you get benefit out of it. And let us show you how to use our AI services. And let us show you how to build automated workflow apps. And those kinds of conversations are much more well-received than what they've been historically.

We'll go to an organization that maybe has a marketing use case and they -- we have a great relationship with them, and we'll say, hey, why don't you introduce us to the finance team and we're going to show you -- we'll introduce you to the CFO at one of our other customers who's in a similar industry as you guys, and just let us share with you what that CFO is doing in their org and how they're using Domo. And again, you already have all the users, you could do this tomorrow. You already have it in the contract, so go ahead and start using it.

And so, it's more focusing on adoption and trying to help those customers consume the credits because when they do, they're clearly and automatically getting value from it.

Max Michaelis - *Lake Street Capital Markets, LLC - Analyst*

All right. Another one for me, maybe for you Josh. So I'm not sure if I missed it on the call here or in the prepared remarks, but we think about timelines, especially on AI. I know it's early, you guys are hiring out engineers, but I mean, if we think about a timeline on when you could see the benefit from this investment in AI, what are you thinking?

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

I mean, most of our conversations that we're having with our customers right now are around AI. All of our current customers are interested in buying additional products and services and helping them manage the various AI investments that they're looking at. So like we said in the prepared remarks, it used to be democratizing data and now it's really democratizing that intelligence.

And if there's -- because AI is moving so fast, when you take an AI model, you want to apply it to data, but it can't be just a run of the store. It has to be organized. It has to be a private LLM. It has to have governance around it. You need to have the lineage around what was created, what was queried, who was it distributed to. And so you need to have a layer like Domo that allows you to understand that and govern that, manage that, distribute that.

At the same time, what happens if that service that you were excited about last month is all of a sudden not very innovative and behind the times, and a brand new one comes out that is helping you, let's say, optimize your pricing, and you want to be able to take advantage of that, and you need to switch from the old one to the new one? Now, how are you going to do that?

Again, if you have a layer like Domo, sitting on top of everything and that has view into the data that helps you organize and manage your data, let it sit wherever you want, let it stay in Snowflake, let it stay in Databricks, let it stay at AWS. We don't care. We just help you manage, govern it, control it, and distribute it.

And that's where we're seeing AI really bring the strengths and advantages that we have to the forefront. So it's actually something that we're doing right now. We have some great product announcements coming out of Domopalooza around AI. We've been making investments there for quite some time.

We've been in predictive analytics, machine learning, which are both components of what AI is today. So, we've been doing this for a long time and it's actually great that now the market's moving there, it's really highlighting the distinct advantages that we have.

Max Michaelis - *Lake Street Capital Markets, LLC - Analyst*

All right. Thanks, guys. And then last one for me. David, maybe for you. How should we be thinking about cash flow at the end of 2025 -- fiscal year '25?

David Jolley - *Domo Inc - Chief Financial Officer*

Yeah. So, we're very committed to be free cash flow positive. So our plan has us achieving that, and the extent that we vary from that a little bit, we'll take whatever actions we need to make sure that we are free cash flow positive. So that's our plan going in here at the beginning of fiscal '25. And that's what we expect to end up with --

Max Michaelis - *Lake Street Capital Markets, LLC - Analyst*

All right. Thanks, guys.

David Jolley - *Domo Inc - Chief Financial Officer*

Yeah. Okay. All right. Thank you.

Operator

Derrick Wood, TD Cowen.

Unidentified Participant

Great. Thanks, guys. This is Cole on for Derrick. David, one for you, maybe. Just looking at NRR down ticking again, sounds like the new investments in consumption and freemium could help that run up over time. But as we think about it over the next couple of quarters, is this the bottom here? Do you think that looking at deals and potential down sales, it could go lower before it starts to accelerate?

David Jolley - *Domo Inc - Chief Financial Officer*

Yeah. I mean, as we look at the plan that we've got in place for this next year, I mean, this should be the low point. And the way to think about it, when you look at billings, either they're flat or growing, there's about a there's about a two-quarter lag on that. So if we look back a couple of quarters ago, billings were flat. We've had a couple of very low single-digit billings gross, but that should start to turn and as we add to billings, again, if we see an increase in billings, then that ARR is going to go up. So -- and that's what we've got in the plan.

Great. Thanks. And then Josh, one for you. Would love an update on go-to-market, rep productivity, pipeline into the first quarter or second quarter here. That'd be great. Thanks.

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah. I mean, we've definitely seen, since Q4 of a year ago, the macro headwinds definitely took place in terms of rep productivity, pipeline conversion, and it definitely weakened throughout the year. I think it started to stabilize in Q4. So again, to David's last comment, hopefully we've hit the trough and we have hit the divot and we're coming back out of it, but definitely still feel macro headwinds and we've optimized toward the most efficient sales executives that we have.

So we know we have people that can produce and we're doing everything we can to optimize their ability to be successful. We've had some successes overseas and in different pockets as well. And I think the investments that we've made in AI and the investments that we've made converting this over to consumption, we're going to start seeing some of those things start to affect our ability to be more successful. So, not only -- well, I think, the macro conditions changed things pretty dramatically, and just with macro recovering alone, I think we'd get back to the profile that we were at 24 months ago.

But in addition to that, we think there's some really cool tailwinds that we have as well with our ability to uniquely help customers out with AI, and then with the change and the transformation and the model, and how that affects our customers and their ability to grow with us and adapt with us, and also find that return on their investment before they have to go and get a contract approved.

So we're excited about the position. We haven't seen it yet in the financial results, but I can say that everybody here at the company is as excited as we've been about our long-term prospects. We feel like we fit really well in the ecosystem with the changes that we've made to our technology.

And because you look at -- if you look at our unique advantages and distinct unique advantages that we have relative to the makeup of our company, we are one of the few independents and certainly at scale, that independence is helpful. We have a full stack that is composable, it's modular, and we fit really well with the hyperscalers that are out there and they're all really interested.

If you're going to go to market and you're a hyperscaler and you need to provide a full solution to your customer, are you going to walk in with five partners to be able to fill out that stack or maybe just with Domo? And the sales rep doesn't have to manage five different accounts and transactions and contracts to get a deal done. They can just work with just us. And because we've now made our backend so that you can keep all that data driving the hyperscalers consumption, we think that it puts us in a really unique position.

And we're definitely excited to see how that plays out over the next 12 months, and we'll certainly keep the street updated on how that's going to affect our progress and our ability to do something different than what's in the numbers today.

Unidentified Participant

Helpful, guys. Thanks.

Joshua James - *Domo Inc - Chairman of the Board, Chief Executive Officer, Founder*

You bet. Thank you.

Operator

And there are no further questions at this time. And that concludes the question-and-answer session, and that also concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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