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DOMO.OQ - Q4 2025 Domo Inc Earnings Call

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PRESENTATION

Operator

Greetings, and welcome to Domo's Fourth Quarter Fiscal Year 2025 Earnings Call. (Operator Instructions) As a reminder, this conference call is being recorded. I would now like to turn the call over to Peter Lowry, Vice President of Investor Relations of Domo. Thank you. You may begin.

Peter Lowry - *Domo Inc - VP - Investor Relations*

Good afternoon. On the call today, we have Josh James, our Founder and CEO; and Tod Crane, 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 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 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. In Q4, we exceeded our guidance for billings, revenue, non-GAAP EPS and adjusted free cash flow. We have also turned the corner on cash generation and expect positive adjusted free cash flow for Q1 and for fiscal

year '26. Our subscription RPO growth accelerated to 14% year-over-year and our long-term subscription RPO growth accelerated to 38% year-over-year.

I don't know how many companies ever have had that big of a gap between billings growth and long-term RPO growth. It's certainly one of the best performances relative to billings growth across the entire software landscape that I know of. RPO was over the \$400 million mark for the first time ever and is an incredibly important metric for our business as it derisks revenue and indicates future stability. I'm particularly excited about this improvement in RPO because of what it represents.

In the past, there may have been some misinterpretations regarding the strength of our customer relationships. But as you can see, many of our customers have made long-term bets on the Domo platform and our ability to evolve and grow with them.

The improvement in RPO is also a positive because of what it means for our retention rate. Longer-term contracts mean more opportunities to help our customers adopt new use cases and achieve a meaningful return on their investment in our technology. This dramatic improvement in executing longer contracts was accomplished in only two quarters of the year of focused effort. We believe that we can continue to move the needle meaningfully on retention as we get better and better in executing on this plan over the next fiscal year.

Continuing on the theme of improving retention, there are four ways we believe we will meaningfully enhance our ability to retain customers.

Number one, after the macro changed and our retention along with it, we quickly made a change to stop charging for seats, which immediately altered the landscape for us. Number two, we focused on partnering with CDWs as the lack of CIO endorsement was the soft underbelly of the relationships with our customers in the past. Number three, we made an aggressive move towards shifting all of our customers to consumption. Since then, we've tracked the health of our customer relationships based on metrics such as user growth, log-ins and cards created. As expected, consumption customers are adopting Domo substantially more widely in their organizations compared to the cohort of seat-based customers.

And this puts us in a much stronger position that we think bodes well for retention and upsell. As evidence of this, in fiscal year '25, our consumption customer cohort had gross retention of over 90% and net retention of over 100%. We've made great progress migrating our customer base to consumption over the past 21 months. We've gone from 5% of our ARR on the consumption model roughly two years ago to 25% at the end of fiscal year '24 and now to more than 65% at the end of fiscal year '25. Excitingly, I could see this approaching 90% by the end of fiscal year '26. What a dramatic change in such a short window and is totally attributable to the efforts of all Domo Sapiens.

And finally, the fourth move we've initiated to affect retention is the focus to improve the satisfaction of our customers, leading to much longer deals, both renewals and new logos. We've had great success getting more and more of our customer base into multiyear agreements. And if you just do the simple math, the change in contract length alone should contribute at least two percentage points of improvement in our gross retention rate in fiscal year '26 compared to fiscal year '25.

Moving along to our priorities. As a reminder, our primary fiscal year '25 growth initiatives were to build out our partner network, continue to add AI innovation throughout the platform and shift our customers to consumption pricing.

As for our primary focus at the beginning of the year, we said that this was going to be the year of the ecosystem. Throughout the year, we saw partners bringing us high-quality leads and helping us close new ACV. Accordingly, we have reallocated our engineering resources to make Domo work more seamlessly with our partners' technology and redirected our sales resources towards partner enablement. Our primary partner focus has been with cloud-based data warehouses or CDWs. Over the past few years, we have seen leading CDWs become the center of gravity in our ecosystem, and we believe our foundational vision, strategy and platform make us an ideal partner for them.

Domo is an AI and data products platform.

And as such, as companies have recognized that AI and the digitization of businesses have become more important than ever, they are relying on Domo. They recognize we are uniquely positioned to enable amazing experiences hosted on a partner, CDW, which benefits them and positions us extremely well in the data ecosystem. Domo was architected to rapidly ingest, store, prepare, visualize and analyze vast amounts of data as a

modern cloud-based platform. And because we are now uniquely built to wrap around a cloud-based data warehouse or CDW, a customer can quickly and efficiently implement a modern data analytics solution or leverage new AI opportunities with just their preferred CDW and Domo instead of cobbling together four or five different solutions from different vendors. We went live with our first CDW partner in June of 2024, and we were immediately brought into many strategic data conversations.

Let me share a few of these deals with you, which highlight the type of success we are seeing with our CDW partners. An entertainment company chose Domo because its data was siloed and its legacy BI vendor was not being adopted. The company was looking to consolidate its BI technology stack to provide a better integrated solution that had the ability to create low-code apps. Critical to winning this deal was our seamless integration with our CDW partner, including our ETL capabilities, which run on top of our CDW partners' infrastructure. After evaluating our capabilities, the company replaced its entire legacy BI stack, including Power BI with Domo and our CDW partner. Another win was with an engineering company that chose Domo and one of our CDW partners to replace its existing systems, which were not meeting the needs for its rapidly growing number of new facilities.

After a proof of concept, the company chose Domo and our CDW partner based on our superior real-time performance and the ease of developing better analytics for its new locations. Finally, a rapidly growing retail franchise management company was looking for a solution that can provide franchise metrics such as revenue, membership growth and product inventory with a business-friendly front end and a scalable enterprise-class back end to support its rapid growth. The company chose Domo and one of our CDW partners based on the strength of our partners' back end and our easy-to-use solutions and the overall integration. These examples were all Q4 new logo wins with our CDW partners and one of their strategic system integrators or SIs, which is another important partner focus for Domo. Leading CDW SIs are hugely relied on and influential in many of our customers and the broader data landscape. They are considered domain experts and provide powerful customer recommendations.

This type of endorsement creates more lead flow and a more robust pipeline for us and the SIs involvement helps ensure a successful implementation for our mutual customers. In fy25, we actually added more than 10 of these CDW system integrators as Domo partners, several of which are top-tier implementers of our CDW partners technology. Another area of opportunity for us is leveraging Domo Everywhere to partner with our customers to provide powerful data solutions to their customers in a B2B2B or B2B2C setup. Data is incredibly valuable, but often companies struggle with unlocking that value for their customers and their partners. Our Domo Everywhere solutions allow customers to unlock that value by embedding data and insights into their own applications.

Partnering with Domo creates competitive differentiation without the need to build a data sharing solution internally, which provides cost savings and monetization opportunities. We have dozens of multimillion-dollar contracts from Domo Everywhere as it continues to be a strategic and defensible part of our business. For example, a cloud-based legal case management software company has been a Domo customer for almost a decade. This customer initially chose Domo to provide basic case management analytics and then expanded to provide analytics around a variety of internal use cases, including sales, marketing and finance.

After having a great internal experience with Domo, the company then partnered with us to create an external data offering to improve case management and operational efficiency for their customers. The company has added hundreds of customers for its new analytics offering, which is powered by Domo and this not only offsets their data costs, but actually now represents millions of dollars of revenue and margin for our customer with plenty of room to grow. And the beauty of the partnership is that it provides more exposure to Domo for their customers.

In fact, dozens of their customers now have become direct Domo customers. With a significant upsell in Q4, this relationship now represents several million dollars for us that is also driving new efficient revenue as our partner. While it is still a challenging software spending environment, one area where we see companies willing to invest and increasing spend is around AI enablement, and we see AI as another key growth driver for us over the long term. Over the past year, we have seen AI jump to the top of everyone's mind, dominating technology spending and road map discussions. AI solutions such as recommendation engines, machine learning, algorithms and agent-like workflows have been a part of the Domo platform long before AI went mainstream.

We believe Domo was built to capitalize on this AI moment with enterprise-grade access to data products in a safe, governed way. Our platform allows us to innovate rapidly because we have already built the foundational elements necessary for a successful AI strategy. This is the moment where data and intelligence come together to drive real business value and we believe we are extremely well positioned. In fact, Domo AI won

several industry awards in Q4, including the 2025 Debbie's Award in the data analytics and visualization category, the 2024 KM World Readers' Choice Award for Best AI and the Database Trends and Application Magazine's list of trendsetting products in data and information management for 2025.

Domo excels at connecting to all the data within an organization, something data scientists have long struggled with. But we not only connect to the data, our platform allows our customers to transform the data to make it AI ready. We also recognized early on that customers would want the flexibility to choose from a variety of new models that were being developed, including those hosted in leading CDWs like Snowflake, Databricks, Oracle, Google or Amazon.

So early last year, we launched our AI services layer, which lets customers select the model of their choice in a well-governed secure environment. Our ability to access the proprietary data needed for AI to curate it to be AI-ready, to apply models to gain insights and to deliver those insights to the line of business is a core Domo competency. What our customers are demanding is an ROI on AI investments and Domo's platform delivers it today. Domo's powerful tools, combined with consumption pricing allows business users and data scientists to quickly try out and access artificial intelligence capabilities without having to allocate substantial incremental budget. We are hearing positive customer feedback on both the strength of the Domo platform for AI and its low friction and accessibility.

Our platform allows our customers to create AI agents and AI-driven workflows. These agents perform automated tasks independently to drive incredible efficiencies. We developed workflows years ago and those capabilities, combined with our AI service layer have allowed us to rapidly innovate to create agentic AI solutions, which are increasingly becoming adopted by our customers. In summary, Domo's AI and data products platform lets people channel AI and data into innovative uses that deliver a measurable impact. Anyone can use Domo to prepare, analyze, visualize, automate and build data products supported by and amplified by AI.

As we have moved to a consumption model, we've seen that it better aligns pricing with value delivered, facilitates rapid adoption and aligns with our partners' pricing models. Consumption drives product-led growth as customers are often unaware of the vast capabilities of our platform. With unlimited access to the platform, all of Domo's capabilities are more discoverable, which drives adoption, of course. Consumption is also driving longer-term, more strategic relationships with our customers as evidenced by 38% long-term subscription RPO growth. For example, last quarter, a packaging company entered into a 5-year, almost 7-figure agreement to replace Power BI with Domo. The company chose Domo because we demonstrated a faster time to value, we're better able to serve their internal constituents and can more effectively consolidate data from acquired companies into their primary ERP system.

Our consumption model, which includes unlimited seats, allows the company to expand with Domo internally and through acquisitions and gave the company confidence in entering into a 5-year deal.

Moving on to an industry recognition. In addition to the Domo AI awards we received in Q4 Domo platform rose above the pack in several industry distinctions. This includes receiving five Dresner Advisory Services Technology Innovation Awards, our eighth consecutive year as a multiple category winner. Domo was recognized as a top vendor in the analytics platform, cloud computing and business intelligence, embedded BI, collective insights, and self-service BI wisdom of the crowd's thematic market reports. Domo was also ranked in the exemplary quadrant and received several top distinctions across five 2024 Information Services Group Analytics and data buyer guides, including Gen AI Analytics Buyer Guide, Collaborative Analytics Buyers Guide, Mobile Analytics Buyers Guide, Embedded Analytics Buyers Guide and Analytics and Data Buyers Guide.

In all, five buyers guide Domo scored an A- in the customer experience and TCO ROI categories.

Finally, Nucleus research found that Domo customers report a return of nearly \$7 for every dollar invested into our AI and data products platform. Through the firm's rigorous ROI analysis, Domo customers highlighted consistent benefits, including a 35% improvement in user productivity, a 20% technology cost savings, and an average 15% increase in revenue. We are, of course, very excited that we are once again hosting our annual user conference, Domopalooza, on March 18 to 21 in Salt Lake City. You can expect to see new product announcements and many amazing customer stories from companies such as Samsung, Lenovo, Filevine, U.S. Bank, Harvard Business Review, the NBA, A&E Networks, Discount Tire, Taylor Made, and Sony.

I hope to see many of you there. And if you're coming, please reach out, and we'll connect you with as many customers as possible.

In conclusion, I'm very pleased with our Q4 results. I believe we're absolutely making the right strategic moves to get back to efficient growth. As we look ahead to fiscal year '26, we remain focused on further developing our partner relationships, enhancing our AI capabilities, and migrating the remainder of our customer base to the consumption model. And from a financial standpoint, I believe we'll start to see the beginning of growth acceleration while consistently generating cash.

The progress we have made over the past year positions us very well and provides a solid foundation for defensible long-term growth. And with that, I'll hand it over to our esteemed Chief Financial Officer, Tod Crane.

Tod Crane - Domo Inc - Chief Financial Officer

Thanks, Josh. We exceeded our Q4 guidance for billings, revenue, non-GAAP EPS, and adjusted free cash flow. Total revenue was \$78.8 million, with subscription revenue representing 91% of that amount. Q4 billings were \$102.6 million. In Q3, the year-over-year percentage improvement in sales rep productivity was the best we had seen in four years.

In Q4, we continued that trend and the improvement in productivity was even better. This is critical for us as a company and has been a priority of mine to make sure we're not only getting back to growth but doing so efficiently. We ended the quarter with a total subscription RPO of \$403.6 million, up 14% year-over-year, a significant acceleration from Q3 and our best subscription RPO growth result in over two years. Subscription RPO beyond 12 months grew 38% year-over-year, and the average contract length across our entire customer base continued to increase.

Gross retention was 85% in Q4, the third consecutive quarter at 85% or above, which is a nice improvement from where we were. In Q1, we expect gross retention to remain around the current level.

And for fy26 as a whole, based on the progress we've made in key areas, we expect at least a two percentage point improvement. Our long-term goal continues to be gross retention of 90% or better. Our year-over-year ARR net retention was up sequentially for the second consecutive quarter. We see consumption as another potential tailwind to gross and net retention. In fy25, our consumption customers had gross retention of over 90% and net retention of over 100%, both of which are meaningfully better than the cohort of seat-based customers. In fy26, consumption renewals will represent a larger percentage of our renewal base and therefore, have a larger impact on our retention metrics.

Our adjusted free cash flow was \$6 million in Q4, a significant improvement from Q3, and our cash balance increased from \$40.9 million in Q3 to \$45.3 million in Q4. Looking forward, we expect to be cash flow positive in both Q1 and fy26. Moving on to margins and profitability. Our subscription gross margin was 81.4%, down sequentially due to the timing of capitalized software amortization. We expect this metric to be in the low 80s over the near to medium term and then an expectation of returning to the mid-80s over the longer term.

Non-GAAP operating margin was 4.1% and non-GAAP net loss was \$1.8 million. Non-GAAP net loss per share was \$0.05 based on 39.3 million weighted average shares outstanding. Because we are in a net loss position, all share and per share amounts are the same for basic and diluted. As for guidance, for the full year, we expect billings of \$310 million to \$320 million, GAAP revenue of \$310 million to \$318 million, and non-GAAP net loss per share of \$0.29 to \$0.39, assuming 40.9 million weighted average shares outstanding. Our fy26 EPS guidance implies a 2% operating margin in fy26, an expansion from breakeven in fy25.

For Q1, we expect billings of \$62 million to \$63 million, GAAP revenue of \$77.5 million to \$78.5 million, and non-GAAP net loss per share of \$0.18 to \$0.22, assuming 39.7 million weighted average shares outstanding.

Our Q1 billings guidance reflects the impact of approximately \$5 million of renewals that have shifted out of Q1 to other quarters in fy26 as a result of consumption conversions that occurred in fy25. As our full-year billing guidance indicates, this is just a matter of timing. For Q2, we expect low single-digit billings growth. And from there, we expect a steady acceleration in billings growth for the remainder of the year. In conclusion, I am very pleased with the progress that we have made at building an efficient growth engine. And based on the actions we have taken over the past year, I believe we are well-positioned to improve both our growth and our profitability in fy26. With that, we will open the call for questions.

Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Patrick Walravens with Citizens JMP.

Patrick Walravens - Citizens JMP - Analyst

Congratulations on the quarter. Josh, can you comment a little bit about what you're seeing in the macro and if all of the sort of rapid movement coming out of Washington, D.C. is having any effect on your customers and their willingness to pull the trigger?

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

For the last couple of years, which is people aren't doing anything that's not well organized that hasn't been thought about for a long time, has lots of authorizations. There are no superfluous activities going on right now. So that said, when they are making a purchase decision about us, it's something that's pretty well backed with different metrics on their side. And yes, it feels very similar to how it's been. RJ, do you want to add anything to that?

RJ Tracy - Domo Inc - Vice President of Partners, Strategic Development and Channel

Yes, I agree. I think we've definitely seen in the last couple of years, but I don't think we've seen anything in the recent term yet, but we're always looking out for it.

Patrick Walravens - Citizens JMP - Analyst

And Tod, if I can ask two to you. I would love to understand a little bit better this dynamic between renewals and consumptions and the shift, the \$5 million you were talking about. And then secondly, if you could just talk about where you are in sort of cash debt and how you feel about the balance sheet and addressing the balance sheet. Both of those would be really helpful.

Tod Crane - Domo Inc - Chief Financial Officer

Yes. Thanks, Pat. Appreciate the questions. So first, on the shift, as we work through consumption conversions over the past year, a lot of times when we have that conversation with the customer, we'll reset the renewal date. So normally, they might have renewed in Q1. We have a conversation in the middle of their contract that could be in Q2 through Q4.

And when they decide to make that conversion, we'll actually reset that renewal date into a new quarter. So just we had more of a shift in renewal timing last year than we normally do, and the net impact of that was a \$5 million shift out of Q1 into the other quarters. On the other question regarding remind me the other question was, Pat?

Patrick Walravens - Citizens JMP - Analyst

Balance sheet.

Tod Crane - *Domo Inc - Chief Financial Officer*

Yes, on balance sheet and cash. So I mean, very happy with the free cash flow result in Q4. \$6 million was actually the highest free cash flow result we've had in our company's history. So happy to see that cash balance go up from about \$40 million to \$45 million plus during the quarter. We have debt of about \$120 million, but we've got 4-plus years to kind of deal with that.

So right now, the focus is on getting back to growth and at the same time, generating cash and continuing to bolster that cash balance.

Operator

(Operator Instructions) Our next question is from Derrick Wood with TD Securities.

Unidentified Participant

This is Jared Juhan on for Derrick Wood. I was wondering if you can talk to the partnerships you have with Snowflake and Databricks. Maybe comment on how deal activity with them has been tracking relative to your expectations.

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

Yes. So we definitely made a big deal internally and externally this last year about we were going to almost rearchitect our company to be focused on the ecosystem. First, from a product standpoint, and from a customer experience standpoint. And then secondly, from a go-to-market standpoint. And we feel like we made tremendous progress there.

We made a big goal out of it, and I think we were very successful at the activity that we had around it. The last quarter, I think we said this quarter, we were hoping to see some data and be able to start to understand how it's going to affect our numbers and our growth trajectory. And there's a few pieces of data that we saw that are really encouraging. First of all, when we generate a lead historically, if you look at the conversion rate of that compared to a lead that we generate from our ecosystem, our ecosystem converts at about a 5x increase in conversion rate. So one lead from the ecosystem is worth five leads that we generated independently. Secondly, if you look at once that lead becomes a Stage 3 lead for us, which is basically where it's in the pipe and the sales reps are responsible for closing it, we have a two to 3x increase in close rates from the ecosystem than we do from regularly generated leads.

So we're starting to see a lot of really positive activity across not just the CDWs, but our entire ecosystem.

And there's dozens and dozens of partners that we added last year. Some are CDWs, some are the SIs, the CDWs and many of them are also partners that have come through Domo Everywhere. And it's certainly exciting to see the massive difference in conversion rates. And so now it's all about building that pipeline. And we started just last quarter to kind of add at a meaningful rate. And I think as we look to Q3 and Q4, hoping to see some meaningful acceleration in actual deals that are closed.

And hopefully, that will affect billings in a way that we're not guiding to. We think that through the end of this quarter and through next quarter, we're hoping to get some good news that will allow us to be able to raise guidance for the Q3 and Q4 numbers based on what we're seeing in the partner network. But that's been really exciting to see. And I think there's the increase in close rates, and there was another piece that we were going to mention. Do you remember?

Tod Crane - *Domo Inc - Chief Financial Officer*

Yes. One thing to keep in mind, while it may not have a huge impact on our overall billings number, it is a meaningful percentage of our number.

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

That's right. Yes. I know there's another piece. But so even this year, it should have a material impact on the percentage of revenue that's derived from new logos, the percentage of billings that's derived from new logos. We think that our channel, our ecosystem is going to make up a very meaningful portion of that.

I don't know if it will be a majority, but it will be a very substantial portion of that. And the thing that's exciting about that, that's within this fiscal year. If that happens within this fiscal year, then it's going to give us a ton of confidence about substantial acceleration the year after that.

So lots of great signs, lots of great signals, not enough for Todd and I to be able to say, "Hey, we're running a public company, let's increase guidance for it yet". But we're hoping through Q1 and Q2, we start getting enough meaningful information there. And as those rates, if those close rates those massive differences in close rates hold true.

And we think they will because we've got a substantial enough sample size already that we believe that's accurate.

But assuming that's the case and assuming that pipe fills with the activities that we already have going on, we just need to continue to do the same thing that we're doing that hopefully, by end of Q2, we're able to talk about guidance, Q3, Q4 that's going to be impacted by this channel. So lots of great progress there.

Unidentified Participant

Appreciate all the color on that. And then last one for me. Obviously, you've done a lot of work on go-to-market motion so far. But heading into the next year, do you plan on making any additional tweaks? And then maybe just comment on sales hiring expectations as well.

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

Any additional tweaks to the channel and the channel go-to-market, is that what you're talking about?

Unidentified Participant

Just go-to-market more broadly.

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

I think we'll just continue to do more of the same. We've been shifting more and more to the ecosystem. So as we get good leading indicators from that investment, and we'll continue to shift more and more dollars there. The type of profile of people that we're hiring, finding people that have experience with the ecosystem or any of those CDWs, we'll definitely continue to look to hire that type of a profile. And then the only other difference or change that I would talk about is just our focus on adoption. As you move over to a consumption-oriented company, you're not selling ideas and aspirational use cases that you hope a customer can sign up to.

You're actually just going and helping the customer use the product and find satisfaction and find ROI. And as they do that, their consumption increases. So it's a different motion. It's a more satisfying motion. The customers like it.

It's easier to walk into a customer and say, "Hey, we just want to show you how to use the product better. And they're excited to do that because it doesn't come with a big upfront cost. They can incrementally try it if they get a return, then they do more of it. But that requires a different type of skill set as well. So we'll continue to shift more and more technically, in terms of the profile of people that we have at the organization.

Operator

Our next question is from Yi Fu Lee with Cantor Fitzgerald.

Yi Fu Lee - Cantor Fitzgerald - Analyst

Congrats on the strong finish to fiscal '25. So a couple for Josh and then a couple for Todd as well. So sticking with our partner ecosystem update as this is a big part of our thesis. I was wondering if you could give us more update on the acceleration from the transition from the consumption to the partnership model where we have the CDW partners, the ISV partners, hyperscalers. And now like today, Josh, you talked about SIs.

Can you give a little bit more color on how this channel is managing the SI and perhaps speak a little bit more about that 5-year 7-figure deal you're talking about? Is it like a wall-to-wall adoption?

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

Yes. Great. Thank you. Definitely nuances to all the different types of partners, and RJ, feel free to jump in if you want add any color, but different types of nuances with each partner. We're seeing the majority of activity from the CDWs, but it's not necessarily the CDWs.

It is the CDWs plus the SIs. And in many cases, it's just the SI that's facilitating that relationship. And with the SIs, especially in that CDW world, if you go look at those top CDWs and look at their top five SIs, we have relationships with the majority of those SIs and with the best SIs. And I think it's fair to say many of them are fighting over us. And they're saying things like we used to go to market with four or five different vendors every time we got involved, but it's so much easier to work just with you guys or we did an evaluation of all the vendors in this space, and one SI said, we evaluated you and listed you at the top and said there was a giant gap and then there was everybody else.

So we're getting really positive feedback from the SIs, and that's been very encouraging as well. And we're just starting to scratch the surface on how that's going to impact our business. But again, nothing but really positive feedback there.

And then from the Domo Everywhere type customers, we've closed some great deals. We have some great customers already.

I think we've been awakened a little bit this last quarter to the opportunity that's there and also to a few of the blockers that may have existed in our product and so being able to focus on that a little bit more. We had a couple of customers really highlight for us a few areas where if we improved, it could really move the dial. And since we now have this partner motion, we're able to go and really help those customers mine their customer bases and help them generate revenue. So it really is a win-win because we're making it faster and quicker for them to be able to go to market, make their customers happier because they're providing them data, and it's in line with the other information and the other software that they're selling to them. And then we're helping them improve and increase their revenue by selling this analytics add-on.

So they're able to offset the cost they were paying for Domo in the first place.

and in some cases, make substantial revenue and profit margin out of it. And then at the same time, at the back end comes good deals for us, in some cases, multimillion dollar deals. So it's a really good business for us as well and definitely continues to be excited about the ecosystem, nothing but positive signs right now from every portion of the ecosystem.

Yi Fu Lee - Cantor Fitzgerald - Analyst

Josh, can you talk about the Databricks? Like I imagine for this quarter, you added Databricks to the mix, right? So I understand you're probably working with Snowflake, Databricks. So how does that add to the mix in terms of adding like a very good solid CDW to the mix?

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

Yes. So certainly, we didn't bring everybody on at the same time. And if you look at all the CDWs, we have more momentum with some of them than we do with the others. But there's five CDWs that we have pretty substantial relationships with, where we've kind of been through the executive process, we have executive relationships. They kicked the tires, we've done the due diligence.

They've done the due diligence. We've gone to some joint customers together. We talked about joint products together. We've developed to their technical specs to make sure all the guys and our products work well within the framework that they want their customers to have an experience in. And so now we can't put all of our efforts into all of them at the same time.

So like I mentioned before, the ones that are leaning into us are where we're leaning back first.

I think the challenge right now is they're all leaning in towards us a lot more intensely than we have the resources to lean back. But yes, Databricks is definitely a CDW that's coming on quite quickly, and we're having a lot of great experiences with them and with their SIs. And then we've got several others, some before and some after amongst that list of Google and Oracle and IBM.

And I'll let RJ talk a little bit more about some of the other activities we're having with some of these newer CDWs that we're working with.

RJ Tracy - *Domo Inc - Vice President of Partners, Strategic Development and Channel*

Yes. And one of the things I'm excited about is, ultimately, we're removing friction out of the sales cycle. And that friction that we're removing was unintentional in the first place. We were never trying to compete. But removing the friction is really good for Domo.

It's good for customers. It's good for the CDWs for SIs because it gives customers choice. It allows us to partner and let the CDWs do what they do well and different CDWs have different strengths. And this allows customers to purchase their data foundation and allows us to have a symbiotic relationship where our goals are aligned. We want customers to get value out of their data.

And Domo is really good at helping to hydrate these clouds at providing ETL capabilities to these clouds, providing a way to disseminate that information out, AI agents. We've got a whole AI strategy that all these clouds are really excited about because it leverages all the cool things they're doing with LLMs and all of the infrastructure that they have in place and allows us to be the vehicle that gets it out to everybody. So I'm really excited about it.

Yi Fu Lee - *Cantor Fitzgerald - Analyst*

Can I just squeeze in one more, Josh, before I ask on the financial questions, we've seen IBM acquisition of data stack. I know it's a different area within Data Cloud and Snowflake and coming from the media. I was wondering, has this increased the conversation in terms of M&A in this space? Just a brief pick on it, Josh, before I go on to the financial questions.

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

Yes. I think that's one of the things that we said we were open to, of course. And we said in order to maximize the value that does exist here at Domo, we need relationships with multiple CDWs. We need to show the value that we can provide to the ecosystem. As RJ mentioned, we weren't trying specifically to cut ourselves out of those relationships and those conversations, but there was a perception that we were competitive with every CDW out there.

And fixing that has, I think, really opened the eyes of all of the CDWs. We had one CDW just recently say, we've our #1 competitor in the CDW space. We've always struggled competing with them because their ease of use is more substantial than our ease of use. But us plus Domo, we feel like

that neutralizes the ease of use instantly and then the customer gets more of the complexity that we offer. So we're starting and this is the CDW telling us this.

So we're starting to see them really recognize there's no other company like ours. We're independent, we're not owned by any of their competitors and we're not just one piece of 6. We're all of them. And the integration actually helps.

Oh and by the way, if you want to build an AI product, if you want to build some kind of agentic functionality on top of that, you're going to want that enterprise class, you're going to want to have it governed, you're going to want to have it secure.

You're not going to want to have it passed between five or six different vendors. And here we are just sitting here. We just really needed to fix this piece to unlock it. And it's going to take us through the end of the year before all the technology is working as smoothly as we want it to for all of these CDWs. But I actually think we have a really good path for a long time as an independent provider to all of these folks because they don't feel threatened by us.

And if along the way, all of a sudden, there's consolidation for our space, then we think we're going to be in a prime position with multiple parties at the table because they're recognizing the value we're providing to their customers.

Yi Fu Lee - *Cantor Fitzgerald - Analyst*

Got it. And Todd, just one quick one on the financial side. I understand the guidance, and I appreciate that the first half, it sounds like you guys are going to build a pipe for a better third quarter and fourth quarter. This way could perhaps maybe adjust the guidance later. But the good thing is you're going to guide free cash flow positive for the entire fiscal '26.

I was wondering what are some of the things that, Tod, you could see that could potentially give you more confidence to guide higher as we go along the year?

Tod Crane - *Domo Inc - Chief Financial Officer*

Yes. There's a couple of things there. As we've talked about, the leads continue to come in steadily on the partner front, which we're really, really glad to see. The conversion rates are multiples higher for partner deals than they are for non-partner deals. The piece of it that we're still waiting to get a little more predictability and consistency on is the volume of those leads.

So once we feel like we have a good [beat] on that volume, I think that's going to give us the confidence we need to bump up that guidance for the back half.

Operator

Thank you. With no further questions, this will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

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