

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

DOMO.OQ - Q1 2026 Domo Inc Earnings Call

EVENT DATE/TIME: MAY 21, 2025 / 9:00PM GMT

CORPORATE PARTICIPANTS

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

Joshua James *Domo Inc - Chief Executive Officer*

Tod Crane *Domo Inc - Chief Financial Officer*

RJ Tracy *Domo Inc - Chief Revenue Officer*

CONFERENCE CALL PARTICIPANTS

Yi Fu Lee *Cantor Fitzgerald & Co., Inc. - Analyst*

Jared Jungjohann *TD Cowen - Analyst*

Eric Martinuzzi *Lake Street Capital Markets, LLC - Analyst*

PRESENTATION

Operator

Greetings and welcome to the Domo Q1 fiscal year 2026 earnings call.

(Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, 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're joined by Josh James, our Founder and CEO; and Tod Crane, our Chief Financial Officer.

I'll lead off with our Safe Harbor Statement. And then, on to the call.

Our press release was issued after the market closed and is available on the Investor Relations section of our website.

Please note this call contains forward-looking statements about our business, as defined under Federal Securities Laws. These statements involve risks, uncertainties, and assumptions, including, but not limited to, statements and projections about our future financial performance, growth prospects, cash position, sales efforts, technology developments, new business opportunities, transactions and initiatives, the potential impact of artificial intelligence, and other macroeconomic factors on our business.

For a detailed discussion of these risks and uncertainties, please refer to our public filings, including today's press release; our most recent annual report on Form 10-K; and quarterly report on Form 10-Q -- all available on the SEC website. These documents list important risk factors that could cause our actual results to differ, materially, from our forward-looking statements.

We will also discuss non-GAAP financial measures during the call, which we use as supplemental indicators of Domo's performance. Other than revenue, unless otherwise stated, we will be discussing our results of operations on a non-GAAP basis.

These measures should be viewed as complements to, not substitutes for, our GAAP results. Please see the reconciliation of our non-GAAP results to the most directly comparable GAAP measure on our Investor Relations website, at domoinvestors.com.

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

Joshua James - Domo Inc - Chief Executive Officer

Thank you, Pete. Hello, everyone. Thanks for joining us on the call, today.

I am pleased to report that, in Q1, we demonstrated substantial operating leverage in the business, showing that our model is truly working.

Once again, we exceeded guidance on billings, revenue, and non-GAAP EPS; and generated positive adjusted free cash flow. Notably, this marks the first time we've achieved a positive operating margin in a Q1.

We saw a significant increase in pipeline activity generated by our ecosystem, a dramatic increase in our sales efficiency, a substantial lengthening of our contracts, and an acceleration in RPO growth -- all reflecting the durable, trusted relationships we have with our customers.

As a direct result of this momentum and due to continued strength in the business, we are raising our full-year guidance. Tod will have more to say about that, shortly.

We are confident that we have finally achieved a business model that will provide continued operating leverage for years to come.

As you'll recall, a few years ago, we identified cracks forming in our business and knew we needed to institute changes to our model. We rapidly converted our business to consumption-based pricing and reconfigured our technology and go-to-market motion to become very ecosystem-friendly.

The substantial changes our team has made, over the last few years, have led to measurably improved performance, with the following metrics highlighting that the new model is working:

Subscription Remaining Performance Obligations', or RPO, growth accelerated to 24% year over year. Subscription Total Contract Value, or TCV, was up 69% year over year.

Long-term Subscription RPO was up 61% year over year. Net retention was up sequentially for the third consecutive quarter and ARR was also up sequentially.

Salesforce productivity was up over 60% year over year and up for the third consecutive quarter. Gross retention improved to 86%, from 85% last quarter.

All of these metrics support my belief that we are taking the right steps to return to sustainable long-term profitable growth and give me confidence in our Q2 and FY26 outlook for billings growth.

Our growth in RPO is a direct result of our unwavering commitment to our customers' success. By prioritizing their needs and building trusted collaborative relationships, we consistently deliver meaningful outcomes that lead to higher satisfaction.

This customer-first approach has led to longer-term contractual commitments, underscoring the trust our clients place in Domo as their strategic partner. The loyalty and confidence of our customers not only drive RPO growth but also strengthen retention, a strong proof point that the model is working.

Our salesforce productivity increased over 60% in Q1. And, although we won't update this metric every quarter, I wanted to share it because it further reinforces my confidence in our ability to grow efficiently. This metric highlights the success of the model.

Retention improved in Q1. And we see ample opportunity for continued progress.

Gross retention for consumption customers, in Q1, was significantly higher than for seat-based customers. Consumption customers now represent over 70% of our ARR, heading toward 90% by the end of the year. And as our renewal base increasingly shifts to consumption, we expect it to be another tailwind to positive retention results.

The consumption engine is an integral component that drives the success of this model.

Over the past several quarters, we have made significant progress in transitioning from cash burn to achieving free cash flow positivity and expanding our operating margin.

As we look ahead, we expect to exit this year at 5% billings growth and 5% operating margin. And we anticipate exiting FY27 at 10% billings growth and 10% operating margin.

These achievements demonstrate not only our strengthening fundamentals but, also, substantial progress on our Rule of 40 profile. This shows that our model is working and positions us for sustained profitable growth, going forward.

We held our annual user conference, Domopalooza, earlier this year. And I'm consistently inspired by the powerful ways Domo is driving transformation and delivering meaningful impact for our customers.

We heard from a global technology and services firm, which highlighted the remarkable journey toward transformative data integration. Over just the past year, they have rapidly expanded their data capabilities by transitioning from fragmented legacy systems to a cohesive AI-enhanced platform, powered by Domo. This transformation has significantly boosted decision-making abilities for over 100,000 people across the organization.

The CEO of Filevine, a leading legal technology platform, highlighted the transformative impact of AI on the legal industry, emphasizing the company's innovative strides, with products like Chat with Your Case, which efficiently manages vast amounts of structured and unstructured legal data to allow its customers to effectively manage their cases, at scale.

Filevine enhances its customers' operations with an analytics offering powered by Domo Everywhere. The CEO mentioned that Filevine's impressive retention rate of over 95% climbs to nearly 100%, when Domo is integrated, showcasing Domo's vital role in optimizing data-driven decision making.

At Domopalooza, we also outlined our strategic priorities for FY26, including driving adoption, innovating with AI across the platform; continuing to focus customer relationships and multi-year contracts; and developing our ecosystem of partners.

I've already discussed the incredible impact that multi-year contracts are having on our business, which is evidenced by the growth we're seeing in metrics like RPO and the corresponding impacts on retention.

I'd, now, like to give a brief update on each of the other three areas of focus.

As it relates to adoption, the demand for our advanced product capabilities is greater than ever. We continue to accelerate customer adoption by focusing on AI agent deployment, governance best practices, workflow automation, and data pipeline optimization, which are driving deeper engagement and increasing the overall impact Domo has on our customers.

Our ongoing initiatives, including strategic consulting packages and extensive AI academy webinar series, and expanded technical enablement are empowering customers and partners to build sophisticated AI-driven solutions, while reinforcing governance and security practices.

We are seeing a notable difference in the usage of our products by customers who are actively engaged with our technical teams. And we are actively working to provide more of that support across our customer base.

On the AI front, we launched Agent Catalyst at Domopalooza, which leverages our existing ETL data governance, security, and workflow capabilities to allow our customers to rapidly innovate with AI agents.

Our customers are AI-curious and have a sense of urgency about adopting AI. But they struggle with how to drive real business value.

We are leaning in to show how Domo is an ideal solution to capitalize on the promise of AI. In fact, in one of the general sessions at Domopalooza, we offered to build a free agentic AI solution for attendees and, unbelievably, over 200 customers signed up on the first day. It's amazing to see what some of those customers have been able to accomplish, so quickly, with Agent Catalyst.

In fact, just today, we hosted an Agentic AI Innovation Summit for data, AI, and tech leaders, focused on advancing intelligent AI agents that automate workflows and decision making, featuring expert speakers from Google, AWS, Domo, and more. With over 6,000 people registering, the event was a key gathering to explore how agentic AI is reshaping the future of work.

With the rapid success and the rapidly building momentum, we've already seen customers build agents that do the following: accelerate the ability to spot, classify, and take action, based on anomalies at solar farms; reduce dropout rates in schools by working with students that are at risk of not graduating; streamlining their charitable operations by making it easier to capture and process tax information; optimize the performance of hotel locations by providing better summarizations and indicators on ways to improve, redefining the future of their business with AI efficiencies related to data, inventory, tax equipment, and sales management.

We also heard from leading data and AI consultants who showcased that they were able to use Agent Catalyst to build powerful agents in less than two weeks.

Hakkoda, a leading Snowflake Systems Integrator, showcased Agent Catalyst's impact by creating an agent that revolutionizes conference networking through intelligent attendee matching, based on shared interests and complementary skills going beyond just job titles.

Koantek, a leading Databricks SI, highlighted their success in using Domo's Agent Catalyst to optimize fleet management operations. By integrating with Databricks for real-time analytics, Koantek has adopted proactive strategies that ensure vehicle up-time and enhance route efficiency. This has been especially critical in a delivery-driven economy, where timely operations are paramount.

After many years of effort and investment, we have built a robust platform that includes seamless data access, advanced ETL capabilities, comprehensive data governance and security, streamlined workflows, automated alerts, approvals, and powerful visualization tools.

This strong infrastructure positions us uniquely to support the development of AI-driven solutions that address real-world business challenges. Nearly every customer conversation that we are having aligns with some form of AI-driven workflow or agentic exploration.

Now, moving on to the ecosystem.

I'm very happy to report that we continue to make significant improvements to our integrations with our Cloud Data Warehouse or CDW partners, including Snowflake, Databricks, Oracle, Google, and others.

We are seeing very encouraging trends in the partner metrics that we track. Conversion rates for partner source deals remains well above those for traditional marketing source leads.

Our early-stage partner pipeline continues to grow at a very rapid pace. Partner-sourced leads and the number of deals that moved from top of the funnel to later stages in the pipeline were up more than 200% from last quarter.

That's from just one CDW partner. And we have several more partners we are just beginning to go to market with. So just imagine where that could lead. The model is working.

Additionally, we build strong relationships with System Integrators linked to several of these CDWs, expanding our ecosystem and market reach even more.

Our Domo Everywhere solution has also helped us form new customer relationships by enabling Domo customers to securely share data with their customers, just like Filevine, who we mentioned earlier.

Now, let me highlight a few of our customer wins in the quarter, driven by our complete platform-advanced features and consumption model.

First, in terms of new logos, a geospatial services company chose Domo, after completing a thorough self-guided POC that highlighted our extensive capabilities, AI/ML, pro-code features like Bricks, Jupyter Notebooks, along with the strong technical expertise of our engagement team. This was a former prospect that returned to Domo, following a failed Microsoft Fabric implementation, [boo].

Another new logo in was with a mortgage company that chose Domo to gain deeper insights into their loan portfolios, branch performance, and risk management, addressing limitations in their current legacy reporting systems. They valued the company-wide analytics with unlimited user licenses provided under our consumption model.

In terms of upsells, a transportation technology company chose to expand with Domo by 10 times its original contract value, following a successful consulting project that built trust and enabled a company-wide roll-out of thousands of data sets and dashboards. They valued Domo's flexible consumption model, which allowed them to scale to 600 users, following an acquisition without traditional licensing constraints; and leveraged advanced features like Workflows, Governance, and Domo Everywhere.

And, lastly, a healthcare company expanded with Domo to support wide-scale deployment and accelerated project implementation. Our consumption model was critical because the full-platform access and unlimited licenses are enabling rapid adoption and integration into core strategic business initiatives. With strong momentum from successful deployments, the company is positioned to expand further, with Domo, into new business units and embed Domo deeper in the organization through workflow automation and AI/ML projects.

Domo has earned top honors, across several leading industry reports and awards. We were the top -ranked vendor in three Dresner Advisory Services market reports: the 2025 Wisdom of Crowds, Cloud Computing, and BI Market Study for the ninth consecutive year; the 2025 Self-Service BI Market Study for the seventh consecutive year; and the 2025 Collective Insights Report for the fourth time. And CRN recognized Domo on its 2025 Big Data 100 list in the Big Data Business Analytics category.

The effectiveness of our model is clearly on display.

The business delivered beats on all the important metrics and facilitated raises to our annual guidance. Virtually ,every important eternal metric is improving.

Our sales efficiency was stellar this quarter. The pipeline generated through our ecosystem partners has increased, just like we said it would. The strength of our customer relationships delivered outsized improvements in RPO and contract length, which should lead to substantial measurable improvements in gross and net retention.

The transition to consumption is delivering higher usage, higher customer satisfaction, and higher retention. And our customers are leveraging AI agents at a rapid pace, demonstrating that our technology stack is perfectly set up to capitalize on the AI momentum in the marketplace.

The model is dramatically different from three years ago and has us poised for profitable growth.

I'm thrilled to be able to say that we're going to exit this year at 5% billings growth and 5% operating margin, on our way to exiting next year at 10% billings growth and 10% operating margin.

With that, I'll hand it over to our Chief Financial Officer, Tod Crane.

Tod Crane - *Domo Inc - Chief Financial Officer*

Thanks, Josh.

We exceeded our Q1 guidance for billings, revenue, and non-GAAP EPS; and were adjusted for cash flow positive. Total revenue was \$80.1 million and billings were \$63.9 million.

As a company, and in my role as CFO, a primary focus is driving operational efficiency and managing the company to achieve positive operating margins and free cash flow.

As we leverage the early-stage success with our ecosystem partners, it further positions us for growth, while maintaining disciplined control over costs. It allows us to continue to scale our sales efforts effectively and achieve a stronger return on sales investments, supporting sustainable and profitable growth.

Gross retention improved to 86%, from 85% in Q4 and 83% a year ago. This is the fourth consecutive quarter at 85% or above. And we continue to expect a 2 percentage point-improvement in gross retention for FY26, compared to the prior year.

Our year-over-year net retention was 94%, up sequentially for the third consecutive quarter and up more than 4 percentage points year over year.

Our improving retention rates are another important factor because profitable growth is difficult when retention rates are low. Retaining customers is far more cost effective than acquiring new ones.

Our RPO growth is also significant. Current Subscription RPO grew 5% year over year to \$226 million. And our total Subscription RPO grew 24% to \$408 million, an acceleration from 14% growth in Q4.

Improved salesforce productivity, higher retention rates, and accelerating RPO growth all support my confidence that we are well positioned to accelerate our billings growth over the remainder of the year, while also expanding our operating margin.

In addition to improving operating margin, generating positive free cash flow remains a key focus. In Q1, adjusted for cash flow was \$1.3 million, a significant improvement from Q1 last year. Our cash balance increased from \$45.3 million in Q4 to \$47.2 million at the end of Q1.

Looking forward, we expect our adjusted free cash flow to be slightly positive in Q2 and positive for the year.

Moving on to margins and profitability. Our non-GAAP Subscription gross margin increased sequentially to 81.6%, a level we expect to maintain in the near term and improve over time. Non-GAAP operating margin was 1.3% and non-GAAP net loss was \$3.6 million.

Non-GAAP net loss per share was \$0.09, based on 39.7 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 Q2, we expect billings of \$69 million to \$70 million, which represents growth of 1% to 2% year over year. We expect GAAP revenue of \$77.5 million to \$78.5 million and non-GAAP net loss per share of \$0.03 to \$0.07, assuming 40.5 million weighted average shares outstanding.

For the full year, we are raising our guidance for billings, revenue, and non-GAAP net loss per share. We expect billings of \$312 million to \$322 million, GAAP revenue of \$312 million to \$320 million, and non-GAAP net loss per share of \$0.18 to \$0.26, assuming 41 million weighted average shares outstanding.

In conclusion, I am very pleased with both our internal metrics and the results we have discussed today, which indicate that we are on the path towards sustained long-term profitable growth.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now be conducting a Q&A session.

(Operator Instructions)

Yi Fu Lee, Cantor Fitzgerald.

Yi Fu Lee - Cantor Fitzgerald & Co., Inc. - Analyst

Thank you for taking my question. Congrats on a very strong start, Josh, Todd, and team.

Maybe, Josh and Todd, can you just flip back to the macroenvironment, just to start off [conversation].

Does it seem like with all the trade, tariffs, right, negotiation that's coming along, that's affecting the business? That the fundamentals are clearly affected, positively?

And then, on the Domopalooza event, obviously, well attended; you were there, as well. Can you comment more on, like, the -- when you talk about one of the partners who, 2x, in terms of -- who, 2x, (inaudible), how do you get the other partners to be on the same track?

Maybe, start with that. And, also, I have a couple more follow-ups.

Joshua James - Domo Inc - Chief Executive Officer

Yeah. From a macro perspective, it's definitely not a great environment. But our team seems to be marketing through it. I think that the way that customers view is as a way, a path forward, when it comes to AI.

Like we mentioned, almost every conversation we're having with customers, right now, is how to leverage the data that they have inside Domo and how they can create agents. So that's been a very positive development and, it's driving activity.

I think, from a macro perspective, people are definitely more hesitant than they were five years ago. But I don't think it's changed a lot in the last 12 months.

We have a few customers that talk about tariffs. But it hasn't been a large issue.

I think when it comes to the partners that you're talking about, we do have one partner that's moving faster than the other one, so far. But that's been mostly tied to where we've made the investment and our product was most ready for. And we had to serially go through and get it ready for different partners.

And so, we've had a lot of activity with Snowflake. And that activity, we expect also, with Databricks and with Oracle and with IBM and with Google and others, internationally. So we're having, actually, a lot of success and a lot of stuff in the pipeline, already.

It's just that one's further ahead. So we do expect to see the same kind of activity from the other partners and expect that the partners are going to end up being equal amount of new logo activity as all other marketing activities, combined.

Yi Fu Lee - *Cantor Fitzgerald & Co., Inc. - Analyst*

And then, Josh, can you just tell me a little bit more: like, a 6x increase on self-productivity. Obviously, feel free to have RJ comment, as well, like, in terms of: if you could break it down, why is it that it's 6x better this quarter, that? Is it because you're working more with the partner ecosystem or the combination with the consumption model that's driving it -- the 6x?

And then, flipping back to Domopalooza: in terms of the pipeline building activity, obviously, you were on the floor, speaking with all your partners and some of your customers, as well. How is the pipeline building efforts on that? And how does it translate into second-half closure?

Joshua James - *Domo Inc - Chief Executive Officer*

Yeah. Consumption is definitely an important component of our model. And we're, I think, seeing, in this Q1, just, really, leverage in the model.

The model work. We worked really hard on changing our model, over the last several years. And we're really starting to see the fruits of that -- and actually get operational leverage, at the same time. So we think there's going to be good profitable growth from here.

And the efficiency that we're seeing in the sales organization is, first of all, obviously, interest because of what we're doing, from an AI perspective; and then, also, what we're doing with the CDWs, that really has made our business more defensible and it's created more opportunities and relationships.

And when we look at our pipeline, this will be the quarter that we actually see a meaningful amount of deals closed that have been in the pipeline for the last few quarters. And so, close rates are higher; deals are a little bit bigger.

We think retention is going to be higher. And we go in with relationships with a partner who's espousing the positive attributes of our business and how we help the customer.

So that's been a really positive development that we've been talking about for a while. This quarter, we're seeing the numbers actually hit. And we'll see those numbers in billings.

And with the pipeline that we also see building for Q3 and Q4, we feel very good about the fact that, as we enter next year, we'll probably have the same amount of business that's being generated from our partners as we do from all other marketing activities.

That's what we're seeing, right now. And, as that plays out, we'll give more guidance around that. But I think that's what gives us the confidence that we can say, hey, for the last three years, we've been saying we're going to reconfigure the model, we're going to invest, and we're going to get back to growth. And you saw us this last quarter, we -- first-time ever, we've been positive in a Q1, net margin positive.

And then, the other thing is: we're sitting here saying, not only that, we're going to be 5% margin positive and 5%, growth exiting this year; and double those numbers for exiting next year. There's a lot of upside to that.

But we're finally in a different category of company than where we've been the last three years. And this because of all the reconfiguration; the consumption model being able to get the multi-year deals because customers love what we're doing with them; and then, also, all the efforts that we put into those partnerships with CDWs.

Yi Fu Lee - *Cantor Fitzgerald & Co., Inc. - Analyst*

Thanks for that, Josh. And just one -- the last one on the technology side, before I move on to talk on the financial side, is, obviously, you talked a lot about agentic AI.

We saw Catalyst launch at Domopalooza. And then, there was another thing called, ML Model Management. Can you discuss what are you most excited about, in terms of the product adoption?

And I think it's going to tie into my question later for Tod, like RPO, right? What is it that the customers are adopting, in terms of (inaudible) that leads to the longer duration, long contract sizes?

Joshua James - *Domo Inc - Chief Executive Officer*

Yeah. I think the thing that I'm most excited is that we're teaching customers how to build their own agents. And they're doing it.

There's a text message I got just this morning, from our team, and it was a customer that said, I just want to provide some feedback on the recent AI agent training, hosted by you, guys, last Wednesday. I followed along the video. I paused only to make a few data sets to use. And by the time I got to the 37-minute mark, I actually had a working AI agent that was looking at my data sets, invoices, intakes, contracts; and composing and delivering a combined weekly category management summary for sourcing managers, based on the little bit of direction I gave it.

So boom! 37 minutes, they got an agent working inside their organization because they're already using Domo. The data is already governed. It's already secure. We allowed them to use LMs inside their organization.

And then, this guy goes on and says, I tried another one today from scratch; specifically to see if I could just ask the AI to iterate through a list of items for me and act on each one. It is nearly production ready. A few hours later, this AI agent accesses a data set of associates who've been recently transferred to another manager and who are corporate cardholders. The AI agent looks at a row of data containing the new manager, the old manager, and the worker who was transferred. It then generates an email based on the prompt I gave it. It then sends the email; then, it does it again until it's done with all the rows. It worked, beautifully, the first time. It composed an absolutely lovely email, even identifying more information from the data, without me telling you to.

So you see that kind of stuff. There's two agents that were created by an individual that got trained on our agentic platform. All of that is driving consumption in our product. They're much happier.

And we're not seen as a visualization tool so we are definitely, here, primetime ready, for the AI agent world.

Yi Fu Lee - *Cantor Fitzgerald & Co., Inc. - Analyst*

Excellent Josh. I'm going to move on -- thanks for that. I'm going to move on to Tod on the financials.

Tod, obviously, subscription RPO is a key focus, right? Short term is up 24% this quarter, up from 14% last quarter; long term, even better, 61%. Can you help us break it down, Tod? Why is this metric inflecting so much better? And what are the factors that driving customers go long term with Domo?

And, also, you also upped your guidance, right, in terms of, like, beating it, as well as you raised it a little on the EPS side. What gives you confidence that you're able to gain the operating efficiency for the rest of the year? How conservative are you with the model?

That's it from me. Thank you, gentlemen, for taking all my questions.

Tod Crane - *Domo Inc - Chief Financial Officer*

Thanks for the question, Yi.

Yeah. RPO: very happy with the result there, coming in at over \$400 million for Subscription RPO. That's growth of 24% year over year, with current growing 5%, long term growing 61%.

I think the technology and the things -- the example that Josh just gave is very powerful, in terms of the ability of our customers to get value from our product very quickly.

And then, you pair that with consumption, which allows them to quickly unlock that value, not being limited by seeds, not being limited by not having access to the full platform, they can try anything. They can go in there and explore.

So we're seeing that powerful combination of our good technology, our consumption model, contributing to stronger customer relationships, which is, in turn, allowing us to get longer-term contracts.

That's the story of RPO. Very happy with the growth there.

In terms of the leverage in the model: if you look at our operating expenses over the last four or five quarters, there's been a steady improvement and a steady demonstration that we're getting leverage there.

We're continuing to do that. We've made great progress there. And, as we look ahead and model out what the rest of this year looks like, we see an opportunity to continue to expand margins. And we will continue to do that.

Yi Fu Lee - *Cantor Fitzgerald & Co., Inc. - Analyst*

Okay. Thanks, again, Josh. Congrats.

Operator

Derrick Wood, TD Cowen.

Jared Jungjohann - *TD Cowen - Analyst*

Hi, team, this is Jared Jungjohann, on for Derek Wood.

As we incorporate new consumption dynamics and AI elements into your cost of goods sold, how should we be thinking about gross margin trajectory over the medium term?

Tod Crane - *Domo Inc - Chief Financial Officer*

We were at 81.6% subscription gross margin this quarter. We expect it to remain around that level for the near term, with the long-term goal of having it increase from there.

In terms of the dynamic related to consumption, it does tie the revenue more closely with the cost. So that's, in large part, the reason why we're expecting that to increase over time, going forward.

Jared Jungjohann - TD Cowen - Analyst

Awesome, appreciate that color. And then, can you talk to some of the trends you're seeing in your enterprise space versus commercial base?

And then, maybe, how do these evolving partnerships impact that? Are you seeing these partnership deals skew larger or -- just some color there?

Tod Crane - Domo Inc - Chief Financial Officer

Yeah. I'll jump in on that one. And, Josh, feel free to chime in, too.

Yeah. On the enterprise side, it's a large portion of our business. It's an important part of our business. We've had great success there over the years. We have a lot of great enterprise customers.

And if we look at the leads that are coming in from partner, a significant portion of those are enterprise leads. And so, we're seeing this as a real opportunity to continue to expand our presence in the enterprise and to continue to have success there. So we're definitely encouraged by that.

Jared Jungjohann - TD Cowen - Analyst

Awesome. And then, as you gain more traction with these cloud partners and get adopted into the modern stack, what area of your solution set are you seeing these customers really dive into?

Joshua James - Domo Inc - Chief Executive Officer

Yeah. One of the biggest things with the clouds is they're looking to get more and more information into their clouds. They want to hydrate their clouds. And we have a unique ability to do that.

We have more connectors than anybody in the industry. And we have a very robust system to be able to help them manage the ETL.

When we walk into an account, instead of the 100 or so people that might be using a CDW; when we're in an account, we might see 10,000, 50,000, even 100,000 users.

And so, if you can have all of those people also accessing that data and formats that they want in a secure way, then it just drives more adoption of that CDW and secures the CDW's relationship even more.

Most of the CDWs are out there trying to build other use cases. And they're all trying to expand beyond IT central functions and go into creating marketing use cases and sales use cases and operations use cases. And that's our bread and butter.

So it really is a good combination of us with the CDWs. And one of the things that we get out of that is we get a CIO-blessed relationship, which makes our relationship with that customer much stronger in our ability to weather different changes they are going through.

we're seeing -- we have an ability to sit on top of multiple CDWs. And that's actually something that CIOs like; as well as, people are shifting their strategies or adopting one CDW and moving to others. And it really puts us in a unique position.

Jared Jungjohann - TD Cowen - Analyst

Awesome. I'll just finish up with one last one. But real positive commentary around the guidance and what you're seeing out of the CDW ecosystem.

Given that strength in commentary, I'm wondering how you're thinking of investing in growth versus investing in margins. You've obviously factored in a little bit of op margin expansion. But, maybe, just talk to that a little.

Thank you.

Tod Crane - *Domo Inc - Chief Financial Officer*

Yeah. It's a great question. It's always a balancing act. We feel confident that we're getting the right investments in place and that we have an opportunity to keep that momentum going with the CDWs, while still expanding margins.

So we're not trying to get to 30% margins overnight. We're going to slow and steady expansion towards that 5% and then, that 10% level, over the next couple of years.

But that's going to allow us plenty of room to continue to invest in these partnerships.

Operator

Eric Martinuzzi, Lake Street.

Eric Martinuzzi - *Lake Street Capital Markets, LLC - Analyst*

Curious to learn a little bit more about your pricing policy on your consumption-based contracts. Just as you've got -- as you've been at this for now: we're in our third year or so of the consumption-based pricing contracts.

As these come up for renewal, is there an opportunity to raise prices? Or is it really just more there's a natural -- as the customer uses the product more, they consume more and that's what drives a higher year-over-year growth in that consumption-based installed base?

RJ Tracy - *Domo Inc - Chief Revenue Officer*

Yeah. Our focus on consumption pricing is to make sure that -- this is RJ Tracy, CRO, with Domo.

So our real goal with consumption is to align the value that customers get with how they pay. And so, it's a natural motion for us to go work with customers and help them get more value out of the platform. Solve more use cases, get them using agentic AI solutions that help them to take action on the data.

And as they use the product, then it drives the usage up; which we want to go in and then, help them get a better rate on their consumption price. So it's a pretty natural motion for us.

And we're still figuring out the best methods for adoption. But it's a real natural motion for customers because as they get more value, then they pay more.

Eric Martinuzzi - *Lake Street Capital Markets, LLC - Analyst*

Got you. And then, the cohorts: again, we're looking at -- this is a consumption-based question. As you've seen those cohorts come back for renewal, you already talked about, hey, we're up to 70% of the installed -- of the ARR is on a consumption-based pricing metric.

As those cohorts -- are you seeing the consumption-based cohorts as more likely to adopt the AI and the newer products? Or is it an equal mix between the folks who aren't on consumption-based that are on the per seat-based pricing?

RJ Tracy - Domo Inc - Chief Revenue Officer

Yeah. They're a lot more likely to adopt because there's not a restriction or a paywall in front of them before they adopt.

When you buy Domo, the entire platform is available to our customers to use. When we were on seat-based pricing, any feature that they hadn't paid for was hidden behind the paywall. And so, it created a barrier of entry for customers to go in and adopt that technology; where, now, if they want to try -- like the customer example that Josh read, if they want to try out one agent, they can go in, and in 37 minutes, build an agent. And that might only take a couple of credits.

And then, they'll decide whether they're getting value from that or not. If they keep it running, then it will consume more and more over the year. And if not, they can shut it off and they paid, maybe, a couple of credits to try something out.

So significant increase in adoption across the entire platform, including users.

Eric Martinuzzi - Lake Street Capital Markets, LLC - Analyst

Got it. And then, last question is around the progression of the billings growth implied in the guidance.

If I take your Q2 billings growth, midpoint looks like a little over 1% growth. But you're talking about exiting the year: so a Q4 billings growth rate of 5%. Is that based on things that you already have in the pipeline? Or is that yet to be filled in at the top of the funnel?

Tod Crane - Domo Inc - Chief Financial Officer

Yeah. It's based on a number of factors. We consider a number of different inputs in our financial models.

Pipeline is certainly one of them: the trajectory of the pipeline, pipeline generation, quality of the pipeline. And then, just historical trends: what we're seeing, in terms of rep productivity, those kind of increases.

But, yeah, based on everything we're seeing, we have confidence that we'll exit at 5%. And so, you can do the math between what we guided for Q2 and the 5% for Q4 and get to what we're going to be around for Q3.

Eric Martinuzzi - Lake Street Capital Markets, LLC - Analyst

Got you. Thanks for taking my questions.

Tod Crane - Domo Inc - Chief Financial Officer

No problem. Thanks, Eric.

Operator

Pat Walravens, Citizens JMP.

Unidentified Participant

Great. This is [Nick], on for Pat. Congrats on the quarter.

Josh, at Domopalooza and on the call today, you mentioned the 200 customers who wanted to try Agent Catalyst. I was wondering if you could speak a little on what demand looks like today for that offering.

And then, Tod, one for you. It's been almost nine months since you stepped into the role as CFO. What is one thing that's been harder than you thought? And what is one thing that has been easier than you thought, since assuming your new role?

Joshua James - Domo Inc - Chief Executive Officer

Yeah. I talked a little bit about the kind of conversations we're having with our customers. They're just ongoing and continual. And they're not just exploratory, right? Like I mentioned, they're actually making things in these trainings and in these conversations.

But I'm going to have RJ talk a little bit more about the opportunities and some of the activities that we're seeing in our pipeline.

RJ Tracy - Domo Inc - Chief Revenue Officer

Yeah. As we get leads, especially from the ecosystem, we're seeing a ton of customers that want to dive into AI and figure out what that looks like within their company, within their org. And a lot of those AI use cases require hydration.

They need access to data. They need to be able to transform that data. They need a way to surface it out or embed it to where their users are at or where their customers are at.

So we're seeing use cases all across our stack. And the great thing is that they can come in and buy just the components that they need.

And the entire stack is available to them. So, at any time, they can start to use other components to help them and will help drive consumption and give more value to our customers.

Joshua James - Domo Inc - Chief Executive Officer

From an AI perspective on the agents, talk about some of the ServiceNow stuff that we're seeing, as well.

RJ Tracy - Domo Inc - Chief Revenue Officer

Yeah. We have a customer, right now. They're surfacing particular use cases in ServiceNow. But it requires a human intervention to come in and to actually do all the work. So we're supplementing some of what they're doing in ServiceNow with our Agentic workflow.

So one of the use cases was helping get data to hydrate a warehouse. And, in this example, customers can start a ticket in ServiceNow. They want to bring data into their warehouse.

And, typically, that requires, now, a person to then take that ticket, go out, do an integration, upload data; where, now, Domo is automating that entire process. But we still allow for that human in the loop to approve or to reject a request. But if they approve it, then the data is uploaded immediately and that process now takes 30 seconds to a minute instead of, sometimes, several days or weeks to get that human ready.

We're seeing customers that want to automate labor management, where they want to automate the ability to help customer -- their employees that, maybe, can't work the next day and need to fill in.

AI is helping them find a replacement. It's automating the process for that. It's immediately notifying people and asking if they can accept a shift that they weren't expecting to work. And that entire process can happen in seconds, instead of having someone have to go manage thousands of employees to figure out who can cover shifts.

So those are some of the examples and use cases that we're seeing.

Unidentified Participant

Got it. Thank you, RJ. Thank you, Josh.

Tod Crane - Domo Inc - Chief Financial Officer

Yeah. And then, on your other question, in terms of (inaudible) harder and easier: I'll probably characterize that a little bit differently, if that's okay. I'll probably put it in categories of things I really want to -- something I really want to fix and things that I've been happy with how they've been going.

So, for me, we're obviously pleased with the improvement in gross retention over last year and over last quarter. But that's a big, big focus for us, as an Executive Team, to continue that march toward 90%-plus gross retention. So that's the one thing that I'm really focused on in terms of improving.

Very, very happy with our RPO performance. We've talked about that, already, a few times. But that 5% current RPO growth, not a huge number but it does point to that 5% exit rate that we talked about earlier and de-risk that.

And then, that longer-term portion of RPO also derisks our forward-looking revenue and our forecast beyond this year.

Unidentified Participant

Got it. Thank you for that. And congrats, again, on the quarter.

Operator

Thank you.

With that, that concludes today's teleconference.

You may disconnect your lines, at this time.

Thank you for your participation.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.