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DOMO.OQ - Q2 2026 Domo Inc Earnings Call

EVENT DATE/TIME: AUGUST 27, 2025 / 9:00PM GMT

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PRESENTATION

Operator

Greetings, and welcome to the Domo second-quarter fiscal year 2026 earnings call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce Peter Lowry, Vice President and Investor Relations. Please go ahead

Peter Lowry - *Domo Inc - Vice President and 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 start out with our safe harbor statement and then onto the call. Our press release was issued after the market close 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 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 on a non-GAAP basis. These measures should be viewed as complements to, not substitute for, our GAAP results. Please see the reconciliation of our non-GAAP results to their 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, Founder, Director

Thank you, Pete. Hello, everyone, and thanks for joining us on the call today. I'm thrilled by what we've accomplished this quarter. In Q2, we beat our guidance on billings, revenue and delivered our first-ever positive non-GAAP EPS, all while generating positive free cash flow.

I was especially excited to see that the NRR for customers who first purchased Domo on a consumption contract was 108%, which we believe is a strong indicator of where the consumption model is headed. These results are a testament to our transformation and momentum. Reflecting on the past few years, our focus has been singular, drive sustainable profitable growth. We've overhauled our approach, doubling down on our ecosystem, embracing a partner-centric go-to-market strategy and moving decisively to a consumption-based model.

Let me review some of the progress we've made. Two years ago, we had zero cloud data warehouse partners or CDW partners. Today, we have five of the largest and most important CDWs. Back then, consumption customers were just a few percentage points of our ARR. And now over 75% of our ARR is on consumption, what an incredible transformation in just two years, where sales productivity and new ACV once lagged, now they're performing as strong as ever. The new business engine is firing on all cylinders.

Our turnaround is visible in multiple areas over the past year. New ACV growth has accelerated every quarter. After a double-digit decline in Q3 fiscal year '25, we have accelerated to growth approaching 20%, the highest we've seen in 3.5 years. Our year-over-year sales force productivity growth has accelerated from 19% in Q3 FY25 to a stunning 67% in Q2 FY26.

Subscription RPO growth has accelerated from 3% in Q3 FY25 to 19% in Q2 FY26. I'm incredibly excited that with the same starting pipeline we had at the beginning of Q1, we closed nearly 50% more new ACV in Q2. Picture our business as a store. The foot traffic stayed the same, yet almost 50% more people stopped at the cash register on the way out.

You could also think of this massive improvement in conversion rates like adding lanes to our highway, allowing more new business to flow through. On top of that, our focus on stronger partnerships means we have a new freeway coming into [town], and we're building multiple on-ramps to direct that traffic on to our newly expanded highway. The best part, the impact is just beginning, and we expect it to accelerate from here.

So if the best is yet to come and partner source new ACV, what has been powering our growth engine? First, the surge in demand for advanced AI solutions. Businesses want more than dashboards. They want end-to-end modern platforms that unlock the potential of LLM and AI. To truly deliver business value, you need much more than a UI. You need seamless data access, robust ETL, a semantic layer, workflow automation, security and governance and flexible delivery, either autonomous or human in the loop. With Domo and our CDW partners, that's exactly what we offer.

BI as a simple dashboard concept is dead, but the spending environment for infrastructure and services to capitalize on the promise of AI is very healthy. And we, along with our CDW partners, are very much benefiting from this trend. We have said that we were built for this moment, and that is because unlike our traditional dashboard competitors, we built a complete integrated modern AI and analytics stack from day one. Our platform is designed for where business intelligence is headed, not where it's been.

We've also streamlined our go-to-market and R&D focus, cutting distractions by concentrating on strategic priorities, especially AI solutions and ecosystem partnerships. We are increasingly engaging with our customers using a strategic, consultative approach, and this is resulting in longer-term contracts and fueling our RPO growth.

There have been some early tailwinds from consumption with escalators built into many of our multiyear consumption contracts, and we are starting to get benefit from some of those increases. The trends from consumption renewals are encouraging with both gross and net retention being well above the seat-based cohort. As more of our renewals come from consumption, we expect to see more uplift.

Our partner-friendly approach has brought us into many more conversations and has definitely helped us in the market. I'd like to highlight a real-world example, the kind of partner-driven outcome that's becoming our new normal. One of our larger customers was up for renewal, and we were preparing for what looked like a challenging conversation. Our customer was carefully scrutinizing technology spend across the board, so we knew we had to be strategic.

We knew that they were also a customer of one of our CDW partners, so we began joint planning sessions, bringing our teams together to find a creative way forward. Through this collaboration, we constructed a solution that was truly a win-win. We helped the customer transition from a traditional seat-based licensing model to consumption, which also opened the door for an upsell and a three-year contract.

Importantly, they were able to leverage their existing spend commitment with our CDW partner by purchasing our product through their marketplace, allowing our customer to increase their usage of our platform without needing any approvals for extra budget. This would not have been possible without our partnership with the CDW, the availability of our platform on their marketplace and the flexibility built into our consumption model.

Building on this success, we're now actively co-selling into additional business units within the customer's organization with streamlined procurement processes, direct access to lines of business, and a strong endorsement from our CDW partner with the IT department. This is a perfect example of how our ecosystem approach is benefiting us in ways that extend beyond partner-sourced new business.

Lastly, the improvements in our results have been driven by a team that is committed and motivated. It has been a lot of work over the past few years to get us to where we are now, and no one is taking our future success with the ecosystem and with AI for granted.

Now digging deeper into Q2. International momentum was especially strong. Japan set new records. New ACV there doubled -- near doubled year over year. TCV hit all-time highs and the deals up for renewal in the quarter saw an NRR of close to 130%.

Japan is a huge focus for me, and I plan on continuing to spend time there even more over the next year.

We strengthened our ecosystem with deeper integrations into Snowflake and three other CDW partners: Databricks, Oracle and Google. In fact, this week, we announced the details on our enhanced integrations and capabilities with Snowflake and BigQuery. And our presence at flagship industry events like the Snowflake and Databricks conferences was nothing short of electric, with customers eager to discuss transformative AI use cases, leveraging our joint solutions.

We generated thousands of leads and held -- and since then have held dozens of meetings with sales reps and managers across the CDWs. This resulted in us identifying many joint selling opportunities that we would not have been -- that would have not been possible when we were flying solo, including several Palantir takeouts. Building on this momentum, we announced an expanded collaboration with Snowflake for a fully managed AI-powered analytics solution in their marketplace with similar collaborations with other CDW partners on the way.

Let me share some highlights from a few of our Q2 customer wins. First, a home improvement company referred by a CDW partner chose Domo in a three-year deal to replace Power BI and consolidate their tech stack with a joint offering of Domo and our CDW partner. The customer valued our consumption-based pricing, which removes user limits and enables broad access for sales and customer service teams. They're eager to expand usage of our platform's workflows and AI capabilities to enhance reporting and operational insights.

Next, we secured a significant upsell with a fast-growing technology customer. They expanded Domo usage to reduce IT head count and avoid disruption during a critical data warehouse migration. Our cloud-agnostic approach, CDW integrations and platform features like self-serve, workflows and Domo Everywhere, which is our embed product, were key to the win. Partner collaboration with their IT team ensured a smooth transition to our consumption model with increased capacity, again, purchased via the CDW marketplace.

We also closed a major new logo with a global retail company after an eight-month evaluation of multiple solutions, including [Looker], Power BI, Tableau and custom-built options. They, of course, selected Domo for its ease of use, data integration, data aggregation, I should say, and AI-driven insights with our proof-of-concept delivering results in days compared to months for the others.

The consumption model also was critical, providing access to premium features that were essential to their needs. Finally, a private equity firm fully embraced our consumption model with a multiple seven-figure deal to unlock greater value, features and cost savings as they scale Domo across their portfolio companies. Focused on AI agents, workflows and sandbox, they plan to develop multiple AI use cases to drive broader adoption. This alignment with their long-term vision led to a five-year consumption contract, increasing ACV by 3.5x over that five-year time period and expanding Domo from three companies to every single business in their portfolio.

Each of these illustrates the clear market demand for AI-driven business value, the accelerating impact of our partner ecosystem, the value of our consumption model and a shift to long-term strategic Domo relationships. Building on this strong momentum, Domo earned top honors across several leading industry reports and awards in Q2. Domo was named a leader in the 2025 Nucleus Research BI and Analytics Technology Value Matrix. We were also recognized as a leader in Dresner Advisory Services' 2025 Wisdom of Crowds BI Market Study, in which Domo received its ninth consecutive perfect recommendation score.

Domo's ongoing commitment to attract and advancing top talent was highlighted and being named to the Women Tech Council Shatter List for the eighth consecutive year as well as being named to the 2025 ParityLIST, Parity.Org's program, recognizing the best companies for equal advancement opportunity.

Looking forward, our game plan is simple, keep innovating with AI, keep deepening partner ties, keep fueling consumption and keep building new lanes to help more customers accelerate with Domo. I'm tremendously proud of the accomplishments we've made over the past few years. I've seen evidence that we are not only turning the corner, we're picking up speed and are well positioned to accelerate our growth profitably over the coming quarters and years to come.

And with that, I'll hand it over to our Chief Financial Officer, Tod, with one D, Crane.

Tod Crane - *Domo Inc - Chief Financial Officer*

Thanks, Josh. We exceeded our Q2 guidance for billings, revenue and non-GAAP EPS and were adjusted free cash flow positive. Total revenue was \$79.7 million, and billings were \$70.3 million. I'm very pleased with the underlying performance of the business in Q2. Our highly productive sales force drove our strongest new ACV growth in several years and productivity is now near record highs and at a level that supports sustainable, efficient growth.

As CFO, my focus has been on disciplined financial execution in tandem with our return to sustainable growth. We've aligned investments with our strategic priorities, deepening our commitment on AI innovation, partner enablement and the consumption model while maintaining rigorous cost management to improve profitability. This balance has been critical to achieving our first positive non-GAAP EPS and maintaining a positive free cash flow, milestones that demonstrate the strength and momentum of our business.

Moving forward, I'm committed to scaling efficiencies and driving consistent profitable growth. This disciplined approach to growth and profitability is reflected in our continued emphasis on longer-term, more strategic contracts, which contributed to another strong RPO quarter. Current subscription RPO grew 4% year over year to \$220.2 million, and our total subscription RPO grew 19% to \$409.8 million, the highest ever.

Our gross retention in Q2 was 85%. We have been around this level for the past five quarters and improving retention remains a key area of focus for us. We expect gross retention to remain at a similar level in Q3 and to increase meaningfully in Q4. Our renewed focus on RPO growth and multiyear deals began about a year ago with Q4 being the first quarter where we saw significant traction. We expect this to provide a tailwind for gross retention in Q4 this year.

Over time, we expect retention to improve as we see the benefit from longer-term consumption contracts. We now have over 75% of our ARR under consumption with -- and with two quarters left in the year, we feel confident we will end the year north of 85%, reaching the goal that we set over a year ago of approaching 90%.

ARR net retention was over 94%, up sequentially for the fourth straight quarter. Subscription gross margin rose to 81.9%, marking the second consecutive quarter of sequential improvement. We expect this to remain stable over the near term and expand over the longer term. Operating margin in the quarter was 7.7%, the highest in company history. Our results benefited from expense management and better-than-expected revenue performance.

Looking ahead to Q3, our partners have requested that we participate in some meaningful events, so we will be making investments to support and strengthen these growing partnerships. This may temporarily affect our margin and is factored into our guidance. In addition to record operating

margin, we had positive free cash flow in the quarter and are on track to meet our goal of positive adjusted free cash flow for fiscal year '26. Our adjusted free cash flow in Q2 was \$1.4 million, an improvement of \$7 million year over year, and our cash balance remained steady at \$47 million.

Looking forward, we expect our adjusted free cash flow to be slightly positive for Q3 and Q4. Our non-GAAP net income was \$0.9 million. Non-GAAP diluted earnings per share was \$0.02 based on 43.6 million diluted weighted average shares outstanding. As for Q3 guidance, we expect billings of \$75.5 million to \$76.5 million, GAAP revenue of \$78.5 million to \$79.5 million and non-GAAP net loss per share of \$0.03 to \$0.07, assuming 41.5 million basic 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 \$317 million to \$321 million, GAAP revenue of \$316 million to \$320 million and non-GAAP net loss per share of \$0.11 to \$0.19, assuming 41 million basic weighted average shares outstanding. Last quarter, we provided specific guidance around expected progress on Rule of 40 to demonstrate confidence in our turnaround and show that we are molding the business into something that we can be very proud of.

We stated that we expect to exit fiscal year '26 with billings growth and non-GAAP operating margin of 5%, and we are very pleased to now raise that guidance to 6% for both metrics. We continue to believe we are on track to exit fiscal year '27 with those metrics at 10%, with potential to raise in the future.

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

QUESTIONS AND ANSWERS

Operator

Thank you. Well, I'll be conducting a question-and-answer session. (Operator Instructions)

Derrick Wood, TD Cowen.

Derrick Wood - TD Cowen - Analyst

Great. Thanks, guys, and congrats on the great traction with the new strategic initiatives. Josh, you guys had quite the presence at the Snowflake conference this year. Can you talk about how that event along with your broader Snowflake go-to-market efforts have materialized and include Q2 closed deals versus forward pipeline build and how you're thinking about the opportunity to convert on these pipelines as you progress through the second half of the year?

Joshua James - Domo Inc - Chief Executive Officer, Founder, Director

Yeah, absolutely. And if you ever want to issue a report right before earnings, any other time, that would be great. Thanks for the coverage, Derrick. We appreciate the insight. And love to note, if it was right on actually.

We -- it was -- the Snowflake event was, I mentioned electric. It really was. I mean, we had -- our goal was that everybody at Snowflake that was a potential customer of ours would know our name by the time they got done with the conference. And we had an awesome booth presence and some ways to get people's attention with bougie bingo, and it worked exceptionally well.

We got thousands of leads. We did the same thing in the next week at Databricks. We're actually being requested by our partners to come and run the same events in other locations. So it just really what brought a lot of energy. And in terms of how it affected the quarter, we talked about it a little bit.

We actually seen tremendous growth in our new ACV. And part of that shows up in billings. But our new ACV, our sales, which is what we pay our reps for, it's been growing meaningfully. And so we're excited about that.

But like I talked about for this quarter, deals from CDWs just started affecting that number this quarter, but not in any kind of material way. This quarter though, however, in Q3, it will start having an impact on our numbers. And we have -- we've gone from a bunch of leads to much of Stage 2 and now a bunch of Stage 3 deals in the pipeline.

The interesting thing about these leads is they close at a much higher rate. We've got intel from other partners in the ecosystem that their leads from CDWs close at 5, 6, 7x the rate that needs they generate on their own. We've become very good at generating leads on our own. And now that we're having dozens and dozens per quarter of leads from these CDWs that are going to turn into deals, if they have anything higher than what our current close rates are with our source deals from our own network, then we can see that start to have some meaningful upside to the numbers that we put out there for this year and next year.

So we're very excited about how that's coming to play. I'll share a little bit more color as well. We go into these -- we go into sales meetings with these CDW partners, and we meet with their -- when they have QRs, we meet with their sales managers and CXOs and sales engineers and we do it with a lot of CDWs. And we're literally demoing to these teams and in some cases, getting broad rounds of applause because of how excited the sales managers and sales engineers are.

We've had sales executives go up to CXOs of these companies saying the only reason they made their numbers because of their relationship with us. So we're starting to see it have a real impact and get broad recognition inside the CDWs that we can have an impact. So that's the first thing, get the brand recognition, get the awareness, get people to trust us so they start bringing us into those deals.

They're bringing us into deals. We have a lot in our pipeline. As we get more visibility into what those close rates look like, it will start to affect our guidance, I'm sure. But right now, we're just really excited about the potential that's there in the pipeline, and we'll start to see that affect things this quarter.

Derrick Wood - TD Cowen - Analyst

Great to hear. And as a follow-up, either for Josh or Tod, I mean, now that you've got 75% of ARR on consumption, just can we walk through how to think about how the improving growth mechanics fold into the model? I believe when you migrate customers over, you usually don't see much of an immediate uplift. But as they start to dial up usage, then you start to see that and stronger expansion motions. So can you just give us a sense as to how quickly customers come back and start buying consumption credits after initial migration?

And the 108% NRR that you reported, is that for just net new customers? Or is that for customers that both new and existing that have shifted over to the consumption model?

Tod Crane - Domo Inc - Chief Financial Officer

Thanks for the question, Derrick. The 108% is for customers that originally purchased Domo on consumption. So that would be net new customers. And as we think about how this is going to play out in the model, one thing we mentioned on the call, with gross retention, we see that meaningfully improving from its current levels. Obviously, the goal is to get to 90-plus, and these consumption contracts are -- have been and will continue to, we believe, retain at a much better rate, both from a gross and net retention perspective.

So I would expect, again, to see that meaningful improvement begin in Q4. And then from there, that improvement will continue as we go forward. But yes, I mean, just the ability for these customers to be able to expand to other users and their company more easily to not have to go through procurement, and we mentioned as well the ability to buy our product on this marketplace of our CDW partners, all these things are contributing to us being able to more easily retain and expand our existing customers.

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

And then even the customers that are not new logo customers, the ones that do transition over, that group as well has a higher NRR than our seat-based customers. So overall, the whole thing is better is just really interesting to highlight, the ones that come in with no expectations with no experience with seat-based and then when we transition them, we sometimes have to give caps and have to get through one more version of the contract before we start seeing all the upside. But we just think that, that new logo cohort, it's actually a decent-sized cohort, so we think it's pretty reflective of how things are going to look over time.

Derrick Wood - *TD Cowen - Analyst*

Great to hear. Thank you.

Tod Crane - *Domo Inc - Chief Financial Officer*

Thanks a lot.

Operator

Brett Huff, Stephens.

Brett Huff - *Stephens - Analyst*

Josh, Tod, congrats on another nice set of proof points reflecting the inflection point. So congrats on the results.

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

Thank you.

Brett Huff - *Stephens - Analyst*

Following up a little bit on the prior question, digging in a little bit on that NRR, can you talk a little bit about the use cases or kind of the tenor of the use cases that you're seeing on the new and existing? Is it -- is your sense that somebody is going after one big use case in dialing up that particular use case? Or is it a little bit more broad? Or do we have insight into that yet in terms of usage? And the question really goes to the wall-to-wall opportunity that you guys have talked about?

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

Yeah. Those wall-to-wall use cases are -- I mean examples are made up of multiple use cases. And one of the things that we believe that lends to more upside in the NRR is we really just started building our business around trying to help customers adopt the product more and help our customers find additional use cases. The seat model is very different in how you approach the customers. So we're excited about that because it allows us to really get in there and we've been transitioning a lot of our people to more technical people.

And you see that same kind of experience with Snowflake people and Databricks people, they're usually much more technical. So we're getting a lot more technical people to interact with our customers, and that's been very beneficial so far with a few dozen folks that we've hired already. We're seeing an improvement, and we're seeing increased NRR when they engage with our team.

And then the other big component is historically, we've gone to our customers, and we've usually been just one case -- use case. And we haven't had IT as a partner. But going in with the CDWs, I think the majority of the work actually so far because leads are still in the pipeline and building, the majority of benefit we've gotten from the CDWs thus far is strengthening current relationships that we have because every single one of our reps is now finding out which CDW is in the accounts that we're in, we're calling those reps and then we're going on site and visiting jointly.

And now we're blessed for additional use cases inside those organizations. So we're seeing just a tremendous amount of effort there, but a tremendous amount of results when we go in and we go into arm-in-arm with our CDW partners.

Brett Huff - *Stephens - Analyst*

That's super helpful. And then, Tod, one for you. Just give any more commentary around the guidance. First of all, thanks for the additional clarity on the 6%. That sounds awesome.

As you guys think about this year and into next year, what's built into that assumption-wise? Is it very visible stuff? Is it a little bit of things that we're anticipating kind of give us a sense of where your assumption levels are there.

Tod Crane - *Domo Inc - Chief Financial Officer*

Yeah. We continue to find leverage in the model. As we get more and more focused on our strategic initiatives, that allows us to also be more focused with how we allocate our resources internally. So we're constantly looking at where we get into best ROI, how can we shift resources there, scaling up and down in different areas of the company as we need to, to make sure that we're progressing towards our goals. So yes, it's really just that. It's just -- there's leverage in the model, and we're continuing to align that with the goals that we have.

Brett Huff - *Stephens - Analyst*

Great. Thank you, guys. Appreciate it.

Operator

Patrick Walravens, Citizens Bank.

Kincaid LaCorte - *Citizens JMP - Analyst*

Hey, team, congratulations on the quarter. This is Kincaid on for Pat. Just wanted to be about International Market Day. You called out Japan. I was curious if there's any other regions that you're seeing a lot of success in? And then what verticals are doing well, in particular internationally?

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

Yeah. I mean we have success in pockets in Asia Pac and then pretty broadly in EMEA. Japan is just outsized relative to software companies our size, it's double, triple what you would usually expect. And we have a lot of great logos over there, a lot of good relationships, extremely high retention, a great team, great management. It just continues to perform really well for us, and it's a lot of fun.

I think in terms of which industries, I don't think it's any different than what we see across the US as well. It's pretty broad. And in Japan, there's obviously a lot of industrials. There's oil and gas, there's a lot of tech.

There's a lot of retail. Yes, it's just across the board. And it's just -- every market is a little bit different in Japan, requires a lot of services on the front end and a lot of services to make sure that they have great implementations. So some of our best implementations are over there as well. And Japan takes a little bit longer for them to make decisions.

But once they do, then as long as you take care of them, they usually stick with you. So it has been a really good market for us. And our name is a Japanese name, so it's appropriate, I guess, that we do well over there, but it's been a lot of fun to see the success.

Kincaid LaCorte - *Citizens JMP - Analyst*

That is very true. And then just as you're at this inflection point, I'm curious if there's verticals or customers that you're starting to win as you move to this consumption model that you weren't really getting that much traction with, with the seat-based model or anything you're seeing in that sense.

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

I'm going to ask RJ, our CRO, to answer that question and talk about some of the places where we've been successful with the consumption model as it allows people to bring a lot more users in and then experiment with different use cases, whereas the old seat model, the budgeting process kind of as almost the revenue prevention department in some ways. But RJ, will you give us some additional insight?

RJ Tracy - *Domo Inc - Chief Revenue Officer*

Yes. So we have a ton of different companies that have had a hard time scaling as mentioned. And so as we're going into these accounts, there's a few areas that this has had a big impact on. And one is just, as it was mentioned earlier, going wall-to-wall in these accounts. And the consumption model has enabled us to grow uninhibited.

So oftentimes, we'd have accounts where they're trying to make a financial decision. They've got free licenses of Power BI or another visual layer. And in a lot of cases, we were going up against those vendors and they considered them to be free.

And now we've taken that off the table. So it's just allowed us to scale. As far as a lot of the use cases, I would say, we weren't part of the IT conversations. So we're winning a lot of deals now, and we're seeing a lot of opportunity with buyers that we weren't winning before with use cases that we weren't part of before, including integration, ETL use cases, a lot of companies were coming to us originally for just visuals, not even knowing that under the covers, we had a very strong integration layer, very strong ETL layer.

And now a lot of the deals we're seeing are starting off with that integration. And then they're saying, "Oh, wait, but you guys do AI too?" And we're like, yes, we do AI. And then you guys can build agent solutions? And yes, we can build agentic solutions, and it's opening up the door and consumption enables that because now all that technology is exposed. And before it wasn't exposed unless you paid for it, and now it's exposed, and we're seeing a lot greater adoption across the entire platform.

Kincaid LaCorte - *Citizens JMP - Analyst*

Spectacular. Thank you, guys, for the time.

Operator

Yi Fu Lee, Cantor Fitzgerald.

Yi Fu Lee - *Cantor Fitzgerald LP - Analyst*

Thank you, Josh and Tod for taking my question. Indeed, a very productive quarter and making notable progress across CDW and hyperscaler partnerships ecosystem. So Josh, my question revolves mainly around the new products or, as you said, highways you added during the quarter and this month. So obviously, feel free RJ if you have any comments on the pipeline as well. Josh, I want to start with the AWS strategic collaboration with Domo as well as Google BigQuery enhanced data integration.

Can you give us a little more color? I understand that AWS opportunity is more of Agent Catalyst that we launched on Domopalooza. How big of an opportunity is that? And what are you seeing in the pipeline between these two hyperscalers?

Joshua James - *Domo Inc - Chief Executive Officer, Founder, Director*

Great. Yeah. Thanks for that question. RJ has been responsible with the relationship. So I'm actually going to have him share some color on that.

I'll just say that it's been a pretty big unlock. There -- these relationships with Google, with Snowflake. Google is actually kind of a little sneaky surprise. We didn't know it was going to go as well as it's going, but just unlocking that and making sure that we're in the marketplace and that their reps get paid for bringing us into deals because we go and drive consumption.

A lot of these big CDWs and cloud vendors, Oracle included, what they care about is where the data is sitting. And is that going to continue to drive their cloud. And really, any vendor, even if it competes with other applications that they have, they don't really care as long as it's driving cloud consumption. So that alignment has been a decent unlock, and we think there's a ton of potential there because it's getting to unlock and then getting the brand awareness internally with all of those people and those individuals that are referring their customers historically to vendors that were not us. And now we're in the mix there.

So we're excited about that potential because we've done step 1, and that was the unlock.

Now step 2 is just the recognition, the awareness and getting the customer use cases, but we're rapidly getting those. So now it's just helping that information expand and increasing that awareness. RJ, do you want to give us some additional insights?

RJ Tracy - *Domo Inc - Chief Revenue Officer*

Yeah. And I'll echo some of that. The thing that's interesting about AWS and Google is really, we can partner with them in several different fronts. So we can actually go into a deal with a different CDW partner, but the workload is living on GCP or the workload is living on AWS. And now all of a sudden, we're working with AWS and a CDW partner, and we can retire spend on either one of those vendors' marketplaces.

And so it's -- I think the opportunity is huge. And their AWS and Google are great partners. They know how to partner really well and it opens up the door for us to take a customer first approach. And in a lot of these accounts, we might be bringing together a BigQuery and a Snowflake and different departments have procured the software or the back end that best suit their use cases and needs. And Domo can wrap around both of those and provide a unified experience to the end user. So we think the opportunity is massive with all of these players.

Yi Fu Lee - *Cantor Fitzgerald LP - Analyst*

I know it's too early to say, RJ and Josh, like would you say -- I know it's obviously Snowflake, you guys made great headway with the fully managed solution. It's great to see the mature like buy-in this relationship. I was wondering if you could comment like -- I know you got a Databricks, right? And I know you heard great feedback, you guys are diamond sponsors and you already said in the call, right?

Would you say these hyperscaler relationships will perhaps later eclipse some of these CDWs? How do you think of that dynamic, I guess?

RJ Tracy - Domo Inc - Chief Revenue Officer

I mean we're going to continue to lean in where the partners lean in. And we have had a couple of partners that have taken off faster, but part of that is because our integrations got done first. But we're building teams around all of the different hyperscalers and CDW and we're going to continue to lean in and will lean in hard on the partners that lean back and we don't know if that means quite yet, but --

Joshua James - Domo Inc - Chief Executive Officer, Founder, Director

Yeah. I think a big part of it is also who's selling solutions. And the solutions are what really drive the consumption and the solutions would take advantage of all the agentic solutions that we -- that we offer, all the AI that we offer, the governance and the security. And so to the extent that that the CDWs are out there selling solutions and want solutions to be sold to their customers, that's where we play exceptionally well.

And the hyperscalers historically, they've been more focused on helping you scale. The CDWs have been trying to shift more towards really selling solutions. So we work well in both areas. I think the CDWs are growing a little bit more quickly right now with us.

Yi Fu Lee - Cantor Fitzgerald LP - Analyst

Got it. Thanks, Josh and RJ for that. Let me wrap this with Tod on the financial side. Tod, thanks for the update on the 6%, 6% operating margin as well on growth to exit this year and NRR, net retention rate at 108%. I was wondering if you could give us some comments, obviously, it sounds like the new consumption cohort is reaccelerate, reigniting growth.

How would we think about the model going forward, meaning like when do we see like higher growth rates in terms of top line going forward? I understand you mentioned being on a profitable growth path going forward. But could you give us a little bit more color on that?

Tod Crane - Domo Inc - Chief Financial Officer

Yeah, absolutely. It's going to be a combination of improving our gross retention rate and then also continuing to grow our new ACV. So on the retention front, we're going to, specifically in Q4 and then beyond, see a lot of benefit from this push to get more multiyear deal grower RPO. In conjunction with that, consumption partner being able -- our customers being able to buy our products to their marketplaces. These are all going to help our retention rate going forward, which is going to be a tailwind for growth.

And looking at the new business side, similarly, right, we're going to have tailwinds from consumption, we're going to have tailwinds from partner and being able to go out and win together with our CDW and hyperscaler partners. We're also seeing a lot of tailwind from AI and the advanced features of our platform. If you look at infrastructure spend, the budgets for that are growing much faster than other areas of IT budgets, and we provide that infrastructure, that critical infrastructure for people to deploy and create AI use cases and agents. So we're seeing a tailwind from that, and we expect that to continue.

Yi Fu Lee - Cantor Fitzgerald LP - Analyst

Got it. Thanks, Tod, Josh, and RJ. Thanks very much. Yeah. Thank you.

Operator

Max Michaelis, Lake Street Capital Market.

Maxwell Michaelis - Lake Street Capital Markets LLC - Analyst

Most of them have already been answered, but I guess just one from me. I guess when we look at your total customer base, I mean, are you seeing any sort of differences in customer buying behavior maybe from your larger enterprise customers maybe versus your smaller customer cohorts, SMBs?

Joshua James - Domo Inc - Chief Executive Officer, Founder, Director

I mean I think the biggest difference is they want partners. The enterprises, they're -- they have long-term solutions and strategies. They've got data strategies and you've got to make sure that you're in alignment with that strategy from IT, the best strategy, the blessed vendors. Once you get that part right, then you leave those vendors that we're in there with they're now looking for the businesses, the business users to come in and say, here's a solution that we need now. And is there a solution on top of this approved stack that we can use to drive our business forward?

And we've done really well on that part historically. We just haven't been blessed. So now being in there with CDW partners and hyperscalers that are blessed being able to tuck our spend into those marketplaces is something that's improving our ability to -- from a speed perspective to close deals.

Operator

Thank you. This concludes our question-and-answer session and today's conference call. You may disconnect your lines at this time. We thank you for your participation.

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