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DOMO.OQ - Q3 2026 Domo Inc Earnings Call

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## PRESENTATION

### Operator

Greetings, and welcome to the Domo Q3 fiscal year 2026 earnings call. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Cory Edwards, Vice President of Corporate Communications. Thank you, Cory. You may begin.

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### Cory Edwards - Domo Inc - Vice President of Corporate Communications

Good afternoon. On the call today, we are joined by Josh James, our Founder and CEO; and Tod Crane, our Chief Financial Officer. I'll begin with our safe harbor statement. Our press release was issued after the market close and is available on the Investor Relations section of our website.

Please note that today's 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 our quarterly report on Form 10-Q, all available on the SEC website. These documents outline important risk factors that may cause 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. Unless otherwise stated, all results discussed today other than revenue, are on a non-GAAP basis. These measures should be viewed as complements to not substitutes for our GAAP results.

A reconciliation of our non-GAAP results to the most directly comparable GAAP measures can be found in today's earnings release and on our Investor Relations website at [domoinvestors.com](http://domoinvestors.com). With that, I'll turn it over to Josh. Josh?

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

Thank you, Cory. Hello, everyone, and thanks for joining us on the call today. It's been an exciting time for us as we continue to execute against our key objectives. In Q3, we generated positive adjusted free cash flow of \$2.1 million a \$15.8 million improvement over last year.

We're on track to finish the year with positive adjusted free cash flow for the first time ever with every quarter being positive along the way. Our operating margin was 6.8%, well above guidance, putting us on pace for our highest full year operating margin ever. We also posted positive EPS for the second consecutive quarter at second time ever.

We are pleased with the progress in these financial metrics and are continuing to execute a clear and strategic game plan rooted in three key objectives; deepening our partner ecosystem, accelerating consumption and pushing the boundaries of what's possible with AI. I'll speak to the importance of and our performance against each of these objectives.

I'll start with deepening partner ties. A foundational component of our ecosystem focus has been rearchitecting our platform so customers can seamlessly integrate Domo with the cloud data warehouses or CDWs they already use. We call this functionality, cloud amplifier because by sitting on top of Snowflake, Databricks, Big Query, Redshift, Oracle or whichever warehouse they prefer, cloud amplifier magnifies the value of our customers' previous data infrastructure investments.

This approach gives customers flexibility and gives them control, while fully leveraging Domo's powerful platform capabilities. Today, over 350 accounts are actively using cloud amplifier across nine different cloud data warehouses, a number that has more than doubled year-over-year. Even more striking, the number of unique users on cloud amplifier has soared 450% year-over-year.

This rapid adoption shows that our shift from competing against cloud data warehouses to complementing them is the right move as we are not only enhancing the entire data experience for our joint customers, but also driving meaningful revenue for our partners. In fact, several of these partners are interested in even tighter relationships and considering OEMing our analytics for all of their new customers or considering investments or other strategic relationships.

The power of our products together truly delivers exceptional customer value. Our partnerships with the CDW ecosystem continue to grow stronger and more impactful. In Q3, leads from strategic partners increased over 25% compared to Q2 and more than doubled from what we generated in Q1, showing how quickly these relationships are expanding, while working through partners introduces more stakeholders and may create longer sales cycles than our traditional direct motion, it's actually proving to be a major positive for us.

These deals typically involve CIO level engagement and more strategic conversations across the business, which can lead to stickier relationships, strong retention and broader adoption across the organization. It reinforces the growing value of our ecosystem and the durable growth engine we're building. Next is the tremendous and almost unprecedented speed at which we've transitioned to a consumption model and the corresponding value it is adding to our business.

We see strong evidence of this in our monthly unique user growth and the increasing share of our revenue coming from consumption pricing. Today, 80% of our annual recurring revenue is on consumption contracts, a significant shift that underscores the broad acceptance of this model. A little more than two years ago after introducing it, the percentage of our ARR and consumption was in the single digits.

And as we've now said for the last several calls, we expect to be over 85% by the end of the year. The move to a consumption model is not just about pricing. It's about unlocking full platform access and demonstrating value to a wider user base by removing traditional licensing limits and enabling broader access we empower more people across our customers' organizations to engage with data and AI in meaningful ways.

Monthly active users across our entire customer base have increased over 10% year-over-year, reflecting this growing momentum. The result is naturally accelerating adoption and usage creating a positive feedback loop that drives deeper customer success. Over time, this expanding engagement will generate favorable economic benefits for Domo, while delivering greater impact for our customers.

This usage-driven momentum gives us growing confidence in the durability of our long-term model. Complementing the move to consumption, we are also leaning into a more composable approach to how we sell the components of our platform. More composable platform allows us to meet customers, where they are and accelerate how quickly that they can get value from Domo.

While we can power the full end-to-end data and AI stack. Some customers don't always need the whole thing on day one. Sometimes they're looking for a better integration layer or a workflow engine or a place to operationalize AI embracing composability this way means that we insert value immediately where they need us.

That flexibility has been a big advantage as modern data architectures become more modular. Operationally, that means our go-to-market motions now include more of a focus on helping customers start with a piece of Domo that most meets their needs and then growing naturally into more components of the platform over time.

Finally, innovation with AI continues to accelerate. At a time when industry studies have shown that high levels of generative AI projects failed to reach production, highlighting how hard it is to get value, real value from AI Domo's customers are proving what's possible with the right foundation.

The number of unique accounts using our AI features increased over 60% year-over-year, while the number of unique users more than doubled. We view this as evidence that our integrated platform, combining connectors, ETL, workflows, governance and visualization is enabling real AI use cases that deliver ROI at scale.

Our customers are moving from experimentation to operationalizing AI to transform decision-making. While some of these benefits are still unfolding, we view these strong adoption in users trends as powerful leading indicators. They validate our strategy and give us confidence that as we continue executing with this pace and focus, favorable financial performance may naturally follow.

I'm incredibly proud of the progress we've made over a relatively short period of time. The trajectory is clear. building broad platform engagement today sets the foundation for sustainable profitable growth tomorrow. Now let me share a few customer wins in the quarter that highlight progress against our key objectives.

And our partner ecosystem, we closed new logo deals with a large credit union and a fast-growing logistics provider, who each selected Domo and Snowflake together after seeing how our joint solution simplifies their data environment accelerates reporting and provides a strong foundation for their long-term AI strategy.

A multibillion-dollar global food and beverage nutrition company is modernizing its approach to marketing intelligence and signed with Domo to optimize its use of Databricks after their previous vendor and SI spent more than a year attempting to deliver results with limited success.

In contrast, Domo and its SI partners deliver a compelling proof of concept in just a few weeks. Our ability to blend Databricks data with Domo's AI workflows and app capabilities showed the customer a clear path to standardization and faster insights. This deployment is already sparking interest in expanding Domo across the business.

One of the largest insurance companies in the U.S. extended its partnership with Domo, evidence of the strength of Domo's offering for large enterprises and an example of our multiyear contract growth. This insurer expanded to a four-year seven-figure TCV agreement after a collaborative solution sprint showed how our AI workflows and app development capabilities could streamline their complex RFP process because they were already on consumption, they could leverage the full breadth of the platform without licensing barriers, allowing this solution to be scoped for long-term impact rather than limited access.

We also expanded to a seven-figure TCV contract with a large global nonprofit that provides care to nearly 3 million patients. They relied on Domo for years, but recently turned to us to help them build predictive models to better understand and reduce patient churn. Moving

to consumption has allowed them to broaden user access, deepen analytic exploration and accelerate their work with AI and application development.

They are also a large snowflake customer. And so together, we're partnering to help this customer unlock even more value from their snowflake data using Domo. Given the scale of their operations, we see meaningful room for continued growth.

And finally, a fast-growing retail technology company expanded its use of Domo as part of a broader effort to simplify its data architecture and scale efficiently. Moving to consumption removed past licensing constraints, and enabled enterprise-wide access positioning Domo as their long-term platform through 2029 by connecting directly to Databricks using cloud amplifier, they now have a streamlined path for real-time insights across the business.

Through a strong C-level relationship, their projected growth and increasing focus on AI-driven workflows and natural language experiences, we see significant future expansion potential. Over the past few months, we've also received strong industry recognition for media and industry analysts for our leadership in AI and data products.

Domo was named the leader in Agentic AI by both Dresner Advisory Services and KM World with Dresner ranking us as number one, in its 2025 Agentic AI report? Nucleus Research named Domo leader in its embedded analytics Technology Value Matrix 2025. CRN selected Domo as its 2025 Product of the Year Award for Best Business Intelligence and Data Analytics Technology. ISG named Domo, an overall leader in its data products buyer's guide and Dresner also recognized Domo's broader platform strength, ranking us number two, in its analytical data products report.

These recognitions reflect what we're hearing from customers every day that Domo was helping them turn data into actionable insights, modernize workflows and get real value out of their data and AI investments. I'm encouraged by the progress we're making and the momentum we're building with this next quarter expected to be the fastest billings growth we've seen in more than three years, while generating positive free cash flow every quarter this year.

It's clear that the work of the past few years is paying off, and we're now in a stronger position than ever to drive meaningful, profitable growth in the quarters and years ahead. Finally, I want to thank our employees. It's been a long row to hoe, but the work they've done to strengthen our ecosystem partnerships move a significant majority of our base to consumption pricing and build innovative new AI capabilities has been extraordinary.

Their passion and persistence are driving this next chapter for Domo and I'm incredibly proud of what we're achieving together. So speaking of rows to hoe, I know a man who has hoed miles and miles of sugar beets in Southern Idaho. So we should turn it over to our one and only Chief Financial Officer, Tod Crane.

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**Tod Crane - Domo Inc - Chief Financial Officer**

Thanks, Josh, and thanks to everyone for joining us today. In Q3, we generated positive adjusted free cash flow of \$2.1 million representing a year-over-year improvement of \$15.8 million. Importantly, we expect to generate positive adjusted free cash flow in Q4 and are therefore on track to be positive for the full year for the first time in company history.

This also means that we expect to generate positive adjusted free cash flow for each quarter this fiscal year, another first. Our operating margin in Q3 was 6.8% well ahead of our guidance and putting us on track to deliver our highest full year operating margin on record. We also generated positive EPS for the second quarter in a row and the second time ever.

These results reflect our ongoing commitment to control the things we can control and operate the company with efficiency and discipline. Billings for Q3 were \$73.2 million, below our guidance, primarily due to longer-than-expected sales cycles for certain partner-related deals. We've learned that the sales cycles for customers, who are purchasing a CDW for the first time can be long and complex.

However, these deals create stronger, more durable customer relationships, often with CIO level support for Domo being part of their company's global data strategy, making the weight worthwhile. While some partner-sourced opportunities are taking longer than expected to show up in our top line metrics, our ecosystem focus is producing measurable benefits elsewhere in the business as the customer examples we discussed earlier demonstrate.

We remain confident this strategy will continue to unlock many opportunities for us that would not have been possible otherwise. Turning to our recurring revenue metrics. Current subscription RPO grew 3% year-over-year to \$214.1 million, and our total subscription RPO grew 15% to \$405.9 million. This growth underscores the strength of our customer relationships, highlighted by the prevalence of multiyear contracts and the longest average contract duration we've ever seen.

Looking ahead, a substantial portion of Q4 billings will come from existing multiyear agreements, providing increased visibility and reducing risk in our financial outlook. Our gross retention in Q3 was 85%. Several years ago, retention was having a negative impact on our business, and we identified it as a major area of focus.

Since then, we have made a concerted effort to improve retention primarily through two initiatives; first, shoring up our customer relationships, by going into deals jointly with our ecosystem partners and thereby up-leveling our status with CIOs.

And second, generating meaningful growth in RPO, which is a reflection of the value our customers are getting from our product resulting in strong relationships and a willingness to make long-term commitments to us. The progress we've made in these areas is finally having a material impact, and we expect gross retention to improve to approximately 87% in Q4 the highest gross retention rate in six quarters. This is just the beginning, and we could see ourselves approaching 90% in certain quarters next year.

ARR net retention was 95%, up sequentially for the fifth straight quarter and a year-over-year improvement of over 4 percentage points. Another factor contributing to the improvement in our retention metrics is the retention profile of customers on the consumption model, which continues to be well above that of our seat-based customers. ARR net retention for the customer cohort that began on consumption continues to be above 100% and coming in at 106% in Q3.

We currently have 80% of our ARR on consumption contracts. We feel confident we will end the year above 85% and as our consumption customers represent a higher and higher percentage of our renewal base, we believe both gross and net retention will continue to improve.

Total revenue was near the high end of our guidance range at \$79.4 million. Gross margin was 75.4%, down 90 basis points year-over-year, primarily driven by ecosystem-focused improvements to our platform. We expect these improvements to not only enhance our ability to continue executing on our partner strategy, but also drive more consumption revenue, which we expect will increase gross margin over the long term.

Our non-GAAP net income was \$0.3 million. Non-GAAP diluted net income per share was \$0.01 based on 44.8 million diluted weighted average shares outstanding. Looking ahead to Q4, we expect billings of \$107.5 million to \$109.5 million. The midpoint of this range represents 6% year-over-year growth, which would be our highest billings growth in more than three years.

We expect GAAP revenue of \$78 million to \$79 million and non-GAAP net loss per share of \$0.01 to \$0.05, assuming 42.1 million weighted average shares outstanding, basic and diluted. For full fiscal year guidance, we expect billings of \$315 million to \$317 million, GAAP revenue of \$317.5 million to \$318.5 million and non-GAAP net loss per share of \$0.07 to \$0.11, assuming 41 million weighted average shares outstanding, basic and diluted.

In regard to adjusted free cash flow, we expect to be positive in Q4 and to generate approximately \$6 million for the year. I would like to highlight that our guidance reflects our expectation that our operating margin will be 5% for the full fiscal year, our highest ever. Earlier in the year, we only expected to exit the year at 5%, but we now expect to achieve that level of profitability for the entirety of the year.

We continue to expect that we will exit FY27 with 10% billings growth and 10% operating margin. With that, we will open the call for questions. Operator?

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## QUESTIONS AND ANSWERS

### Operator

Thank you. We will now be conducting a question-and-answer session. (Operator Instructions)

Derrick Wood, TD Cowen.

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### Derrick Wood - Cowen and Company LLC - Analyst

Great, thanks. Josh, could you just double-click on the assessment of kind of where the negative billing surprise came from? And what you're doing to address it to get back on track? And maybe give us a little bit more additional color on how we should all be getting comfort on hitting those kind of nice growth rebound targets for Q4 in terms of billings?

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

Yes. Thanks, Derrick. The -- as this ecosystem business has gotten larger and larger for us, we're starting to realize that because it's having a bigger impact, we're starting to realize that it takes a little bit longer for us to close those deals because they're more involved. They have higher close rates, and they're much stickier when we get them. Because we're now in there with the CIO, but involving the CIO and having multiple vendors and from what we've heard from other people, other vendors in the same ecosystem that we're selling into, it looks like the sales cycle is going to be a little bit longer.

So we kind of had a onetime shift, if you will. And the pipe in terms of Q4, we feel very confident in -- and we also feel -- we're very excited about finally getting to the billings growth, and that comes from two things. We're finally from a retention standpoint, we're finally seeing the improvements of the ecosystem investments that we've made there, as we go to many of our customers and get a chance to talk to them and introduce them to Databricks or Snowflake or Google or Oracle or whoever and the fact that we're in there jointly has really helped us from a retention standpoint, and it's really helping us from a new deal standpoint, just the new deals are taking a little bit longer than we originally realized.

And so that's that shift there. But it doesn't change anything about the premise. It's still very positive. We just had that had that shift in billings.

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### Derrick Wood - Cowen and Company LLC - Analyst

Anything -- so it sounds like some deal slippage. I mean anything to share in terms of have things closed and in Q4? How is the quarter off now that you've had a month into it?

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

Yes. It started off well. Some deals that slipped already closed -- in Japan, we had deals that closed at the beginning that had slipped also with partners. So it was just -- unfortunately, we didn't lose any of the deals, but it also wasn't Oh, a couple of deals slipped. We'll get them and then get all at Q4. We're kind of like, okay, we probably should be a little conservative on this and the way we interpret this because, again, we didn't lose the deals.

It's just elongated because of getting CIOs in the room, getting multiple vendors in the room. And so as we looked at our pipeline, again, feel really good about it. But in terms of timing for some of those ecosystem deals, we'd probably better be conservative on that.

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**Derrick Wood** - *Cowen and Company LLC - Analyst*

Okay. And just the -- your comment on opportunities with some of the CDWs around OEM and other types of investments. Could you give us a little more sense as to what kind of things may be in the hopper?

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

Yes. We've got these partners. And as we work with them and we share 100 customers or 300 customers, they start looking at -- we're starting to realize what we're doing for them. And we're making their customers happy and in most cases, happier than they have been with alternative solutions.

And as the partners are looking at that, they're approaching us and saying, hey, maybe we shouldn't be pushing some of these other things and maybe we shouldn't be pushing our own stuff.

Are you guys interested in an OEM deal and going to market together, which, to be honest with you, we're kind of surprised about in some cases because a lot of times, you don't see these OEMs pick just one, but that's what's being floated. And they're very meaningful deals that would have a really big impact. The 1 nice thing about being as independent as we are, it hasn't always been benefit, but the nice thing is that we're pretty neutral when it comes to the big players out there. And so we're a safe place for them to help keep their data in their platform.

You think about all these different clouds that are out there and all these different clouds that have applications and that have other data flowing through. And the last thing they want to have is that data flowing somewhere else. And so when you look at the other companies that can facilitate data integration, ETL and facilitate that data going from one cloud to another, all of a sudden, these big cloud vendors are like, I don't know, if we really want that happening.

We would prefer that it stays here. So maybe we should upgrade our own services, make sure that we have best of breed and really put forth the company that can help us keep our data in our cloud.

And that's just presenting a handful of different opportunities that are looking very interesting. So I mean I'm sure this year, we'll have -- in the next 12 months, we'll have a handful of relationships that just continue to improve. I'll add one more thing. I don't -- there's not one cloud vendor that we're working with, where things look anything but rosy, optimistic exciting on every single one of them, things the future looks brighter.

And so it is -- we are in a really good position. We needed to represent in our numbers. And we are very excited about the billings growth in Q4. We're very excited about the fact that we've got a \$23 million improvement for cash flow this year. So we know we can operate at cash flow positive and profitably.

And finally, these investments that we've been making are starting to pay off. We're seeing it in the gross retention. And now we're starting to see it in pipeline and billings growth and I think there's the potential big deals out there that could happen in the next quarter or two.

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**Derrick Wood** - *Cowen and Company LLC - Analyst*

Great. If I could squeeze one more in for Tod, just on the -- great to hear the gross retention potential for 90% next year. Any commentary on where kind of the net revenue retention may potentially go to?

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**Tod Crane** - *Domo Inc - Chief Financial Officer*

Yes. I think there's two factors that are going to play into improvement in net retention. One, as that gross retention number goes up, there's going to be a corresponding improvement in net -- and the other side that I'd point to is as we get better and better at realizing the upside from the consumption model, working more closely with our customers and helping them get into a contract that makes sense based on their usage. We shared several uses metrics during the call.

Overall, across the whole platform, unique users up 10% year-over-year. There's a lot of opportunity for us to take advantage of that consumption model and improve our upsell motion. So the combination of improving gross retention, improving upsell, we see plenty of upside on the net retention side as well.

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**Derrick Wood** - *Cowen and Company LLC - Analyst*

Okay. Thank you.

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**Operator**

Brett Huff, Stephens.

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**Brett Huff** - *Stephens Inc - Analyst*

Hey Josh and Todd, congrats on making progress on this. I've got two questions on kind of a balance. 1 is can you talk a little bit about time to value? I know that's been one of the things that you guys have brought to the table for your partners. But you also mentioned that you're going towards a little bit more composability, which may mean some smaller maybe smaller deals, but maybe even faster time to value.

So can you talk about that balance?

And maybe the other balance is you're really improving profitability and free cash flow, which is great. But are you finding that you're running up against things where you wish you had a little more freedom to spend in order to drive better growth? Or have you reached that sort of phase yet in wanting a little bit more freedom on Capital? Thanks.

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

Yes. On the composability, it's -- we do have a full stack. We have a lot of different entry points into relationships. And that's -- it's -- when you're pitching a loan to a new logo, you kind of start with the whole package, and it's 1 of the things that's very appealing. When you're in there with a partner, they've already solved some of their tech set.

They have a strategy. They have an architecture. So going there together with the partner and understanding the gaps that they have and being able to easily fill those gaps is a really simple way to improve the partners business, improve the partners installation that they're doing. And it actually hasn't had much of an impact on -- I don't think it's had any impact on our average deal size because this product is so broad and so deep that even when we're selling a composable piece, it's still something that we can charge \$50,000 or \$200,000 or \$0.5 million for just for integration and connecting our connection framework.

So we're actually able to still get great contracts. It just is really simplified because we're in there just talk about 1 thing and 1 thing only. And we're making that partner look good because it's so fast. I talked about a couple of examples in the prepared remarks, where we go into deals, it happens all the time. And they've been trying for months or years to make something work.

We come in with a partner and two weeks later, it's up and running. So just the partner framework really enables us to sell just components of our stack versus having to sell the whole stack. And it's actually a real joy and a really great entry point.

As far as the numbers, I'll let Tod speak to it mostly, I will say that, yes, there's definitely we trimmed the fat. We got things down very efficient. We're constantly -- it's been really fun internally, constantly analyzing everything that we do and what's the efficiency of it and what's the alternative to it and are the alternatives more efficient. It's just really fun to fine-tune all those pieces.

And as we've done it, finally, we're starting to see some initiatives that are getting good returns and paying off. As we see those returns, for sure, we're running up to things we were like, dang it, wish we had an extra \$5 million because we could grow faster, wish we had an extra \$10 million over here, we could definitely grow faster. So we're starting to see those things. And as those opportunities become very, very finite in terms of understanding exactly what kind of return we can get off of the dollar that we're making into different investments.

As we understand that more and more and get more confidence and do test runs, then it will give us either more common is just as we grow to spend those dollars and continue to invest or give us more confidence to say, you know what, here's something that looks really good. Let's go find something that's not as efficient and swap that out. So we're not to a point where we need to change our stance on our financial architecture that we've put forth.

But it is fun to see, gosh, there's some opportunities right there because sometimes, when you run these companies, you don't even see those opportunities, just like, Oh, can't find the right thing to do right now. We've got to find something that's working, and we're shifting more towards those a lot of things that are working. It would be great if we could do more, but we have these constraints, and we're committed to these numbers. Tod, do you want to add more color?

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**Tod Crane** - Domo Inc - Chief Financial Officer

Yes. Thanks, Josh. If you think about the Rule of 40 framework growth versus profitability, obviously, very, very pleased with the progress we've made over the last 12, 18, 24 months on the profitability side of things. But at the end of the day, the growth is really the price, and that's what we're focused on, and we want to get that growth reaccelerated.

The things that we've done so far have not put at risk our ability to grow the business we've been able to find other areas to save money and trim costs that aren't going to impact that ability to grow. But as we've discussed, there are a lot of exciting opportunities right now. The ecosystem play that we've been working on for over two years now and the improvements we made to the product, the people that we've got in place, the teams that we've got in place is just opening up a lot of really exciting opportunities, and we'll definitely be doing everything we can to capitalize on those.

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**Brett Huff** - Stephens Inc - Analyst

Great. I'll do -- if I could do 1 more. Can you talk a little bit -- remind us about how the conversation on AI is going. As you guys know, there's been a big conversation on AI eating SaaS. You guys kind of are more I think, have good defenses against those.

But can you just sort of go through how those conversations are going and how offense you're playing offense around AI?

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

Yes. We're definitely playing offense. It's as it evolves is something we pay a lot of attention to. It's one of the three big initiatives that we focus on day in and day out at our company. Everyone in the company knows that it's a focus.

And there's a couple of components to it. number one,, it improves our ability to deliver for our customers pretty dramatically because it simplifies a lot of the things that customers do with the stack that we have. So just going through our entire stack and using AI to make it more efficient, faster, has been a huge benefit to our customers.

And number two,, then what kind of agents can we build for our customers and can our customers build on our platform. And we've got the recognition. We've been cited as the best agent platform -- Agentic platform out there. We have -- we heard about dozens and dozens of new examples every single month, and we need to get that to hundreds and thousands that are happening every month because it's something that customers can do on their own.

We have a very big initiative. It's the biggest initiative that we have ongoing right now from an R&D standpoint, developing this next version of next generation of our genetic platform and that will be available here in Q1. But Daren, why don't you take a few minutes, Daren Thayne, our CTO, is also on the call. But Daren, why don't you take a few minutes and share some of your thoughts about our Agentic platform.

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**Daren Thayne** - Domo Inc - Executive Vice President - Product, Chief Technology Officer

Yes. Thanks, Josh. One of the key things that we see from customers that are leading into AI is definitely they are rightfully concerned about the ability to have the right kind of governance on their data, and they're not willing to just turn over without that governance ability to their company data. And so we've leaned in, in a big way in allowing them to have full governance of their data and unleash their users' ability to leverage AI with the comfort that they still have a fully governed access to that data.

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**Brett Huff** - Stephens Inc - Analyst

Great, thank you.

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**Operator**

Patrick Walravens, Citizens.

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**Patrick Walravens** - Citizens JMP Securities LLC - Analyst

Oh great, thank you so much. I was just curious, how much leverage are you guys getting with your new partners based on your learnings from the Snowflake partnership?

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

How much leverage are we getting from what, Patrick?

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**Patrick Walravens** - Citizens JMP Securities LLC - Analyst

With your new partners -- sorry, this is Kincaid on for Patrick. I don't want to take it from --

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

How much are we getting from our new leverage are we getting with our new partners from what we've learned with Snowflake? Is that the question?

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**Patrick Walravens** - *Citizens JMP Securities LLC - Analyst*

That's the question.

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

Yes. Great question. It is a great question because that's definitely how we've been building out all of these partners and we talked a lot about cloud amplifier today. But yes, you have to do it once and the first lift is 10x harder than the second. You still have to go through the entire process.

And there's no shortcuts for certain components of it because everybody's got their own unique properties to their stack. So there's big benefits because we learn how to do it from our side and then it's just maybe changing the way we plug into others. That said, there's a lot more than just the technology stack, right? There's the -- how do we go to market? How do we educate their sales executives?

What's the play that works? Is it getting with the field? Is it getting with the sales managers? Is it going top down? Is it going bottoms up?

What kind of white papers are needed, what kind of marketing materials needed, what kind of spend should we be doing to generate leads, what kind of webinars should we be doing. So the whole go-to-market motion is probably more complex because the technology problem is a problem just needs to be solved, and we've got a great team that figures out to solve it.

So the go-to-market part is more complex, but that's also something with huge benefit out of working with one or two or three really well and then all of the learnings benefit everyone else and benefit us. So it's been -- there's definitely been some economies of scale that benefit that we've been getting there.

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**Patrick Walravens** - *Citizens JMP Securities LLC - Analyst*

Great. Thank you so much.

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**Operator**

Eric Martinuzzi, Lake Street Capital Markets

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

The billings shortfall for Q3, was this just two or three large transactions. I understand the explanation that you've got more players involved and you're dealing at the CIO level. But this two or three sort of whale-size deals? Or was this six to 10 midsized deals?

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**Tod Crane** - *Domo Inc - Chief Financial Officer*

Yes. So it was a combination of I don't think there's any one or two big deals that constituted that. I think it was a number of kind of, let's say, medium-sized deals that slipped. And as we mentioned earlier, a lot of that is stemming from the fact that these partnered sales cycles are a little more involved and take a little bit longer than we originally expected, but we ultimately come out on the other side a lot stronger because we are -- there's a lot of stakeholders involved.

There's a lot of people that get eyes on our product and want to understand how we're going to perform on top of the cloud data warehouse that they're evaluating and when we come out the other side, we've got the full blessing of the CIO. We've got backing from the IT department. We've got people from all over the company that understand that Domo is going to be deployed with that cloud warehouse.

So if you think about it from a modeling perspective, yes, some \$2 million to \$3 million of deals that slipped into Q4, but as we updated our model and said, okay, we've got a longer sales cycle here that we're dealing with. There's also some billings that we originally had in Q4 that pushed out in the future period. So kind of net-net, no net impact to Q4. But we feel really confident in the number that we guided to there.

One thing we talked about on the call was because of all the work we did on multiyear deals 1.5 years ago, starting 1.5 years ago, we've got more of our -- a higher percentage of our Q4 billings coming from existing multiyear contracts than we've ever had before. So that gives us a lot of comfort and a lot of visibility into that Q4 billings number. And we're -- as we said on the call, really starting to recognize a lot of benefit from the work we've put in on getting longer-term deals, growing RPO and going into deals jointly with our partners to build stronger customer relationships.

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

Okay. And then you guys did a terrific job here in FY26, keeping a tight lid on the expenses, and we've obviously seen that in the free cash flow -- just curious, I'm not looking for a 2027 OpEx guide, but just curious to know if FY27, are you -- are there planned areas of investment that would be at a run rate higher than we were in FY26, either on the R&D or on the sales?

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**Tod Crane** - Domo Inc - Chief Financial Officer

There very well could be, but I think we're -- as we go along, we're finding areas of the business where we're able to get more efficiency than we've ever had before as well. I mean we're obviously like most companies out there were looking for ways to deploy AI effectively within our company and how do we get more leverage out of our existing resources by empowering them with technology, empowering them with AI. We use our own product internally a ton. We use it every single day.

All -- everybody in the companies is in the product and utilizing the power of Agentic-AI in a secure government environment and finding ways to automate and be more efficient. So while there will be areas, where we want to invest, there are going to be areas where we're going to be able to be more efficient as well.

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

And I think the guidepost there that we said we were going to -- we were committed to 5% and 5% exiting this year, 5% and 5%. And we're still planning on doing that. And exiting next year with 10% growth and 10% margin. And that's the guidepost. And within those constraints, if we're getting more growth, and that gives us opportunity to invest more than we will.

But we've set those guideposts out there for a purpose so that every investor can get great comfort with how we're going to grow this business.

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

Thanks for taking my questions.

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

Thank you.

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**Operator**

Lucky Schreiner, D.A. Davidson

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**Lucky Schreiner** - DA Davidson & Co - Analyst

Great. Appreciate you taking my questions. It was nice to see that ARR net retention for the customers, who began on consumption. That remains strong, but it did tick down a bit -- and I was just wondering what was the main driver behind that in light of the usage momentum and user growth you had referenced in your prepared remarks.

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**Tod Crane** - Domo Inc - Chief Financial Officer

Yes, there's going to be a little bit of movement in that cohort in the near term. It's a meaningful sample size. It's a meaningful dollar amount, but it's not -- if you think about it, with that NRR metric being a trailing 12-month metric, it's really reflective of where we were a year ago on our journey of converting customers to consumption.

So a year ago, we were probably in the 50% to 60% range, somewhere in there. So -- it is a -- like I said, it's a meaningful dollar amount, but it's also -- it's not the entire customer base. So there's going to be a little bit of choppiness there, as we continue to get to a point, where it is very, very close to 90-plus percent of that denominator.

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**Lucky Schreiner** - DA Davidson & Co - Analyst

Got you. That's helpful. And then the gross retention improvement to 90% potentially next year was great to hear. Is the uncertainty of timing there, though, primarily a function of the longer sales cycles with CDW and when those start to benefit the renewal process? Or is that around like cohorts were coming up with the longer contracts to renew?

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**Tod Crane** - Domo Inc - Chief Financial Officer

Yes. It's a combination of a couple of things. So certainly, the progress we made with getting a higher and higher percentage of our customer base under multiyear contracts is going to drive a lot of that improvement in gross retention. It's also -- there's a number of other initiatives we've got in place.

We're working on our onboarding. We're working on a number of things, getting more and more technical resources into the company that can interface with our customers on a regular basis and really drive that deep adoption in their organizations and make sure they're getting a lot of value out of our product.

There's, again, a number of factors that are all playing into that, but those are all reasons why we feel confident that this step-up from -- we've been at 85% for the last five or six quarters, stepping up to 87% in Q4, and we see kind of that step-up continuing and progressing as we go forward into next year. Those are all the things we're seeing that give us -- give us confidence in that.

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**Lucky Schreiner** - DA Davidson & Co - Analyst

Got you. Thanks for taking my questions.

**Operator**

(Operator Instructions)

There are no further questions at this time. I'd like to turn the call back over to Josh James for closing remarks.

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

Thank you. I'm thrilled that we are expecting the best billings growth in over three years and expecting to be adjusted cash flow positive every quarter this year. And now that we've completed the earnings call, I will take a moment to share a personal message.

Over the past several months, I've taken a hard and honest look at my relationship with alcohol. I periodically used it as a crutch during moments of stress and once I started drinking, I sometimes struggle to know when to stop. This pattern doesn't align with the person I want to be for myself and my family and my faith of the people I lead. So a few weeks ago, I check myself into a residential substance abuse treatment center for alcohol.

I have another two weeks to go of residential treatment and then we'll spend several weeks of continued daily treatment, followed by a year of weeklong -- of weekly counseling. I am making this public because I believe transparent accountability is an important step for my recovery.

I never thought it could be on my bingo card that I might become a well-known, very flawed Mormon or a member of the Church of Jesus Christ Latter-Day Saints. I always wanted to be a great example of Christ of my church of my wife, my children, my parents, friends and coworkers. But I failed in many of regards on that front, and I'm committed to getting help.

I've decided to take some medical time to really focus on recovery. I know that I will recover and improve myself. And going forward, I only hope I can live the rest of my life more humbly, more purely and hope to become a story of redemption of getting back up after falling down and of living a life with character of which I can be proud.

I want to express my deepest gratitude to my wife and my family, who've been pillars of strength throughout this journey. Their love patients and unwavering support have grounded me through some of my hardest moments, and I'm profoundly grateful. While I'm focusing on myself, I will still be able to perform my duties as CEO at Domo. And as always, continue to take them very seriously.

However, for a temporary period, I'll be spending a majority of my time prioritizing my health. I look forward to keeping the Domo train on the rails and executing at the highest levels. As I also temporarily rely on my team more than ever. I will continue driving the strategic conversations and relationships and we'll also have weekly or daily sync with my team as needed.

I appreciate your listening and pray for your understanding and support. I will try to make myself as available as I can for any follow-up questions at another time. Thank you.

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**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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