S&P Global
Market Intelligence

MongoDB, Inc. NasdaqGM:MDB

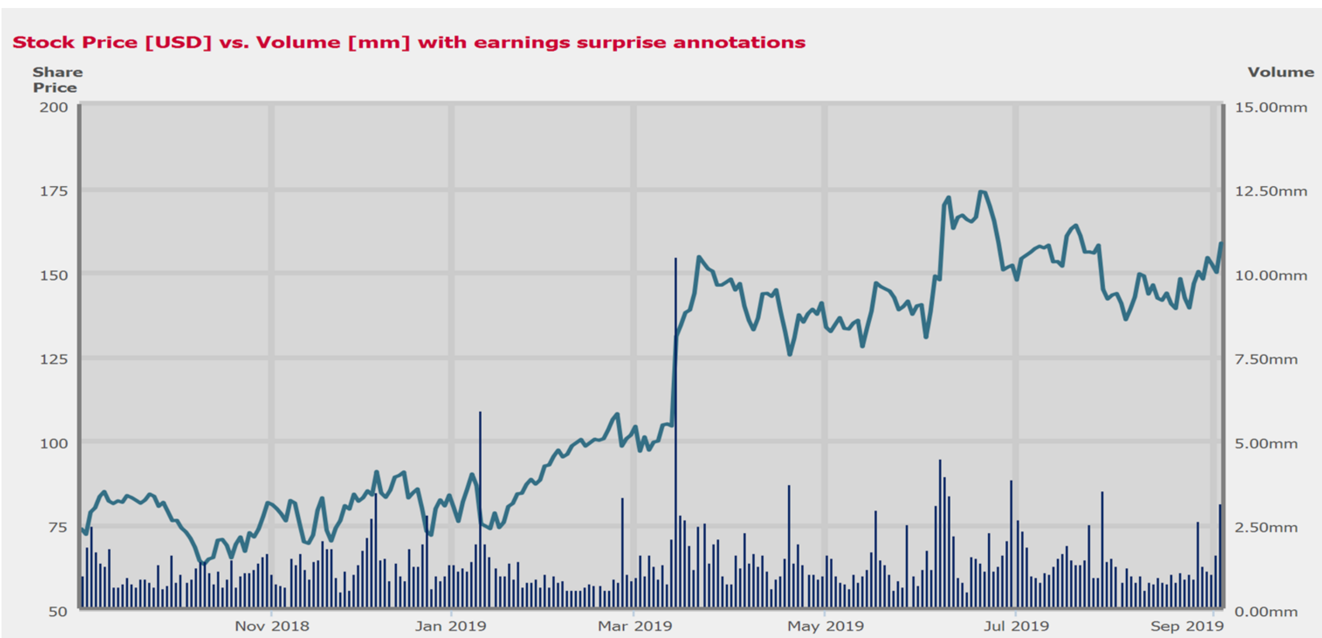
FQ2 2020 Earnings Call Transcripts

Wednesday, September 04, 2019 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2020-			-FQ3 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.28)	(0.26)	NM	(0.28)	(1.06)	(0.78)
Revenue (mm)	91.70	99.37	▲8.36	94.86	381.87	498.42

Currency: USD
Consensus as of Sep-03-2019 10:45 AM GMT



- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2019	(0.40)	(0.30)	NM
FQ4 2019	(0.38)	(0.17)	NM
FQ1 2020	(0.24)	(0.22)	NM
FQ2 2020	(0.28)	(0.26)	NM

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Call Participants

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Michael Lawrence Gordon
COO & CFO

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ATTENDEES

Brian Denyeau
ICR, LLC

Presentation

Operator

Good day, ladies and gentlemen, and welcome to today's MongoDB Second Quarter Fiscal 2020 Earnings Call. I would like to remind everyone that this conference is being recorded, and at this time, I'll turn the floor over to Brian Denyeau, ICR, Investor Relations.

Brian Denyeau
ICR, LLC

Thank you, Greg. Good afternoon, and thank you for joining us today to review MongoDB's second quarter fiscal 2020 financial results, which we announced in our press release issued after the close of market today. Joining in on the call today are Dev Ittycheria, President and CEO of MongoDB; and Michael Gordon, MongoDB's COO and CFO.

During this call, we may make statements related to our business that are forward-looking under federal securities laws. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements related to our financial guidance for the third quarter and full year fiscal 2020; our market opportunity; the opportunity created by and scalability of our go-to-market and growth strategies; the potential advantages of our new products, product enhancements and planned integrations, including as a result of our recent acquisition of Realm; timing of the transition of mLab customers to Atlas and anticipated revenue deterioration from mLab customers; the anticipated impact of Atlas sales expansion on our gross margin; anticipated investments in the business and their impact on future cash flows. The words anticipate, continue, estimate, expect, intend, will and similar expressions are intended to identify forward-looking statements or similar indications of future expectations. These statements reflect our views only as of today and should not be construed as representing our views as of any subsequent date. We do not have plans to update these statements except as required by law. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations. For a discussion of the material risks and other important factors that could affect our actual results, please refer to those contained in our quarterly report on Form 10-Q with the SEC on June 7, 2019, and our other periodic filings with the SEC. These documents are available in the Investor Relations section of our website at www.mongodb.com. A replay of this call will also be available there for a limited time.

Additionally, non-GAAP financial measures will be discussed in this conference call. Please refer to the tables in our earnings release on the Investor Relations portion of our website for a reconciliation of these measures to the most directly comparable GAAP financial measure.

And with that, I'd like to turn the call over to Dev.

Dev C. Ittycheria
President, CEO & Director

Thanks, Brian. Thanks to everyone for joining us to review our second quarter results.

MongoDB continued to perform at a very high level, driven by broad-based strength in all geographies and industries. Our results continue to demonstrate that MongoDB has clearly established itself as the most popular modern database platform of choice in the world. Our success is being driven by our strong product market fit and the sophistication of our go-to-market strategy. We are confident that we will be able to continue to capitalize on our long-term opportunity in the $64 billion global database software market.

Looking quickly at our second quarter financial results. We generated revenue of $99.4 million, a 67% year-over-year increase and above the high end of our guidance. We grew subscription revenue 71% year-over-year. Atlas revenue grew more than 240% year-over-year and now represents 30% of revenue, and we had another strong quarter of customer growth, ending the quarter with over 15,000 customers.

Our strong results begin with our best-in-class product offering. We made several significant product announcements that represent notable progress on our long-term product vision to make data stunningly easy to work with. In June, we held our annual user conference, MongoDB World, in New York, and attendance set another record. During the conference, we unveiled a number of exciting products and features including MongoDB version 4.2 with key features such as distributed asset transactions and client-side field level encryption. We believe this latest release further cements our positioning as the modern general purpose database of choice and underscores our capability to support the most mission-critical applications.

MongoDB Atlas Data Lake allows customers to quickly query data on S3 in any format using the MongoDB query language. We believe that other solutions in the analytics markets have been plagued by high upfront investments, complex implementations and the need for specialized skills. By contrast, with Atlas Data Lake, our customers can leverage their existing MongoDB expertise and incur no upfront costs to quickly derive value from their data.

MongoDB Full-Text Search gives end users the flexibility to filter, rank and sort their data to quickly surface the most relevant search results. Importantly, they can implement this functionality without incurring the effort and cost of pairing their database with an external search engine. Developers can leverage the functionality to build sophisticated search queries within applications, saving them significant amount of time, effort and money.

Finally, we announced our plan to integrate our newly acquired mobile database Realm with our serverless platform, Stitch. Realm's synchronization protocol will connect with MongoDB Atlas' global cloud database on the back end, making Realm's sync a powerful way for developers to connect data to the devices running their applications. As part of MongoDB, Realm is positioned to become the default database for mobile developers and the easiest way to build real-time mobile applications.

These product announcements are formed by our long-term vision and ground by feedback from our customers on the strategic value they can achieve by leveraging MongoDB for a broader set of use cases across their organization. Our second quarter results also demonstrate that our investments in expanding and extending our go-to-market capabilities are paying off. Given the size of the market in front of us, we have built an increasingly sophisticated three-pronged go-to-market strategy that allows us to pursue the entire database market.

The first component is our field sales organization, which drove strong broad-based performance in all the major regions of the second quarter. Our success with field sales is driven by our ability to recruit and develop outstanding sales personnel and strategically engage our customers from developers up to CXOs. Second, our inside sales channel focuses on the mid-market, where deals are smaller with shorter sales cycles. These customers, who prefer a low touch sales model with a high degree of automation, have less interest in managing their own infrastructure and therefore see compelling value in Atlas. The third component of our go-to-market strategy is our self-serve channel which has grown significantly as a percentage of revenue over the past year. Starting last year, we significantly increased our investment in this channel to build a world-class, developer-focused, product-led growth marketing organization. This is a multiyear journey, but we are encouraged by the progress we are making.

We also see increasingly a synergy across these go-to-market motions. For example, we have observed developers in large enterprises frequently start evaluating and using Atlas via our self-serve channel, which can lead to larger opportunities for our direct sales force. We've also seen fast-growing self-service customers who can grow even faster when they interact with our customer-facing teams. Moreover, we had observed highly sophisticated mid-market customers, some of whom have built their entire business on MongoDB, who need a level of engagement typical of large enterprises.

One of the key competitive differentiators is the freedom to run anywhere, and our cloud partnerships enable customers that choose MongoDB Atlas to take advantage of the benefits of each major cloud provider as they see fit. We're off to a strong start with our partnership with GCP. We expanded our relationship with Microsoft by launching the availability of Atlas on Microsoft Azure Marketplace, which will simplify billing for joint customers. Furthermore, we have joined Microsoft's strategic partner reported ACR co-sell program, and this is yet another record quarter for Atlas on AWS.

I'd like to spend a few minutes reviewing some customer vignettes. We are increasingly seeing a wide array of customers choosing MongoDB to run mission-critical applications. The following is a small selection of customer wins and interesting use cases from the second quarter.

MongoDB is a valued partner to Venmo. Venmo has experienced tremendous growth over the past few years and has decided to partner with MongoDB because of our ability to provide the scale they needed for their growing platform. Venmo is leveraging MongoDB's Enterprise Advanced offering to streamline operations and to drive automation. Halliburton Energy Services, a leading oilfield services company, is adopting MongoDB to modernize its high-performance rig technology. The Halliburton edge platform connects digital operations to the field, orchestrating multiple inbound and outbound data streams and applications to optimize execution. The ease-of-use and flexible scheme of MongoDB enabled the developers to quickly iterate and drive innovation and modernization at the rig site.

An important example of MongoDB's international reach, technology leader Hitachi signed an agreement to embed MongoDB in their new products. After evaluating several other database platforms, they chose MongoDB for our consistent reputation for reliability, scalability and performance.

Dreamus, a subsidiary of SK Telecom, the #1 telco in Korea, recently replaced MySQL with MongoDB for their new mobile music service FLO. Dreamus made the decision to switch to MongoDB because of the limitations of its relational database to scale and MongoDB's flexible schema data model as well as their future plans for a managed cloud service.

Conrad Electric (sic) [Conrad Electronic], a European retailer of electronic products based in Germany and one of Europe's top 10 online shops, was self-managing MongoDB community in the cloud but recently decided to move their MongoDB environment to Atlas. They are not only saving on overall infrastructure cost but can also focus their developers' time on high-value tasks instead of database management.

The breadth and depth of MongoDB's deployments around the world demonstrates our success as the modern data platform of choice.

To summarize, MongoDB continues to perform at a very high level. We believe the increasing sophistication of our go-to-market strategy and expanded product portfolio position us well to continue delivering high revenue growth rates for the foreseeable future. We're focused on executing against our strategic priorities and ensuring we capitalize on our market opportunity.

With that, let me now turn the call over to Michael.

Michael Lawrence Gordon
COO & CFO

Thanks, Dev.

As mentioned, we're very pleased with our second quarter performance. I'll begin with a detailed review of our second quarter results and then finish with our outlook for the third quarter and full fiscal year 2020.

First, I'll turn to our second quarter results. Total revenue in the quarter was $99.4 million, up 67% year-over-year. Subscription revenue was $94.2 million, up 71% year-over-year, and professional services revenue was $5.2 million, up 15% year-over-year. While we performed well above our expectations in the quarter, we would like to note that our results also benefited from a few meaningful Enterprise Advanced transactions that we had expected to close in the third quarter. Under ASC 606, we are required to recognize the upfront term license revenue from these contracts in Q2 when we had expected to realize them originally in Q3.

Our second quarter performance reflected positive contributions from every region and strong adoption of both Enterprise Advanced and Atlas. The combination of healthy new logo additions and continued strength in upsell activities provides us with multiple vectors to sustain high levels of growth.

We continue to see rapid adoption of Atlas, which grew over 240% in the quarter and now represents 37% of total revenue compared to 18% in the second quarter of fiscal 2019 and 35% last quarter. Atlas has now reached a nearly $150 million annualized revenue run rate only 3 years since its launch, which reflects the popularity of MongoDB and the growing interest that customers of all sizes have in a fully managed cloud database offering.

As a reminder, our second quarter results include the impact of mLab, which we acquired in November of 2018. At the time of the mLab acquisition, we said that we expected the mLab business to decline as we transition their customer base to the Atlas platform. Revenue from mLab customers performed in line with our expectations for a modest sequential decline, which we expect will continue in the second half of fiscal 2020 as planned. Excluding mLab, we were very pleased with the organic growth of the business overall, which drove the outperformance relative to the guidance.

During the second quarter, we grew our customer base by over 800 customers sequentially, bringing our total customer count to over 15,000, which is up from over 7,400 in the year ago period. Of our total customer count, over 1,850 are direct sales customers, which compares to over 1,600 in the year ago period. The growth in our total customer count is being driven in large part by Atlas, which had over 13,200 customers at the end of the quarter compared to over 5,300 in the year ago period.

The sequential growth in total customers includes growth in our Enterprise Advanced customers as well as new Atlas customers. It is important to keep in mind that the growth in our Atlas customer count reflects new customers to MongoDB in addition to existing EA customers, adding incremental Atlas workloads.

We're also continuing to see healthy expansion from existing customers, which is a key component of our growth strategy. Our net ARR expansion rate in the first quarter remained above 120% for the 18th consecutive quarter. We ended the quarter with 622 customers with at least $100,000 in ARR and annualized MRR, which is up from 438 in the year ago period.

Moving down the P&L, I'll be discussing our results on a non-GAAP basis, unless otherwise noted. Gross profit in the second quarter was $71.1 million, representing a gross margin of 72% compared to 74% in the year ago period. We are pleased with the efficiencies we're generating in our organic Atlas business as it scales. In addition, we're starting to see improvements in mLab as mLab benefits from Atlas's scale and as we're starting to transition mLab customers onto the Atlas platform. However, we continue to expect that we will see some modest reduction in overall company gross margin as Atlas continues to be a bigger portion of our revenue.

Our operating loss was $14.8 million or a negative 15% operating margin for the second quarter compared to a negative 30% margin in the year ago period. The more than 1,500 basis points improvement in operating margin is particularly impressive given our growth profile and the investments we're making in our business. Given our strong first half revenue and profitability performance and the numerous growth opportunities we are targeting, our intention is to make incremental investment in sales and marketing and R&D in the second half of fiscal 2020.

Net loss in the second quarter was $14.7 million or $0.26 per share based on 55.6 million weighted average shares outstanding. This compares to a loss of $0.34 per share on 51.2 million shares outstanding in the year ago period.

Turning to the balance sheet and cash flow. We ended the quarter with $436.6 million in cash, cash equivalents, short-term investments and restricted cash. Operating cash flow in the second quarter was negative $12.6 million. After taking into account -- after taking into consideration approximately $1.2 million in capital expenditures, free cash flow was negative $13.8 million for the quarter. This compares to negative free cash flow of $18 million in the second quarter of fiscal 2019. We are pleased with our cash flow performance year-to-date but expect to burn cash in the third and fourth quarter of fiscal 2020 as we continue to make significant investments in the business. Also, given this year's stronger-than-expected Q2 cash flow performance, Q2 may not be our peak quarter for negative cash flow as is typically the case.

As a reminder, the continuing growth of Atlas as a percent of our overall business impacts our reported financials in several ways. First, Atlas revenue is recorded on a consumption basis whereas Enterprise Advanced includes a term license component that is recognized upfront. Second, Atlas has a lower overall gross margin Enterprise Advanced because of its infrastructure component. That said, on an apples-to-apples functionality basis, Atlas is accretive to dollars of gross profit. Finally, self-service Atlas customers and a growing portion of our direct sales Atlas customers pay us monthly in arrears versus annually upfront for Enterprise Advanced. In other words, a growing percentage of Atlas, which is an increasing portion of our overall business, does not involve an upfront cash payment nor does it impact our deferred revenue balances. We believe that offering customers the ability to pay as they go is a key benefit of the cloud model. More broadly, we believe that continuing to find ways to facilitate the ease of consumption will ultimately maximize long-term revenues and cash flow.

I'd now like to turn to our outlook for the third quarter and full fiscal year 2020. For the third quarter, we expect revenue to be in the range of $98 million to $100 million. We expect non-GAAP loss from operations to be negative $16.5 million to negative $15.5 million and a non-GAAP net loss per share to be in the range of negative $0.29 to negative $0.27 per share based on 56.4 million weighted average shares outstanding.

As we have mentioned on previous calls, our third quarter outlook reflects a notably large compare from the third quarter of fiscal 2019 when we signed a higher-than-usual number of multiyear Enterprise Advanced contracts. As a reminder, under ASC 606, we recognize the entire term license portion of a multiyear contract at the outset, resulting in no recognition of additional term license revenue at the beginning of each new subscription year of the contract. Also as discussed earlier, our results from the second quarter also benefited from a few meaningful Enterprise Advanced transactions that moved from Q3 to Q2.

For the full fiscal year 2020, we now expect revenue to be in the range of $390 million to $395 million compared to our previous guidance of $375 million to $381 million. Please recall the fourth quarter will be the first quarter we will have mLab in the base period, and as we've described before, we expect continued deterioration in the revenue from former mLab customers both sequentially as well as year-over-year. This is all in line with our original investment thesis.

For the full fiscal year 2020, we expect non-GAAP loss from operations to be negative $62 million to negative $59 million and non-GAAP net loss per share to be in the range of negative $1.11 to negative $1.06 per share based on 55.9 million weighted average shares outstanding.

As mentioned previously, we see our strong start to fiscal '20 as another indication of the size of the opportunity ahead of us, and we will invest incrementally across our business in the second half to further pursue that opportunity. To summarize, MongoDB delivered excellent second quarter results. We're executing well on our product and go-to-market strategies which is generating impressive growth at scale. We believe our clear leadership as the modern general-purpose data platform of choice will enable us to continue delivering strong growth going forward.
And with that, we'd like to open up to questions. Operator?

Question and Answer

Operator

[Operator Instructions] And first from Barclays, we have Raimo Lenschow.

Raimo Lenschow
Barclays Bank PLC, Research Division

Congrats from me. Two questions, if I may. First, Dev, can you talk -- it doesn't happen often in software that kind of deals get kind of pulled in -- or large deals are getting pulled in early. Can you just talk a little bit about momentum in the quarter and linearity? I mean given that everyone is nervous, it sounds like the opposite of it. Just talk to that, please.

Dev C. Ittycheria
President, CEO & Director

I would say that this quarter was much like most other quarters. There wasn't any changes in linearity. We typically put a lot of rigor in our forecasting process. And so we have a pretty good sense of how the quarter is looking. And obviously, the closer the quarter we get to, the more -- even more visibility we have, and I would say our sales organization is quite effective at closing deals and giving customers reasons for why they should engage with us now versus later. And we feel really good about that execution.

Raimo Lenschow
Barclays Bank PLC, Research Division

Yes. Well done. And then on Atlas, can you talk a little bit about what you see on the different platforms like now that you're kind of on the -- what does it mean that you're now on the Microsoft Marketplace? You talked about early, good momentum around Google. Like just help us understand what's the difference between like being there versus being on the Marketplace, et cetera.

Dev C. Ittycheria
President, CEO & Director

Sure. And just for everyone's benefit, we started in 2016 on AWS first. And then a year later, we added GCP and Azure. I would say that -- obviously, I would say Atlas, the deployments of Atlas, in some ways, mirrors the broader market share of the larger cloud providers. With that being said, I would say that we've been really pleased with the traction we're getting with Google, and that's really starting to accelerate even though the partnership we announced in May has not had a lot of time to gestate. But the activity level is very strong, and we've closed a number of deals with Google. And the announcement we made with Microsoft basically incentivizes their salespeople to basically get paid on Atlas deals. Moreover, customers can get a unified bill when they buy Atlas via the marketplace, and they can apply their Azure commitments towards Atlas, which means that they don't have to go find other dollars to fund the workload on Atlas. So all in all, it's a win-win for the customer, win-win for Microsoft salespeople and obviously a win-win for us.

Operator

And moving on, we will take Sanjit Singh with Morgan Stanley.

Sanjit Kumar Singh
Morgan Stanley, Research Division

Congrats, Dev and Michael, on an excellent first half. I wanted to pick up from MongoDB World debut. You elicited a very ambitious vision around MongoDB being a data platform. Could you just speak to what needs to happen in terms of evangelizing that type of story in terms of like the sales motions specifically? Typically in the database market, we've seen customers go for point functionality for specific capabilities. What would be the -- what needs to happen to sort of funnel that demand to more of a consolidated play when we think about some of the things that you're going after around data visualization, search and those types of -- and more analytical workloads on the MongoDB platform? What needs to happen to trigger those buying patterns?

Dev C. Ittycheria
President, CEO & Director

Yes. So I would say that while there have been a lot of point solutions built for particular use cases, we increasingly hear from customers that they just can't use a net new technology for every net new workload. It doesn't scale. It's hard to get everyone to learn all these new technologies, support and maintain all of them, and it just adds a lot more costs. So the degree to which that they can consolidate their infrastructure under not necessarily only one platform but a small number of platforms, it becomes more compelling to the customer. So I would say, for example, our Full-Text Search capability basically obviates the need for a customer to buy a disparate search engine to complement their functionality of the database to basically provide search functionality on their application.

Conversely, for the Data Lake capabilities, rather than having to learn a new technology, make some big upfront investment, hire a very specialized group of people, you can leverage the experience and expertise of people that we have on MongoDB and basically use the Data Lake functionality to query data on S3, which is where most people are storing their data today. So it really allows people to -- gives reason for people to use MongoDB for a broader and broader set of use cases. And remember, the database is the heart of every application, so unlike search where there are some vendors in the search space who have contemplated becoming a database, they quickly realize that, that was not something that was very easy to do. They are now trending more towards the op space and going after the systems management market. Where I think with the database being the center of gravity, it's much more natural for us to expand from the database to broaden our set of use cases. And that's why we think as MongoDB becomes an obvious choice for modern applications, our ability to expand our use cases will be -- get better over time. And you see these investments in the products that we're making.

Sanjit Kumar Singh
Morgan Stanley, Research Division

Great. That's very helpful. And Mike, maybe one just quick follow-up for you. In terms of the pull-forward impact of Enterprise Advanced, is there any way you can quantify what the impact that was in terms of revenue or billings in the quarter?

Michael Lawrence Gordon
COO & CFO

Yes. Not specifically in terms of a number, but I think the key point here is this ties to what we've talked about ever since we adopted 606, there's sort of the increased variability and reduced comparability sort of quarter-to-quarter. And so I think what we wanted to do is just to have people understand that we had a couple that sort of fell on the earlier side of the ledger relative to where we were forecasting, and that helps put our Q3 in context.

Operator

And moving on, we have Brad Reback with Stifel.

Brad Robert Reback
Stifel, Nicolaus & Company, Incorporated, Research Division

Dev, as you think about the three-pronged go-to-market strategy you've laid out, how much bigger do you think self-service can get than where it is today?

Dev C. Ittycheria
President, CEO & Director

We think we're just in the early innings of our self-serve journey. If you remember, we really started this business with the launch of Atlas, and then we accumulated more expertise to the mLab acquisition because they built their business entirely through self-serve. We finally feel that we, in making investments, really understand the levers, what drives self-serve. We have -- now with lots of customers, over 13,000 customers in Atlas, we have a lot more understanding and sophistication around product signals in terms of what customers may be ripe for upsell or cross-sell. But we still feel that we're in the early innings of our journey there.

Brad Robert Reback
Stifel, Nicolaus & Company, Incorporated, Research Division

Great. And then just one quick follow-up also on the go-to-market side. Last quarter, you talked about very aggressive recruiting efforts on the sales side. Can you tell us how the hiring process is going?

Dev C. Ittycheria
President, CEO & Director

We've been very pleased. We've been hiring like mad. We have a high bar, and we will continue to be hiring because as I think I mentioned on many calls, given the size of market, we are constrained by the reach that we have. And so -- and in many markets, we have very limited coverage. And so -- but just hiring salespeople is not enough. You have to hire -- make sure you have the sales management leadership in place, and you need to make sure you have your recruiting infrastructure in place and that once you hire them, you can ramp them and get them productive as fast as possible. That's a big priority for us. We are very happy with the number of people we recruited last quarter, but there's a big push to do a lot of recruiting in Q3 and Q4.

Operator

Moving on, we have Heather Bellini with Goldman Sachs.

Daniel Peter Church
Goldman Sachs Group Inc., Research Division

This is Dan Church on for Heather Bellini. Last quarter, I think you mentioned roughly about 2/3 of Atlas revenue is not reflected in deferred revenue. I was just wondering how stable has that number been over time. And do you expect that mix to change as you see increasing enterprise adoption of Atlas?

Dev C. Ittycheria
President, CEO & Director

Yes. So I think the key thing there is we were trying to give a point-in-time estimate for folks as opposed to a quarterly metric that we'd read out on. But I think, in general, the direction will be more of -- as I kind of shared in the prepared remarks, more and more of Atlas will be on a monthly and in arrears basis both because of the self-serve growth as well as trying to make sure that we are reducing any possible barriers to consumption and making consumption as easy as possible, including monthly invoicing for arrears for some enterprise customers for whom that's important. So I think in general, you'll continue to see that be a relevant consideration, and therefore some of the deferreds and other ways that you tend to look at some companies being increasingly less relevant as it relates to analyzing us.

Daniel Peter Church
Goldman Sachs Group Inc., Research Division

Helpful. As a quick follow-up, I believe last quarter, you talked about some investments you're making in expanding the channel ecosystem specifically with system integrators. So any update or progress on traction there and then strategic investments or priorities for investments as we get into the back half of the year?

Dev C. Ittycheria
President, CEO & Director

No. Things are -- remain the course. We're doing a lot of business with the SIs. I think we have relations with a number of them. In fact, I just had a video testimonial with Infosys that was published on LinkedIn.

And we have relationships with Accenture, with Capgemini, a bunch of boutique players and other large system integrators. And obviously, each system integrator has a certain expertise, either in a particular geography or an industry, or they have specific account control. And so we work well with them. And the synergy there is that in many cases, as we all know, a lot of customers are constrained on development capacity. And so where the systems integrator can add value is being the development arm, leveraging MongoDB in a more modern stack to help customers drive innovation faster in the organization. And so we're spending a lot of time enabling these integrators, both at the corporate level and at the field level and building more and more proof points. And in some cases, you also see integrators themselves build their own specific products, embedding MongoDB in their technology. And so it's a multipronged effort.

Operator

Next, from Citi, we have Tyler Radke.

Tyler Maverick Radke
Citigroup Inc, Research Division

Could you talk about the -- what you're seeing in terms of enterprise adoption of Atlas? It sounds like you're not necessarily seeing enterprises come in and -- to pay for a full year upfront necessarily, but maybe just some comment on the use cases or traction that you're seeing in terms of enterprise and Atlas.

Dev C. Ittycheria
President, CEO & Director

I would say that we're seeing actually strong demand for Atlas in the enterprise. And then in some cases, they'll actually commit upfront for a certain amount of spend in a particular year over a -- or over a multiyear period. And that's driven by either new workloads that they're building and they want to just run in the cloud because of particular use case reasons, or they're migrating, say, a community workload on-premise to the cloud because the cost/benefit of Atlas is that much more compelling. And so we're seeing a lot of interest from very, very large organizations. I think previously, we talked about banks, insurance companies, tech companies and so on and so forth, all very, very interested in Atlas. And we're really, really excited about the interest level. And one of the other themes that really surfaces in our discussions with these large enterprises is our ability to run Atlas on multiple clouds. So either they want to leverage specific expertise or services or capabilities with a particular cloud provider or they want to make sure that they have a diversity of workloads across different cloud providers. And so running that on Atlas preserves their optionality because they can do that very easily without having to rewrite the application.

Tyler Maverick Radke
Citigroup Inc, Research Division

And maybe a follow-up for Michael. I appreciate all the color around the moving parts of Q3 guidance including the multiyear deal that closed here in Q2 instead of Q3. Maybe as we just think about the rest of the year, it does obviously look like you're guiding Q3 to have revenue decelerate quite a bit from Q2, which makes sense given the tough comp. But as we think about Q4, is there anything we should be thinking about in terms of a tough compare for multiyear deals or just anything to call out? Because the guidance does look like the decel is kind of continuing into Q4.

Michael Lawrence Gordon
COO & CFO

Yes, sure. Yes. So we had flagged this at the very beginning of the year, that the back half, both Q3 and Q4, had tough compares. So you're exactly correct. The Q3 compare was particularly driven by some multiyear deals, which we talked about, but the Q4 compare was also very challenging. Q4 fiscal '19 was an exceptionally good quarter, so it's not appropriate to guide to replicating that. We also called out at that time, just to remind everyone, that there had been some customers on Atlas that were consuming in excess of their run rate. We don't have enough data or enough history on Atlas to know if that's kind of truly seasonal behavior, and so we're not counting on that either. But I think, fundamentally, Q2 is very strong. We're obviously raising our guidance more than the beat, and it really reflects the underlying health of the business. And then the last thing that we've talked about consistently for the last couple of quarters but I just want to underscore is Q4 is the first time we hit the mLab anniversary. And while that business is performing well relative to our investment thesis, the underlying cohorts are declining. And so that obviously creates sort of a year-over-year headwind when you look at sort of the growth compares.

Operator

[Operator Instructions] And next, we move on to Jason Ader with William Blair.

Jason Noah Ader
William Blair & Company L.L.C., Research Division

I just wanted to address the competitive landscape, if you would. Specifically, relative to Amazon, any feedback you're hearing from customers on DocumentDB? And then maybe any other comments on win rates against legacy guys and what you're seeing just broadly speaking competitively?

Dev C. Ittycheria
President, CEO & Director

We feel really good about the business. I mean obviously, Amazon has a large reach. But I think as we've spent time on previous calls, they've tried to emulate MongoDB using a very different architecture, so that has severe consequences in terms of both features as well as performance. And we've heard many situations where customers have tried to use DocumentDB and it hasn't really been right for their use case. And so we don't see any headwinds in terms of competition. It is a big market. There's lots of people out there, but we feel really good about our competitive differentiation as evidenced by our growth rates, as evidenced by some of the most sophisticated customers in the world are choosing MongoDB for some very, very mission-critical workloads. And they don't have -- a lack of access to options and then -- and we feel really good about our positioning.

Jason Noah Ader
William Blair & Company L.L.C., Research Division

Okay. Great. And then a quick follow-up, Michael. Just you talked about the Enterprise Advanced deals that you had in the quarter. Assuming these were -- I'm assuming these were with larger companies. Do you have any metric that you track in terms of how much of your business is, let's say, with Global 2000 customers or something to that effect?

Michael Lawrence Gordon
COO & CFO

That's not something that we have that we sort of publicly report on. I'm trying to think if there's anything that we have that would be useful that we've disclosed, but I'm trying to think...

Jason Noah Ader
William Blair & Company L.L.C., Research Division

Do you have a rough idea of how much of your business is, let's call it, enterprise versus more mid-market?

Michael Lawrence Gordon
COO & CFO

So certainly, if you separate the business into the sales sold side and the self-serve side, within the sales sold side, the majority is coming from larger enterprises. The mid-market team is newer, and we've been scaling that more recently. The product market fit within Atlas is particularly strong on that team, and that's actually the area that my comments earlier about sort of ease of adoption and less comfortable making annual payments advances, it's much more at the mid-market that we see that. And so that's been growing, but the majority is on the large enterprise side within sales sold.

Operator

And moving on, we have Pat Walravens from JMP Securities.

Joey Marincek
JMP Securities LLC, Research Division

This is Joey on for Pat. We are wondering about the difference between selling more databases into an existing customer compared to selling apps. And how specifically does that manifest itself in a net dollar expansion rate?

Dev C. Ittycheria
President, CEO & Director

Well, I'm not sure I completely understood the details of your question, but let me try and take a stab at answering it. So unlike an app, say like Workday or Salesforce, if you add more employees or more salespeople, the cost of sale is quite low because the customer will just say, hey, I need x number of new seats or licenses for these additional people that I've hired. Whereas for database software, while we have some applications that grow very quickly organically, most of the growth in an account is by adding new workloads or new apps. And so there may be a different team, a different decision-maker and so on and so forth involved in those decisions. Obviously, as more momentum we have in account, the easier the next workload becomes. But that tends to be a different buying cycle than just someone adding seats or licenses for expanding an existing application. And so the benefit is that we're never locked out of account. And so it's not like SAP versus Workday where someone's made a big commitment to SAP, the Workday salesperson says, I'm not going to be able to sell anything to this customer for the next 3 years. That's -- so this is not a winner-take-all market.

And in terms of our net expansion rates, our net expansion rates are really strong because once we get into an account, I think we've talked at the IPO and in every quarter, we have a land and expand business. And so once we get into an account, database software is very sticky. And if they have -- they see value in it, they typically find other reasons to use our software for other use cases. But as I said, the buying motion is a little different.

Michael Lawrence Gordon
COO & CFO

I think the other thing, just to sort of get to the last part of the question, is because the market is so large, the expand portion sort of goes on longer, and so that's very additive to the net ARR expansion rate. And so if you think about very simplistically, we talked about this in the context of the IPO, the Fortune 100, which obviously we're addressing a much larger universe than that but just illustratively it's helpful to understand, we had just over half of the Fortune 100 as customers. So the best we could do in terms of raw customer count is sort of not quite double within that universe of customers, and directionally, we had less than 1% of their spend, right? So the upside on the expand part was quite significant given what a small wallet share we have relative to the very large TAM. So I hope that puts it somewhat in context.

Joey Marincek
JMP Securities LLC, Research Division

Yes. That's really helpful. Congrats on the quarter.

Operator

And next, we have Jack Andrews with Needham.

Khanh Minh Ngo
Needham & Company, LLC, Research Division

It's Khanh Ngo on for Jack. At MongoDB World, you mentioned that some customers could see an increase in cluster size due to Full-Text Search. Can you provide an update on any changes you're seeing in cluster size due to this feature? What's the potential TAM of existing customers that may end up using Full-Text Search?

Dev C. Ittycheria
President, CEO & Director

Yes. I'd just remind you that we're still in a beta rollout, so the product is not technically GA, but we have a number of customers who are now using or testing or trialing Full-Text Search, and the feedback has been quite positive. I think it's a little early to start giving you some sense of like what the incremental growth is of each customer. It really depends on the application. And in terms of the applicability of Full-Text Search in our market, it's very high. So if you think about it, what application today doesn't have some embedded search functionality in it? So we think the cross-sell opportunities are quite large.

Khanh Minh Ngo
Needham & Company, LLC, Research Division

And how should we think about the Data Lake feature in the displacement opportunity for like a cloud-based Hadoop system? And what are some of the benefits of using your Atlas Data Lake versus other systems?

Dev C. Ittycheria
President, CEO & Director

Right. So I would say we think that the Atlas Data Lake is an awesome solution for people who have contemplated using Hadoop technologies because as I've mentioned in the prepared remarks, there's not a huge upfront investment required. There's not a need to hire some specialized skills, and the time to value is not very long. In fact, you can get it up and running very, very quickly because you can just very easily query and parse the data that you stored in S3. And so we think the opportunity there is incredibly high. And I think the advantage also is that if you already have existing MongoDB skills, there's not a new technology that you have to learn. So it becomes very easy for developers and others to basically query data using a semantic language that they're very comfortable in using. And so in terms of competitive offerings, we feel like when you think about the most common data format today for modern data as JSON, who better to really query and manage JSON data than MongoDB, which architectures both run supporting JSON, and so we think we're very well positioned to go after this market given our expertise in managing modern data.

Operator

And next, we have Brent Bracelin with KeyBanc Capital Markets.

Clarke Jeffries
KeyBanc Capital Markets Inc., Research Division

This is Clarke on for Brent. Just going to the comment about the mid-market customers that are really building their business around MongoDB. Is there any kind of description you could kind of qualify what those customers look like? Are they very digital first? Or are they conducting their business primarily through an e-commerce channel? Just some sort of way to understand what that kind of business and what those customers look like today.

Dev C. Ittycheria
President, CEO & Director

Yes. Sure. I mean they're clearly digital-first companies. They're potentially a start-up that's grown into kind of a mid-market state but growing very, very quickly. They're very technology savvy. Their business is very technology intensive. It could be e-commerce. It could be gaming. It could be new business models, and they're basically potentially in the machine learning and the AI space. So those companies, if the business is already taking off, they can -- their needs in terms of support and service tend to look much like potentially a large enterprise, just given the sophistication and complexity of their environment. And so the advantage we have is that we just haven't built a mid-market channel. We built also a high-end enterprise channel. And so depending on that customer's needs, we can mix and match the right channel for the right customer, and that gives us real flexibility in terms of how to service these very sophisticated customers.

Clarke Jeffries
KeyBanc Capital Markets Inc., Research Division

Great. And are you seeing them -- or would you anticipate those to be probably target customers for these add-on offerings for parsing the JSON data because they might have more of their core operations within MongoDB? Just trying to kind of understand whether you're seeing early signs of -- they're not going to another vendor for analytical or sort of operational understanding of their business. They're keeping it all within the ecosystem. And that's it for me.

Dev C. Ittycheria
President, CEO & Director

They're definitely great candidates. And some of them may have already implemented some third-party solution, but they're still great candidates for us to talk to. These customers always tend to be evaluating different options. And so -- but again, quite early for our Data Lake product and our Full-Text Search product. They're still in beta. But we're very, very pleased with the kind of enthusiastic response we're seeing.

Operator

And moving on to the next question, I suppose, from Oppenheimer, we have Vinod Srinivasaraghavan.

Vinod Krish Srinivasaraghavan
Oppenheimer & Co. Inc., Research Division

I have 2 questions. First, I want to dig into the expansion rate dynamics a bit. Has your expansion rate moved up or down materially sequentially?

Michael Lawrence Gordon
COO & CFO

Yes. So it's consistently been -- I think it's now 18 quarters that we've said that it's over 120%. Quarter-to-quarter, there are some quarters where you see more new logo activity relative to the expansion from existing customers and other quarters where you see it slightly tip the other way. But I would say we very consistently had both strong new logo growth and expansion of existing customers.

Vinod Krish Srinivasaraghavan
Oppenheimer & Co. Inc., Research Division

Okay. And just one more. How many customers are above $1 million in ARR now?

Michael Lawrence Gordon
COO & CFO

So we haven't given that number since the -- we give that number typically annually. I think when we ended Q4 of last year, that was at $39 million -- 39 customers over $1 million, excuse me, 39 customers over $1 million, but that's not a number we update quarterly.

Vinod Krish Srinivasaraghavan
Oppenheimer & Co. Inc., Research Division

Got it. All right. Congrats on the quarter.

Operator

All right. Ladies and gentlemen, it does appear that, that does conclude our question-and-answer session of the call. I'd like to turn the floor back to CEO Dev Ittycheria for additional or closing remarks.

Dev C. Ittycheria
President, CEO & Director

Thank you again for joining our second quarter earnings call. We really appreciate the interest and the support. And as I mentioned upfront, we're really pleased about the quarter, and we feel like we have -- we're well positioned to go after a big opportunity. Thank you.

Operator
And once again, ladies and gentlemen, that concludes our call for today. Thank you for joining us. You may now disconnect.